

DEXUS Property Group (ASX: DXS) Appendix 4E

Results for announcement to the market

DEXUS Property Group
ARSN 089 324 541

Financial reporting for the year ended 30 June 2013

DEXUS Diversified Trust	Note 1			
		30 June 2013	30 June 2012	%
		\$m	\$m	Change
Revenue from ordinary activities		652.8	755.9	-13.6%
Net profit attributable to security holders after tax		514.5	181.1	184.1%
Funds from operations (FFO) ¹		365.4	367.8	-0.7%
Distribution to security holders		282.1	257.4	9.6%
		CPS	CPS	
Funds from operations per security		7.75	7.65	1.3%
Distributions per security for the period ending				
31 December		2.89	2.67	8.2%
30 June		3.11	2.68	16.0%
Total distributions	Note 2	6.00	5.35	12.1%
Payout ratio (distributions as a % of FFO)		77.4%	70%	
Basic and diluted earnings per security ²		11.03	3.75	
		\$m	\$m	
Total assets		7,752.6	7,364.1	5.3%
Total borrowings		2,167.1	1,940.8	11.7%
Security holders equity		5,191.7	5,007.3	3.7%
Market capitalisation		5,031.1	4,449.0	13.1%
		\$ per unit	\$ per unit	
Net tangible assets		1.05	1.00	5.0%
Securities price		1.07	0.93	15.1%
Securities on issue ('000)		4,701,957	4,783,818	
Record date		28 June 2013	29 June 2012	
Payment date		30 Aug 2013	31 Aug 2012	

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, rental guarantees and coupon income.

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

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Results for announcement to the market

Results commentary

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

Details of joint ventures and associates

	Ownership Interest		Share of net profit after tax	
	30 June 2013	30 June 2012	12 months ended 30 June 2013	12 months ended 30 June 2012
Name of entity	%	%	\$m	\$m
Bent Street Trust	33.3	33.3	24.4	3.1
DEXUS Creek Street Trust	50.0	—	5.8	—
DEXUS Martin Place Trust	50.0	—	1.6	—
Grosvenor Place Holding Trust	50.0	—	4.0	—
Site 6 Homebush Bay Trust	50.0	—	0.9	—
Site 7 Homebush Bay Trust	50.0	—	1.2	—
DEXUS 480 Q Holding Trust	50.0	—	-	—
DEXUS Kings Square Trust	50.0	—	-	—

Distribution Reinvestment Plan (DRP)

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

Notes

1. For the purposes of statutory reporting, the stapled entity, known as DXS, must be accounted for as a consolidated group. Accordingly, one of the stapled entities must be the "deemed acquirer" of all other entities in the group. DEXUS Diversified Trust has been chosen as the deemed acquirer of the balance of the DXS stapled entities, comprising DEXUS Industrial Trust, DEXUS Office Trust and DEXUS Operations Trust.
2. The distribution for the period 1 July 2012 to 30 June 2013 is the aggregate of the distributions from DEXUS Diversified Trust and DEXUS Office Trust (DEXUS Operations Trust and DEXUS Industrial Trust did not pay a distribution during the period). The Annual Tax Statement issued as at 30 June 2013, will provide details of the components of DXS's distributions. The distribution includes foreign sourced income of \$0.00013 per security.

DEXUS Property Group

(ARSN 089 324 541)

Financial Report
30 June 2013



DEXUS
PROPERTY GROUP

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

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

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

www.dexus.com

FIVE YEAR FINANCIAL SUMMARY

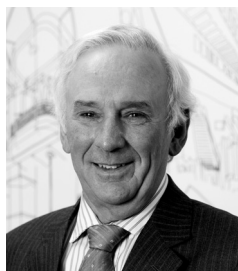
	2009 \$m	2010 \$m	2011 \$m	2012 \$m	2013 \$m
Consolidated Statement of Comprehensive Income					
Profit and loss					
Property revenue	708.5	663.1	629.1	535.7	546.6
Management fees	63.7	51.6	50.6	50.3	48.5
Proceeds from sale of inventory	–	–	3.3	49.8	24.4
Property revaluations	–	–	148.4	43.0	185.9
Reversal of previous impairment	–	13.3	–	–	20.5
Contribution from equity accounted investments	–	(26.2)	34.1	13.8	37.9
Other income	5.7	10.1	5.5	1.7	1.2
Total income	777.9	711.9	871.0	694.3	865.0
Property expenses	(174.5)	(169.8)	(151.9)	(133.5)	(134.9)
Cost of sale of inventory	–	–	(3.4)	(44.0)	(22.9)
Finance costs	(384.2)	(190.7)	(52.7)	(118.0)	(98.6)
Net gain/(loss) on sale of investment properties	(1.9)	(53.3)	7.1	–	(3.7)
Property devaluations and impairments	(1,685.7)	(209.4)	–	(14.9)	(2.2)
Other expenses	(107.2)	(87.1)	(93.7)	(76.4)	(79.5)
Total expenses	(2,353.5)	(710.3)	(294.6)	(386.8)	(341.8)
Profit/(loss) before tax	(1,575.6)	1.6	576.4	307.5	523.2
Income and withholding tax benefit/(expense)	120.2	30.0	(21.3)	18.9	(1.7)
Profit/(loss) after tax from continuing operations	(1,455.4)	31.6	555.1	326.4	521.5
Loss from discontinued operations	–	–	–	(143.5)	(7.0)
Net profit/(loss)	(1,455.4)	31.6	555.1	182.9	514.5
Other non-controlling interests (including RENTS)	(3.7)	(0.2)	(2.1)	(1.8)	–
Net profit/(loss) to stapled security holders	(1,459.1)	31.4	553.0	181.1	514.5
Operating EBIT	514.5	461.3	437.2	467.9	443.3
Funds from operations (cents per security)	10.43	7.30	7.40	7.65	7.75
Distributions (cents per security)	7.30 ¹	5.10	5.18	5.35	6.00
Consolidated Statement of Financial Position					
Cash and receivables	120.7	89.4	109.9	90.0	44.7
Property assets ²	7,735.9	7,306.6	7,487.1	6,922.7	7,258.4
Other (including derivative financial instruments and intangibles)	494.5	475.0	390.7	351.4	449.5
Total assets	8,351.1	7,871.0	7,987.7	7,364.1	7,752.6
Payables and provisions	289.6	281.2	274.3	277.0	275.8
Interest bearing liabilities	2,509.0	2,240.1	2,215.1	1,940.8	2,167.1
Other (including financial instruments)	406.3	343.3	191.4	139.0	118.0
Total liabilities	3,204.9	2,864.6	2,680.8	2,356.8	2,560.9
Net assets	5,146.2	5,006.4	5,306.9	5,007.3	5,191.7
Minority interest	206.8	205.2	204.0	–	–
Net assets (after non-controlling interest)	4,939.4	4,801.2	5,102.9	5,007.3	5,191.7
NTA per security (\$)	1.01	0.95	1.01	1.00	1.05
Gearing ratio ³ (%)	31.2	29.8	28.4	27.2	29.0
Consolidated Statement of Changes in Equity					
Total equity at the beginning of the year	5,835.1	5,146.2	5,006.4	5,306.9	5,007.3
Net profit/(loss)	(1,455.4)	31.6	555.1	182.9	514.5
Other comprehensive income/(loss)	(53.5)	(7.0)	(4.9)	41.8	29.7
Contributions of equity, net of transaction costs	1,129.9	90.3	14.6	–	–
Buy back of contributed equity, net of transaction costs	–	–	–	(51.0)	(77.5)
Acquisition of non-controlling interest	–	–	–	(204.0)	–
Distributions provided for or paid	(296.6)	(244.4)	(250.7)	(257.4)	(282.1)
Other transactions with equity holders	–	–	–	0.1	(0.2)
Other non-controlling interest movements during the year	(13.3)	(10.3)	(13.6)	(12.0)	–
Total equity at the end of the year	5,146.2	5,006.4	5,306.9	5,007.3	5,191.7
Consolidated Statement of Cash Flows					
Net cash inflow from operating activities	359.6	340.2	239.3	348.4	193.5
Net cash inflow/(outflow) from investing activities	(212.5)	90.6	(227.0)	659.6	(84.9)
Net cash inflow/(outflow) from financing activities	(170.2)	(444.4)	4.9	(1,019.9)	(155.6)
Net increase/(decrease) in cash and cash equivalents	(23.1)	(13.6)	17.2	(11.9)	(47.0)
Cash and cash equivalents at the beginning of the year	99.2	84.8	64.4	73.7	59.2
Effects of exchange rate changes on cash and cash equivalents	8.7	(6.8)	(7.9)	(2.6)	2.7
Cash and cash equivalents at the end of the year	84.8	64.4	73.7	59.2	14.9

1. 77.4% of FFO in FY13.

2. Property assets include investment properties, non-current assets held for sale, inventories and investment property accounted for using the equity method.

3. Includes cash.

BOARD OF DIRECTORS



Christopher T Beare Chair and Independent Director

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

Chris Beare is both the Chair and an Independent Director of DEXUS Funds Management Limited. Chris is also a member of the Board Nomination, Remuneration & Governance Committee and the Board Finance Committee.

Chris has significant experience in international business, technology, strategy, finance and management.

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



Elizabeth A Alexander AM Independent Director

BComm, FCA, FAICD, FCPA

Elizabeth Alexander is an Independent Director of DEXUS Funds Management Limited, Chair of DEXUS Wholesale Property Limited and a member of the Board Audit, Risk & Sustainability Committee.

Elizabeth brings to the Board extensive experience in accounting, finance, corporate governance and risk management and was formerly a partner with PricewaterhouseCoopers. Elizabeth is currently the Chair of Medibank and the Chancellor of the University of Melbourne.

Elizabeth's previous appointments include National Chair of the Australian Institute of Company Directors, National President of the Australian Society of Certified Practising Accountants and Deputy Chairman of the Financial Reporting Council. Elizabeth was previously Chairman of CSL and a Director of Amcor and Boral.



Barry R Brownjohn Independent Director

BComm

Barry Brownjohn is an Independent Director of DEXUS Funds Management Limited and is Chair of the Board Audit, Risk & Sustainability Committee.

Barry has over 20 years' experience in Australia, Asia and North America in international banking. Barry is an Independent Director of Citigroup Australia Pty Limited and a Director of Bakers Delight Holdings Pty Limited. He also serves as a member on the Board of Governors of the Heart Research Institute.

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



John C Conde AO Independent Director

BSc, BE (Hons), MBA

John Conde is an Independent Director of DEXUS Funds Management Limited, and is the Chair of the Board Nomination, Remuneration & Governance Committee.

John brings to the Board extensive experience across diverse sectors including commerce, industry and government. John is the Chairman of Bupa Australia Holdings Pty Limited, Cooper Energy Limited, Sydney Symphony Limited, Destination NSW and Deputy Chairman of Whitehaven Coal Limited. John is President of the Commonwealth Remuneration Tribunal and a Director of the McGrath Foundation Limited. John is also Chairman of the Australian Olympic Committee (NSW) Fundraising Committee and a Director of the AFC Asian Cup Australia 2015.

John was previously Chairman of Ausgrid (formerly EnergyAustralia), Director of BHP Billiton and Excel Coal Limited, Managing Director of Broadcast Investment Holdings Pty Limited, Director of Lumley Corporation and President of the National Heart Foundation of Australia.



Tonia Dwyer Independent Director

BJuris (Hons), LLB (Hons)

Tonia Dwyer is an Independent Director of DEXUS Funds Management Limited and DEXUS Wholesale Property Limited, and a member of the Board Compliance Committee.

Tonia brings to the Board significant experience as a company director and executive working in listed property, funds management and corporate strategy across a variety of international markets. Tonia is currently a Director of Cardno Limited and Queensland Treasury Corporation.

Tonia was a Director from 2006 until 2010 of Quintain Estates and Development – a listed United Kingdom property company comprising funds management, investment and urban regeneration and was Head of Funds Management from 2003. Prior to joining Quintain, Tonia was a Director of Investment Banking at Hambros Bank, SG Cowen and Société Générale based in London. Tonia also held directorships on a number of boards associated with Quintain's funds management business including the Quercus, Quantum and iQ Property Partnerships and the Bristol & Bath Science Park Stakeholder Board.



Stewart F Ewen OAM Independent Director

Stewart Ewen is an Independent Director of DEXUS Funds Management Limited and a member of the Board Nomination, Remuneration & Governance Committee.

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

Stewart was also a Director of CapitaCommercial Trust Management Limited in Singapore from 2004 to 2008. Stewart was previously President of the Property Council of NSW, member of the NSW Heritage Council and Chair of the Cure Cancer Australia Foundation.



Craig D Mitchell Chief Financial Officer and Executive Director

BComm, MBA (Exec), FCPA, Advanced Management Program – Harvard Business School 2011

Craig is the Group's CFO and an Executive Director of DEXUS Funds Management Limited.

Craig is responsible for operational and strategic finance, accounting, tax, treasury and third party funds including management of the retail property portfolio.

Craig has more than 20 years of financial management and accounting experience, with over 15 years specialising in the property industry.

Craig was previously the General Manager, Finance of the Commercial, Industrial, Capital Partners and Third Party Funds divisions at Stockland Group. Prior to this Craig worked in a number of senior finance roles at Westfield.

Craig has a Masters of Business Administration (Executive) from the Australian Graduate School of Management, a Bachelor of Commerce and is a Fellow of CPA Australia. He has also completed the Advanced Management Program at Harvard Business School, Boston.



Richard Sheppard Independent Director

BEc Hons

Richard Sheppard is an Independent Director of DEXUS Funds Management Limited and a member of the Board Finance and Board Audit, Risk & Sustainability Committees.

Richard brings to the DEXUS Board extensive experience in banking and finance and as a director and Chairman of listed and unlisted property trusts. Richard is Treasurer of the Bradman Foundation and a Director of the Sydney Cricket Club. He is also the Chairman of Green State Power Pty Ltd and the Macquarie Group Foundation, and a Director of Echo Entertainment Group.

He was Managing Director and Chief Executive Officer of Macquarie Bank Limited and Deputy Managing Director of Macquarie Group Limited from 2007 until late 2011. Following seven years at the Reserve Bank of Australia, Richard joined Macquarie Group's predecessor, Hill Samuel Australia in 1975, initially working in Corporate Finance. He became Head of the Corporate Banking Group in 1988 and headed a number of the Bank's major operating Groups, including the Financial Services Group and the Corporate Affairs Group. He was a member of the Group Executive Committee since 1986 and Deputy Managing Director since 1996. Richard was also Chairman of the Australian Government's Financial Sector Advisory Council from 2009 – 2011.



Darren J Steinberg Chief Executive Officer and Executive Director

BEc, FRICS, FAPI

Darren Steinberg is the CEO of DEXUS Property Group and an Executive Director of DEXUS Funds Management Limited.

Darren has more than 25 years' experience in the property and funds management industry. Darren is the National President of the Property Council of Australia, a Fellow of the Royal Institution of Chartered Surveyors and the Australian Property Institute and a member of the Australian Institute of Company Directors.

Prior to joining DEXUS in March 2012, Darren was Managing Director Property for Colonial First State Global Asset Management. He has also held senior property roles with Stockland, Westfield, Lend Lease and Jones Lang Wootton.

Darren has a Bachelor of Economics from the University of Western Australia.



Peter St George Independent Director

CA(SA), MBA

Peter is an Independent Director of DEXUS Funds Management Limited and the Chair of the Board Finance Committee.

Peter has more than 20 years' experience in senior corporate advisory and finance roles within NatWest Markets and Hill Samuel & Co in London. Peter is currently a Director of First Quantum Minerals Limited (listed on the Toronto Stock Exchange).

Peter acted as Chief Executive/Co-Chief Executive Officer of Salomon Smith Barney Australia/NatWest Markets Australia from 1995 to 2001. Peter was previously a Director of Spark Infrastructure Group, its related companies and SFE Corporation Limited.

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

ASX Corporate Governance Principles and Recommendations	
Principle 1 – Lay solid foundations for management and oversight 1.1 Companies should establish and disclose the functions reserved for the board and those delegated to senior executives 1.2 Companies should disclose the process for evaluating the performance of senior executives	Page v
Principle 2 – Structure of the board to add value 2.1 A majority of the board should be independent directors 2.2 The chair should be an independent director 2.3 The roles of chair and chief executive officer should not be exercised by the same individual 2.4 The board should establish a nomination committee 2.5 Companies should disclose the process for evaluating the performance of the board, its committees and individual directors	Pages v-vii
Principle 3 – Promote ethical and responsible decision making 3.1 Companies should establish and disclose a code of conduct or a summary of the code 3.2 Companies should establish and disclose a policy concerning diversity or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity. The board should assess annually both the objectives and progress in achieving them 3.3 Companies should disclose in each annual report the measurable objectives for achieving gender diversity in accordance with the diversity policy and progress towards achieving them 3.4 Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board	Pages vii-viii
Principle 4 – Safeguard integrity in financial reporting 4.1 The board should establish an audit committee 4.2 The audit committee should be structured so that it consists only of non-executive directors, with a majority of independent directors, is chaired by an independent chair who is not chair of the board and has at least three members 4.3 The audit committee should have a formal charter	Pages ix-x
Principle 5 – Make timely and balanced disclosure 5.1 Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for compliance and disclosure of those policies or a summary of those policies	Page x
Principle 6 – Respect the rights of shareholders 6.1 Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy	Page x
Principle 7 – Recognise and manage risk 7.1 Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies 7.2 The board should require management to design and implement the risk management and internal control systems to manage the company's material business risks and report on whether those risks are being managed effectively. The board should disclose that management has reported as to the effectiveness of the company's management of its material business risks 7.3 The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks	Pages x-xi
Principle 8 – Remunerate fairly and responsibly 8.1 The board should establish a remuneration committee 8.2 The remuneration committee should be structured so that it consists of a majority of independent directors, is chaired by an independent chair and has at least three members 8.3 Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Page xi

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

The Board implements a corporate governance framework that applies to all DXFM funds, the DEXUS Wholesale Property Fund and mandates. The framework is designed to support the strategic objectives of the Group by defining accountability and creating control systems to mitigate the risks inherent in day-to-day operations.

The framework meets the requirements of the ASX Corporate Governance Principles and Recommendations with 2010 Amendments (2nd edition), and addresses additional aspects of governance that the Board considers important.

Further information relating to DEXUS's corporate governance framework, including committee structure, Terms of Reference, key policies and procedures and a reconciliation of the ASX Principles against its governance framework is available at www.dexus.com/corporategovernance.

Principle 1 – Lay solid foundations for management and oversight

Roles and responsibilities

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

The Board determined that the governance framework will meet the highest standards of a publicly listed company. This includes the conduct of the Annual General Meeting, the appointment of Independent Directors by DEXUS security holders and disclosure of its remuneration report.

Board responsibilities

The framework ensures accountability and a balance of authority by clearly defining the roles and responsibilities of the Board and executive management. This enables the Board to provide strategic guidance while exercising effective oversight.

The Board is responsible for:

- reviewing and approving DEXUS's business objectives and strategies to achieve them. These objectives form performance targets for the Chief Executive Officer and the Group Management Committee Members. Performance against these objectives is reviewed semi-annually by the Board Nomination, Remuneration & Governance Committee and is a primary input to the remuneration review of Group Management Committee members
- approving the annual business plan
- approving acquisitions, divestments and major developments
- ensuring that DEXUS's fiduciary and statutory obligations to stakeholders are met

The Board is also directly responsible for appointing and removing the Chief Executive Officer and Company Secretary, ratifying the appointment of the Chief Financial Officer and monitoring the performance of the Group Management Committee.

Group Management Committee responsibilities

The Board appoints a Group Management Committee responsible for achieving DEXUS's goals and objectives, including ensuring the prudent financial and risk management of the Group. Throughout the year the Group Management Committee generally met weekly.

Members of the Group Management Committee for 2013 were:

- Chief Executive Officer (and Executive Director)
- Chief Financial Officer (and Executive Director)
- Executive General Manager – Investor Relations, Marketing & Communications
- Executive General Manager – Office & Industrial (appointed 10 December 2012)
- Executive General Manager – People & Culture (previously Human Resources)
- Executive General Manager – Property Services & Chief Operating Officer
- Executive General Manager – Strategy, Transactions & Research
- General Counsel

Principle 2 – Structure the Board to add value

Board composition

The composition of the Board reflects the duties and responsibilities it discharges and is determined by relevant experience and general qualifications including:

- the ability and competence to make appropriate business decisions
- an entrepreneurial talent for contributing to the creation of investor value
- relevant experience in the property, investment and financial services sectors
- high ethical standards
- exposure to emerging issues
- a commitment to the fiduciary and statutory obligations to further the interests of all investors and achieve the Group's objectives

The incumbent Directors bring a range of skills and experience to the Board in the areas of strategy, property investment, funds management, capital markets, corporate governance and financial and risk management. Their expertise enables them to relate to the strategies of DEXUS and make a meaningful contribution to the Board's deliberations.

Size

DEXUS has determined that the optimal size of the Board should be small enough to be able to act nimbly, but large enough to ensure a diverse range of views is provided on any issue.

During the year Craig Mitchell, the Chief Financial Officer, was appointed to the Board as an Executive Director. Craig has been with DEXUS for more than five years and has more than 20 years of financial management and accounting experience, with more than 15 of those years specialising in property.

At 30 June 2013, the Board comprised 10 members including eight Independent Directors, the Chief Executive Officer and the Chief Financial Officer. The DXFM constitution allows for the appointment of up to 10 Directors.

CORPORATE GOVERNANCE STATEMENT

The tenure of Independent Directors at 30 June, 2013 was:

Name	0 to 3 years	3 to 6 years	6 to 9 years
Chris Beare (Chair)			8 years 10 months
Elizabeth Alexander AM			8 years 6 months
Barry Brownjohn			8 years 6 months
John Conde AO		4 years 2 months	
Tonianne Dwyer	1 year 10 months		
Stewart Ewen OAM			8 years 10 months
Richard Sheppard	1 year 6 months		
Peter St George		4 years 2 months	

Board independence

Independent Directors are independent of management and must be free of any business or other relationship that could materially interfere with the exercise of his or her unfettered and independent judgement.

To be independent, a Director must not have, in the previous three years:

- been retained as a professional adviser to DEXUS either directly or indirectly, or as determined by the Board
- been a significant customer of DEXUS or supplier to DEXUS (as determined by the Chair)
- held a significant financial interest in DEXUS either directly or indirectly (as determined by the Chair)
- held a senior executive position at DEXUS

The Board regularly assesses the independence of its Directors, in light of interests disclosed to it.

While Directors of the Responsible Entity are not technically subject to the approval of security holders, the Board has determined that all Directors, other than the Chief Executive Officer and Chief Financial Officer, will stand for election by DEXUS stapled security holders. If a nominated Director fails to receive a majority vote that Director will not be appointed to the Board of DXFM.

DXFM Directors, other than the Chief Executive Officer and Chief Financial Officer, will hold office for three years following his or her first appointment (or, if appointed by the Board between DXS Annual General Meetings, from the date of the Annual General Meeting immediately succeeding the initial appointment).

Independent Directors are not expected to hold office for more than 10 years or be nominated for more than three consecutive terms, whichever is the longer. The Chair is an Independent Director who is responsible for leadership, the efficient organisation and conduct of the Board's functions and briefing Directors on issues arising relevant to the Board.

The Board defines the responsibilities and performance requirements of the Chief Executive Officer and performance is monitored by the Chair. Biographies outlining the skills and experience of each Director are set out on pages ii-iii of this Annual Report.

The procedure for selecting and appointing new Directors to the Board can be found at www.dexus.com/corporategovernance.

Meetings

The Board generally meets monthly between February and November, with additional meetings held throughout the year as required.

Board meetings are normally held at the registered office of DEXUS, although some meetings may be held "offsite" to allow Directors to visit DEXUS owned and managed properties. To enable participation, video conferencing facilities are utilised as required.

Directors are expected to attend at least 75% of meetings a year. For the year to 30 June 2013, there was 100% attendance at all Board meetings.

Agenda items for Board meetings are set by the Chair in conjunction with the Chief Executive Officer and Company Secretary and include (but are not limited to):

- Chief Executive Officer's report
- Company Secretary's report
- minutes of Board Committee meetings
- reports on asset acquisitions, disposals and developments
- management presentations
- other business where Directors can raise any topical matters

Each Board meeting includes time for Independent Directors to meet without the Chief Executive Officer, Chief Financial Officer and other executives present. Senior management is available to provide clarification or answer questions Directors may have prior to the Board meeting, or to attend the Board meeting if requested by the Directors.

Some of the key decisions made by the Board during the year include the:

- sale of the remainder of DEXUS's US assets
- sale of the majority of DEXUS's European assets
- entering into fund-through development agreements for two office developments in Brisbane and Perth
- acquisition of office properties in Sydney and Melbourne
- issuance of a US Private Placement
- settlement of a new capital partnership to acquire a 50% in select industrial properties
- decision to relocate DEXUS's head office to Australia Square

Access to training and information

To ensure that each new Director is able to meet his or her responsibilities effectively, newly appointed Directors receive a briefing by DEXUS management on business strategy and operations.

New Directors receive an information pack which addresses the corporate governance framework, committee structures and their Terms of Reference, governing documents, and background reports.

In addition, Directors receive regular presentations by management and external advisers regarding sector, fund, and industry specific trends. Directors also attend property tours and are encouraged to pursue professional development opportunities at the Group's expense.

Directors, as required, are encouraged to:

- seek independent professional advice, at the Group's expense
- seek additional information from management
- directly access senior DEXUS executives

Performance

The Board Nomination, Remuneration & Governance Committee oversees a two-year Board performance evaluation program in which Board and committee performance is evaluated in the first year and individual Director performance in the next. Every third year, an independent consultant is engaged to facilitate the Board performance review applicable to that year.

During the year, an independent consultant was engaged to facilitate a review of the Board and Board committees addressing:

- the role of the Board
- Board interaction with management
- Board composition and the contribution of each director
- Board meeting effectiveness and interaction
- effectiveness of sub committees

The review concluded that DEXUS has a "very strong and capable Board" and made several recommendations for incremental improvement that included:

- investigating opportunities to optimise the Board's contribution to DEXUS's future growth
- develop a more formal board renewal and transition process
- consider changes to business performance monitoring and reporting in relation to strategy execution

DEXUS's Performance Evaluation Policy is available at www.dexus.com/corporategovernance.

Board support

The Board has a number of committees to assist it in the fulfilment of its responsibilities including:

- Board Audit, Risk & Sustainability Committee
- Board Compliance Committee
- Board Finance Committee
- Board Nomination, Remuneration & Governance Committee

Board committee membership and responsibilities are revised regularly to ensure maximum effectiveness. Board committees are generally supported by specific management committees.

The Terms of Reference for the DEXUS Board and the Board committees are reviewed at least annually and are available at www.dexus.com/corporategovernance.

Independent Directors have a standing invitation to attend any or all Board committee meetings. Each Board Committee meeting has a standing agenda item to identify improvements to reporting or processes that would benefit the Committee, as well as any items that require immediate reference to the Board or a regulator (where applicable).

Board	Responsibility
Board Committees	Oversight and Board support
Nomination, Remuneration & Governance Committee	
Audit, Risk & Sustainability Committee	
Finance Committee	
Compliance Committee	
Management Committees	Review and support function
Group Management Committee	
Capital Markets Committee	
Compliance, Risk & Ethics Committee	
Continuous Disclosure Committee	
Project Steering Committee	
Investment Committee	

Principle 3 – Promote ethical and responsible decision making

Codes of Conduct

To meet statutory and fiduciary obligations of each investor group and to maintain confidence in its integrity, the Board implements a series of clearly articulated compliance policies and procedures to which all employees must adhere:

- the Board considers it important that all employees meet the highest ethical and professional standards and has consequently established an Employee Code of Conduct and a Directors' Code of Conduct, both of which are approved by the Board Compliance Committee. DEXUS's Anti-Bribery policy addresses the acceptance and granting of appropriate gifts and benefits and reinforces the Group's commitment not to donate to political parties
- the Group strongly supports the disclosure of corrupt conduct, illegality or substantial waste of company assets under its Good Faith Reporting Policy. Employees who make such disclosures are protected from any detrimental action or reprisal and an independent external disclosure management service provider has been appointed to ensure anonymity for those reporting incidents

All employees are required to confirm compliance with key DEXUS policies annually. In 2013, employees were asked to confirm ongoing compliance with policies regarding Code of Conduct, Conflicts of Interest and Securities Trading and Inside Information.

CORPORATE GOVERNANCE STATEMENT

Other key ethical policies reviewed during 2013 include:

- the Competition & Consumer Act Policy ensuring DEXUS's operations acknowledge and promote competition and fair trading
- DEXUS's Acquisition Rotation Policy ensuring fair and equitable allocation of property acquisitions between DEXUS Property Group and its mandated clients

To further support DEXUS's approach to ethical behaviour and responsible decision making, the Internal Compliance, Internal Risk and Internal Audit Committees were amalgamated in 2013 to form DEXUS's Compliance, Risk & Ethics Committee. The Committee's focus has been extended to address oversight of ethical policies and processes as well as a forum to discuss the promotion of ethical behaviour within the Group. All DEXUS Board and Corporate Policies are available at www.dexus.com/corporategovernance.

Insider trading and trading in DEXUS securities

The Group's Securities Trading Policy applies to Directors and employees who wish to invest in DEXUS securities for themselves or on behalf of an associate.

The policy requires any Director who wishes to trade in DEXUS securities, to obtain written approval from the Chair and Company Secretary. Employees wishing to trade in DEXUS securities must obtain written approval from the Chief Executive Officer and General Manager, Compliance, Risk & Governance before entering into a transaction. DEXUS Directors and employees are only permitted to trade DEXUS securities in defined trading windows, following the appropriate approvals.

In the event that the Chair or Chief Executive Officer considers that there is the potential that inside information may be held or that a significant conflict of interest may arise, trading will not be permitted, even in defined trading windows.

The Securities Trading Policy is available at www.dexus.com/corporategovernance.

The Board determines that a minimum holding of 50,000 securities should be acquired by each Independent Director by 30 June 2015. Newly appointed Independent Directors will be required to purchase 50,000 securities within their first three year term.

At 30 June 2013, Independent Directors' holdings in DXS were:

■ Chris Beare	100,000
■ Elizabeth Alexander	100,000
■ Barry Brownjohn	50,000
■ John Conde	100,000
■ Tonianne Dwyer	100,000
■ Stewart Ewen	100,000
■ Peter St George	104,000
■ Richard Sheppard	100,000

Under the DEXUS Transitional Plan, Darren Steinberg (Executive Director) was awarded 453,417 Performance Rights under the DEXUS Transitional Plan and Craig Mitchell (Executive Director) was awarded 539,782 Performance Rights under the DEXUS Transitional Plan, during the 2013 financial year.

Conflicts of interest and related party dealings

The Group's Conflict of Interest and Related Party policies address the management of conflicts of interest and related party transactions which may arise:

- when allocating property transactions, where a new property acquisition opportunity meets the mandate of more than one client
- when negotiating leases, where a prospective tenant is interested in more than one property owned by different DEXUS clients
- when executing transactions between DEXUS clients

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

On a monthly basis, the General Counsel reports to the Board on related party transactions and the General Manager, Compliance, Risk & Governance reports conflicts of interest to the Board Compliance Committee each quarter.

During the 12 months ending 30 June 2013, DEXUS managed several related party transactions where DEXUS and DEXUS Wholesale Property Fund jointly acquired properties. The interests of each party were represented by dedicated teams and co-owner agreements were executed.

DEXUS moved its head office to Australia Square in April 2013, a property jointly owned by DEXUS and The GPT Group. Teams were established to represent the interests of DEXUS as joint owner and DEXUS as tenant. Information barriers remained in place throughout negotiations.

Responsible investment

DEXUS's Environmental Management Policy aims to minimise the overall environmental impact of its operations, both in the development of new properties and the management of existing properties. As a signatory to the United Nations Principles of Responsible Investment (UNPRI), DEXUS incorporates these principles into its investment decisions.

Diversity

DEXUS comprises a socially and culturally diverse workplace and has created a culture that is tolerant, flexible and adaptive to the changing needs of its industry. DEXUS is committed to diversity and promotes a work environment conducive to the merit-based appointment of qualified employees, senior management and Directors. Where professional intermediaries are used to identify or assess candidates, they are made aware of DEXUS's commitment to diversity.

DEXUS currently publishes annual statistics on the diversity profile of its Board and senior management, including a breakdown of the type and seniority of roles undertaken by women. DEXUS acknowledges and fulfils its obligations under relevant employment legislation.

As at 30 June 2013, DEXUS's workforce profile places women at 51% of total staff and 22% of senior managers. Two of eight (25%) non-executive directors are women.

The DEXUS gender diversity target by 30 June 2015 is that 33% of non-executive directors are to be female and 33% of senior management roles are to be held by women.

DEXUS's Diversity Principles and Diversity Target are available at www.dexus.com/corporategovernance

Principle 4 – Safeguard integrity in financial reporting

Board Audit, Risk & Sustainability Committee

To ensure the factual presentation of each Trust's financial position, DXFM has in place a structure of review and authorisation, where the Board Audit, Risk & Sustainability Committee reviews (among other matters):

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

The Committee's Terms of Reference require that all members are Independent Directors with financial expertise and an understanding of the industry in which the Group operates. The Committee:

- has access to management
- has unrestricted access to external auditors without management present
- has the opportunity to seek explanations and additional information as it sees fit
- may also obtain independent professional advice in the satisfaction of its duties at the cost of the Group and independent of management

The Committee meets as frequently as required to undertake its role effectively, not less than four times a year, and the external auditor is invited to attend all meetings.

For the 12 months ending 30 June 2013, the members of the Committee were:

- Barry Brownjohn, Chair, Independent Director
- Elizabeth Alexander AM, Independent Director
- Richard Sheppard, Independent Director

The following reports are provided to the Committee:

- the Chief Executive Officer and the Chief Financial Officer make representations on a semi-annual basis on the veracity of the Financial Statements and financial risk management systems
- the Compliance, Risk & Ethics Committee completes a Fraud Risk questionnaire semi-annually to advise of any instances of actual or perceived fraud during the period

Pricewaterhouse Coopers continues its appointment as statutory auditor of DXFM and its related trusts and entities.

In order to ensure the independence of the statutory auditor, the Committee has responsibility for approving the engagement of the auditor for any non-audit service greater than \$100,000. At 30 June 2013, fees paid to the external auditor for non-audit services were 12.3% of audit fees (15.3% at 30 June 2012).

DEXUS's policy on the selection and appointment of the external auditor is available at www.dexus.com/corporategovernance.

Board Compliance Committee

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

The Board Compliance Committee reviews compliance matters and monitors DXFM compliance with the requirements of its Australian Financial Services Licence and of the Corporations Act 2001 as it relates to Managed Investment Schemes. The scope of the Committee includes all Trusts and the Group's investment mandates.

The Committee only includes members who are familiar with the requirements of Managed Investment Schemes and have risk and compliance experience. Committee members are encouraged to obtain independent professional advice in the satisfaction of their duties at the cost of the Group and independent of management. During the 12 months ending 30 June 2013 no member of the Board Compliance Committee sought independent professional advice.

At 30 June 2013, the Committee comprised three members, two external members (who satisfy the requirements of Section 601JB(2) of the Corporations Act 2001) and one executive of the Group.

The members of the Board Compliance Committee were:

- Andy Esteban, Chair, external member
- Tonia Dwyer, external member (and Independent Director)
- John Easy, executive member

The Compliance Plan Auditor is invited to each Board Compliance Committee meeting.

The skills, experience and qualifications of Tonia Dwyer are detailed on page ii and details for John Easy are provided in the Directors' Report.

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

The Committee reports breaches of the Corporations Act 2001 or of the provisions contained in any Trust's Constitution or Compliance Plans to the DXFM Board, and reports to ASIC in accordance with legislative requirements.

CORPORATE GOVERNANCE STATEMENT

In accordance with DEXUS's Good Faith Reporting Policy, employees have access to Board Compliance Committee members to raise any concerns regarding unethical business practices. To enable the Board Compliance Committee to fulfil its obligations effectively, the Compliance, Risk & Ethics Committee was established to monitor the effectiveness of the Group's internal compliance and control systems.

Furthermore, the Chief Executive Officer makes a quarterly representation to the General Manager, Compliance, Risk & Governance, regarding compliance with policies and procedures. Any significant exceptions are reported to the Board Compliance Committee.

The Chief Financial Officer also provides quarterly certification to the Board Compliance Committee as to the continued adequacy of financial risk management systems.

Principle 5 – Make timely and balanced disclosure

Continuous disclosure

DXFM's Continuous Disclosure Committee ensures timely and accurate continuous disclosure of all material matters that impact the Group. Committee members comprise:

- Chief Executive Officer
- Chief Financial Officer
- EGM – Investor Relations, Marketing & Communications
- EGM – Strategy, Transactions & Research
- General Counsel & Company Secretary

The Committee meets on a regular basis to consider whether any disclosure obligation is likely to arise as a result of the activities being undertaken by the Group. The Continuous Disclosure Committee ensures:

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

Management is required to provide a quarterly attestation to the Compliance, Risk & Governance team that there have been no issues within their area of responsibility that would be subject to continuous disclosure requirements.

Compliance with the Continuous Disclosure Policy is subject to ongoing monitoring, the results of which are reported to the Board Compliance Committee. The policy is available at www.dexus.com/corporategovernance.

Following the release of ASX Guidance Note 8 – Continuous Disclosure, the Board considered its current practice and approved various changes to more closely reflect the revised Guidelines including:

- enhancement to the Committee's Terms of Reference
- enhancement of the Continuous Disclosure Policy including clarification of the type of event that would require disclosure
- confirmation of issues that would require reference to the Board (or delegate) to determine and approve disclosure
- explanation of the process to be followed when assessing market rumours and the existence of false markets

Principle 6 – Respect the rights of shareholders

Annual General Meeting

The Board conducts an Annual General Meeting (AGM) increasing the number of opportunities it has to interact with DEXUS security holders.

Each AGM is designed to:

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

The Group's policy is that all Directors attend the AGM.

The external auditor of the Trusts attends each AGM and is available to answer investor questions regarding the conduct of the audits of the Trusts' financial records and their Compliance Plans, as well as the preparation and content of the Auditor's Report.

DEXUS engages an independent service provider, Link Market Services, to conduct any security holder vote required at the AGM. To facilitate participation, the AGM can be accessed via webcast for those security holders unable to attend the meeting.

Stakeholder communication

In addition to conducting an AGM, the Group has an investor relations and communications strategy that promotes an informed market and encourages participation with investors. This strategy includes use of the Group's website to enable access to DEXUS announcements, annual and half year reports, presentations, and analyst support material available at www.dexus.com/dxs

The website also provides historical distribution and tax information and other Trust related information. Analyst briefings are undertaken on a quarterly basis and enquiries received from investors are addressed in a timely manner in accordance with DEXUS's policy on the handling of enquiries and complaints.

In addition, institutional investors are invited to meet with Independent Directors twice a year (outside of the AGM) to discuss corporate governance or other areas of interest. Information provided at these meetings is subject to DEXUS's Continuous Disclosure Policy.

In 2013, DEXUS launched an Investor Relations app to help in ensuring investors have instant access to corporate and stock information on iPhone, iPad and Android mobile devices.

The Communications Policy is available at www.dexus.com/corporategovernance.

Principle 7 – Recognise and manage risk

Board Audit, Risk & Sustainability Committee

The Board Audit, Risk & Sustainability Committee oversees risk management within DEXUS. The Committee oversees the Group's enterprise risk management practices, as well as environmental management, sustainability initiatives and internal audit practices. It also oversees the effectiveness of the Group's Risk Management Framework.

DEXUS's Risk Management Policy is available at www.dexus.com/corporategovernance.

Members of the Board Audit, Risk & Sustainability Committee during the year to 30 June 2013 were:

- Barry Brownjohn, Chair, Independent Director
- Elizabeth Alexander AM, Independent Director
- Richard Sheppard, Independent Director

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

Risk management

The management of risk is an important aspect of DEXUS's activities, and the Group has a segregated risk function reporting to the General Counsel on a day-to-day basis, as well as a Compliance, Risk & Ethics Committee that has an independent reporting line to the Board Audit, Risk & Sustainability Committee. The General Manager, Compliance, Risk & Governance has direct access to the Chief Executive Officer and Independent Directors.

Risks to DEXUS come from numerous sources, driven by both internal and external factors and include:

- strategic risks
- market risks
- health and safety risks
- operational risks
- environmental risks
- financial risks
- regulatory risks
- fraud risks

The Compliance, Risk & Governance team promotes an effective risk and compliance culture by providing advice, drafting and updating relevant risk and compliance policies and procedures, conducting training and monitoring and reporting adherence to key policies and procedures. Frameworks have been developed and implemented in accordance with ISO 31000:2009 (Risk Management) and AS 3806:2006 (Compliance Programs).

The functions of the Compliance, Risk & Governance team include risk and compliance management, corporate governance and internal audit. The ongoing effectiveness of the risk management and internal control systems is reported by the General Manager, Compliance, Risk & Governance to the Board Audit, Risk & Sustainability Committee and Board Compliance Committee.

DEXUS's internal control procedures are also subject to annual independent verification as part of the GS007 (Audit Implications of the Use of Service Organisations for Investment Management Services) audit.

Internal audit

The internal audit program has a three year cycle, the results of which are reported quarterly to the Compliance, Risk & Ethics Committee and to the Board Audit, Risk & Sustainability Committee.

DEXUS adopts a co-sourcing internal audit model. The appointment of an external firm as co-source service provider has the advantage of ensuring DXFM is informed of broader industry trends and experience. A partner from the internal audit co-source service provider is invited to the Committee meeting to keep Directors informed about these trends.

Board Finance Committee

The Group is subject to significant financial risk, including interest rate and foreign exchange exposures. The Board Finance Committee is responsible for the effective management of these exposures. The Committee reviews and recommends financial risk management policies, hedging and funding strategies, forward looking financial management processes and periodic market guidance for consideration by the Board. To support the Committee's deliberations, a management committee, the Capital Markets Committee has been established.

Members of the Board Finance Committee during the year to 30 June 2013 were:

- Peter St George, Chair, Independent Director
- Chris Beare, Independent Director
- Richard Sheppard, Independent Director (appointed 1 July 2012)

Principle 8 – Remunerate fairly and responsibly

Board Nomination, Remuneration & Governance Committee

The Board Nomination, Remuneration & Governance Committee oversees all aspects of:

- Director and Executive remuneration
- Board renewal
- Director, Chief Executive Officer, and management succession planning
- Board and committee performance evaluation
- Director nominations

The Committee comprises three Independent Directors:

- John Conde AO, Chair, Independent Director
- Chris Beare, Independent Director
- Stewart Ewen OAM, Independent Director

The Chief Executive Officer and Executive General Manager, People & Culture attend the Board Nomination, Remuneration & Governance Committee meeting by invitation.

It is the practice of the Board Nomination, Remuneration & Governance Committee to meet without executives, and non-committee members are not in attendance when their own performance or remuneration is discussed.

Details of the Group's remuneration framework for Executives, Independent Directors and employees are set out in the Remuneration Report that forms part of the Directors' Report. There are no schemes for retirement benefits (other than compulsory contributions to superannuation) for Independent Directors.

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 year ended 30 June 2013. 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 and Secretaries

1.1 Directors

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

Directors	Appointed
Christopher T Beare	4 August 2004
Elizabeth A Alexander, AM	1 January 2005
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
Craig D Mitchell	12 February 2013
W Richard Sheppard	1 January 2012
Darren J Steinberg	1 March 2012
Peter B St George	29 April 2009

1.2 Company Secretaries

The names and details of the Company Secretaries of DXFM as at 30 June 2013 are as follows:

Tanya L Cox MBA MAICD FCSA FCIS

Appointed: 1 October 2004

Tanya is the Executive General Manager, Property Services and Chief Operating Officer of DEXUS Property Group and is responsible for the tenant and client service delivery model, sustainability practices, information technology solutions and company secretarial services across the Group.

Tanya has over 25 years' experience in the finance industry. Prior to joining DEXUS in July 2003, Tanya held various general management positions over the previous 15 years, including Director and Chief Operating Officer of NM Rothschild & Sons (Australia) Ltd and General Manager, Finance, Operations and IT for Bank of New Zealand (Australia). Tanya is a Director of Low Carbon Australia Limited, Australian Athletes With a Disability Limited and a number of not-for-profit organisations.

Tanya is a member of the Australian Institute of Company Directors and a fellow of the Institute of Chartered Secretaries of Australia.

Tanya has an MBA from the Australian Graduate School of Management, a Diploma in Applied Corporate Governance and was a finalist in the 2005 NSW Telstra Business Woman of the year awards.

1 Directors and Secretaries (continued)

1.2 Company Secretaries (continued)

John C Easy B Comm LLB FCSA FCIS

Appointed: 1 July 2005

John is the General Counsel and Company Secretary of all DEXUS Group companies and is responsible for the legal function and compliance, risk and governance systems and practices across the Group.

During his time with the Group, John has been involved in the establishment and public listing of Deutsche Office Trust, the acquisition of the Paladin and AXA property portfolios, and subsequent stapling and creation of DEXUS Property Group.

Prior to joining DEXUS in November 1997, John was employed as a senior associate in the commercial property/funds management practices of law firms Allens Arthur Robinson and Gilbert & Tobin. John graduated from the University of New South Wales with Bachelor of Laws and Bachelor of Commerce (Major in Economics) degrees. John is a Fellow Member of the Institute of Chartered Secretaries of Australia.

John is a member of the Board Compliance Committee and Chair of the Continuous Disclosure Committee.

2 Attendance of Directors at Board meetings and Board Committee meetings

The number of Directors' meetings held during the year and each Director's attendance at those meetings is set out in the table below. The Directors met nine times during the year. Eight Board meetings were main meetings and one meeting was held to consider specific business.

	Main meetings held	Main meetings attended	Specific meetings held	Specific meetings attended
Christopher T Beare	8	8	1	1
Elizabeth A Alexander, AM	8	8	1	1
Barry R Brownjohn	8	8	1	1
John C Conde, AO	8	8	1	1
Tonianne Dwyer	8	8	1	1
Stewart F Ewen, OAM	8	8	1	1
Craig D Mitchell ¹	3	3	-	-
W Richard Sheppard	8	8	1	1
Darren J Steinberg	8	8	1	1
Peter B St George	8	8	1	1

¹ Directorship commenced 12 February 2013.

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

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

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

	Board Audit, Risk & Sustainability Committee		Board Compliance Committee		Board Nomination, Remuneration & Governance Committee		Board Finance Committee	
	held	attended	held	attended	held	attended	held	attended
Christopher T Beare	-	-	-	-	6	6	4	4
Elizabeth A Alexander, AM	4	4	-	-	-	-	-	-
Barry R Brownjohn	4	4	-	-	-	-	-	-
John C Conde, AO	-	-	-	-	6	6	-	-
Tonianne Dwyer	-	-	4	4	-	-	-	-
Stewart F Ewen, OAM	-	-	-	-	6	6	-	-
W Richard Sheppard	4	4	-	-	-	-	4	4
Peter B St George	-	-	-	-	-	-	4	4

3 Remuneration Report

3.1 Overview

The Board has pleasure in presenting the Remuneration Report for the DEXUS Property Group (Group). As with prior years, the Remuneration Report has been prepared in accordance with the Corporations Act and relevant accounting standards. Whilst the Group is not statutorily required to prepare such a report, the Board continues to believe that the disclosure of the Group's remuneration practices is in the best interests of all security holders.

Effective 1 July 2012, the Group implemented its new remuneration framework, which includes a new Short-term Incentive (STI) and Long-term Incentive (LTI) plan. The operation of these plans received security holder approval at the Group's Annual General Meeting on 5 November 2012.

The Board believes that the Group's remuneration framework encourages Executives to perform in the best interests of security holders. Short term financial and operational objectives are approved annually by the Board for each Executive, promoting alignment between investor returns and the rewards an Executive can receive under the STI plan. In addition, the Board has determined a set of financial performance hurdles within the LTI plan which provide the Executive with a performance and retention incentive which is strongly linked to security holder returns over the longer-term.

The main Executive remuneration actions for the year ending 30 June 2013 were:

- The implementation of the new remuneration framework effective 1 July 2012
- No fixed remuneration increases for Executives
- The closure of the DEXUS Performance Payment (DPP) and DEXUS Deferred Performance Payment (DDPP) plans
- The Board exercised its discretion to not apply a performance multiplier to vesting legacy DDPP plan outcomes
- Performance pay outcomes for Executives approved by the Board reflect the Group's strong financial and operational results
- Non-Executive Directors base fees remain unchanged since 1 July 2010

Effective 1 July 2013, the Board have approved an average fixed remuneration increase of 2% for Executives and 3% for other employees, noting that that the fixed remuneration for the Chief Executive Officer will remain unchanged.

This Remuneration Report has been prepared in accordance with AASB 124 *Related Party Disclosures* and section 300A of the *Corporations Act 2001* for the year ended 30 June 2013. The information provided in this Report has been audited in accordance with the provisions of section 308 (3C) of the *Corporations Act 2001*.

3.2 Key Management Personnel

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

- Non-Executive Directors
- Executive Directors (Chief Executive Officer & Chief Financial Officer)
- Key Executives considered KMP under the *Corporations Act 2001* (Executive KMP)

Below are the individuals determined to be KMP of the Group, classified between Non-Executive Directors, Executive Directors and Executive KMP:

Non-Executive Directors

Non-Executive Director	Title	KMP 2012	KMP 2013
Christopher T Beare	Chair	✓	✓
Elizabeth A Alexander AM	Director	✓	✓
Barry R Brownjohn	Director	✓	✓
John C Conde AO	Director	✓	✓
Tonianne Dwyer	Director	✓	✓
Stewart F Ewen OAM	Director	✓	✓
W Richard Sheppard	Director	✓	✓
Peter B St George	Director	✓	✓

Executive Directors

Executive Directors	Position	KMP 2012	KMP 2013
Darren J Steinberg	Chief Executive Officer	Part-Year	✓
Craig D Mitchell	Chief Financial Officer	✓	✓

Executive KMP

Executive KMP	Position	KMP 2012	KMP 2013
Kevin L George	Executive General Manager, Office & Industrial	N/A	Part-Year
Ross G Du Vernet	Executive General Manager, Transactions, Strategy & Research	No	✓

Group Management Committee Members - Previously Included as Executive KMP

Former Executive KMP	Position	KMP 2012	KMP 2013
Tanya L Cox	Executive General Manager, Property Services & Chief Operating Officer	✓	No
John C Easy	General Counsel & Company Secretary	✓	No

Ms Cox and Mr Easy continue as Group Management Committee members. The current organisation structure and membership of internal committees have led to a change in those considered by the Board to be Executive KMP for the 2013 year. The Board has indicated that the composition of Executive KMP may change from year to year in line with the strategic and operational focus of the Group.

3.3 Board Nomination, Remuneration & Governance Committee

The objectives of the Committee are to assist the Board in fulfilling its responsibilities by overseeing all aspects of Non-Executive Director and Executive remuneration, as well as Board nomination and performance evaluation. Primarily, the responsibilities of the Committee are to review and recommend to the Board:

- Board and CEO succession plans
- performance evaluation procedures for the Board, its committees and individual Directors
- the nomination, appointment, re-election and removal of Directors
- the Group's approach to remuneration, including design and operation of employee incentive plans
- Executive performance and remuneration outcomes
- Non-Executive Directors' fees

The Committee comprises three independent Non-Executive Directors. For the year ended 30 June 2013 Committee members were:

Non-Executive Director	Title	2012	2013
John C Conde AO	Committee Chair	✓	✓
Christopher T Beare	Committee Member	✓	✓
Stewart F Ewen OAM	Committee Member	✓	✓

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

The Committee operates independently from management, and may at its discretion appoint external advisors or instruct management to compile information for its consideration. The CEO attends certain Committee meetings by invitation, where management input is required. The CEO is not present during any discussions related to his own remuneration arrangements.

During the year the Committee appointed Egan Associates to provide remuneration advisory services. Egan Associates were paid a total of \$12,705 for remuneration recommendations made to the Committee and \$39,097 for other advisory services. The Committee is satisfied the advice received from Egan Associates is free from undue influence from the KMP to whom the remuneration recommendations relate. Egan Associates also confirmed in writing that the remuneration recommendations were made free from undue influence by the relevant KMP.

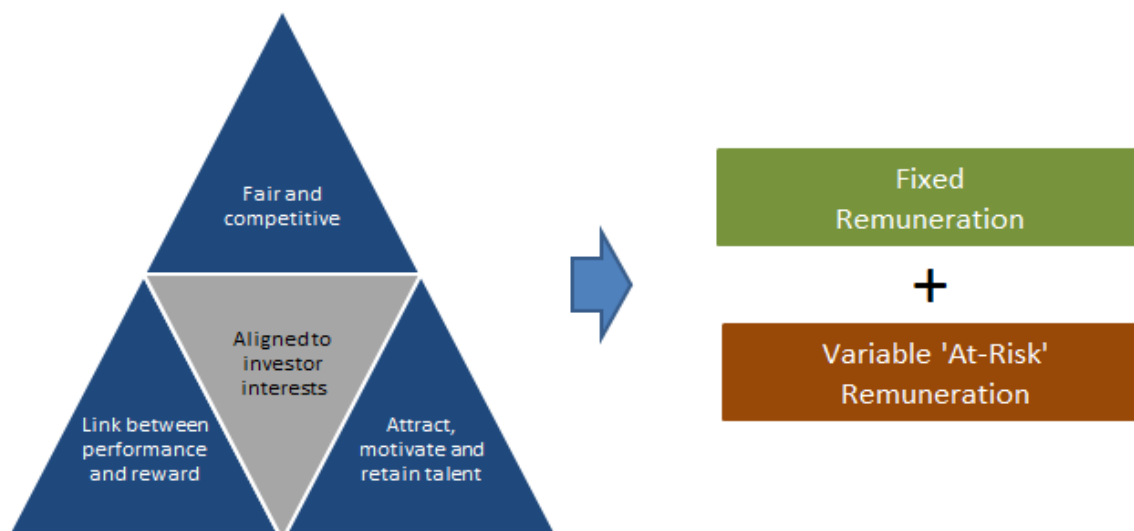
The 2012 Remuneration Report received positive security holder support at the 2012 Annual General Meeting with a vote of 98.3% in favour.

3.4 Executive Remuneration

Context

The Board believes that Executives should be rewarded at levels consistent with the complexity and risks involved in their position. Incentive awards should be scaled according to the relative performance of the Group, as well as business unit performance and individual effectiveness.

The Group's remuneration principles and target remuneration structure is:



The Group requires, and needs to retain, an Executive team with significant experience in:

- the office, industrial and retail property sectors
- property management, including securing new tenancies under contemporary lease arrangements, asset valuation and related financial structuring and property development in its widest context
- capital markets, funds management, fund raising, joint venture negotiations and the provision of advice and support to independent investment partners
- treasury, tax and compliance

In this context the Committee reviews trends in employee reward structures and strategies embraced across these sectors, including:

- comparable international funds and asset managers which have an active presence in Australia;
- ASX listed entities
- boutique property asset managers and consultants
- where relevant, information from private equity and hedge funds will be considered.

At the Executive level, the Committee reviews feedback from remuneration advisers, proxy advisers and institutional investors, and considers stakeholder interests at each stage of the remuneration review process.

3.5 Remuneration Structure

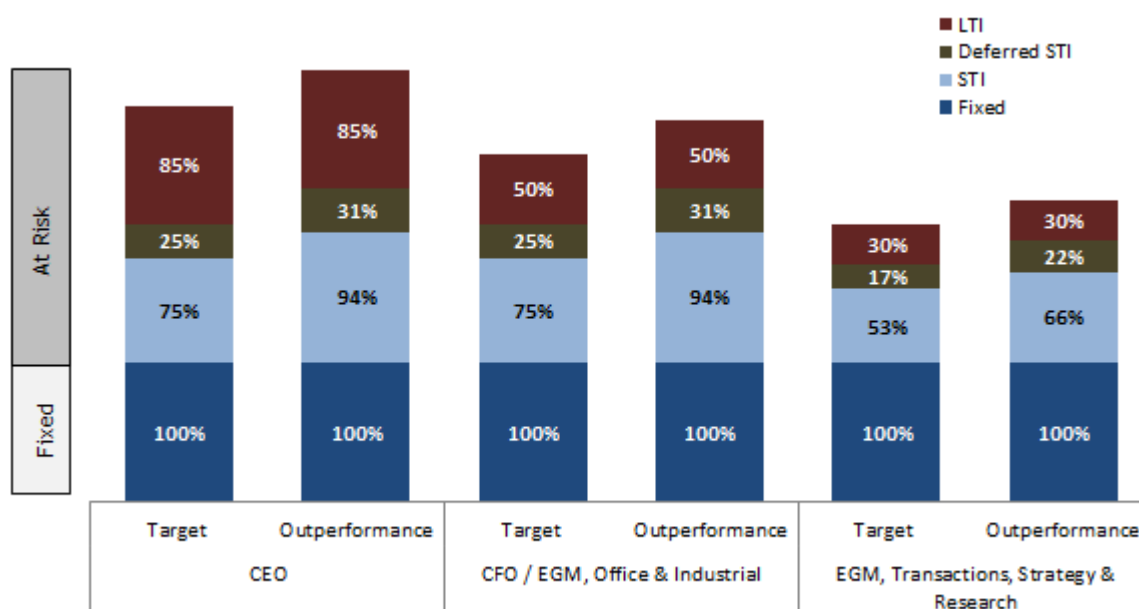
Remuneration Mix

The remuneration structure for Executives comprises fixed remuneration, a short term incentive and a long term incentive. The mix between these components varies according to the individual's position and is determined based on the Group's remuneration principles detailed above.

The remuneration mix for Executives during 2013 was:

Executive	Fixed	Target STI	Target Deferred STI	LTI
Darren J Steinberg	35%	26%	9%	30%
Craig D Mitchell	40%	30%	10%	20%
Kevin L George	40%	30%	10%	20%
Ross G Du Vernet	50%	26%	9%	15%

The chart below shows the remuneration structure for Executives expressed as a percentage of Fixed Remuneration at both target and outperformance (stretch) levels.



Total Remuneration

How does the Board determine total remuneration?	<p>The Committee reviews a considerable amount of information from a variety of sources to ensure an appropriate outcome reflecting market practice (incorporating various benchmarks) is achieved. These sources include:</p> <ul style="list-style-type: none"> Publicly available remuneration reports of A-REIT competitors Publicly available remuneration reports from ASX listed companies with similar market capitalisation and complexity Advice on remuneration levels of privately held property, funds management and private equity owned companies Salary survey data from Hart Consulting, Avdiev, Aon Hewitt, FIRG and others as appropriate Advice from external advisors appointed by the Committee such as Egan Associates <p>The comparator group of companies and market data considered as part of the above process is significantly larger than the comparator group of companies adopted for assessment of the Group's relative TSR performance under its LTI plan (refer below). Executives are typically recruited from the former group, whereas the Group's performance will be assessed appropriately with respect to the latter.</p>
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Fixed Remuneration

What is Fixed Remuneration?	Fixed remuneration is the regular pay (base salary and statutory superannuation contributions) an Executive receives in relation to his/her role. It reflects the complexity of the role, as well as the skills and competencies required to fulfil it, and is determined having regard to a variety of information sources to ensure the quantum is fair and competitive.
How is Fixed Remuneration determined?	The Board sets fixed remuneration around the median level of comparable companies after making adjustments for the different risk profiles of those companies (refer to Total Remuneration above). Group and individual performance is considered during the annual remuneration review process.

Short-term Incentive (STI) Plan

What is the STI plan?	The STI plan provides the Executive with an opportunity to achieve an annual remuneration outcome in addition to fixed remuneration, subject to the achievement of pre-agreed Group, divisional and individual performance objectives which are set out in a personalised balanced scorecard.
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How much can be earned under the STI plan?	Expressed as a percentage of fixed remuneration, Executives can earn the following incentive payments under the STI plan:		
		Target	Outperformance
	CEO	100%	125%
	CFO / EGM, Office & Industrial	100%	125%
	EGM, Strategy, Transactions & Research	70%	88%
	Aggregate performance below predetermined thresholds would result in no award being made under the STI plan.		
	The amount each Executive can earn is dependent on how he/she performs against a balanced scorecard of KPIs that is set at the beginning of each year. The balanced scorecard is arranged in categories and each category is weighted differently depending on the specific accountabilities of each Executive. If an Executive does not meet Threshold performance in a category, the score for that category will be zero.		
	KPIs at the Target level are set with an element of stretch against Threshold performance, which ensures that it is difficult for an Executive to score 100% in any category. Following the same theme, KPIs at the Outperformance level have a significant amount of stretch, and would require exceptional outcomes to be achieved. KPIs at both the Target and Outperformance levels incorporate year-on-year growth.		
When is the STI paid?	August of the financial year immediately following the performance period, following the sign-off of statutory accounts and announcement of Group's annual results.		
How does the deferral component operate?	25% of any award under the STI plan will be deferred and awarded in the form of performance rights to DXS securities. The rights will vest in two equal tranches, 12 and 24 months after being awarded. They are subject to clawback and continued employment, and are based on a deferral period commencing 1 July after the relevant performance period.		
How is the allocation of deferred STI determined?	The number of performance rights awarded is based on 25% of the STI value awarded to the Executive divided by the volume weighted average price (VWAP) of securities 10 trading days either side of the first trading day of the new financial year.		
How are distributions treated during the deferral period?	Executives will be entitled to the benefit of distributions paid on the underlying DXS securities prior to vesting, through the issue of additional performance rights.		
Can deferred STI be forfeited?	Forfeiture will occur should the Executive's employment terminate within 6 months of the grant date for any reason, or if the Executive voluntarily resigns or is terminated for cause prior to the vesting date. Notwithstanding the above, if an Executive's employment is terminated for reasons such as retirement, redundancy, reorganisation, change in control or other unforeseen circumstances, the Committee will recommend whether the Executive should remain in the plan as a good leaver, for decision by the Board.		
How is the STI plan aligned to security holder interests?	The STI plan is aligned to security holder interests in the following ways: <ul style="list-style-type: none">as an immediate reward opportunity to attract, motivate and retain talented Executives who can influence the future performance of the Groupthrough a 25% mandatory STI deferral for Executives, allowing for future clawback of STI awards in the event of a material misstatement of the Group's financial position		

Long-term Incentive (LTI) Plan

What is the LTI plan?	The LTI is an incentive grant which rewards Executives for sustained earnings and security holder returns and is delivered in the form of performance rights to DXS securities.								
How are grants under the LTI plan determined?	<p>Executives receive a grant of performance rights to DXS securities (dependent on their role and responsibilities) under the LTI plan equivalent to the following (expressed as a percentage of Fixed Remuneration):</p> <table> <tr> <th></th><th>Grant as a % of fixed remuneration</th></tr> <tr> <td>CEO</td><td>85%</td></tr> <tr> <td>CFO / EGM, Office & Industrial</td><td>50%</td></tr> <tr> <td>EGM, Strategy, Transactions & Research</td><td>30%</td></tr> </table>		Grant as a % of fixed remuneration	CEO	85%	CFO / EGM, Office & Industrial	50%	EGM, Strategy, Transactions & Research	30%
	Grant as a % of fixed remuneration								
CEO	85%								
CFO / EGM, Office & Industrial	50%								
EGM, Strategy, Transactions & Research	30%								
How does the LTI plan work?	Performance rights are converted into DXS securities upon achievement of performance conditions set by the Board. Performance against the selected hurdles will be assessed in two equal tranches over two periods, 3 and 4 years after the grant date. If the performance conditions are not met over either period, then the respective performance rights will be forfeited. There is no re-testing of forfeited rights.								
Can an LTI grant be forfeited?	<p>If ore-determined performance hurdles are not met then the relevant part of the grant will not vest and those rights will be forfeited.</p> <p>Additionally, forfeiture will occur should the Executive's employment terminate within 12 months of the grant date for any reason, or if the Executive voluntarily resigns or is terminated for cause prior to the vesting date.</p> <p>Notwithstanding the above, if an Executive's employment is terminated for reasons such as retirement, redundancy, reorganisation, change in control or other unforeseen circumstances, the Committee will recommend whether the Executive should remain in the plan as a good leaver, for decision by the Board.</p>								
What are the performance hurdles?	<p>The Board sets the performance hurdles for the LTI plan on an annual basis. For the 2013 LTI grant, a set of external and internal hurdles has been selected.</p> <p>Notably, the Board has clarified the operation of the Relative TSR component of the LTI plan. The previously communicated 50% weighting to Relative TSR will be split into two distinct groups, the first being a standard Relative TSR measurement against listed peers, the second being a Relative ROE measurement against unlisted peers. The Board feels this is a more accurate comparison given the way investors measure the performance of listed and unlisted entities.</p> <p>The 4 performance hurdles for the 2013 LTI plan are:</p> <p><u>External Performance Hurdles (50%)</u></p> <ul style="list-style-type: none"> ▪ 25% is based on the Group's relative performance against a Total Security holder Return (Relative TSR) performance hurdle measured against a peer group of listed entities within the A-REIT sector <ul style="list-style-type: none"> – TSR represents an investor's return, calculated as the percentage difference between the initial amount invested and the final value of DXS securities at the end of the relevant period, assuming distributions were reinvested. ▪ 25% is based on the Group's relative performance against a Return On Equity (Relative ROE) performance hurdle measured against a peer group of unlisted entities within the A-REIT sector <ul style="list-style-type: none"> – ROE represents the annualised composite rate of return to security holders, calculated as a percentage, comprising the change in net tangible asset value per security together with the distributions paid to security holders per security, divided by the net tangible asset value per security at the beginning on the period. 								

<p>What are the performance hurdles? (continued)</p>	<p><u>Internal Performance Hurdles (50%)</u></p> <ul style="list-style-type: none"> 25% is based on the Group's performance against a predetermined Funds From Operations (FFO) per security growth hurdle <p>For the purposes of these performance hurdles, FFO is defined as per the definition adopted by the Property Council of Australia.</p> <ul style="list-style-type: none"> 25% is based on the Group's performance against a predetermined Return on Equity performance hurdle ROE represents the annualised composite rate of return to security holders, calculated as a percentage, comprising the change in net tangible asset value per security together with the distributions paid to security holders per security, divided by the net tangible asset value per security at the beginning on the period.
<p>How are the performance hurdles measured?</p>	<p><u>Relative TSR & Relative ROE</u></p> <p>Vesting under both the Relative TSR & Relative ROE measures will be on a sliding scale reflecting relative performance against a comparator group of entities.</p> <ul style="list-style-type: none"> Nil vesting for performance below the median of the comparator group 50% vesting for performance at the median of the comparator group Straight line vesting for performance between the 50th and 75th percentile 100% vesting for performance at or above the 75th percentile <p>The listed and unlisted comparator groups have been reviewed and selected by the Board as being appropriate entities within similar asset classes, investment risk/return profiles and market capitalisation/size. The 2013 LTI grant comparator groups are</p> <ul style="list-style-type: none"> Listed: CPA, IOF, GPT, CFX, WRT, SCP, CMW and FDC Unlisted: AWOFF, GWOFF, APPFC, ICPF, ISPT, ACP, QPF and APPFR <p>The Board reserves the right to review the peer group annually, with relative performance monitored by an independent external advisor at 30 June each year.</p> <p><u>FFO Growth & ROE</u></p> <p>Vesting under both the FFO Growth & ROE measures will be on a sliding scale reflecting performance against predetermined performance hurdles set by the Board</p> <ul style="list-style-type: none"> Nil vesting for below Target performance 50% vesting for Target performance Straight line vesting between Target and Outperformance 100% vesting for Outperformance
<p>What are the absolute LTI hurdles for the 2013 grant??</p>	<p>Having determined the Group's strategy, the Board have adopted the following FFO Growth and ROE performance hurdles for the 2013 LTI grant:</p> <ul style="list-style-type: none"> FFO Growth Target of 3% - with Outperformance at 5.5% ROE Target of 9% - with Outperformance at 11% <p>These targets are measured as the per annum average over the three and four year grant periods.</p>
<p>How is the LTI plan aligned to security holder interests?</p>	<p>Aligned to long-term security holder interests in the following ways:</p> <ul style="list-style-type: none"> As a reward to Executives when the Group's overall performance exceeds specific predetermined earnings and security holder return benchmarks As a reward mechanism which encourages Executive retention and at the same time allows for future clawback of LTI grants for financial underperformance, deliberate misrepresentation or fraud Aligning the financial interests of security holders with Executives through exposure to DXS securities and the Group's performance Encouraging and incentivising Executives to make sustainable business decisions within the Board-approved risk appetite and strategy of the Group

What policies and procedures exist to support the integrity of the LTI plan?	<p>The administration of the LTI plan is supported by the LTI plan Guidelines which provide Executives with the rules of the plan and guidance as to how it is to be administered.</p> <p>Executives are prevented from hedging their exposure to unvested DXS securities. Trading in DXS securities or related products is only permitted with the permission of the CEO.</p> <p>The Group also has Conflict of Interest and Insider Trading policies in place to support the integrity of the LTI plan, which extends to family members and associates of the Executive.</p> <p>The Board has appointed Link Market Services as Trustee and Administrators of the DEXUS Performance Rights Plan Trust, which is the vehicle into which unvested units are purchased on-market and held in trust for the Executive pending performance assessment.</p>
How is the allocation of performance rights determined?	The number of performance rights granted is based on the grant value to the Executive (% of fixed remuneration) divided by the volume weighted average price (VWAP) of securities 10 trading days either side of the first trading day of the new financial year.
How are distributions treated prior to vesting?	Executives will not be entitled to distributions paid on the underlying DXS securities prior to the performance rights vesting.

The operation of all incentive plans is at the discretion of the Board which retains the right to discontinue, suspend or amend the operation of such plans.

For both the STI and LTI plans, where incentive grants involve DXS securities, it is the Board's current position that DXS securities be acquired on-market and not through the issue of new securities.

3.6 Performance Pay

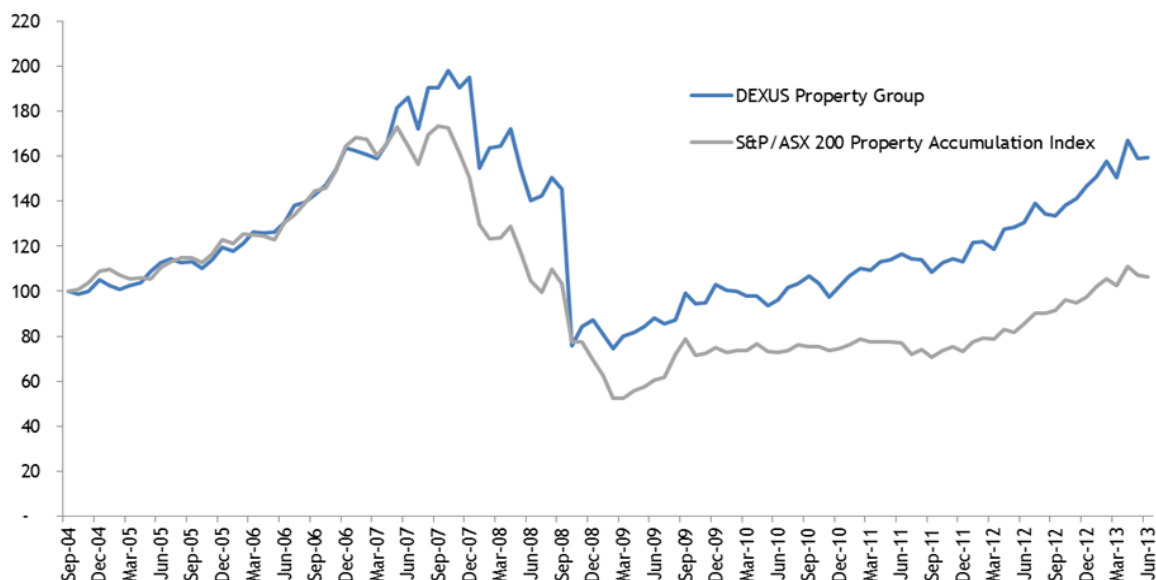
Group Performance

FY13 Highlights

Group	Portfolio	Capital Management	Funds Management	Transactions
12.1% increase in distribution per security	Leased 629,209 square metres of space across the total portfolio	Raised \$300 million of US Private Placement Notes	Increased funds under management by 9.5%, including \$820 million of new equity for DWPF	Achieved a 12% premium on prior book value for the sale of the remaining US portfolio
Achieved a 22.1% one-year total security holder return	Achieved 1.6% growth in like for like property net operating income	Actively managed the diversity of debt achieving a duration greater than 5 years	Launched new \$235 million partnership with a leading global pension fund	Involved in \$2.9 billion of transactions across the Group

Total Return of DXS Securities

The chart below illustrates DXS's performance against the S&P/ASX200 Property Accumulation index since listing in 2004.



Total Return Analysis

The table below sets out DXS's total security holder return over a one, two, three and five year time horizon, relative to the S&P/ASX200 Property Accumulation Index and the median of the Relative TSR comparator group under the new LTI plan:

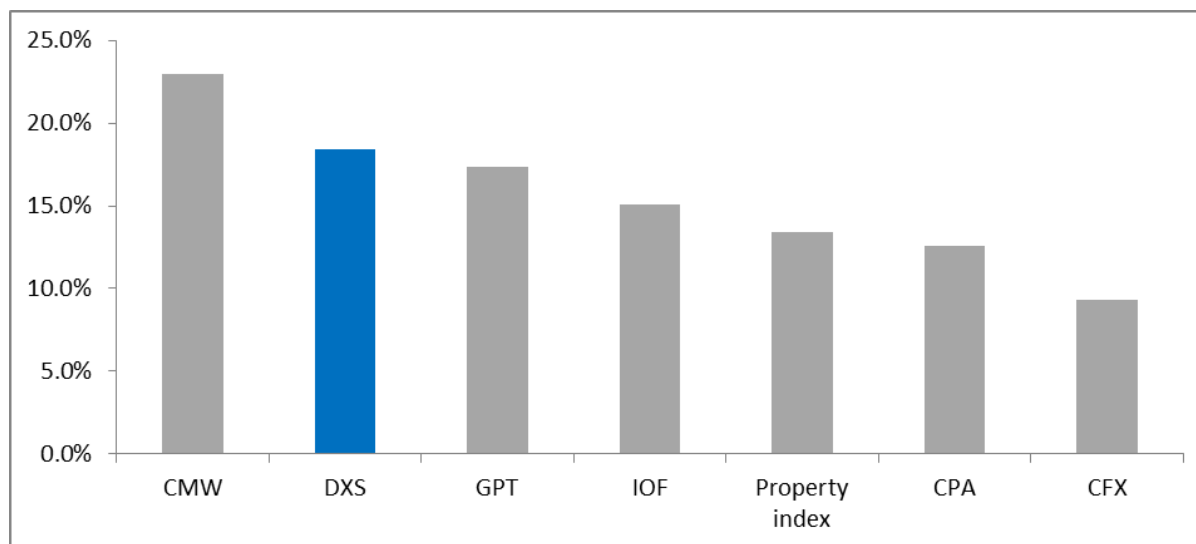
	1 Year	2 Years	3 Years	5 years
Year Ended 30 June 2013	(% per annum)	(% per annum)	(% per annum)	(% per annum)
DEXUS Property Group	22.1%	17.0%	18.4%	2.6%
S&P/ASX200 Property Accumulation Index	24.2%	17.4%	13.4%	0.3%
Median - Relative TSR Comparator Group	18.8% ¹	15.2% ²	16.2% ³	n/a

1. Comparator Group for 1 year comprises DXS, CFX, CMW, CPA, FDC, GPT, IOF and WRT.
2. Comparator Group for 2 years comprises DXS, CFX, CMW, CPA, GPT, IOF and WRT.
3. Comparator Group for 3 years comprises DXS, CFX, CMW, CPA, GPT and IOF.

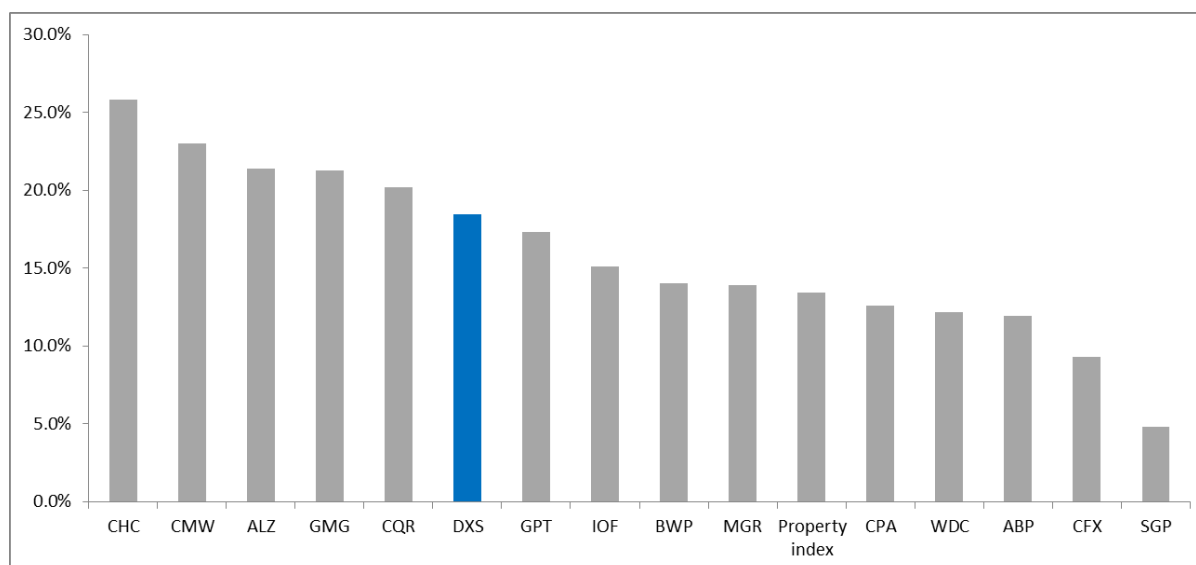
Three Year Performance Relative to Comparator Group

The chart below illustrates DXS's three year performance relative to the comparator group specified for LTI purposes. SCA Property Group, Westfield Retail Trust & Federation Centres have been omitted as these entities were not formed for the comparison period.

The three year performance of the S&P/ASX 200 Property Accumulation index is also included for reference.

**Three Year Performance Relative to Property Index**

The chart below illustrates DXS's performance against the broader property sector over the past three financial years.



Summary

DXS continues to outperform the S&P/ASX200 Property Accumulation index and has exceeded this benchmark on a rolling three year basis.

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

Individual Performance Assessment - Balanced Scorecard

Prior to the commencement of each financial year, the Board approves the Group's strategic and operational objectives which are then translated into a series of weighted financial and non-financial Key Performance Indicators (KPIs) for management. KPIs are assembled to form each Executive's Balanced Scorecard.

The Balanced Scorecard is divided into four components - Financial Performance, Business Management & Strategy, Stakeholder Engagement and People & Culture. These components are weighted differently for each Executive. For each of the components the Executive has objectives and specific initiatives set for that year. These Scorecards are agreed with the Executive at the beginning of the year, reviewed at half year and assessed for performance awards at the end of the year.

Below is a table which summarises the principal elements within Executive Balanced Scorecards for the year ending 30 June 2013 (the numbers in brackets represents what was actually achieved during the year, not the actual KPIs set):

Principal Elements of Executive Balanced Scorecards	
<u>Financial Performance</u> <ul style="list-style-type: none"> • DXS total returns (22.1%) • Funds investment performance • Funds from operations (\$365.4 million) • Return on equity (11.2%) • Trading profit (\$1.5 million) • Net operating income growth - like for like (1.6%) 	<u>Business Management & Strategy</u> <ul style="list-style-type: none"> • Delivery of divisional business plans • Secure rent at risk • Property portfolio investment performance • Operating costs • Capital diversification • Transaction effectiveness
<u>Stakeholder Engagement</u> <ul style="list-style-type: none"> • Investor engagement and feedback • Media and community profile • Tenant relationships and engagement • Internal and external service standards 	<u>People & Culture</u> <ul style="list-style-type: none"> • Leadership effectiveness • Cultural survey results • Succession planning • Talent retention and development

Executive	Balanced Scorecard Weighting			
	Financial KPIs		Non-Financial KPIs	
	Financial Performance	Business Management & Strategy	Stakeholder Engagement	People & Culture
Darren J Steinberg	40%	30%	20%	10%
Craig D Mitchell	40%	40%	10%	10%
Kevin L George	30%	40%	15%	15%
Ross G Du Vernet	30%	50%	10%	10%

Performance Pay Outcomes

Following an assessment of each Executive's Balanced Scorecard, the Board has determined that the following remuneration outcomes are appropriate with respect to each Executive's performance during the year ending 30 June 2013.

Executive	STI Award	% of Maximum Possible STI Earned	% of Maximum STI Forfeited	% of STI to be Deferred
Darren J Steinberg	1,750,000	100%	0%	25%
Craig D Mitchell	750,000	80%	20%	25%
Kevin L George	330,000	72%	28%	25%
Ross G Du Vernet	385,000	100%	0%	25%

In addition to the STI award shown above, Mr Steinberg was eligible for a once-off payment of \$500,000 as part of previously communicated sign-on conditions. This amount was subject to satisfactory performance as determined by the Board, and being payable in August 2013 is disclosed in the Statutory Reporting table under Other Short-Term Benefits.

25% of the value of the STI awarded to each Executive will be deferred into DXS securities, subject to service and clawback conditions, and vesting in two equal tranches after 12 and 24 months.

LTI Grants

The table below shows the number of Performance Rights to be granted to Executives under the 2013 LTI plan (details of which are provided earlier in this report).

Executive	Number of Performance Rights	1st Vesting Date 50%	2nd Vesting Date 50%
Darren J Steinberg	1,128,176	1 July 2016	1 July 2017
Craig D Mitchell	355,518	1 July 2016	1 July 2017
Kevin L George	326,128	1 July 2016	1 July 2017
Ross G Du Vernet	237,012	1 July 2016	1 July 2017

The number of Performance Rights granted to each Executive is based on the dollar value of LTI approved by the Board in its discretion and with reference to the remuneration framework, divided by the Volume Weighted Average Price (VWAP) of DXS securities ten trading days either side of 30 June 2013, which was confirmed as \$1.0548

The LTI grants for Mr Steinberg and Mr Mitchell as Executive Directors are subject to security holder approval at the 2013 Annual General Meeting.

3.7 Executive Remuneration Actual Cash Received

In line with best-practice recommendations, the amounts shown in the table below provide a summary of actual remuneration received during the year ended 30 June 2013. The DPP and DDPP cash payments were received for performance in the 2012 and 2009 financial years respectively.

Executive	Cash Salary	Pension & Super Benefits ¹	Other Short Term Benefits ²	Termination Benefits	Earned in Prior Financial Year		Total
					DPP Cash Payment ³	DDPP Cash Payment ⁴	
Darren J Steinberg	1,383,530	16,470	-	-	360,000	-	1,760,000
Craig D Mitchell	733,530	16,470	-	-	500,000	636,272	1,886,272
Kevin L George	338,954	12,008	464,383	-	-	-	815,345
Ross G Du Vernet	424,305	16,470	-	-	350,000	-	790,775

¹ Includes employer contributions to superannuation under the superannuation guarantee legislation and salary sacrifice amounts

² Mr George received a sign-on cash payment of \$250,000 plus various relocation benefits totalling \$214,383

³ Cash payment made in August 2012 with respect to the 2012 DPP (i.e. annual performance payment for the prior financial year)

⁴ Cash payment made in August 2012 with respect to the 2009 DDPP award that vested on 1 July 2012 (i.e. realisation of 3 year deferred performance payment)

DEXUS Diversified Trust
Directors' Report (continued)
For the year ended 30 June 2013

The amounts shown in this table are prepared in accordance with AASB 124 *Related Party Disclosures* and do not represent actual cash payments received by Executives for the year ended 30 June 2013. Amounts shown under Long Term Benefits reflect the accounting expenses recorded during the year with respect to prior year deferred remuneration and awards that have or are yet to vest. For performance payments and awards made with respect to the year ended 30 June 2013, refer to the Performance Pay Outcomes section of this report.

Executive	Year	Short Term Benefits			Post-Employment Benefits		Share Based & Long Term Benefits				Total
		Cash Salary	STI Cash Award ¹	Other Short Term Benefits ²	Pension & Super Benefits ³	Termination Benefits	Deferred STI Plan Accrual ⁴	DDPP Plan Accrual ⁵	Transition Plan Accrual ⁶	LTI Plan Accrual ⁷	
Darren J Steinberg	2013	1,383,530	1,312,500	500,000	16,470	-	182,284	-	105,000	204,200	3,703,984
	2012	461,409	360,000	1,500,000	5,258	-	-	-	105,000	-	2,431,667
Craig D Mitchell	2013	733,530	562,500	-	16,470	-	78,122	172,790	125,000	64,349	1,752,761
	2012	734,225	500,000	-	15,775	-	-	328,664	125,000	-	1,703,664
Kevin L George ⁸	2013	338,954	247,500	634,383	12,008	-	219,374	-	-	59,029	1,511,248
	2012	-	-	-	-	-	-	-	-	-	-
Ross G Du Vernet ⁸	2013	424,305	288,750	-	16,470	-	40,103	-	50,000	42,899	862,527
	2012	-	-	-	-	-	-	-	-	-	-
Sub-Total	2013	2,880,319	2,411,250	1,134,383	61,418	-	519,883	172,790	280,000	370,477	7,830,520
	2012	1,195,634	860,000	1,500,000	21,033	-	-	328,664	230,000	-	4,135,331

Former KMP

Tanya L Cox	2013	433,530	201,000	-	16,470	-	27,916	75,408	50,000	23,166	827,490
	2012	434,225	200,000	-	15,775	-	-	149,140	50,000	-	849,140
John C Easy	2013	426,530	281,250	-	23,470	-	39,061	76,234	50,000	23,166	919,711
	2012	427,225	200,000	-	22,775	-	-	158,013	50,000	-	858,013
Other former KMP ⁹	2013	-	-	-	-	-	-	791,650	-	-	791,650
	2012	1,879,415	1,175,000	923,834	31,550	2,300,000	-	2,479,864	-	-	8,789,663
Total	2013	3,740,379	2,893,500	1,134,383	101,358	-	586,860	1,116,082	380,000	416,809	10,369,371
	2012	3,936,499	2,435,000	2,423,834	91,133	2,300,000	-	3,115,681	330,000	-	14,632,147

¹ FY13 annual cash STI performance award, payable in August 2013.

² Mr Steinberg's sign-on conditions included access to an additional \$500,000 subject to performance in FY13.

³ Mr George received a cash sign-on payment of \$250,000, a cash payment of \$170,000 as compensation for foregone remuneration and various relocation benefits.

⁴ Includes employer contributions to superannuation under the superannuation guarantee legislation and salary sacrifice amounts.

⁵ Reflects the accounting expense accrued during the financial year for Deferred STI awards made with respect to FY13 performance. Refer to note 36 of the DXS Financial Statements.

⁶ Mr George's accrual also includes accounting for Performance Rights detailed later in this report as Special Terms.

⁷ FY10 and FY11 DDPP legacy plan only applicable to Mr Mitchell and former KMP Ms Cox and Mr Easy. Reflects the accounting expense accrued during the financial year.

⁸ FY13 Transition plan applicable to all KMP and former KMP, excluding Mr George. Reflects the accounting expense accrued during the financial year.

⁹ Reflects the accounting expense accrued during the financial year for LTI grants made with respect to FY13. Refer to note 36 of the DXS Financial Statements.

¹⁰ Mr Du Vernet joined the Group on 7 May 2012 and was appointed KMP with effect 1 July 2013. No prior year remuneration is disclosed on that basis.

¹¹ Mr George joined the Group on 10 December 2012 and was appointed KMP with effect 10 December 2012. No prior year remuneration is disclosed on that basis.

¹² Other former KMP includes Mr Hoog Antink and Mr Say and are disclosed for completeness. Refer to the 2012 Remuneration Report for more detail.

3.8 Service Agreements

Executive service agreements detail the individual terms and conditions of employment applying to the CEO and Executives of the Group. The quantum and structure of remuneration arrangements are detailed elsewhere in this report, with the termination scenarios and other key employment terms detailed below:

Chief Executive Officer

	Terms
Employment agreement	An ongoing Executive Service Agreement.
Termination by the CEO	Termination by Mr Steinberg requires a 6 month notice period. The Group may choose to place Mr Steinberg on 'leave' or make a payment in lieu of notice at the Board's discretion. All unvested STI and LTI awards are forfeited under this scenario.
Termination by the Group without cause	If the Group terminates Mr Steinberg without cause, Mr Steinberg is entitled to a payment of 12 months Fixed Remuneration. The Board may (in its absolute discretion) also approve a pro-rata STI or LTI award based on part-year performance. Depending on the circumstances, the Board has the ability to treat Mr Steinberg as a 'good leaver' under this scenario, which may result in Mr Steinberg retaining some or all of his unvested STI and LTI.
Termination by the Group with cause	No notice or severance is payable under this scenario.
Other contractual provisions and restrictions	Mr Steinberg's Executive Service Agreement includes standard clauses covering intellectual property, confidentiality, moral rights and disclosure obligations.

Executives - Messrs Mitchell, George & Du Vernet

	Terms
Employment agreement	An ongoing Executive Service Agreement.
Termination by the Executive	Termination by the Executive requires a 3 month notice period. The Group may choose to place the Executive on 'leave' or make a payment in lieu of notice at the Board's discretion. All unvested STI and LTI awards are forfeited under this scenario.
Termination by the Group without cause	If the Group terminates the Executive without cause, the Executive is entitled to a combined notice and severance payment of 12 months Fixed Remuneration. The Board may (in its absolute discretion) also approve a pro-rata STI or LTI award based on part-year performance. Depending on the circumstances, the Board has the ability to treat the Executive as a 'good leaver' under this scenario, which may result in the Executive retaining some or all of their unvested STI and LTI.
Termination by the Group with cause	No notice or severance is payable under this scenario.
Other contractual provisions and restrictions	The Executive Service Agreement includes standard clauses covering intellectual property, confidentiality, moral rights and disclosure obligations.

Legacy Plan - Unvested and Vesting DDPP Awards

The table below shows the value of unvested and vesting DEXUS Deferred Performance Payment (DDPP) awards for Executives and Former Executive KMP as at 30 June 2013. The DDPP awards are part of a legacy plan closed to new participants from 1 July 2012.

Participant	Award Date	Allocation Value	Value as at 30 June 2013	Vesting DDPP as at 1 July 2013	Vesting Date
Craig D Mitchell	1 Jul 2011	450,000	577,305	-	1 Jul 2014
	1 Jul 2010	400,000	598,440	598,440	1 Jul 2013

Former KMP

Tanya L Cox	1 Jul 2011	190,000	243,751	-	1 Jul 2014
	1 Jul 2010	180,000	269,298	269,298	1 Jul 2013
John C Easy	1 Jul 2011	185,000	237,337	-	1 Jul 2014
	1 Jul 2010	188,000	281,267	281,267	1 Jul 2013

Mr Mitchell and former KMP Ms Cox and Mr Easy are entitled to receive a cash payment relating to the vesting of their 2010 DDPP awards. This payment will be made in August 2013.

The vesting DDPP value was determined by calculating the compound total return of both listed DXS (50%) and unlisted DWPF (50%) notional securities over a 3-year vesting period. The DXS total return was 65.8% and the Group's unlisted Funds and Mandates was 33.4%, resulting in a composite 49.6% increase being applied to the original allocation value during the life of the 2010 DDPP plan. The Board chose to exercise its discretion in not applying a performance multiplier (allowable under the DDPP plan rules) to the 2010 tranche, and has indicated it intends to follow the same approach upon vesting of the 2011 tranche.

For more information on the DDPP legacy plan, refer to the 2012 Annual Report.

Legacy Plan - Unvested Transitional Performance Rights

The table below shows the number of unvested performance rights held by Executives under the Transitional Performance Rights plan, which received security holder approval at the Annual General Meeting on 5 November 2012. The Board granted these once-off Performance Rights to Executives, with respect to performance during the year ending 30 June 2012, as a transitional measure towards the adoption of the Group's new remuneration framework which came into effect 1 July 2012.

Participant	Award Date	Number of Performance Rights	Vesting Date
Darren J Steinberg	1 Jul 2012	453,417	1 Jul 2015
Craig D Mitchell	1 Jul 2012	539,782	1 Jul 2015
Ross G Du Vernet	1 Jul 2012	215,913	1 Jul 2015

Former KMP

Tanya L Cox	1 Jul 2012	215,913	1 Jul 2015
John C Easy	1 Jul 2012	215,913	1 Jul 2015

At the Board's instruction, Performance Rights are to be purchased on-market and the plan is subject to both service and clawback conditions. For more information on the Transitional Performance Rights plan, refer to the 2012 Annual Report.

Special Terms - Performance Rights & Relocation Package for Kevin L George

Upon commencement, Mr George was offered a special grant of Performance Rights to DXS securities as compensation for foregone remuneration at his previous employer and to immediately align his interests with those of his KMP peers and security holders.

Participant	Award Date	Number of Performance Rights	Vesting Date
Kevin L George	10 Dec 2012	366,591	1 Aug 2014

The Performance Rights granted to Mr George are subject to both service and clawback conditions, and are to be purchased on-market. The terms and conditions of this offer mirror those of the Deferred STI plan.

In addition to the grant of Performance Rights, Mr George received a commencement and relocation package (disclosed in the Statutory Accounting table as 'Other Short-Term Benefits') which included the following:

- \$250,000 as a cash sign-on payment
- \$170,000 as a cash payment to be made in August 2013 as compensation for part-year incentive forfeiture at Mr George's previous employer
- \$186,916 as a once-off relocation and family disturbance payment
- \$27,467 in expense reimbursements relating to Mr George and his family's relocation from Melbourne to Sydney - including flights, temporary accommodation, removalists, transit insurance, connection of utilities and other service fees

Mr George is also entitled to future reimbursement of reasonable expenses (i.e. stamp duty, agent fees etc.) relating to the purchase of a family home in Sydney. This benefit has not yet been exercised by Mr George and expires on 10 December 2014.

All expense benefits relating to Mr George's relocation are subject to a 100% clawback clause should Mr George voluntarily resign within 2 years of his commencement date.

3.9 Non-Executive Directors

Non-Executive Directors' fees are reviewed annually by the Committee to ensure they reflect the responsibilities of directors and are market competitive. The Committee reviews information from a variety of sources to inform their recommendation regarding Non-Executive Directors fees to the Board. Information considered included:

- Publicly available remuneration reports from ASX listed companies with similar market capitalisation and complexity
- Publicly available remuneration reports from A-REIT competitors
- Information supplied by external remuneration advisors, including Egan Associates

Total fees paid to Non-Executive Directors remain within the aggregate fee pool of \$1,750,000 per annum approved by security holders at the AGM in October 2008. The Board has reviewed base fees for Non-Executive Directors and has elected not to approve an increase at this time. This will be the fourth consecutive year at the current rate.

In 2012, the Board (as noted in the Directors' Report) determined that it would be appropriate for Non-Executive Directors (existing and new) to hold DXS securities. A minimum target of 50,000 securities is to be acquired in each Director's first three year term (effective from 1 July 2012). Such securities would be subject to the Group's existing trading and insider information policies. No additional remuneration is provided to Directors to purchase these securities. All Directors have subsequently used their own resources to purchase at least the minimum target in the first year of the three year term. Details of Directors' holdings are included in the Directors' Report.

Other than the Chair who receives a single fee, Non-Executive Directors receive a base fee plus additional fees for membership of Board Committees. The table below outlines the Board fee structure (inclusive of statutory superannuation contributions) for the year ended 30 June 2013:

Committee	Chair	Member
Director's Base Fee (DXFM)	\$350,000*	\$150,000
Board Audit, Risk & Sustainability	\$30,000	\$15,000
Board Compliance	\$15,000	\$7,500
Board Finance	\$15,000	\$7,500
Board Nomination, Remuneration & Governance	\$30,000	\$15,000
DWPL Board	\$30,000	\$15,000

* The Chairman receives a single fee for his entire engagement, including service on Committees of the Board

Non-Executive Director's Statutory Accounting Table

The amounts shown in this table are prepared in accordance with AASB 124 *Related Party Disclosures*. The table is a summary of the actual cash and benefits received by each Non-Executive Director for the year ended 30 June 2013.

Non-Executive Director	Year	Short Term Benefits	Post Employment Benefits	Other Long Term Benefits	Total
Christopher T Beare	2013	333,530	16,470	-	350,000
	2012	334,225	15,775	-	350,000
Elizabeth A Alexander AM	2013	178,899	16,101	-	195,000
	2012	170,539	24,461	-	195,000
Barry R Brownjohn	2013	165,138	14,862	-	180,000
	2012	172,018	15,482	-	187,500
John C Conde AO	2013	165,138	14,862	-	180,000
	2012	158,257	14,243	-	172,500
Tonianne Dwyer ¹	2013	158,257	14,243	-	172,500
	2012	132,225	11,900	-	144,125
Stewart F Ewen OAM	2013	141,000	24,000	-	165,000
	2012	109,052	48,448	-	157,500
W Richard Sheppard ²	2013	158,257	14,243	-	172,500
	2012	74,541	6,709	-	81,250
Peter B St George	2013	151,376	13,624	-	165,000
	2012	165,138	14,862	-	180,000
Total	2013	1,451,595	128,405	-	1,580,000
	2012	1,315,995	151,880	-	1,467,875

¹ Ms Dwyer was appointed on 24 August 2011

² Mr Sheppard was appointed 1 January 2012

4 Directors' relevant interests

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

Directors	No. of securities
Christopher T Beare	100,000
Elizabeth A Alexander, AM	100,000
Barry R Brownjohn	50,000
John C Conde, AO	100,000
Tonianne Dwyer	100,000
Stewart F Ewen, OAM	100,000
Craig D Mitchell	539,782 ¹
W Richard Sheppard	100,000
Darren J Steinberg	453,417 ¹
Peter B St George	104,000

¹ Performance Rights granted under the 2012 Transitional Performance Rights Plan (refer note 36).

5 Directors' directorships in other listed entities

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

Director	Company	Date appointed	Date resigned
Christopher T Beare	Mnemon Group Limited	6 November 2009	27 May 2013
Elizabeth A Alexander, AM	CSL Limited	12 July 1991	19 October 2011
John C Conde, AO	Whitehaven Coal Limited	3 May 2007	
	Cooper Energy Limited	25 February 2013	
Tonianne Dwyer	Cardno Limited	25 June 2012	
W Richard Sheppard	Echo Entertainment Group	21 November 2012	
Peter B St George	Boart Longyear Limited	21 February 2007	21 May 2013
	First Quantum Minerals Limited ¹	20 October 2003	

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

6 Principal activities

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

7 Total value of Trust assets

The total value of the assets of the Group as at 30 June 2013 was \$7,752.6 million (2012: \$7,364.1 million). Details of the basis of this valuation are outlined in note 1 of the Notes to the Financial Statements and form part of this Directors' Report.

8 Review of results and operations

The Group's financial performance for the year ended 30 June 2013 is summarised below. To fully understand our results, please refer to the full Financial Statements included in this Financial Report.

A strong focus on leasing and transactions during the year has driven a solid financial result with improved operational performance and strong property revaluations. Capital management initiatives have underpinned our balance sheet and reduced cost of debt which, together with a focus on cost management, has provided profit and Funds from Operations¹ (FFO) growth.

Increase in NTA of 5.2 cents per security	Distributions of 6.0 cents per security	Total return of 11.2%
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In accordance with Australian Accounting Standards, net profit includes a number of non-cash adjustments including fair value movements in asset and liability values. FFO is a global financial measure of real estate operating performance after finance costs and taxes, and is adjusted for certain non-cash items.

The Directors consider FFO to be a measure that reflects the underlying performance of the Group. The following table reconciles between profit attributable to stapled security holders, FFO and distributions paid to stapled security holders.

	30 June 2013 (\$m)	30 June 2012 (\$m)
Net profit for the year attributable to stapled security holders	514.5	181.1
Net fair value gain of investment properties ²	(220.6)	(82.8)
Impairment of inventories	2.2	14.9
Net fair value loss of derivatives	17.7	97.1
Net loss on sale of investment properties	3.6	32.6
Finance break costs attributable to sales transactions	18.8	44.3
Foreign currency translation reserve transfer on disposal of foreign operations	21.5	41.5
Incentive amortisation and rent straight-line ^{2,3}	30.5	31.7
RENTS capital distributions	-	(10.2)
Deferred tax and other	(22.8)	17.6
Funds from Operations (FFO)	365.4	367.8
Retained earnings⁴	(83.3)	(110.4)
Distributions	282.1	257.4
FFO per security (cents)	7.75	7.65
Distribution per security (cents)	6.00	5.35
Net tangible asset backing per security (\$)	1.05	1.00

1. DEXUS's FFO comprises net profit/loss after tax attributable to stapled security holders calculated in accordance with Australian Accounting Standards and adjusted for: property revaluations, impairments, derivative and FX mark to market impacts, amortisation of certain tenant incentives, gain/loss on sale of certain assets, straight line rent adjustments, deferred tax expense/benefit, rental guarantees and coupon income.

2. Including DXS's share of equity accounted investments.

3. Including cash and fit out incentives amortisation.

4. Based on payout ratio of 77.4%. DXS's current policy is to distribute 70-80% of FFO, in line with free cash flow.

8 Review and results of operations (continued)

Net profit after tax was \$514.5 million or 10.9 cents per security, an increase of \$333.4 million from the prior year (2012: \$181.1 million). The key drivers of this increase included:

- Net revaluation gains from investment properties were \$218.4 million, representing a 3.1% increase across the portfolio (2012: \$67.9 million)
- Net fair value loss from derivatives of \$17.7 million, which was significantly lower than the prior year (2012: losses of \$97.1 million)
- The reversal in FY13 of a prior year impairment of management rights of \$20.5 million

Operationally, FFO decreased 0.7% to \$365.4 million (2012: 367.8 million) including the impact of the sale of non-core offshore properties. FFO per security increased 1.3% to 7.75 cents (2012: 7.65 cents).

Key drivers included:

- Office net operating income (NOI) of \$317.4 million, up 9.5% from \$289.9 million in 2012, was underpinned by 1.8% growth in like-for-like NOI together with income from properties acquired during the year
- Industrial NOI of \$117.1 million, a decrease of 2.4% (2012: \$120.0 million) reflected the sale of a 50% interest in 18 properties to the Australian Industrial Partnership (AIP). Like-for-like NOI growth was 1.1%
- Finance costs (net of interest revenue) were \$111.2 million, down \$21.1 million¹ from the prior year. Average cost of debt reduced from 6.1% to 5.9%
- Operational expenses reduced \$11.1 million following the sale of the US portfolio and an internal restructure

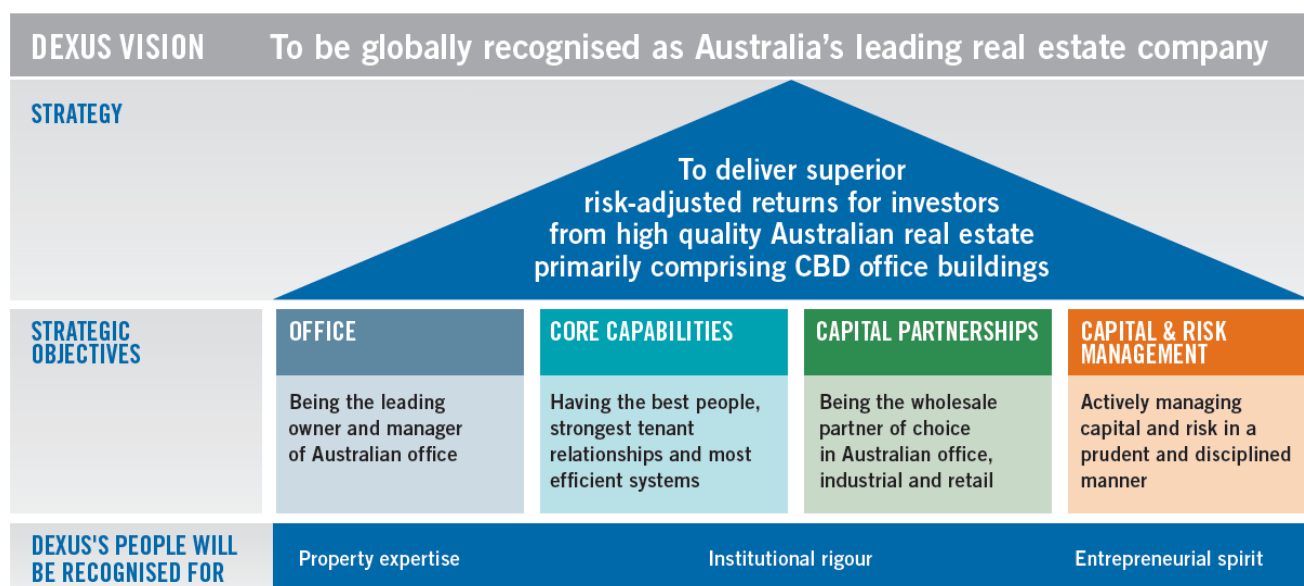
Distributions per security for the year were 6.0 cents per security, presenting a 12.1% increase from the prior year (2012: 5.35 cents). The payout ratio for the year to 30 June 2013 was 77.4% in accordance with DEXUS's payout policy to distribute 70-80% of FFO, in line with free cash flow.

Strategy

DEXUS aims to achieve its vision to be globally recognised as Australia's leading real estate company by delivering on its clearly defined and communicated strategy.

DEXUS identified four strategic objectives that would guide it towards achieving its strategy of delivering superior risk-adjusted returns for its investors from high quality Australian real estate.

The objectives focus on leadership in office, core capabilities, capital partnerships and capital and risk management. These are areas which DEXUS considered it had established strength and capability, and on which it had the ability to develop.



1. 30 June 2012 includes RENTS distributions of \$12.0 million (30 June 2013: nil).

8 Review and results of operations (continued)

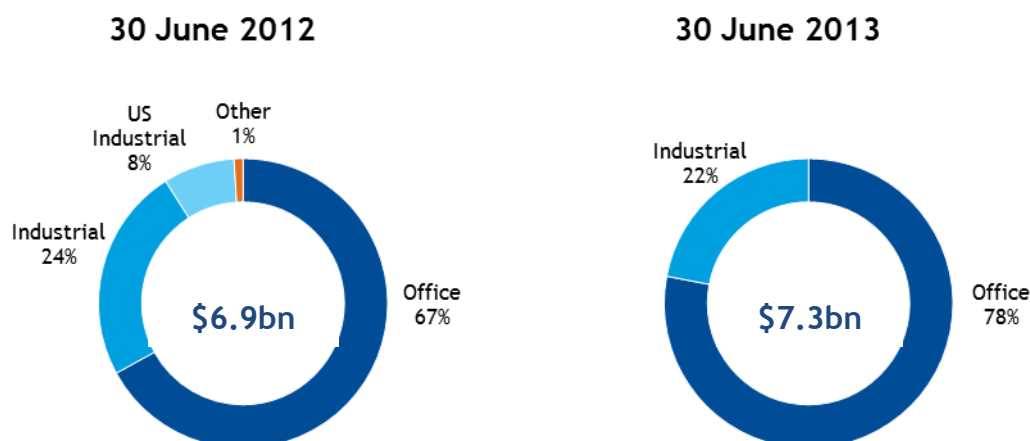
Strategy (continued)

DEXUS directly invests in Australian office and industrial properties, and on behalf of its third party partners, invests in Australian office, industrial and retail properties. With a strong track record delivering high quality developments, DEXUS undertakes investments of scale and quality suitable for long term ownership. DEXUS also invests in properties which offer value-add potential through intensive asset management and are able to be repositioned as trading opportunities.

Operations

Portfolio composition

Following the announcement of its revised strategy in August 2012, DEXUS immediately commenced a period of significant transformation. Focusing on its objective to be a leading owner and manager in Australian office, DEXUS exited its offshore, non-core properties and redeployed capital into the Australian office market. In a series of transactions, eight office properties with a total value of \$1.1 billion were acquired across the four key markets of Sydney, Melbourne, Brisbane and Perth, increasing DEXUS's office portfolio weighting to 78%. The total value of investment property at 30 June 2013 was \$7.3 billion.



Office portfolio

- Portfolio value \$5.7 billion (2012: \$4.7 billion)
- Like-for-like NOI growth 1.8% (2012: 5.4%)
- Occupancy by area 94.4% (2012: 97.1%)
- Weighted average lease expiry by income 5.0 years (2012: 4.9 years)

A continued dedication and focus on retention and proactive negotiations with tenants delivered solid operational performance for DEXUS's office portfolio. NOI of \$317.4 million, up 9.5% from \$289.9 million in 2012, was underpinned by 1.8% growth in like-for-like NOI together with income from properties acquired.

The office portfolio delivered a one year total return of 10.6% (2012: 9.5%) driven by underlying rental growth and improved property values.

Occupancy decreased to 94.4% (2012: 97.1%) primarily as a result of inclusion of new office acquisitions and the impact of vacancy at 14 Moore Street, Canberra following the expiry of the Commonwealth Government's lease in May 2013.

The weighted average lease duration improved marginally to 5.0 years and, as a result of DEXUS's proactive tenant engagement and relationships, tenant retention increased by 6% to 72%. Tenant incentives averaged 12.2% (2012: 17.3%) across all deals.

DEXUS's proactive leasing approach achieved a strong result, with the Office team leasing 156,024 square metres, representing over 18% of the portfolio during the year. This also significantly reduced FY14 expiries from 10.7% at 30 June 2012 to 5.6% at 30 June 2013. With many of these expiries towards the latter half of the coming year, strong like-for-like growth is expected for FY14.

8 Review and results of operations (continued)

Operations (continued)

Office portfolio (continued)

Leasing successes, the weight of capital seeking quality Australian office property and recent transactional evidence contributed to a \$190.7 million or 3.5% uplift in valuations on prior book values across the DXS office portfolio. The weighted average capitalisation rate of the DXS office portfolio has tightened 13 basis points from 7.30% at 30 June 2012 to 7.17% at 30 June 2013.

In FY14, DEXUS will continue to drive the performance of the office portfolio while enhancing the value of newly acquired properties. DEXUS will focus on reducing lease expiries and strengthening tenant relationships by launching initiatives to enhance the tenant experience and develop tenant loyalty.

Industrial portfolio

- Portfolio value \$1.6 billion (2012: \$1.7 billion)
- Like-for-like NOI growth 1.1% (2012: -1.6%)
- Occupancy by area 95.9% (2012: 91.7%)
- Weighted average lease expiry by income 4.1 years (2012: 4.4 years)

The results achieved in the DXS industrial portfolio during the year reflect the importance of strong tenant relationships in driving increased retention and significantly improving occupancy levels. Through pursuing all operational targets, DEXUS secured strong investor returns achieving a portfolio total return of 8.8% (2012: 8.0%).

NOI for the year was \$117.1 million, a decrease of 2.4% (2012: \$120.0 million) reflecting the sale of a 50% interest in 18 properties to the AIP. Like-for-like NOI growth was 1.1%.

Strong leasing activity driven by tenant relationships and a proactive approach resulted in occupancy increasing by 4.2% to 95.9%. DEXUS secured 122 lease deals covering 327,432 square metres including 87,221 square metres of development leasing.

The impact of the formation of the AIP which involved the sale of 50% of the properties at Quarry at Greystanes, NSW, DEXUS Industrial Estate at Laverton North and Altona, Vic was partly offset by strong leasing results at Gillman, Silverwater, Belrose, Rydalmere and Greystanes.

Increasing investor demand for prime quality industrial properties is being offset by the discounting of valuations for secondary properties and those with leasing risk. This is evident in DXS's industrial portfolio which achieved a moderate uplift in valuations of \$5.8 million or 0.4% on prior book values. Properties with long lease tenures including at Greystanes, Laverton North, Matraville and Lara have benefitted most, with improving occupancy and security of cash flows being the key drivers for valuation upside.

The weighted average capitalisation for the DXS industrial portfolio rates tightened 4 basis points from 8.59% at 30 June 2012 to 8.55% at 30 June 2013.

In FY14, DEXUS will continue to focus on proactively managing the industrial portfolio and leveraging its industrial capabilities into developments and new opportunities. DEXUS will continue to deliver on the investment objectives for its capital partners and progress projects in its industrial development pipeline to deliver trading profits and enhance investor returns.

8 Review and results of operations (continued)

Operations (continued)

DXS property portfolio metrics

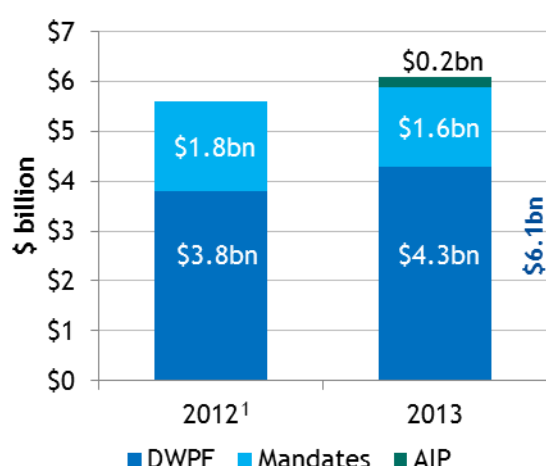
30 June 2013	Office	Industrial	Total
Portfolio value (\$bn)	5.7	1.6	7.3
Number of properties	36	48	84
Occupancy (% by area)	94.4	95.9	95.3
Occupancy (% by income)	94.6	96.1	94.9
Tenant retention (%)	72	70	71
WALE (years)	5.0	4.1	4.8
Like-for-like NOI growth (%)	1.8	1.1	1.6
Weighted average cap rate %	7.17	8.55	7.47
Total return - 1 year (%)	10.6	8.8	10.1

Third Party Funds Management

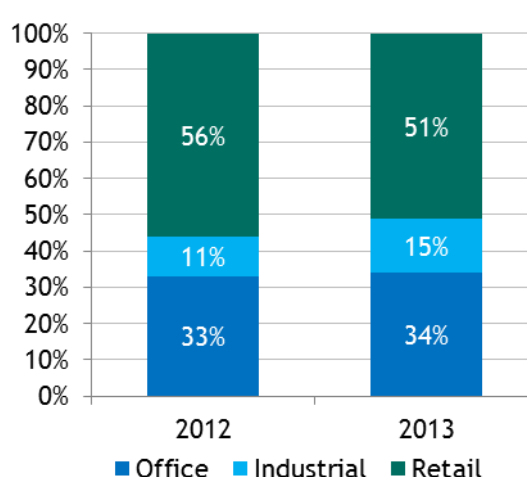
A key objective for DEXUS in FY13 was to grow its Third Party Funds Management business through partnering with wholesale investors on investment opportunities and developing new capital partnerships.

Over the year, DEXUS achieved this objective, growing funds under management by 9.5% from \$5.6 billion at 30 June 2012 to \$6.1 billion at 30 June 2013. DEXUS demonstrated its ability to further diversify its capital sources, through establishing and growing a new capital partnership, the AIP, and partnering with DWPF to further invest in Australian office markets.

Funds under management



Asset diversification



8 Review and results of operations (continued)

Operations (continued)

Transactions

Since the announcement of its revised strategy in August 2012, DEXUS was actively involved in \$2.9 billion of transactions that have re-shaped the composition of the DXS portfolio and supported the growth of existing and new capital partners in its Third Party Funds Management business.

DEXUS achieved its objective of fully exiting from the US industrial market and investing in quality office product through acquiring core and value-add opportunities as well as acquiring property on a development fund-through basis.

DXS transactions included

- The sale of 27 remaining US properties in three separate transactions for total proceeds of US\$617.2 million
- The acquisition of six core office properties in Sydney, Melbourne and Brisbane for a total price of \$654.8 million
- The acquisition of two office developments in Brisbane and Perth on a fund-through basis with an expected final cost of \$489.4 million
- The sale of a 50% interest in 18 industrial properties to the AIP

Development

DEXUS continued to progress its \$1.2 billion development pipeline during FY13, utilising its development capabilities to complete six prime industrial properties across 81,024 square metres valued at \$106.9 million. These included industrial developments at Quarry at Greystanes, 57-65 Templar Road, Erskine Park and 163-185 Viking Drive, Wacol.

Over the year, DEXUS leased 87,221 square metres of industrial development space, including achieving 100% occupancy on completed developments at Quarry at Greystanes.

Over \$111 million of industrial developments have commenced across Sydney, Melbourne and Brisbane that will deliver 90,139 square metres of new product during FY14. DEXUS will also continue to drive the leasing and repositioning of value-add properties at 50 Carrington Street, Sydney, 40 Market Street, Melbourne and at 57-101 Balham Road, Archerfield.

Capital management

- Cost of debt 5.9% (2012: 6.1%)
- Duration of debt 5.4 years (2012: 4.2 years)
- Gearing 29.0% (2012: 27.2%)
- Headroom \$0.3bn (2012: \$0.6bn)
- S&P/Moody's credit rating BBB+/Baa1 (2012: BBB+/Baa1)

In the past year, DEXUS focused on meeting its strategic objective of actively managing its capital and risk in a prudent and disciplined manner, achieving its FY13 commitments of maintaining a strong credit rating, a strong diversity of debt and maintaining debt duration over four years.

Key achievements for FY13 included

- Completed over \$1 billion of new funding with an average duration of seven years and a margin under 2%, including \$235 million from the Australian Medium Term Note market and US\$300 million in the US Private Placement market.
- Reduced average cost of debt by 0.2% to 5.9%
- Increased debt duration to 5.4 years

Following an active period of transactional activity, DEXUS remains comfortably inside all its covenant limits and the Group's strong credit ratings of BBB+ rating with Standards & Poor's and Baa1 rating with Moody's. DEXUS's balance sheet remains strong with gearing at 29.0% and limited short term refinancing requirements.

8 Review and results of operations (continued)

Capital management (continued)

On market securities buy-back

Having launched an on market \$200 million securities buy-back program in April 2012, DEXUS used proceeds from the sale of the US central portfolio in FY13 to acquire 137 million securities for \$128.5 million at an average price of \$0.9371.

Following the reinvestment of capital into Australian markets on the back of improved share market performance, the DEXUS security price performance stabilised and DEXUS chose not to extend the buy-back, having completed 64% of the targeted \$200 million.

Post balance date on 2 July 2013, a buy-back of up to 5% of securities was reinstated as a result of share market volatility, providing the flexibility for DEXUS to acquire securities on-market with a focus on enhancing value and returns to investors.

Distribution policy

The Group's distribution policy is to distribute between 70% and 80% of FFO, in line with free cash flow, with the expectation that over time the average payout ratio will be around 75% of FFO.

Following a reduction in capital expenditure over the six months to 30 June 2013, the payout ratio for this period was increased from 75% to 80% of FFO. This resulted in an upgraded distribution of 6.0 cents per security and an average payout of 77.4% for the year ended 30 June 2013.

9 Likely developments and expected results of operations

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

10 Significant changes in the state of affairs

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

11 Matters subsequent to the end of the financial year

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

12 Distributions

Distributions paid or payable by the Group for the year ended 30 June 2013 were 6.00 cents per security (2012: 5.35 cents per security) as outlined in note 26 of the Notes to the Financial Statements.

13 DXFM fees

Details of fees paid or payable by the Group to DXFM for the year ended 30 June 2013 are outlined in note 31 of the Notes to the Financial Statements and form part of this Directors' Report.

14 Interests in DXS securities

The movement in securities on issue in the Group during the year and the number of securities on issue as at 30 June 2013 are detailed in note 24 of the Notes to the Financial Statements and form part of this Directors' Report.

Details of the number of interests in the Group held by DXFM or its associates as at the end of the financial year are outlined in note 31 of the Notes to the Financial Statements and form part of this Directors' Report.

With the exception of performance rights which are discussed in detail in the Remuneration Report, the Group did not have any options on issue as at 30 June 2013 (2012: nil).

15 Environmental regulation

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

16 Indemnification and insurance

The insurance premium for a policy of insurance indemnifying Directors, officers and others (as defined in the relevant policy of insurance) is paid by DXH.

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

17 Audit

17.1 Auditor

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

17.2 Non-audit services

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

Details of the amounts paid or payable to the Auditor, for audit and non-audit services provided during the year, are set out in note 6 of the Notes to the Financial Statements.

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

The reasons for the Directors being satisfied are:

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

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

17 Audit (continued)

17.3 Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 33 and forms part of this Directors' Report.

18 Corporate governance

DXFM's Corporate Governance Statement is set out in a separate section of this Financial Report and forms part of this Directors' Report.

19 Rounding of amounts and currency

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

20 Management representation

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

21 Directors' authorisation

The Directors' Report is made in accordance with a resolution of the Directors. The Financial Statements were authorised for issue by the Directors on 16 August 2013. The Directors have the power to amend and reissue the Financial Statements.



Christopher T Beare
Chair
16 August 2013



Darren J Steinberg
Chief Executive Officer
16 August 2013



Auditor's Independence Declaration

As lead auditor for the audit of DEXUS Diversified Trust for the year ended 30 June 2013, I declare that to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in black ink, appearing to be 'E A Barron', with a stylized flourish at the end.

E A Barron
Partner
PricewaterhouseCoopers

Sydney
16 August 2013

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2013

	Note	2013 \$m	2012 \$m
Revenue from ordinary activities			
Property revenue	2	546.6	535.7
Proceeds from sale of inventory		24.4	49.8
Interest revenue		1.2	1.7
Management fee revenue		48.5	50.3
Total revenue from ordinary activities		620.7	637.5
Net fair value gain of investment properties		185.9	43.0
Share of net profit of investments accounted for using the equity method	15	37.9	13.8
Reversal of previous impairment	17	20.5	-
Total income		865.0	694.3
Expenses			
Property expenses		(134.9)	(133.5)
Cost of sale of inventory		(22.9)	(44.0)
Finance costs	3	(98.6)	(118.0)
Impairment of inventories		(2.2)	(14.9)
Impairment of goodwill		(0.1)	(0.6)
Net fair value loss of derivatives		(10.9)	-
Net loss on sale of investment properties		(3.7)	-
Fair value adjustment on acquisition of investments		(0.1)	-
Corporate and administration expenses	4	(68.4)	(75.8)
Total expenses		(341.8)	(386.8)
Profit before tax		523.2	307.5
Tax (expense)/benefit			
Income tax (expense)/benefit	5(a)	(1.7)	18.9
Total tax (expense)/benefit		(1.7)	18.9
Profit after tax from continuing operations		521.5	326.4
Loss from discontinued operations	12	(7.0)	(143.5)
Net profit for the year		514.5	182.9
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations	25(a)	8.2	0.3
Foreign currency translation reserve transfer on disposal of foreign operations	25(a)	21.5	41.5
Total comprehensive income for the year		544.2	224.7
Profit for the year attributable to:			
Unitholders of the parent entity		102.8	81.5
Unitholders of other stapled entities (non-controlling interests)		411.7	99.6
Stapled security holders		514.5	181.1
Other non-controlling interest		-	1.8
Total profit for the year		514.5	182.9
Total comprehensive income for the year attributable to:			
Unitholders of the parent entity		148.9	139.1
Unitholders of other stapled entities (non-controlling interests)		395.3	83.8
Stapled security holders		544.2	222.9
Other non-controlling interest		-	1.8
Total comprehensive income for the year		544.2	224.7
		Cents	Cents
Basic and diluted earnings per unit attributable to unitholders of the parent entity			
Earnings per unit - profit from continuing operations	35(a)	2.02	2.63
Earnings per unit - profit/(loss) from discontinued operations	35(a)	0.16	(0.94)
Earnings per unit - total	35(a)	2.18	1.69
Basic and diluted earnings per stapled security attributable to stapled security holders			
Earnings per security - profit from continuing operations	35(b)	11.06	6.71
Earnings per security - loss from discontinued operations	35(b)	(0.15)	(2.97)
Earnings per security - total	35(b)	10.91	3.75

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

DEXUS Diversified Trust
Consolidated Statement of Financial Position

As at 30 June 2013

	Note	2013 \$m	2012 \$m
Current assets			
Cash and cash equivalents	7	14.5	59.2
Receivables	8	40.2	30.8
Inventories	9	10.9	26.8
Derivative financial instruments	10	25.4	3.6
Other	11	10.9	10.9
		101.9	131.3
Discontinued operations and assets classified as held for sale	12	8.8	212.3
Total current assets		110.7	343.6
Non-current assets			
Investment properties	13	6,085.0	6,391.5
Plant and equipment	14	8.8	4.7
Inventories	9	242.0	71.0
Investments accounted for using the equity method	15	906.8	217.0
Derivative financial instruments	10	114.8	74.7
Deferred tax assets	16	39.4	36.7
Intangible assets	17	243.7	223.6
Other	18	1.4	1.3
Total non-current assets		7,641.9	7,020.5
Total assets		7,752.6	7,364.1
Current liabilities			
Payables	19	95.1	110.6
Provisions	21	169.5	152.0
Derivative financial instruments	10	1.8	8.2
		266.4	270.8
Discontinued operations classified as held for sale	12	0.1	-
Total current liabilities		266.5	270.8
Non-current liabilities			
Interest bearing liabilities	20	2,167.1	1,940.8
Derivative financial instruments	10	99.4	112.7
Deferred tax liabilities	22	12.1	12.4
Provisions	21	11.2	16.5
Other	23	4.6	3.6
Total non-current liabilities		2,294.4	2,086.0
Total liabilities		2,560.9	2,356.8
Net assets		5,191.7	5,007.3
Equity			
Equity attributable to unitholders of the parent entity			
Contributed equity	24	1,577.7	1,605.0
Reserves	25	-	(46.1)
Retained profits	25	181.2	197.4
Parent entity unitholders' interest		1,758.9	1,756.3
Equity attributable to unitholders of other stapled entities			
Contributed equity	24	3,106.3	3,156.5
Reserves	25	36.6	53.2
Retained profits	25	289.9	41.3
Other stapled unitholders' interest		3,432.8	3,251.0
Total equity		5,191.7	5,007.3

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 year ended 30 June 2013

	Note	Stapled security holders equity							Other non-controlling interest	Total equity
		Contributed equity	Retained profits	Foreign currency translation reserve	Asset revaluation reserve	Security-based payments reserve	Treasury securities reserve	Stapled security-holders' equity		
		\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Opening balance as at 1 July 2011		4,812.8	325.2	(77.8)	42.7	-	-	5,102.9	204.0	5,306.9
Profit for the year attributable to:								-		
Unitholders of the parent entity		-	81.5	-	-	-	-	81.5	-	81.5
Other stapled entities (non-controlling interests)		-	99.6	-	-	-	-	99.6	-	99.6
Other non-controlling interest		-	-	-	-	-	-	-	1.8	1.8
Profit for the year		-	181.1	-	-	-	-	181.1	1.8	182.9
Other comprehensive income/(loss) for the year attributable to:										
Unitholders of the parent entity		-	-	57.6	-	-	-	57.6	-	57.6
Other stapled entities (non-controlling interests)		-	-	(15.8)	-	-	-	(15.8)	-	(15.8)
Total other comprehensive income for the year		-	-	41.8	-	-	-	41.8	-	41.8
Transactions with owners in their capacity as owners										
Buy-back of contributed equity, net of transaction costs	24	(51.0)	-	-	-	-	-	(51.0)	-	(51.0)
Capital payments and contributions, net of transaction costs	24	(0.3)	-	-	-	-	-	(0.3)	-	(0.3)
Acquisition of non-controlling interest		-	-	-	-	-	-	-	(204.0)	(204.0)
Security-based payments expense	25	-	-	-	-	0.4	-	0.4	-	0.4
Distributions paid or provided for	26	-	(257.4)	-	-	-	-	(257.4)	(12.0)	(269.4)
Total transactions with owners in their capacity as owners		(51.3)	(257.4)	-	-	0.4	-	(308.3)	(216.0)	(524.3)
Transfer (from)/to retained profits		-	(10.2)	-	-	-	-	(10.2)	10.2	-
Closing balance as at 30 June 2012		4,761.5	238.7	(36.0)	42.7	0.4	-	5,007.3	-	5,007.3

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 year ended 30 June 2013

	Note	Stapled security holders equity							Other non-controlling interest	Total equity
		Contributed equity	Retained profits	Foreign currency translation reserve	Asset revaluation reserve	Security-based payments reserve	Treasury securities reserve	Stapled security-holders' equity		
		\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Opening balance as at 1 July 2012		4,761.5	238.7	(36.0)	42.7	0.4	-	5,007.3	-	5,007.3
Profit for the year attributable to:										
Unitholders of the parent entity		-	102.8	-	-	-	-	102.8	-	102.8
Other stapled entities (non-controlling interests)		-	411.7	-	-	-	-	411.7	-	411.7
Profit for the year		-	514.5	-	-	-	-	514.5	-	514.5
Other comprehensive income for the year attributable to:										
Unitholders of the parent entity		-	-	46.1	-	-	-	46.1	-	46.1
Other stapled entities (non-controlling interests)		-	-	(16.4)	-	-	-	(16.4)	-	(16.4)
Total other comprehensive income for the year		-	-	29.7	-	-	-	29.7	-	29.7
Transactions with owners in their capacity as owners										
Buy-back of contributed equity, net of transaction costs	24	(77.5)	-	-	-	-	-	(77.5)	-	(77.5)
Purchase of securities, net of transaction costs	25	-	-	-	-	-	(2.2)	(2.2)	-	(2.2)
Security-based payments expense	25	-	-	-	-	2.0	-	2.0	-	2.0
Distributions paid or provided for	26	-	(282.1)	-	-	-	-	(282.1)	-	(282.1)
Total transactions with owners in their capacity as owners		(77.5)	(282.1)	-	-	2.0	(2.2)	(359.8)	-	(359.8)
Closing balance as at 30 June 2013		4,684.0	471.1	(6.3)	42.7	2.4	(2.2)	5,191.7	-	5,191.7

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 year ended 30 June 2013

	Note	2013 \$m	2012 \$m
Cash flows from operating activities			
Receipts in the course of operations (inclusive of GST)		760.0	854.5
Payments in the course of operations (inclusive of GST)		(334.8)	(365.0)
Interest received		1.3	1.9
Finance costs paid to financial institutions		(116.1)	(146.6)
Distributions received from investments accounted for using the equity method		19.7	7.5
Income and withholding taxes paid		(0.2)	(1.1)
Proceeds from sale of property classified as inventory		24.4	53.2
Payments for property classified as inventory		(160.8)	(44.9)
Net cash inflow from operating activities	34(a)	193.5	359.5
Cash flows from investing activities			
Proceeds from sale of investment properties		303.4	883.6
Proceeds from sale of subsidiaries		435.9	-
Payments for capital expenditure on investment properties		(120.7)	(177.6)
Payments for acquisition of investment properties		(22.2)	(34.7)
Payments for investments accounted for using the equity method		(674.3)	(8.6)
Payments for plant and equipment		(7.0)	(3.1)
Net cash (outflow)/inflow from investing activities		(84.9)	659.6
Cash flows from financing activities			
Proceeds from borrowings		3,516.3	2,628.2
Repayment of borrowings		(3,328.1)	(3,134.2)
Payments for buy-back of contributed equity		(77.5)	(51.0)
Purchase of securities for security-based payments plans		(2.2)	-
Capital contribution and capital payment transaction costs		-	(0.3)
Acquisition of non-controlling interest		-	(204.0)
Distributions paid to security holders		(264.1)	(254.5)
Distributions paid to other non-controlling interests		-	(15.2)
Net cash outflow from financing activities		(155.6)	(1,031.0)
Net decrease in cash and cash equivalents		(47.0)	(11.9)
Cash and cash equivalents at the beginning of the year		59.2	73.7
Effects of exchange rate changes on cash and cash equivalents		2.7	(2.6)
Cash and cash equivalents at the end of the year	7	14.9	59.2

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

Note 1

Summary of significant accounting policies

(a) Basis of preparation

In accordance with Australian Accounting Standards, the entities within the Group must be consolidated. The parent entity and deemed acquirer of DIT, DOT and DXO is DDF. These Financial Statements represent the consolidated results of DDF, which comprises DDF and its controlled entities, DIT and its controlled entities, DOT and its controlled entities, and DXO and its controlled entities. Equity attributable to other trusts stapled to DDF is a form of non-controlling interest and represents the equity of DIT, DOT and DXO. Other non-controlling interests represent the equity attributable to parties external to the Group. DDF is a for-profit entity for the purpose of preparing Financial Statements.

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

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

These general purpose Financial Statements for the year ended 30 June 2013 have been prepared in accordance with the requirements of the Constitution of the entities within the Group, the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australia Accounting Standards Board and interpretations. Compliance with Australian Accounting Standards ensures that the Financial Statements and notes also comply with International Financial Reporting Standards (IFRS).

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

The Group has unutilised facilities of \$305.9 million (refer note 20) and sufficient working capital and cash flows in order to fund all requirements arising from the net current asset deficiency of \$155.8 million as at 30 June 2013.

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

Critical accounting estimates

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

Changes to presentation - classification of expenses

Following a review of internal reporting, the Consolidated Statement of Comprehensive Income and the operating segments note (refer note 33) have been amended to disclose revenue and expenses on the basis of their function. The revised disclosures, which include additional financial metrics within the operating segments note, better reflects the financial information regularly reviewed by the Directors and DXS management in order to assess the performance of the functions of the Group and the allocation of resources.

Note 1

Summary of significant accounting policies (continued)

(b) Principles of consolidation

(i) Controlled entities

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

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

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

(ii) Partnerships and joint ventures

Where assets are held in a partnership or joint venture with another entity directly, the Group's share of the results and assets of this partnership or joint venture are consolidated into the Statement of Comprehensive Income and Statement of Financial Position of the Group. Where assets are jointly controlled via ownership of units in single purpose unlisted unit trusts or shares in companies, the Group applies equity accounting to record the operations of these investments (refer note 1(s)).

(ii) Employee share trust

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

(c) Revenue recognition

(i) Rent

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

(ii) Management fee revenue

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

(iii) Interest revenue

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

(iv) Dividends and distribution revenue

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

Note 1

Summary of significant accounting policies (continued)

(d) Expenses

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

(i) Property expenses

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

(ii) Borrowing costs

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

Qualifying assets are assets which take more than 12 months to get ready for their intended use or sale. In these circumstances, borrowing costs are capitalised to the cost of the asset during the period of time that is required to complete and prepare the asset for its intended use or sale. Where funds are borrowed generally, borrowing costs are capitalised using a weighted average capitalisation rate.

(e) Derivatives and other financial instruments

(i) Derivatives

The Group's activities expose it to a variety of financial risks including foreign exchange risk and interest rate risk. Accordingly, the Group enters into various derivative financial instruments such as interest rate swaps, cross currency swaps and foreign exchange contracts to manage its exposure to certain risks. Written policies and limits are approved by the Board of Directors of the Responsible Entity, in relation to the use of financial instruments to manage financial risks. The Responsible Entity continually reviews the Group's exposures and updates its treasury policies and procedures. The Group does not trade in derivative instruments for speculative purposes. Even though derivative financial instruments are entered into for the purpose of providing the Group with an economic hedge, the Group has elected not to apply hedge accounting under AASB 139 *Financial Instruments: Recognition and Measurement* for interest rate swaps and foreign exchange contracts. Accordingly, derivatives including interest rate swaps, the interest rate component of cross currency swaps and foreign exchange contracts, are measured at fair value with any changes in fair value recognised in the Statement of Comprehensive Income.

(ii) Debt and equity instruments issued by the Group

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

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

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

Note 1

Summary of significant accounting policies (continued)

(e) Derivatives and other financial instruments (continued)

(iii) Financial guarantee contracts

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

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

(iv) Other financial assets

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

(f) Goods and services tax/value added tax

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

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing and financing activities that is recoverable from or payable to the Australian Taxation Office is classified as cash flows from operating activities.

(g) Taxation

Under current Australian income tax legislation, DDF, DIT and DOT are not liable for income tax provided they satisfy certain legislative requirements. The Group may be liable for income tax in jurisdictions where foreign property is held.

DXO is liable for income tax and applies the following policy in determining the tax expense, assets and liabilities:

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

Note 1

Summary of significant accounting policies (continued)

(g) Taxation (continued)

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

Deferred tax assets or liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability.

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

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

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

DOT NZ Sub-Trust No. 1, a wholly owned Australian sub-trust of DOT, is liable for New Zealand corporate tax on its New Zealand taxable income at the rate of 28%. In addition, a deferred tax liability or asset and its related deferred tax expense/benefit is recognised on differences between the tax cost base of the New Zealand real estate asset and the accounting carrying value at end of the reporting period, where required.

DXO and its wholly owned controlled Australian entities have formed a tax consolidated group. As a consequence, these entities are taxed as a single entity.

(h) Distributions

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

(i) Repairs and maintenance

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

(j) Cash and cash equivalents

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

Note 1

Summary of significant accounting policies (continued)

(k) Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, which is based on the invoiced amount less provision for doubtful debts. Trade receivables are required to be settled within 30 days and are assessed on an ongoing basis for impairment. Receivables which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for doubtful debts is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The provision for doubtful debts is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted as the effect of discounting is immaterial.

(l) Inventories

(i) Land and properties held for resale

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

(ii) Net realisable value

Net realisable value is determined using the estimated selling price in the ordinary course of business. Costs to bring inventories to their finished condition, including marketing and selling expenses, are estimated and deducted to establish net realisable value.

(m) Non-current assets held for sale and discontinued operations

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use, and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the income statement.

Non-current assets classified as held for sale and the assets of a discontinued operation are presented separately from the other assets in the balance sheet. The liabilities of a discontinued operation are presented separately from other liabilities in the balance sheet.

(n) Plant and equipment

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

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

Note 1

Summary of significant accounting policies (continued)

(o) Depreciation of plant and equipment

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

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

(p) Investment properties

The Group's investment properties consist of properties held for long-term rental yields and/or capital appreciation and property that is being constructed or developed for future use as investment property. Investment properties are initially recognised at cost including transaction costs. Investment properties are subsequently recognised at fair value in the Financial Statements. Each valuation firm and its signatory valuer are appointed on the basis that they are engaged for no more than three consecutive valuations.

The basis of valuations of investment properties is fair value being the amounts for which the assets could be exchanged between knowledgeable willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases. In addition, an appropriate valuation method is used, which may include the discounted cash flow and the capitalisation method. Discount rates and capitalisation rates are determined based on industry expertise and knowledge and, where possible, a direct comparison to third party rates for similar assets in a comparable location. Rental revenue from current leases and assumptions about future leases, as well as any expected operational cash outflows in relation to the property, are also reflected in fair value. In relation to development properties under construction for future use as investment property, where reliably measurable, fair value is determined based on the market value of the property on the assumption it had already been completed at the valuation date less costs still required to complete the project, including an appropriate adjustment for profit and risk.

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

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

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

(q) Leasing fees

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

(r) Lease incentives

Prospective lessees may be offered incentives as an inducement to enter into operating leases. These incentives may take various forms including cash payments, rent free periods, or a contribution to certain lessee costs such as fit-out costs or relocation costs.

The costs of incentives are recognised as a reduction of rental revenue on a straight-line basis from the earlier of the date which the tenant has effective use of the premises or the lease commencement date to the end of the lease term. The carrying amount of the lease incentives is reflected in the fair value of investment properties.

Note 1

Summary of significant accounting policies (continued)

(s) Investments accounted for using the equity method

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

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

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

(t) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows, which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(u) Intangible assets

(i) Goodwill

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

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

(ii) Management rights

Management rights represent the asset management rights owned by the Group which entitle it to management fee revenue from both finite and indefinite life trusts. Those rights that are deemed to have a finite useful life are measured at cost and amortised using the straight-line method over their estimated remaining useful lives. Management rights with indefinite useful lives are not subject to amortisation and are tested for impairment annually.

(v) Financial assets and liabilities

(i) Classification

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

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

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

Note 1

Summary of significant accounting policies (continued)

(v) Financial assets and liabilities (continued)

(ii) Fair value estimation of financial assets and liabilities

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

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

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

(w) Payables

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

(x) Interest bearing liabilities

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

(y) Foreign currency

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

(i) Foreign currency transactions

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

(ii) Foreign operations

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

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

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

Note 1

Summary of significant accounting policies (continued)

(z) Employee benefits

(i) Wages, salaries and annual leave

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

(ii) Long service leave

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

The provision is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates based on turnover history and is discounted using the rates attaching to national government bonds at the end of the reporting period that most closely matches the term of the maturity of the related liabilities. The unwinding of the discount is treated as long service leave expense.

(iii) Security-based payments

Security-based employee benefits will be provided to eligible participants via the 2012 Transitional Performance Rights Plan, the Deferred Short Term Incentive Plan (DSTI) and the Long Term Incentive Plan (LTI). Information relating to the Plans is set out in note 36. Under the Plans, participating employees will be granted a defined number of performance rights which will vest into DXS stapled securities at no cost, if certain vesting conditions are satisfied.

The fair value of performance rights granted is recognised as an employee benefit expense with a corresponding increase in the security-based payments reserve in equity. The total amount to be expensed is determined by reference to the fair value of the performance rights granted. Fair value is determined independently using Black-Scholes and Monte Carlo pricing models with reference to the expected life of the rights, security price at grant date, expected price volatility of the underlying security, expected distribution yield, the risk free interest rate for the term of the rights and expected total security-holder returns (where applicable).

Non-market vesting conditions, including Funds from Operations (FFO), Return on Equity (ROE) and employment status at vesting, are included in assumptions about the number of performance rights that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the Group revises its estimates of the number of performance rights that are expected to vest based on the non-market vesting conditions. The impact of the revised estimates, if any, is recognised in profit or loss with a corresponding adjustment to equity.

When performance rights vest, the Group will arrange for the allocation and delivery of the appropriate number of securities to the participant.

(aa) Earnings per unit

Basic earnings per unit are determined by dividing the net profit attributable to unitholders of the parent entity by the weighted average number of ordinary units outstanding during the year.

Diluted earnings per unit are adjusted from the basic earnings per unit by taking into account the impact of dilutive potential units.

(ab) Operating segments

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

(ac) Rounding of amounts

The Group is the kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the rounding off of amounts in the Financial Statements. Amounts in the Financial Statements have been rounded off in accordance with that Class Order to the nearest tenth of a million dollars, unless otherwise indicated.

Note 1

Summary of significant accounting policies (continued)

(ad) Parent entity financial information

The financial information for the parent entity, DEXUS Diversified Trust, disclosed in note 27, has been prepared on the same basis as the consolidated Financial Statements except as set out below:

(i) Investment in subsidiaries, associates and joint venture entities

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

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

(ae) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2013 reporting period. Our assessment of the impact of these new standards and interpretations is set out below:

AASB 2012-3 Amendments to Australian Accounting Standard - Offsetting Financial Assets and Financial Liabilities and AASB 2012-2 Amendments to Australian Accounting Standard - Disclosures - Offsetting Financial Assets and Financial Liabilities (effective 1 July 2014 and 1 July 2013 respectively).

In June 2012, the AASB approved amendments to the application guidance in AASB 132 *Financial Instruments: Presentation*, to clarify some of the requirements for offsetting financial assets and financial liabilities in the Financial Statements. These amendments are effective from 1 July 2014. They are unlikely to affect the accounting for any of the Group's current offsetting arrangements. The AASB has also introduced more extensive disclosure requirements into AASB 7 which will apply from 1 July 2013. The Group intends to apply the new rules from 1 July 2013 and does not expect any significant impacts.

AASB 2012-5 Amendments to Australian Accounting Standard arising from Annual Improvements 2009-2011 cycle (effective 1 July 2013).

In June 2012, the AASB approved a number of amendments to Australian Accounting Standards as a result of the 2009-2011 annual improvements project. The Group will apply the amendments from 1 July 2013 and does not expect any significant impacts.

AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) and AASB 2012-6 Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures (effective 1 July 2015).

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard simplifies the classifications of financial assets into those to be carried at amortised cost and those to be carried at fair value. The Group intends to apply the standards from 1 July 2015 and does not expect any significant impacts.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (effective 1 July 2013)

In July 2011 the AASB decided to remove the individual KMP disclosure requirements from AASB 124 *Related Party Disclosures*, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the *Corporations Act 2001*. While this will reduce the disclosures that are currently required in the Notes to the Financial Statements, it will not affect any of the amounts recognised in the Financial Statements. The amendments apply from 1 July 2013 and cannot be adopted early.

AASB 10 Consolidated financial statements (effective 1 July 2013).

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and separate financial statements*, and SIC-12 *Consolidation - special purpose entities*. The standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present. The Group intends to apply the standard from 1 July 2013 and does not expect any significant impacts.

Note 1

Summary of significant accounting policies (continued)

(ae) New accounting standards and interpretations (continued)

AASB 11 *Joint Arrangements* (effective 1 July 2013).

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

AASB 12 *Disclosure of interests in other entities* (effective 1 July 2013).

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 128. Application of this standard will not affect any of the amounts recognised in the Financial Statements, but will impact some of the Group's current disclosures. The Group intends to apply the standard from 1 July 2013 and does not expect any significant impacts.

AASB 128 *Investments in associates and joint ventures* (effective 1 July 2013).

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The Group intends to apply the standard from 1 July 2013 and does not expect any significant impacts.

AASB 13 *Fair value measurement* (effective 1 July 2013).

AASB 13 explains how to measure fair value and aims to enhance fair value disclosures. Application of this standard will not affect any of the amounts recognised in the Financial Statements, but will impact some of the Group's current disclosures. The Group intends to apply the standard from 1 July 2013 and does not expect any significant impacts.

Note 2**Property revenue**

	2013 \$m	2012 \$m
Rent and recoverable outgoings	564.7	558.2
Incentive amortisation	(53.0)	(49.9)
Other revenue	34.9	27.4
Total property revenue	546.6	535.7

Note 3**Finance costs**

	2013 \$m	2012 \$m
Interest paid/payable	99.2	76.2
Amount capitalised	(10.7)	(22.5)
Other finance costs	2.6	2.1
Net fair value loss of interest rate swaps	7.5	62.2
Total finance costs	98.6	118.0

The average capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 7.00% (2012: 7.70%).

Note 4**Corporate and administration expenses**

	Note	2013 \$m	2012 \$m
Audit and taxation fees	6	1.3	1.2
Custodian fees		0.5	0.4
Legal and other professional fees		0.7	1.6
Registry costs and listing fees		0.5	0.7
Occupancy expenses		2.7	2.7
Administration expenses		3.3	3.0
Other staff expenses		1.7	1.8
Depreciation and amortisation		3.2	2.5
Employee benefits expense		50.9	57.5
Other expenses		3.6	4.4
Total corporate and administration expenses		68.4	75.8

Note 5**Income tax****(a) Income tax benefit**

	Note	2013 \$m	2012 \$m
Current tax benefit		2.4	1.1
Deferred tax benefit		(1.6)	19.0
Total income tax benefit		0.8	20.1
Total income tax benefit attributable to:			
Profit from continuing operations		(1.7)	18.9
Loss from discontinued operations		2.5	1.2
Total income tax benefit		0.8	20.1
Deferred income tax benefit included in income tax benefit comprises:			
Increase in deferred tax assets	16	2.7	8.6
Decrease in deferred tax liabilities	22	(4.3)	10.4
Total deferred tax benefit		(1.6)	19.0

(b) Reconciliation of income tax benefit to net profit

	2013 \$m	2012 \$m
Profit from continuing operations before tax	523.2	307.5
Loss from discontinued operations before tax	(13.9)	(108.1)
Total profit before tax	509.3	199.4
Less amounts not subject to income tax (note 1(g))	(461.7)	(261.5)
	47.6	(62.1)
Prima facie tax (expense)/benefit at the Australian tax rate of 30% (2012: 30%)	(14.3)	18.6
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Depreciation and amortisation	0.7	0.9
Reversal of previous impairment	6.2	-
Movements in the carrying value and tax cost base of properties	6.0	5.1
Net loss/(gain) on sale of investment properties	0.5	(4.6)
Tax losses brought to account	1.2	-
Sundry items	0.5	0.1
	15.1	1.5
Income tax benefit	0.8	20.1

Note 6

Audit, taxation and transaction services fees

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

	2013 \$'000	2012 \$'000
Audit fees		
PwC Australia - audit and review of Financial Statements	1,025	1,221
PwC fees paid in relation to outgoing audits ¹	125	103
PwC Australia - regulatory audit and compliance services	182	177
PwC Australia - audit and review of US asset disposals	226	115
Audit fees paid to PwC	1,558	1,616
Fees paid to non-PwC audit firms	52	52
Total audit fees	1,610	1,668
Taxation fees		
Fees paid to PwC Australia	164	70
Fees paid to PwC NZ	26	17
Fees paid to PwC Australia in respect of US asset disposals	24	45
Taxation fees paid to PwC	214	132
Fees paid to non-PwC audit firms	821	498
Total taxation fees²	1,035	630
Total audit and taxation fees^{3,4}	2,645	2,298
Transaction services fees		
Fees paid to PwC Australia	-	110
Total transaction services fees²	-	110
Total audit, taxation and transaction services fees	2,645	2,408

1 Fees paid in relation to outgoing audits are included in property expenses in the Statement of Comprehensive Income.

2 These services include general compliance work, one off project work and advice.

3 Total audit and taxation fees include \$1.2 million (2012: \$1.0 million) in relation to the US and European portfolios for general compliance work, one-off project work and advice. These fees are included in loss from discontinued operations in the Statement of Comprehensive Income.

4 After allowing for the impact of footnotes 1 and 3 above, total audit and taxation fees included in other expenses is \$1.3 million (2012: \$1.2 million).

Note 7

Current assets - cash and cash equivalents

	2013 \$m	2012 \$m
Cash at bank	11.2	20.8
Short-term deposits	0.4	13.7
Cash held in escrow ¹	2.9	24.7
Total current assets - cash and cash equivalents	14.5	59.2

1 As at 30 June 2013, the Group held US\$2.7 million (A\$2.9 million) in escrow in relation to the US asset disposal in April 2013. These funds were released from escrow on 25 July 2013.

2 As at 30 June 2012, the Group held US\$25.2 million (A\$24.7 million) in escrow in relation to the US asset disposals in June 2012. These funds were released from escrow during the year ended 30 June 2013.

Reconciliation to cash at the end of the year

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

	Note	2013 \$m	2012 \$m
Balances as above		14.5	59.2
Discontinued operations	12	0.4	-
Balances per Statement of Cash Flows		14.9	59.2

Note 8**Current assets - receivables**

	2013 \$m	2012 \$m
Rent receivable	10.8	7.4
Less: provision for doubtful debts	(0.6)	(0.9)
Total rental receivables	10.2	6.5
Fees receivable	8.7	9.9
Interest receivable	-	0.1
Distributions receivable	2.6	-
Other receivables	18.7	14.3
Total other receivables	30.0	24.3
Total current assets - receivables	40.2	30.8

Note 9**Inventories****(a) Land and properties held for resale**

	2013 \$m	2012 \$m
Current assets		
Land and properties held for resale	10.9	26.8
Total current assets - inventories	10.9	26.8
Non-current assets		
Land and properties held for resale	242.0	71.0
Total non-current assets - inventories	242.0	71.0
Total assets - inventories	252.9	97.8

(b) Reconciliation

	Note	2013 \$m	2012 \$m
Opening balance at the beginning of the year		97.8	112.2
Transfer from/(to) investment properties ¹	13	14.5	(7.0)
Disposals		(22.9)	(44.0)
Impairment		(2.2)	(14.9)
Acquisitions, additions and other		165.7	51.5
Closing balance at the end of the year		252.9	97.8

1 During the year ended 30 June 2013, \$14.5 million of developable investment property was transferred to inventory with an intention to sell.

Acquisitions

- On 30 November 2012, 50 Carrington Street, Sydney, NSW was acquired for \$58.5 million, excluding acquisition costs.
- On 17 January 2013, 40 Market Street, Melbourne, VIC was acquired for \$46.7 million, excluding acquisition costs.

Disposals

- During the year ended 30 June 2013, six lots located at Boundary Road, Laverton, VIC were disposed of for gross proceeds of \$24.4 million.

Note 10**Derivative financial instruments**

	2013 \$m	2012 \$m
Current assets		
Interest rate swap contracts	0.8	1.3
Cross currency swap contracts	21.9	-
Forward foreign exchange contracts	-	2.3
Other	2.7	-
Total current assets - derivative financial instruments	25.4	3.6
Non-current assets		
Interest rate swap contracts	47.4	74.7
Cross currency swap contracts	67.4	-
Total non-current assets - derivative financial instruments	114.8	74.7
Current liabilities		
Interest rate swap contracts	1.8	8.1
Forward foreign exchange contracts	-	0.1
Total current liabilities - derivative financial instruments	1.8	8.2
Non-current liabilities		
Interest rate swap contracts	73.0	112.6
Cross currency swap contracts	26.4	0.1
Total non-current liabilities - derivative financial instruments	99.4	112.7
Net derivative financial instruments	39.0	(42.6)

Refer note 28 for further discussion regarding derivative financial instruments.

Note 11**Current assets - other**

	2013 \$m	2012 \$m
Prepayments	10.9	10.7
Other	-	0.2
Total current assets - other	10.9	10.9

Note 12

Assets classified as held for sale and discontinued operations

A strategic review was announced to the ASX on 16 August 2012, which resulted in all offshore property being considered non-core. The remaining US industrial portfolio and the majority of the remaining European portfolio were sold in February 2013 and May 2013 respectively. Therefore the results of the US and European portfolios have been presented within loss from discontinued operations in the Statement of Comprehensive Income for the year ended 30 June 2013.

The loss from the US and European discontinued operations comprises:

	2013 \$m	2012 \$m
Revenue	39.3	152.8
Expenses ¹	(73.0)	(260.9)
Loss before tax	(33.7)	(108.1)
Tax benefit/(expense)	2.4	(35.4)
Loss after tax	(31.3)	(143.5)
Gain on measurement to fair value less costs to sell before tax	18.7	-
Gain on sale of investment properties	1.1	-
Withholding tax benefit	4.5	-
Gain on measurement to fair value less costs to sell after tax	24.3	-
Loss from discontinued operations	(7.0)	(143.5)

¹ Includes finance break costs attributable to sales transactions of \$18.8 million (2012: \$44.3 million) and foreign currency translation reserve transfer on disposal of foreign operations of \$21.5 million (2012: \$41.5 million).

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

	2013 \$m	2012 \$m
Property revenue	31.7	117.9
Management fee revenue	0.4	0.4
Property expenses	(7.7)	(34.3)
Corporate and administration expenses	(3.4)	(7.1)
Foreign exchange gains	4.0	2.2
Finance costs	(18.3)	(66.0)
Incentive amortisation and rent straight-line	1.3	5.6
Income tax benefit/(expense)	2.4	(0.6)
Other	(0.3)	-
Funds From Operations (FFO)¹	10.1	18.1
Net fair value gain of investment properties	21.9	32.3
Net fair value loss of derivatives	(2.3)	(35.1)
Finance costs attributable to sales transactions	(18.8)	(44.3)
Foreign currency translation reserve transfer on disposal of foreign operations	(21.5)	(41.5)
Net gain/(loss) on sale of investment properties	0.1	(32.6)
Incentive amortisation and rent straight-line	(1.3)	(5.6)
Deferred tax benefit/(expense)	4.5	(34.8)
Other	0.3	-
Loss from discontinued operations	(7.0)	(143.5)

¹ Refer note 33(c)(i) for a definition of FFO.

Note 12

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

The carrying amounts of assets and liabilities of discontinued operations as at the date of disposal were:

	2013	2012
	\$m	\$m
Cash and cash equivalents	0.2	-
Receivables	0.1	-
Investment properties	524.3	-
Total assets	524.6	-
Payables	5.5	-
Interest bearing liabilities	74.6	-
Loans to related parties	172.7	-
Other liabilities	1.6	-
Total liabilities	254.4	-
Net assets	270.2	-

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

	2013	2012
	\$m	\$m
Net cash flows from operating activities	4.3	23.0
Net cash flows from investing activities	465.6	819.0
Net cash flows from financing activities	(493.1)	(799.3)
Net (decrease)/increase in cash generated by discontinued operations	(23.2)	42.7

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

	2013 ¹	2012 ²
	\$m	\$m
Assets classified as held for sale		
Cash and cash equivalents	0.4	-
Receivables	0.4	-
Other	0.3	-
Investment properties	7.7	212.3
Total assets classified as held for sale	8.8	212.3
Liabilities classified as held for sale		
Payables	0.1	-
Total liabilities classified as held for sale	0.1	-

1 Includes the remaining European property.

2 Includes certain investment properties whose value will be recovered through sale rather than through continuing use.

Disposals

- On 13 July 2012, 114-120 Old Pittwater Road, Brookvale, NSW was disposed of for gross proceeds of \$40.5 million.
- On 2 October 2012, 50% of an industrial portfolio consisting of assets at DEXUS Industrial Estate Laverton North VIC, Altona North VIC and Quarry Greystanes NSW was disposed of for gross proceeds of \$110.8 million.
- On 1 February 2013, 50% of Quarry Greystanes, NSW - Camerons Transport was disposed of for gross proceeds of \$14.9 million.
- On 20 February 2013, Quarry Greystanes, NSW - Promak was disposed of for gross proceeds of \$16.4 million.
- On 15 May 2013, five properties located in France were disposed of for gross proceeds of €16.5 million (A\$21.3 million).
- On 21 June 2013, 50% of Quarry Greystanes, NSW - Warehouse 9 was disposed of for gross proceeds of \$12.5 million.

Note 13

Non-current assets - investment properties

(a) Properties	Ownership	Acquisition date	Independent valuation date	Independent valuation amount	Independent valuer	Book value 30 Jun 2013	Book value 30 Jun 2012
	%			\$m		\$m	\$m
Kings Park Industrial Estate, Bowmans Road, Marayong, NSW	100	May 1990	Dec 2012	90.5	(d)	91.9	89.0
Target Distribution Centre, Lot 1, Tara Avenue, Altona North, VIC	50	Oct 1995	Jun 2013	16.3	(c)	16.3	16.3
Axxess Corporate Park, Mount Waverley, VIC	100	Oct 1996	Dec 2012	187.2	(b)	187.6	182.8
Knoxfield Industrial Estate, 20 Henderson Road, Knoxfield, VIC	100	Aug 1996	Jun 2011	37.6	(g)	37.6	37.7
12 Frederick Street, St Leonards, NSW	100	Jul 2000	Jun 2011	33.5	(a)	34.6	33.9
2 Alspec Place, Eastern Creek, NSW	100	Mar 2004	Dec 2011	24.9	(d)	24.9	24.9
108-120 Silverwater Road, Silverwater, NSW	100	May 2010	Jun 2013	23.4	(a)	23.4	24.3
40 Talavera Road, North Ryde, NSW	100	Oct 2002	Dec 2011	31.5	(g)	29.5	29.0
44 Market Street, Sydney, NSW	100	Sep 1987	Jun 2013	241.0	(d)	241.0	217.7
8 Nicholson Street, Melbourne, VIC	100	Nov 1993	Jun 2012	93.5	(a)	99.0	93.5
130 George Street, Parramatta, NSW	100	May 1997	Dec 2010	77.0	(f)	77.2	77.2
Flinders Gate Complex, 172 Flinders Street & 189 Flinders Lane, Melbourne, VIC	100	Mar 1999	Jun 2011	28.5	(e)	30.6	28.1
383-395 Kent Street, Sydney, NSW	100	Sep 1987	Dec 2011	133.0	(a)	136.9	134.0
14 Moore Street, Canberra, ACT**	100	May 2002	Jun 2013	24.0	(e)	24.0	27.6
Sydney CBD Floor Space ¹	100	Jul 2000	Dec 2011	0.1	(a)	0.1	0.1
34-60 Little Collins Street, Melbourne, VIC**	100	Nov 1984	Jun 2011	39.2	(c)	36.1	39.3
32-44 Flinders Street, Melbourne, VIC	100	Jun 1998	Jun 2011	29.5	(e)	29.9	29.9
Flinders Gate Carpark, 172-189 Flinders Street, Melbourne, VIC	100	Mar 1999	Jun 2011	54.0	(e)	54.3	54.0
383-395 Kent Street Car Park, Sydney, NSW	100	Sep 1987	Dec 2011	64.0	(a)	64.0	64.0
123 Albert St, Brisbane, QLD	100	Oct 1984	Mar 2013	400.0	(e)	401.4	375.5
2 - 4 Military Rd, Matraville, NSW	100	Dec 2009	Jun 2012	52.9	(c)	55.7	52.9
79-99 St Hilliers Road, Auburn, NSW	100	Sep 1997	Dec 2011	37.5	(g)	35.4	37.5
3 Brookhollow Avenue, Baulkham Hills, NSW	100	Dec 2002	Jun 2012	42.0	(f)	42.9	42.0
1 Garigal Road, Belrose, NSW	100	Dec 1998	Jun 2012	16.3	(a)	16.3	16.3
2 Minna Close, Belrose, NSW	100	Dec 1998	Jun 2012	24.0	(a)	22.5	24.0
145 - 151 Arthur Street, Flemington, NSW	100	Sep 1997	Jun 2011	28.0	(f)	27.6	28.5
436 - 484 Victoria Road, Gladesville, NSW	100	Sep 1997	Dec 2011	41.5	(e)	40.8	41.7
1 Foundation Place, Greystanes, NSW	100	Feb 2003	Dec 2012	44.8	(c)	44.8	43.3
5 - 15 Roseberry Avenue & 25 - 55 Rothschild Avenue, Rosebery, NSW	100	Apr 1998	Dec 2012	90.5	(a)	93.0	90.8

1 Heritage floor space retained following the disposal of 1 Chifley Square, Sydney.

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

Note 13

Non-current assets - investment properties (continued)

(a) Properties (continued)	Ownership %	Acquisition date	Independent valuation date	Independent valuation amount \$m	Independent valuer	Book value 30 Jun 2013 \$m	Book value 30 Jun 2012 \$m
10 - 16 South Street, Rydalmere, NSW	100	Sep 1997	Jun 2011	39.3	(g)	41.5	40.7
Pound Road West, Dandenong, VIC	100	Jan 2004	Dec 2012	71.4	(f)	70.7	74.5
DEXUS Industrial Estate, Boundary Road, Laverton North, VIC - Visy	50	Jul 2002	Jun 2013	9.6	(c)	9.6	9.5
DEXUS Industrial Estate, Boundary Road, Laverton North, VIC - Wrightson	50	Jul 2002	Jun 2013	3.6	(c)	3.6	3.5
DEXUS Industrial Estate, Boundary Road, Laverton North, VIC - Fosters	50	Jul 2002	Jun 2013	18.7	(c)	18.7	18.0
DEXUS Industrial Estate, Boundary Road, Laverton North, VIC - BestBar	50	Jul 2002	Jun 2013	6.0	(c)	6.0	5.9
12-18 Distribution Drive, Laverton North, VIC	50	Jul 2002	Jun 2013	51.0	(c)	51.0	50.4
250 Forest Road, South Lara, VIC	100	Dec 2002	Jun 2012	52.3	(e)	54.5	52.3
15 - 23 Whicker Road, Gillman, SA	100	Dec 2002	Sep 2012	28.8	(c)	29.1	27.3
25 Donkin Street, Brisbane, QLD	100	Dec 1998	Dec 2010	27.0	(f)	28.5	29.4
52 Holbeche Road, Arndell Park, NSW	100	Jul 1998	Jun 2012	12.5	(f)	12.5	12.5
30 - 32 Bessemer Street, Blacktown, NSW	100	May 1997	Jun 2011	16.3	(e)	15.7	15.6
27 - 29 Liberty Road, Huntingwood, NSW	100	Jul 1998	Sep 2012	8.8	(d)	8.9	8.0
154 O'Riordan Street, Mascot, NSW	100	Jun 1997	n/a	n/a	n/a	-	14.3
11 Talavera Road, North Ryde, NSW	100	Jun 2002	Mar 2013	145.0	(a)	146.6	147.9
131 Mica Road, Carole Park, NSW	100	Jan 2013	n/a	n/a	n/a	22.3	-
DEXUS Industrial Estate, Egerton Street, Silverwater, NSW	100	May 1997	Jun 2012	35.0	(g)	36.6	35.0
89 Egerton Street, Silverwater, NSW	100	May 1997	Jun 2012	4.0	(g)	-	4.0
114 Fairbank Road, Clayton, VIC	100	Jul 1997	Mar 2013	15.4	(b)	15.4	15.2
30 Bellrick Street, Acacia Ridge, QLD	100	Jun 1997	Sep 2012	20.6	(a)	20.9	20.3
Quarry Greystanes, NSW - Solaris	50	Dec 2007	Jun 2013	13.4	(c)	13.4	12.6
Quarry Greystanes, NSW - Symbion	50	Dec 2007	Jun 2013	17.0	(c)	17.0	16.1
Quarry Greystanes, NSW - Fujitsu	50	Dec 2007	Jun 2013	21.0	(c)	21.0	20.0
Quarry Greystanes, NSW - Camerons Transport	50	Dec 2007	Jun 2013	15.9	(c)	15.9	14.9
Quarry Greystanes, NSW - UPS ¹	50	Dec 2007	Jun 2013	4.4	(c)	4.4	-
Quarry Greystanes, NSW - WH9 ¹	50	Dec 2007	Jun 2013	13.7	(c)	13.7	-
Quarry Greystanes, NSW - Brady ¹	50	Dec 2007	Jun 2013	11.1	(c)	11.1	-
Boundary Road, Laverton, VIC - Fastline	50	Jun 2010	Jun 2013	8.0	(c)	8.0	7.0
Boundary Road, Laverton, VIC - Toll	50	Jun 2010	Jun 2013	6.4	(c)	6.4	5.4
Boundary Road, Laverton, VIC - ACFS ²	100	Jun 2010	n/a	n/a	n/a	6.5	5.9

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

2 50% classified as inventory at 30 June 2013.

Note 13

Non-current assets - investment properties (continued)

(a) Properties (continued)	Ownership	Acquisition date	Independent valuation date	Independent valuation amount	Independent valuer	Book value 30 Jun 2013	Book value 30 Jun 2012
	%			\$m		\$m	\$m
45 Clarence Street, Sydney, NSW	100	Dec 1998	Jun 2011	247.5	(f)	256.7	250.3
Governor Phillip Tower & Governor Macquarie Tower, 1 Farrer Place, Sydney, NSW	50	Dec 1998	Dec 2012	670.0	(a)	671.8	651.1
309-321 Kent Street, Sydney, NSW	50	Dec 1998	Jun 2012	191.0	(d)	194.0	191.0
1 Margaret Street, Sydney, NSW	100	Dec 1998	Sep 2012	186.0	(d)	192.8	175.3
Victoria Cross 60 Miller Street, North Sydney, NSW	100	Dec 1998	Sep 2012	146.0	(c)	147.8	141.1
The Zenith, 821-843 Pacific Highway, Chatswood, NSW	50	Dec 1998	Mar 2013	120.0	(e)	120.3	117.3
Woodside Plaza, 240 St Georges Terrace, Perth, WA	100	Jan 2001	Jun 2012	460.0	(f)	480.2	460.0
30 The Bond, 30-34 Hickson Road, Sydney, NSW	100	May 2002	Jun 2013	179.0	(c)	179.0	146.5
Southgate Complex, 3 Southgate Avenue, Southbank, VIC	100	Aug 2000	Jun 2012	418.4	(c)	425.2	418.4
201-217 Elizabeth Street, Sydney, NSW	50	Aug 2000	Jun 2011	144.0	(d)	144.0	148.1
Garema Court, 140-180 City Walk, Civic, ACT **	100	Aug 2000	Dec 2011	29.5	(a)	55.1	48.8
Australia Square Complex, 264-278 George Street, Sydney, NSW	50	Aug 2000	Jun 2013	305.0	(e)	305.0	271.5
Non-core international properties	n/a	n/a	n/a	n/a	n/a	107.4	656.1
Total investment properties excluding development properties						6,008.1	6,297.5
Total development properties held as investment property						76.9	94.0
Total investment properties						6,085.0	6,391.5

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

- (a) Colliers International
- (b) Urbis
- (c) CB Richard Ellis
- (d) Jones Lang LaSalle
- (e) Knight Frank
- (f) FPD Savills
- (g) m3property

Note 13**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 or the New Zealand Institute of Valuers.

Key valuation assumptions

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

	Australian office	Australian industrial
2013		
Weighted average capitalisation rate (%)	7.17	8.55
Weighted average lease expiry by income (years)	5.0	4.1
Occupancy by income (%)	94.6	96.1
	Australian office	Australian industrial
2012		
Weighted average capitalisation rate (%)	7.30	8.59
Weighted average lease expiry by income (years)	4.9	4.4
Occupancy by income (%)	96.8	92.8

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

Acquisitions

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

Disposals

- On 12 November 2012, 89 Egerton Street, Silverwater, NSW was disposed of for gross proceeds of \$4.0 million.
- On 21 November 2012, 1777 S Vintage Avenue, Ontario was disposed of for gross proceeds of US\$18.2 million (A\$17.6 million).
- On 14 February 2013, a portfolio of 25 US industrial properties were disposed of as part of an entity sale for gross proceeds of US\$542.8 million (A\$526.0 million).
- On 1 March 2013, 144 Wicks Road, Macquarie Park, NSW was disposed of for gross proceeds of \$13.9 million.
- On 27 March 2013, 50% of Quarry Greystanes, NSW - Blackwoods was disposed of for gross proceeds of \$4.8 million.
- On 27 March 2013, 50% of Quarry Greystanes, NSW - Roche was disposed of for gross proceeds of \$2.4 million.
- On 18 April 2013, 3550 Tyburn Street & 3332-3424 North San Fernando Road, Los Angeles was disposed of for gross proceeds of US\$56.2 million (A\$54.1 million).

Note 13**Non-current assets - investment properties (continued)****(b) Reconciliation**

	Note	2013 \$m	2012 \$m
Opening balance at the beginning of the year		6,391.5	7,105.9
Additions		82.1	160.7
Acquisitions		22.2	35.2
Lease incentives		52.0	62.8
Amortisation of lease incentives		(52.1)	(62.7)
Rent straightlining		(0.6)	4.4
Disposals		(24.9)	(881.1)
Transfer to non-current assets classified as held for sale		(7.2)	(187.4)
Transfer to discontinued operations		(559.6)	-
Transfer (to)/from inventories ¹	9	(14.5)	7.0
Net fair value gain of investment properties		188.8	73.7
Foreign exchange differences on foreign currency translation		7.3	73.0
Closing balance at the end of the year		6,085.0	6,391.5

1 During the year ended 30 June 2013, \$14.5 million of developable investment property was transferred to inventory with an intention to sell.

(c) Investment properties pledged as security

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

Note 14**Non-current assets - plant and equipment**

	2013 \$m	2012 \$m
Opening balance at the beginning of the year	4.7	3.9
Additions	7.0	3.1
Depreciation charge	(2.9)	(2.3)
Closing balance at the end of the year	8.8	4.7

	2013 \$m	2012 \$m
Cost	22.6	15.6
Accumulated depreciation	(13.8)	(10.9)
Net book value as at the end of the year	8.8	4.7

Note 15**Non-current assets - investments accounted for using the equity method**

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

Information relating to these entities is set out below:

Name of entity	Ownership interest		2013 \$m	2012 \$m
	2013 %	2012 %		
Bent Street Trust	33.3	33.3	248.3	217.0
DEXUS Creek Street Trust	50.0	-	127.6	-
DEXUS Martin Place Trust	50.0	-	79.8	-
Grosvenor Place Holding Trust	50.0	-	289.1	-
Site 6 Homebush Bay Trust	50.0	-	37.1	-
Site 7 Homebush Bay Trust	50.0	-	50.3	-
DEXUS 480 Q Holding Trust	50.0	-	44.5	-
DEXUS Kings Square Trust	50.0	-	30.1	-
Total non-current assets - investments accounted for using the equity method			906.8	217.0

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

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

	2013 \$m	2012 \$m
Opening balance at the beginning of the year	217.0	200.4
Additions	674.3	9.7
Share of net profit after tax ¹	37.9	13.8
Fair value adjustment on acquisition of investments	(0.1)	-
Distributions received/receivable	(22.3)	(6.9)
Closing balance at the end of the year	906.8	217.0

¹ Share of net profit after tax includes a fair value gain of investment properties of \$12.9 million (2012: \$7.5 million).

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

The Group's share of aggregate revenue, profit, assets, liabilities and capital commitments of investments accounted for using the equity method are:

	2013 \$m	2012 \$m
Revenue	32.2	8.6
Net profit after tax	37.9	13.8
Assets	922.5	221.2
Liabilities	15.7	4.1
Capital commitments	302.3	12.4

Note 16**Non-current assets - deferred tax assets**

	2013 \$m	2012 \$m
The balance comprises temporary differences attributable to:		
Derivative financial instruments	0.6	1.0
Tax losses	27.5	22.3
Employee provisions	10.7	12.2
Other	0.6	1.2
Total non-current assets - deferred tax assets	39.4	36.7
Movements		
Opening balance at the beginning of the year	36.7	55.6
Recognition of tax losses	5.2	8.4
Temporary differences	(2.5)	0.2
Credited to the Statement of Comprehensive Income	2.7	8.6
Movements in deferred withholding tax arising from:		
Temporary differences	-	(28.6)
Foreign currency translation	-	1.1
Charged to the Statement of Comprehensive Income	-	(27.5)
Closing balance at the end of the year	39.4	36.7

Note 17**Non-current assets - intangible assets**

	2013 \$m	2012 \$m
Management rights		
Opening balance at the beginning of the year	221.9	222.3
Amortisation charge	(0.3)	(0.4)
Reversal of previous impairment	20.5	-
Closing balance at the end of the year	242.1	221.9
Cost	252.4	252.4
Accumulated amortisation	(3.0)	(2.7)
Accumulated impairment	(7.3)	(27.8)
Total management rights	242.1	221.9
Goodwill		
Opening balance at the beginning of the year	1.7	2.3
Impairment	(0.1)	(0.6)
Closing balance at the end of the year	1.6	1.7
Cost	3.0	3.0
Accumulated impairment	(1.4)	(1.3)
Total goodwill	1.6	1.7
Total non-current assets - intangible assets	243.7	223.6

Management rights represent the asset management rights owned by DEXUS Holdings Pty Limited, a wholly owned subsidiary of DXO, which entitle it to management fee revenue from both finite life trusts and indefinite life trusts. Those rights that are deemed to have a finite useful life (held at a value of \$5.4 million (2012: \$5.7 million)) are measured at cost and amortised using the straight-line method over their estimated remaining useful lives of 19 years. Management rights that are deemed to have an indefinite life are held at a value of \$236.7 million (2012: \$216.2 million).

Impairment of management rights

During the current year, management carried out a review of the recoverable amount of its management rights. As part of this process, the estimated fair value of assets under management, which are used to derive the future expected management fee income, have been adjusted to better reflect current market conditions and committed developments. This has resulted in the recognition of a reversal of previous impairments of \$20.5 million (2012: nil) in the Consolidated Statement of Comprehensive Income.

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

Key assumptions:

- A terminal capitalisation rate of 12.5% (2012: 12.5%) was used incorporating an appropriate risk premium for a management business.
- The cash flows have been discounted at 9.5% (2012: 9.3%) based on externally published weighted average cost of capital for an appropriate peer group plus an appropriate premium for risk. A 0.25% (2012: 0.25%) decrease in the discount rate would increase the valuation by \$2.7 million (2012: \$2.4 million).

Note 18**Non-current assets - other**

	2013 \$m	2012 \$m
Tenant bonds	1.2	0.9
Other	0.2	0.4
Total non-current assets - other	1.4	1.3

Note 19**Current liabilities - payables**

	2013 \$m	2012 \$m
Trade creditors	34.8	39.0
Accruals	13.7	17.5
Accrued capital expenditure	9.9	20.5
Prepaid income	15.9	16.2
GST payable	1.5	0.9
Accrued interest	17.5	14.4
Current tax liabilities	1.1	2.1
Other	0.7	-
Total current liabilities - payables	95.1	110.6

Note 20**Interest bearing liabilities**

	Note	2013 \$m	2012 \$m
Non-current			
Secured			
Bank loans	(a)	-	75.5
Total secured		-	75.5
Unsecured			
US senior notes	(b), (c)	409.0	493.7
Bank loans	(d)	1,189.6	1,046.6
Medium term notes	(e)	580.0	340.0
Total unsecured		2,178.6	1,880.3
Deferred borrowing costs		(11.5)	(15.0)
Total non-current liabilities - interest bearing liabilities		2,167.1	1,940.8
Total interest bearing liabilities		2,167.1	1,940.8

Note 20**Interest bearing liabilities (continued)****Financing arrangements**

					2013 \$m	2013 \$m
Type of Facility	Note	Currency	Security	Maturity Date	Utilised	Facility Limit
US senior notes (144A)	(b)	US\$	Unsecured	Mar-21	268.8	268.8
US senior notes (USPP)	(c)	US\$	Unsecured	Dec-14 to Mar-17	140.2	140.2
Medium term notes	(e)	A\$	Unsecured	Jul-14 to Sep-18	580.0	580.0
Multi-option revolving credit facilities	(d)	Multi Currency	Unsecured	Jan-15 to Feb-18	1,189.6	1,527.4
Total					2,178.6	2,516.4
Bank guarantee utilised					31.9	
Unused at balance date					305.9	

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

(a) Bank loans - secured

Facilities secured by mortgages over investment properties sold as part of the remaining US industrial portfolio were repaid and associated mortgages discharged during the year.

(b) US senior notes (144A)

This includes a total of US\$250.0 million (A\$268.8 million) of US senior notes with a maturity of March 2021.

(c) US senior notes (USPP)

This includes a total of US\$130.0 million (A\$140.2 million) of US senior notes with a weighted average maturity of September 2015.

(d) Multi-option revolving credit facilities

This includes 16 facilities maturing between January 2015 and February 2018 with a weighted average maturity of October 2016. The total facility limit comprises A\$1,473.5 million and US\$50.0 million (A\$53.9 million). A\$31.9 million is utilised as bank guarantees for developments, AFSL requirements and in relation to the sale of the US industrial portfolio.

(e) Medium term notes

This includes a total of \$580.0 million of medium term notes with a weighted average maturity of January 2016.

Additional information

The Group has a commitment with a delayed start for US\$300.0 million (A\$323.5 million) of US senior notes with a weighted average maturity of September 2026.

Following the end of the period, the Group extended the maturity date of an existing \$150.0 million bank facility from March 2017 to January 2019.

The Group has entered into new revolving credit facilities totalling \$120 million and a \$100.0 million same day funding facility, each maturing in August 2015.

Note 21**Provisions**

	2013 \$m	2012 \$m
Current		
Provision for distribution	146.2	128.2
Provision for employee benefits	23.3	23.8
Total current liabilities - provisions	169.5	152.0

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

	2013 \$m	2012 \$m
Provision for distribution		
Opening balance at the beginning of the year	128.2	125.3
Additional provisions	282.1	257.4
Payment of distributions	(264.1)	(254.5)
Closing balance at the end of the year	146.2	128.2

A provision for distribution has been raised for the period ended 30 June 2013. This distribution is to be paid on 30 August 2013.

	2013 \$m	2012 \$m
Non-current		
Provision for employee benefits	11.2	16.5
Total non-current liabilities - provisions	11.2	16.5

Note 22**Non-current liabilities - deferred tax liabilities**

	2013 \$m	2012 \$m
The balance comprises temporary differences attributable to:		
Derivative financial instruments	3.3	3.8
Goodwill	2.1	2.2
Investment properties and inventories	6.5	5.9
Other	0.2	0.5
Total non-current liabilities - deferred tax liabilities	12.1	12.4
Movements		
Opening balance at the beginning of the year	12.4	18.2
Temporary differences	4.3	(10.4)
Credited to the Statement of Comprehensive Income	4.3	(10.4)
Movements in deferred withholding tax arising from:		
Temporary differences	(4.5)	5.5
Foreign currency translation	(0.1)	(0.9)
Charged to the Statement of Comprehensive Income	(4.6)	4.6
Closing balance at the end of the year	12.1	12.4

Note 23**Non-current liabilities - other**

	2013 \$m	2012 \$m
Tenant bonds and other	4.6	3.6
Total non-current liabilities - other	4.6	3.6

Note 24**Contributed equity****(a) Contributed equity of unitholders of the parent entity**

	2013 \$m	2012 \$m
Opening balance at the beginning of the year	1,605.0	1,798.1
Capital payments	-	(175.0)
Buy-back of contributed equity	(27.3)	(18.0)
Transaction costs	-	(0.1)
Closing balance at the end of the year	1,577.7	1,605.0

(b) Contributed equity of unitholders of other stapled entities

	2013 \$m	2012 \$m
Opening balance at the beginning of the year	3,156.5	3,014.7
Capital contributions	-	175.0
Buy-back of contributed equity	(50.2)	(33.0)
Transaction costs	-	(0.2)
Closing balance at the end of the year	3,106.3	3,156.5

(c) Number of securities on issue

	2013 No. of securities	2012 No. of securities
Opening balance at the beginning of the year	4,783,817,657	4,839,024,176
Buy-back of contributed equity	(81,860,267)	(55,206,519)
Closing balance at the end of the year	4,701,957,390	4,783,817,657

Terms and conditions

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

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

Note 25**Reserves and retained profits****(a) Reserves**

	2013 \$m	2012 \$m
Foreign currency translation reserve	(6.3)	(36.0)
Asset revaluation reserve	42.7	42.7
Security-based payments reserve	2.4	0.4
Treasury securities reserve	(2.2)	-
Total reserves	36.6	7.1
Movements:		
Foreign currency translation reserve		
Opening balance at the beginning of the year	(36.0)	(77.8)
Exchange differences on translating foreign operations	8.2	0.3
Foreign currency translation reserve transfer on disposal of foreign operations	21.5	41.5
Closing balance at the end of the year	(6.3)	(36.0)
Asset revaluation reserve		
Opening balance at the beginning of the year	42.7	42.7
Closing balance at the end of the year	42.7	42.7
Security-based payments reserve		
Opening balance at the beginning of the year	0.4	-
Security-based payments expense	2.0	0.4
Closing balance at the end of the year	2.4	0.4
Treasury securities reserve		
Opening balance at the beginning of the year	-	-
Purchase of securities	(2.2)	-
Closing balance at the end of the year	(2.2)	-

(b) Nature and purpose of reserves**Foreign currency translation reserve**

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

Asset revaluation reserve

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

Security-based payments reserve

The security-based payments reserve is used to recognise the fair value of performance rights to be issued under the 2012 Transitional Performance Rights Plan, the Deferred Short Term Incentive Plan (DSTI) and the Long Term Incentive Plan (LTI). Refer to note 36 for further details.

Treasury securities reserve

The treasury securities reserve is used to record the acquisition of securities purchased to fulfill the obligations of the 2012 Transitional Performance Rights Plan, the Deferred Short Term Incentive Plan (DSTI) and the Long Term Incentive Plan (LTI). As at 30 June 2013, DXS held 2,108,728 stapled securities (2012: nil).

Note 25**Reserves and retained profits (continued)****(c) Retained profits**

	2013 \$m	2012 \$m
Opening balance at the beginning of the year	238.7	325.2
Net profit attributable to security holders	514.5	181.1
Transfer of capital reserve of other non-controlling interests	-	(10.2)
Distributions provided for or paid	(282.1)	(257.4)
Closing balance at the end of the year	471.1	238.7

Note 26**Distributions paid and payable****(a) Distribution to security holders**

	2013 \$m	2012 \$m
31 December (paid 28 February 2013)	135.9	129.2
30 June (payable 30 August 2013)	146.2	128.2
	282.1	257.4

(b) Distribution to other non-controlling interests

	2013 \$m	2012 \$m
DEXUS RENTS Trust (paid 18 October 2011)	-	3.2
DEXUS RENTS Trust (paid 17 January 2012)	-	3.1
DEXUS RENTS Trust (paid 18 April 2012)	-	2.9
DEXUS RENTS Trust (paid 29 June 2012)	-	2.8
	-	12.0
Total distributions	282.1	269.4

(c) Distribution rate

	2013 Cents per security	2012 Cents per security
31 December (paid 28 February 2013)	2.89	2.67
30 June (payable 30 August 2013)	3.11	2.68
Total distributions	6.00	5.35

(d) Franked dividends

The franked portions of the final dividends recommended after 30 June 2013 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ended 30 June 2013.

	2013 \$m	2012 \$m
Franking credits		
Opening balance at the beginning of the year	16.2	17.2
Franking debits arising during the year on receipt of tax refund at 30%	-	(1.0)
Closing balance at the end of the year	16.2	16.2

Note 27**Parent entity financial information****(a) Summary financial information**

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

	2013 \$m	2012 \$m
Total current assets	74.2	220.7
Total assets	2,182.5	2,255.8
Total current liabilities	119.5	116.1
Total liabilities	423.4	499.0
Equity		
Contributed equity	1,577.7	1,605.0
Retained profits	181.4	151.8
Total equity	1,759.1	1,756.8
Net profit for the year from continuing operations	141.5	184.6
Net profit/(loss) for the year from discontinued operations	7.5	(45.5)
Net profit for the year	149.0	139.1
Total comprehensive income for the year	149.0	139.1

(b) Guarantees entered into by the parent entity

Refer to note 29 for details of guarantees entered into by the parent entity.

(c) Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2013 (2012: nil).

(d) Capital commitments

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

	2013 \$m	2012 \$m
Investment properties	3.2	3.4
Total capital commitments	3.2	3.4

Note 28

Financial risk management

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

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

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

(1) Capital risk management

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

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

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

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

The Group has a stated target gearing level of 30% to 40%. The gearing ratio calculated in accordance with our covenant requirements at 30 June 2013 was 29.1% (as detailed below).

	2013	2012
	\$m	\$m
Gearing ratio		
Total interest bearing liabilities ¹	2,134.7	1,956.0
Total tangible assets ²	7,329.3	7,025.5
Gearing ratio³	29.1%	27.8%

1 Total interest bearing liabilities excludes deferred borrowing costs and includes the currency impact of cross currency swaps as reported internally to management.

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

3 The cash adjusted gearing ratio at 30 June 2013 was 29.0% (2012: 27.2%).

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

The Group is required to comply with certain financial covenants in respect of its interest bearing liabilities. During the 2013 and 2012 reporting periods, the Group was in compliance with all of its financial covenants.

Note 28

Financial risk management (continued)

(1) Capital risk management (continued)

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

DWPL, a wholly owned entity, has also been issued with an AFSL as it is the Responsible Entity for DEXUS Wholesale Property Fund (DWPF). DEXUS Wholesale Management Limited (DWML), a wholly owned entity, has been issued with an AFSL as it is the Trustee of Golden Diamond (GD) Trust. These entities are subject to the same capital requirements.

(2) Financial risk management

The Group's activities expose it to a variety of financial risks: credit risk, market risk (including currency risk, interest rate risk and price risk), and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Accordingly, the Group enters into various derivative financial instruments such as interest rate swaps, cross currency interest rate swaps, and foreign exchange contracts to manage its exposure to certain risks. The Group does not trade in derivative instruments for speculative purposes. The Group uses different methods to measure the different types of risks to which it is exposed, including monitoring the current and forecast levels of exposure, and conducting sensitivity analysis.

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

(a) Liquidity risk

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

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

- short-term liquidity management includes continuously monitoring forecast and actual cash flows;
- medium-term liquidity management includes maintaining a level of committed borrowing facilities above the forecast committed debt requirements (liquidity headroom buffer). Committed debt includes future expenditure that has been approved by the Board or Investment Committee (as required within delegated limits), and may also include projects that have a very high probability of proceeding, taking into consideration risk factors such as the level of regulatory approval, tenant pre-commitments and portfolio considerations; and
- long-term liquidity risk is managed through ensuring an adequate spread of maturities of borrowing facilities so that refinancing risk is not concentrated, and ensuring an adequate diversification of funding sources where possible, subject to market conditions.

Note 28**Financial risk management (continued)****(2) Financial risk management (continued)****(a) Liquidity risk (continued)****Refinancing risk**

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

The refinancing of existing facilities may also result in margin price risk, whereby market conditions may result in an unfavourable change in credit margins on the refinanced facilities. The Group's key risk management strategy for margin price risk on refinancing is to spread the maturities of debt facilities over different time periods to reduce the volume of facilities to be refinanced and the exposure to market conditions in any one period.

An analysis of the contractual maturities of the Group's interest bearing liabilities and derivative financial instruments is shown in the table below. The amounts in the table represent undiscounted cash flows.

	2013				2012			
	Expiring within one year \$m	Expiring between one and two years \$m	Expiring between two and five years \$m	Expiring after five years \$m	Expiring within one year \$m	Expiring between one and two years \$m	Expiring between two and five years \$m	Expiring after five years \$m
Receivables	40.6	-	-	-	30.8	-	-	-
Payables	95.2	-	-	-	110.6	-	-	-
	(54.6)	-	-	-	(79.8)	-	-	-
Interest bearing liabilities and interest								
Fixed interest rate liabilities and interest	55.2	148.4	430.8	518.5	45.2	45.2	525.2	295.4
Floating interest rate liabilities and interest	69.0	257.9	1,179.8	-	71.2	163.8	1,142.4	151.9
Total interest bearing liabilities and interest¹	124.2	406.3	1,610.6	518.5	116.4	209.0	1,667.6	447.3
Derivative financial instruments								
Derivative assets	53.3	138.6	106.5	681.3	35.2	22.5	18.6	-
Derivative liabilities	61.1	134.4	121.6	632.8	37.3	29.1	49.7	14.0
Total net derivative financial instruments²	(7.8)	4.2	(15.1)	48.5	(2.1)	(6.6)	(31.1)	(14.0)

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

2 The notional maturities on derivatives is only shown for cross currency interest rate swaps (refer foreign exchange rate risk) and forward foreign exchange contracts as they are the only instruments where a principal amount is exchanged. For interest rate swaps, only the net interest cash flows (not the notional principal) are included. For financial assets and liabilities that have floating rate interest cash flows, future cash flows have been calculated using static interest and exchange rates prevailing at the end of each reporting period. Refer to note 10 (derivative financial instruments) for fair value of derivatives. Refer note 29 (contingent liabilities) for financial guarantees.

Note 28**Financial risk management (continued)****(2) Financial risk management (continued)****(b) Market risk**

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

(i) Interest rate risk

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

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

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

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

As at 30 June 2013, 62% (2012: 67%) of the financial assets and liabilities of the Group had an effective fixed interest rate.

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

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

	June 2014 \$m	June 2015 \$m	June 2016 \$m	June 2017 \$m	June 2018 \$m	> June 2019 \$m
Fixed rate debt¹						
A\$ fixed rate debt	465.0	465.0	465.0	408.3	205.0	11.4
Interest rate swaps						
A\$ hedged ¹	899.2	927.9	872.5	565.0	327.5	70.0
Combined fixed debt and swaps (A\$ equivalent)	1,364.2	1,392.9	1,337.5	973.3	532.5	81.4
Hedge rate (%)	3.94%	3.99%	4.12%	4.21%	4.32%	5.68%

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

Note 28**Financial risk management (continued)****(2) Financial risk management (continued)****(b) Market risk (continued)****(i) Interest rate risk (continued)****Sensitivity on interest expense**

The table below shows the impact on unhedged net interest expense (excluding non-cash items) of a 50 basis points increase or decrease in short-term and long-term market interest rates. The sensitivity on cash flow arises due to the impact that a change in interest rates will have on the Group's floating rate debt and derivative cash flows. Net interest expense is only sensitive to movements in market rates to the extent that floating rate debt is not hedged.

		2013 (+/-) \$m	2012 (+/-) \$m
+/- 0.50% (50 basis points)	A\$	4.8	2.6
+/- 0.50% (50 basis points)	US\$	-	0.8
+/- 0.50% (50 basis points)	€	-	0.2
Total A\$ equivalent		4.8	3.6

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

Sensitivity on fair value of interest rate swaps

The table below shows the impact on the Statement of Comprehensive Income for changes in the fair value of interest rate swaps for a 50 basis points increase and decrease in short-term and long-term market interest rates. The sensitivity on the fair value arises from the impact that changes in market rates will have on the mark-to-market valuation of the interest rate swaps. The fair value of interest rate swaps is calculated as the present value of estimated future cash flows on the instruments. Cash flows are discounted using the forward price curve of interest rates at the end of the reporting period. Although interest rate swaps are transacted for the purpose of providing the Group with an economic hedge, the Group has elected not to apply hedge accounting to its interest rate derivatives. Accordingly, gains or losses arising from changes in the fair value are reflected in the Statement of Comprehensive Income.

		2013 (+/-) \$m	2012 (+/-) \$m
+/- 0.50% (50 basis points)	A\$	14.6	14.0
+/- 0.50% (50 basis points)	US\$	(1.3)	0.6
Total A\$ equivalent		13.1	14.6

(ii) Equity price risk

Equity price risk is the risk that the fair value of financial investments fluctuates due to changes in the underlying unit price. The Group's equity price risk arises from a derivative financial instrument, with any resultant fair value movements recognised in profit and loss.

Sensitivity analysis on equity price risk

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

		2013 (+/-) \$m	2012 (+/-) \$m
+/- 10%	\$A	7.9	-

Note 28**Financial risk management (continued)****(2) Financial risk management (continued)****(b) Market risk (continued)****(ii) Foreign exchange risk**

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

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

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

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

Foreign currency assets and liabilities

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

Where Australian dollar borrowings are used to fund the foreign currency investment, the Group may transact cross currency swaps for the purpose of providing an alternate source of foreign currency funding whilst maintaining the natural hedge. In these instances the Group has committed foreign currency borrowing capacity in place that can replace the foreign currency amounts that are due under the cross currency swaps.

Where foreign currency borrowings are used to fund Australian investments, the Group transacts cross currency swaps for the purpose of ensuring the Group has access to funding in multiple jurisdictions whilst reducing the risk that movements in foreign exchange rates will have an adverse impact on security holder's equity and net tangible assets. The Group's net foreign currency exposures for net investments in foreign operations and hedging instruments are as follows:

	2013 \$m	2012 \$m
US\$ assets ¹	-	549.6
US\$ net borrowings and cross currency swaps ²	-	(523.7)
US\$ denominated net investment	-	25.9
% hedged	0%	95%
€ assets ¹	6.0	36.6
€ net borrowings and cross currency swaps ²	(4.2)	(32.6)
€ denominated net investment	1.8	4.0
% hedged	71%	89%
NZ\$ assets ¹	127.5	123.3
NZ\$ denominated net investment	127.5	123.3
% hedged	0%	0%
Total foreign net investment (A\$ equivalent)	109.9	126.9
Total % hedged	5%	81%

¹ Assets exclude working capital and cash as reported internally to management.

² Net borrowings equals interest bearing liabilities less cash. Where there are no interest bearing liabilities, cash is excluded. Cross currency swap amounts comprise the foreign currency denominated leg of the cross currency swaps.

Note 28**Financial risk management (continued)****(2) Financial risk management (continued)****(b) Market risk (continued)****(ii) Foreign exchange risk (continued)****Sensitivity on equity (foreign currency translation reserve)**

The table below shows the impact on the foreign currency translation reserve for changes in the translated value of foreign currency assets and liabilities for an increase and decrease in foreign exchange rates per currency. The increase and decrease in cents per currency has been based on the historical movements of the Australian dollar relative to each currency¹. The cents per currency has been applied to the spot rates prevailing at the end of each reporting period². The impact on the foreign currency translation reserve arises as prior to the disposal of the operations, the translation of the Group's foreign currency assets and liabilities are recorded (in Australian dollars) directly in the foreign currency translation reserve.

		2013	2012
		\$m	\$m
+ 11.8 cents (12.8%) (2012: 13.2 cents)	US\$ (A\$ equivalent)	-	2.9
- 11.8 cents (12.8%) (2012: 13.2 cents)	US\$ (A\$ equivalent)	-	(3.8)
+ 8.9 cents (12.5%) (2012: 10.3 cents)	€ (A\$ equivalent)	0.3	0.6
- 8.9 cents (12.5%) (2012: 10.3 cents)	€ (A\$ equivalent)	(0.4)	(0.7)
+ 9.5 cents (8.0%) (2012: 10.6 cents)	NZ\$ (A\$ equivalent)	8.0	7.4
- 9.5 cents (8.0%) (2012: 10.6 cents)	NZ\$ (A\$ equivalent)	(9.4)	(8.7)

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

2 Exchange rates at 30 June 2013: A\$/US\$ 0.9275 (2012: 1.0191), A\$/€ 0.7095 (2012: 0.8092), A\$/NZ\$ 1.1871 (2012: 1.2771).

Sensitivity on fair value of cross currency swaps

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

		2013	2012
		(+/-) \$m	(+/-) \$m
+/- 0.50% (50 basis points)	US\$ (A\$ equivalent)	8.5	-
Total A\$ equivalent		8.5	-

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

Note 28**Financial risk management (continued)****(2) Financial risk management (continued)****(b) Market risk (continued)****(ii) Foreign exchange risk (continued)****Net foreign currency denominated cash flows**

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

Forward foreign exchange contracts outstanding at 30 June 2013 and 30 June 2012 are as follows:

	2013	2013	2013	2012	2012	2012
	To pay US\$ US\$m	To receive A\$m	Weighted average exchange rate	To pay US\$m	To receive A\$m	Weighted average exchange rate
1 year or less	-	-	-	-	2.3	-

(c) Credit risk

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

The Group manages this risk by:

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

A minimum S&P rating of A- (or Moody's or Fitch equivalent) is required to become or remain an approved counterparty. As at 30 June 2013, the lowest rating of counterparties the Group is exposed to was A- (Fitch) (2012: A (S&P)).

Financial instrument transactions are spread among a number of approved financial institutions within specified credit limits to minimise the Group's exposure to any one counterparty. As a result, there is no significant concentration of credit risk for financial instruments.

The maximum exposure to credit risk at 30 June 2013 and 30 June 2012 was the carrying amount of financial assets recognised on the Statement of Financial Position.

As at 30 June 2013 and 30 June 2012, there were no significant concentrations of credit risk for trade receivables. Trade receivable balances and the credit quality of trade debtors are consistently monitored on an ongoing basis.

Note 28**Financial risk management (continued)****(2) Financial risk management (continued)****(c) Credit risk (continued)**

The ageing analysis of loans and receivables net of provisions at 30 June 2013 is (\$m): 34.6 (0-30 days), 2.3 (31-60 days), 1.7 (61-90 days), 2.0 (91+ days). The ageing analysis of loans and receivables net of provisions at 30 June 2012 is (\$m): 29.2 (0-30 days), 0.7 (31-60 days), 0.2 (61-90 days), 0.7 (91+ days)). Amounts over 31 days are past due, however, no receivables are impaired.

The credit quality of financial assets that are neither past due nor impaired is consistently monitored to ensure that there are no adverse changes in credit quality.

(d) Fair value of financial instruments

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

As at 30 June 2013 and 30 June 2012, the carrying amounts and fair value of financial assets and liabilities are shown as follows:

	2013 Carrying amount ¹ \$m	2013 Fair value ² \$m	2012 Carrying amount ¹ \$m	2012 Fair value ² \$m
Financial assets				
Cash and cash equivalents	14.9	14.9	59.2	59.2
Loans and receivables (current)	40.6	40.6	30.8	30.8
Derivative assets	140.2	140.2	78.3	78.3
Total financial assets	195.7	195.7	168.3	168.3
Financial liabilities				
Trade payables	95.2	95.2	110.6	108.5
Derivative liabilities	101.2	101.2	120.9	120.9
Interest bearing liabilities				
Fixed interest bearing liabilities	878.9	934.7	673.7	743.2
Floating interest bearing liabilities	1,299.6	1,299.6	1,282.1	1,282.1
Total financial liabilities	2,374.9	2,430.7	2,187.3	2,254.7

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

2 Fair value is the amount for which the financial instrument could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Where there is a difference between the carrying amount and fair value, the difference is not recognised in the Statement of Financial Position.

The fair value of interest bearing liabilities and derivative financial instruments has been determined by discounting the expected future cash flows by the relevant market interest rates. The discount rates applied range from 0.19% to 4.56% for US\$ and 2.66% to 5.29% for A\$. Refer note 1(v) for fair value methodology for financial assets and liabilities.

Note 28**Financial risk management (continued)****(2) Financial risk management (continued)****(d) Fair value of financial instruments (continued)**

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

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

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

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

The following tables present the assets and liabilities measured and recognised as at fair value at 30 June 2013 and 30 June 2012.

	Level 1 \$m	Level 2 \$m	Level 3 \$m	2013 \$m
Financial assets				
Derivative assets				
Interest rate derivatives	-	48.2	-	48.2
Cross currency swaps	-	89.3	-	89.3
Other	2.7	-	-	2.7
	2.7	137.5	-	140.2
Financial liabilities				
Interest bearing liabilities				
Fixed interest bearing liabilities	-	934.7	-	934.7
Floating interest bearing liabilities	-	1,299.6	-	1,299.6
	-	2,234.3	-	2,234.3
Derivative liabilities				
Interest rate derivatives	-	74.8	-	74.8
Cross currency swaps	-	26.4	-	26.4
	-	101.2	-	101.2

	Level 1 \$m	Level 2 \$m	Level 3 \$m	2012 \$m
Financial assets				
Derivative assets				
Interest rate derivatives	-	75.9	-	75.9
Forward exchange contracts	-	2.3	-	2.3
	-	78.2	-	78.2
Financial liabilities				
Interest bearing liabilities				
Fixed interest bearing liabilities	-	743.2	-	743.2
Floating interest bearing liabilities	-	1,282.1	-	1,282.1
	-	2,025.3	-	2,025.3
Derivative liabilities				
Interest rate derivatives	-	120.7	-	120.7
Cross currency swaps	-	0.1	-	0.1
Forward exchange contracts	-	0.1	-	0.1
	-	120.9	-	120.9

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

Note 29

Contingent liabilities

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

	2013 \$m	2012 \$m
Bank guarantees by the Group in respect of variations and other financial risks associated with the development of:		
1 Bligh Street, Sydney, NSW ¹	-	0.2
Boundary Road, Laverton, VIC	0.5	0.4
123 Albert Street, Brisbane, QLD	0.1	0.5
1 Foundation Place, Greystanes, NSW	0.4	-
Contingent liabilities in respect of developments	1.0	1.1

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

DDF together with DIT, DOT and DXO is also a guarantor of a total of A\$1,473.5 million and US\$50 million (A\$53.9 million) of bank bilateral facilities, a total of A\$575.0 million of medium term notes, a total of US\$130.0 million (A\$140.2 million) of privately placed notes, and a total of US\$250.0 million (A\$268.8 million) public 144A senior notes, which have all been negotiated to finance the Group and other entities within DXS. The guarantees have been given in support of debt outstanding and drawn against these facilities, and may be called upon in the event that a borrowing entity has not complied with certain requirements such as failure to pay interest or repay a borrowing, whichever is earlier. During the period no guarantees were called.

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

On settlement of the US sales transaction (refer note 12), a letter of credit was issued in relation to the sale of 25 properties located in the United States. The letter of credit was issued for US\$15.2 million (A\$16.4 million) and is expected to remain on issue until September 2014.

The Group has bank guarantees of \$12.0 million held on behalf of DEXUS Funds Management Limited and DEXUS Wholesale Property Limited to comply with the terms of their Australian Financial Services Licences (AFSL). The bank guarantees are issued in respect of the Group and do not constitute an additional liability to those already existing on the Statements 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 30**Commitments****(a) Capital commitments**

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

	2013 \$m	2012 \$m
Investment properties	53.6	52.8
Inventories	4.9	10.1
Total capital commitments	58.5	62.9

(b) Lease payable commitments

The future minimum lease payments payable by the Group are:

	2013 \$m	2012 \$m
Within one year	3.0	3.5
Later than one year but not later than five years	11.6	5.8
Later than five years	-	6.1
Total lease payable commitments	14.6	15.4

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

The Group has a commitment for ground rent payable in respect of a leasehold property included in investment properties and a commitment for its Head Office premise at 264-278 George Street, Sydney and for 343 George Street, Sydney.

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

(c) Lease receivable commitments

The future minimum lease payments receivable by the Group are:

	2013 \$m	2012 \$m
Within one year	410.1	512.2
Later than one year but not later than five years	1,001.0	1,491.5
Later than five years	383.5	740.5
Total lease receivable commitments	1,794.6	2,744.2

Note 31**Related parties****Responsible Entity**

DXFM is the Responsible Entity of DDF, DIT, DOT and DXO.

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

Responsible Entity fees

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

Related party transactions

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

DEXUS Wholesale Property Fund

	2013 \$'000	2012 \$'000
Responsible Entity fee income	21,018	19,004
Property management fee income	7,629	7,435
Recovery of administration expenses	3,377	3,141
Aggregate amount receivable at the end of each reporting period (included above)	1,827	1,667
Property management fees receivable at the end of each reporting period (included above)	1,015	710
Administration expenses receivable at the end of each reporting period (included above)	49	143

Investments accounted for using the equity method

	2013 \$'000	2012 \$'000
Property management fee income	284	704
Recovery of administration expenses	180	265
Property management fees receivable at the end of each reporting period (included above)	-	43
Administration expenses receivable at the end of each reporting period (included above)	48	3

Note 31**Related parties (continued)****Directors**

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

C T Beare, BSc, BE (Hons), MBA, PhD, FAICD ^{1,4,5}
 E A Alexander, AM, BComm, FCA, FAICD, FCPA ^{1,2}
 B R Brownjohn, BComm ^{1,2,7}
 J C Conde, AO, BSc, BE (Hons), MBA ^{1,4,6}
 T Dwyer, BJuris (Hons), LLB (Hons) ^{1,3}
 S F Ewen, OAM ^{1,4}
 Craig D Mitchell, BComm, EMBA, FCPA ¹⁰
 W R Sheppard, BEc (Hons) ^{1,2,8}
 D J Steinberg, BEc, FRICS, FAPI
 P B St George, CA(SA), MBA ^{1,5,9}

- 1 Independent Director
- 2 Board Audit, Risk & Sustainability Committee Member
- 3 Board Compliance Committee Member
- 4 Board Nomination, Remuneration & Governance Committee Member
- 5 Board Finance Committee Member
- 6 Resigned as Board Compliance Committee Member on 1 July 2012
- 7 Resigned as Board Finance Committee Member on 1 July 2012
- 8 Appointed as Board Finance Committee Member on 1 July 2012
- 9 Resigned as Board Audit, Risk & Sustainability Committee Member on 1 July 2012
- 10 Appointed as Director on 12 February 2013

Other key management personnel

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

Name	Title
Tanya L Cox ¹	Executive General Manager, Property Services and Chief Operating Officer
Ross Du Vernet ²	Executive General Manager, Strategy, Transactions & Research
John C Easy ¹	General Counsel
Kevin George ³	Executive General Manager, Office & Industrial

- 1 Ceased to be key management personnel on 1 July 2012.
- 2 Appointed as key management personnel on 1 July 2012.
- 3 Appointed as key management personnel on 10 December 2012.

Key management personnel compensation

	2013 \$'000	2012 \$'000
Compensation		
Short-term employee benefits	9,220	10,166
Post employment benefits	229	248
Other long-term benefits	1,116	3,116
Termination benefits	-	2,300
Security-based payments	1,384	330
	11,949	16,160

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

Note 31**Related parties (continued)****Equity instrument disclosures relating to key management personnel**

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

	Opening balance 1 July 2012	Purchases	Other ¹	Closing balance 30 June 2013
Directors				
Christopher T Beare	-	100,000	-	100,000
Elizabeth A Alexander, AM	-	100,000	-	100,000
Barry R Brownjohn	-	50,000	-	50,000
John C Conde, AO	-	100,000	-	100,000
Tonianne Dwyer	-	100,000	-	100,000
Stewart F Ewen, OAM	-	100,000	-	100,000
Craig D Mitchell	-	-	539,782	539,782
W Richard Sheppard	-	100,000	-	100,000
Darren J Steinberg	-	-	453,417	453,417
Peter B St George	-	104,000	-	104,000
Other key management personnel				
Ross Du Vernet ²	-	-	215,913	215,913
Kevin George ³	-	-	-	-

1 Performance Rights granted under the 2012 Transitional Performance Rights Plan (refer note 36).

2 Appointed as key management personnel on 1 July 2012.

3 Appointed as key management personnel on 10 December 2012.

The DXFM Board has approved a grant of performance rights to DXS stapled securities to eligible participants (refer note 36). Details of the number of performance rights issued to each of the key management personnel are set out in section 3 of the Directors' Report.

There were no loans or other transactions with key management personnel or their related parties during the years ended 30 June 2013 and 30 June 2012.

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

Note 32

Events occurring after reporting date

On 25 July 2013, DEXUS Funds Management Limited (DXFM) as Responsible Entity of DEXUS Property Group entered into a forward contract with Deutsche Bank AG (DBA) in relation to units in the Commonwealth Property Office Fund (CPA) which, in accordance with its terms, gives DXFM the ability to acquire and DBA the obligation to deliver, 350,000,000 CPA units (a 14.9% relevant interest in CPA) at a price of \$1.1334 per unit.

On 25 July 2013, at the same time as the forward contract was entered into, DXFM also entered into a zero-cost cash-settled collar with DBA over 350,000,000 CPA units.

The zero-cost cash-settled collar is a derivative product under which:

- If the prevailing price of relevant securities falls below a “floor” price (\$1.02), DBA will pay DXFM the difference between the prevailing security price and the “floor” price on the settlement date;
- If the prevailing price of relevant securities rises above a “ceiling” price (\$1.20), DXFM will pay the DBA the difference between the prevailing security price and the “ceiling” price on the settlement date; and
- No party pays a fee to the other for entry into the collar.

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

Note 33

Operating segments

(a) Description of segments

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

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

Office	This comprises office space with any associated retail space; as well as car parks and office developments in Australia and New Zealand.
Industrial	This comprises domestic industrial properties, industrial estates and industrial developments.
Property management	This comprises property management services for third part clients and owned assets.
Development and trading	This comprises revenue earned and costs incurred by the Group on developments and inventory.
Funds management	This comprises funds management of third party client assets.
DXS asset management	This comprises asset management of assets owned by the Group.
All other segments	This comprises corporate expenses associated with maintaining and operating the Group. This segment also includes the treasury function of the Group which is managed through a centralised treasury department.
Discontinued operations	This comprises industrial properties, industrial estates and industrial developments in the United States, as well as the European industrial portfolio.

Note 33

Operating segments (continued)

(b) Segment information provided to the CODM

30 June 2013	Office \$m	Industrial \$m	Property management \$m	Development and trading \$m	Funds management \$m	DXS asset management \$m	All other segments \$m	Eliminations \$m	Continuing operations \$m	Discontinued operations \$m	Total \$m
Segment performance measures											
Property revenue and property management fees	424.1	142.6	12.3	-	-	-	-	(0.3)	578.7	31.7	610.4
Proceeds from sale of inventory	-	-	-	24.4	-	-	-	-	24.4	-	24.4
Management fee revenue	-	-	19.7	1.1	27.7	-	-	-	48.5	0.4	48.9
Total operating segment revenue	424.1	142.6	32.0	25.5	27.7	-	-	(0.3)	651.6	32.1	683.7
Property expenses	(106.7)	(25.5)	-	-	-	-	-	-	(132.2)	(7.7)	(139.9)
Property management salaries	-	-	(9.8)	-	-	-	-	-	(9.8)	-	(9.8)
Corporate and administration expenses	-	-	(15.5)	(1.4)	(13.6)	(13.0)	(25.2)	0.3	(68.4)	(3.4)	(71.8)
Cost of sale of inventory	-	-	-	(22.9)	-	-	-	-	(22.9)	-	(22.9)
Foreign exchange gains	-	-	-	-	-	-	-	-	-	4.0	4.0
Net operating EBIT	317.4	117.1	6.7	1.2	14.1	(13.0)	(25.2)	-	418.3	25.0	443.3
Interest revenue	-	-	-	-	-	-	1.2	-	1.2	-	1.2
Finance costs	-	-	-	-	-	-	(94.1)	-	(94.1)	(18.3)	(112.4)
Incentive amortisation and rent straight-line	30.4	(1.2)	-	-	-	-	-	-	29.2	1.3	30.5
Tax (expense)/benefit	-	-	-	-	-	-	(0.1)	-	(0.1)	2.4	2.3
Other	0.8	-	-	-	-	-	-	-	0.8	(0.3)	0.5
Funds From Operations (FFO)	348.6	115.9	6.7	1.2	14.1	(13.0)	(118.2)	-	355.3	10.1	365.4
Net fair value gain of investment properties	190.7	8.0	-	-	-	-	-	-	198.7	21.9	220.6
Impairment of inventories	-	-	-	(2.2)	-	-	-	-	(2.2)	-	(2.2)
Net fair value loss of derivatives	-	-	-	-	-	-	(15.4)	-	(15.4)	(2.3)	(17.7)
Finance costs attributable to sales transactions	-	-	-	-	-	-	-	-	-	(18.8)	(18.8)
Foreign currency translation reserve transfer on disposal of foreign operations	-	-	-	-	-	-	-	-	-	(21.5)	(21.5)
Net loss on sale of investment properties	(0.6)	(3.1)	-	-	-	-	-	-	(3.7)	0.1	(3.6)
Incentive amortisation and rent straight-line	(30.4)	1.2	-	-	-	-	-	-	(29.2)	(1.3)	(30.5)
Reversal of impairment of management rights	-	-	-	-	-	-	20.5	-	20.5	-	20.5
Deferred tax (expense)/benefit	-	-	-	-	-	-	(1.6)	-	(1.6)	4.5	2.9
Other	(0.8)	-	-	-	-	-	(0.1)	-	(0.9)	0.3	(0.6)
Net profit/(loss) attributable to stapled security holders	507.5	122.0	6.7	(1.0)	14.1	(13.0)	(114.8)	-	521.5	(7.0)	514.5
Segment asset measures											
Investment properties	4,657.9	1,427.1	-	-	-	-	-	-	6,085.0	-	6,085.0
Non-current assets held for sale	-	-	-	-	-	-	-	-	-	7.7	7.7
Inventories	-	-	-	252.9	-	-	-	-	252.9	-	252.9
Equity accounted investment properties	912.8	-	-	-	-	-	-	-	912.8	-	912.8
Direct property portfolio	5,570.7	1,427.1	-	252.9	-	-	-	-	7,250.7	7.7	7,258.4

Note 33

Operating segments (continued)

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

30 June 2012	Office \$m	Industrial \$m	Property management \$m	Development and trading \$m	Funds management \$m	DXS asset management \$m	All other segments \$m	Continuing operations \$m	Discontinued operations \$m	Total \$m
Segment performance measures										
Property revenue and property management fees	385.7	147.1	11.5	-	-	-	-	544.3	117.9	662.2
Proceeds from sale of inventory	-	-	-	49.8	-	-	-	49.8	-	49.8
Management fee revenue	-	-	19.5	2.5	28.3	-	-	50.3	0.4	50.7
Total operating segment revenue	385.7	147.1	31.0	52.3	28.3	-	-	644.4	118.3	762.7
Property expenses	(95.8)	(27.1)	-	-	-	-	-	(122.9)	(34.3)	(157.2)
Property management salaries	-	-	(12.9)	-	-	-	-	(12.9)	-	(12.9)
Corporate and administration expenses	-	-	(15.5)	-	(13.0)	(11.8)	(35.5)	(75.8)	(7.1)	(82.9)
Cost of sale of inventory	-	-	-	(44.0)	-	-	-	(44.0)	-	(44.0)
Foreign exchange gains	-	-	-	-	-	-	-	-	2.2	2.2
Net operating EBIT	289.9	120.0	2.6	8.3	15.3	(11.8)	(35.5)	388.8	79.1	467.9
Interest revenue	-	-	-	-	-	-	1.7	1.7	-	1.7
Finance costs	-	-	-	-	-	-	(56.0)	(56.0)	(66.0)	(122.0)
Incentive amortisation and rent straight-line	26.5	(0.4)	-	-	-	-	-	26.1	5.6	31.7
RENTS cash distributions	-	-	-	-	-	-	(12.0)	(12.0)	-	(12.0)
Tax expense and other	-	-	-	-	-	-	1.1	1.1	(0.6)	0.5
Funds From Operations (FFO)	316.4	119.6	2.6	8.3	15.3	(11.8)	(100.7)	349.7	18.1	367.8
Net fair value gain/(loss) of investment properties	93.5	(43.0)	-	-	-	-	-	50.5	32.3	82.8
Impairment of inventories	-	-	-	(14.9)	-	-	-	(14.9)	-	(14.9)
Net fair value loss of derivatives	-	-	-	-	-	-	(62.0)	(62.0)	(35.1)	(97.1)
Net loss on sale of investment properties	-	-	-	-	-	-	-	-	(32.6)	(32.6)
Finance costs attributable to US sales transaction	-	-	-	-	-	-	-	-	(44.3)	(44.3)
Foreign currency translation reserve transfer on disposal of foreign operations	-	-	-	-	-	-	-	-	(41.5)	(41.5)
Incentive amortisation and rent straight-line	(26.5)	0.4	-	-	-	-	-	(26.1)	(5.6)	(31.7)
RENTS capital distributions	-	-	-	-	-	-	10.2	10.2	-	10.2
Deferred tax benefit/(expense)	-	-	-	-	-	-	18.9	18.9	(34.8)	(15.9)
Other	-	-	-	-	-	-	(1.7)	(1.7)	-	(1.7)
Net profit/(loss) attributable to stapled security holders	383.4	77.0	2.6	(6.6)	15.3	(11.8)	(135.3)	324.6	(143.5)	181.1
Segment asset measures										
Investment properties	4,458.4	1,373.5	-	-	-	-	-	5,831.9	559.6	6,391.5
Non-current assets held for sale	-	187.4	-	-	-	-	-	187.4	24.9	212.3
Inventories	-	-	-	97.8	-	-	-	97.8	-	97.8
Equity accounted investment properties	221.1	-	-	-	-	-	-	221.1	-	221.1
Direct property portfolio	4,679.5	1,560.9	-	97.8	-	-	-	6,338.2	584.5	6,922.7

Note 33**Operating segments (continued)****(c) Other segment information****(i) Funds From Operations (FFO)**

The Board assesses the performance of each operating sector based on FFO. FFO is a global financial measure of real estate operating performance after finance costs and taxes, and is adjusted for certain non-cash items. The Directors consider FFO to be a measure that reflects the underlying performance of the Group. DEXUS's FFO comprises net profit/loss after tax attributable to stapled security holders calculated in accordance with Australian Accounting Standards and adjusted for: property revaluations, impairments, derivative and FX mark to market impacts, amortisation of certain tenant incentives, gain/loss on sale of certain assets, straight line rent adjustments, deferred tax expense/benefit, rental guarantees and coupon income.

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

	2013 \$m	2012 \$m
Gross operating segment revenue	683.7	762.7
Revenue from discontinued operations	(32.1)	(118.3)
Share of property revenue from associates	(32.1)	(8.6)
Interest revenue	1.2	1.7
Total revenue from ordinary activities	620.7	637.5

(iii) Reconciliation of segment assets to the Statement of Financial Position

The amounts provided to the CODM as a measure of segment assets is the direct property portfolio. The direct property portfolio values are allocated based on the operations of the segment and physical location of the asset and are measured in a manner consistent with the Statement of Financial Position. The reconciliation below reconciles the total direct property portfolio balance to total assets in the Statement of Financial Position.

	2013 \$m	2012 \$m
Investment properties	6,085.0	6,391.5
Investment properties classified as held for sale	7.7	212.3
Inventories	252.9	97.8
Investment properties accounted for using the equity method ¹	912.8	221.1
Direct property portfolio	7,258.4	6,922.7
Cash and cash equivalents	14.5	59.2
Receivables	40.2	30.8
Intangible assets	243.7	223.6
Derivative financial instruments	140.2	78.3
Deferred tax assets	39.4	36.7
Plant and equipment	8.8	4.7
Prepayments and other assets ²	6.3	8.1
Other assets classified as discontinued operations	1.1	-
Total assets	7,752.6	7,364.1

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

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

Note 34**Reconciliation of net profit to net cash inflow from operating activities****(a) Reconciliation**

	2013 \$m	2012 \$m
Net profit for the year	514.5	182.9
Capitalised interest	(10.7)	(22.5)
Depreciation and amortisation	2.9	2.8
Impairment of inventories	2.2	14.8
Impairment of goodwill	0.1	0.6
Net fair value gain of investment properties	(207.8)	(75.2)
Share of net profit of investments accounted for using the equity method	(37.9)	(13.8)
Net fair value loss of derivatives	10.9	1.6
Net fair value loss of interest rate swaps	5.7	100.5
Net loss on sale of investment properties	3.6	32.6
Net foreign exchange gain	(4.0)	(2.2)
Foreign currency translation reserve transfer on disposal of foreign operations	21.5	41.5
Reversal of previous impairment	(20.5)	-
Fair value adjustment on acquisition of investments	0.1	-
Provision for doubtful debts	(0.3)	(2.2)
Change in operating assets and liabilities		
(Increase)/decrease in receivables	(9.1)	7.5
(Increase)/decrease in prepaid expenses	(0.2)	0.8
Decrease in other non-current assets	28.9	35.0
(Increase)/decrease in inventories	(137.9)	14.4
Increase in other current assets	-	(4.3)
Decrease in other non-current assets	22.7	12.7
Decrease in payables	(4.9)	(7.7)
Decrease in current liabilities	(0.5)	(6.5)
Increase in other non-current liabilities	17.2	33.1
(Increase)/decrease in deferred tax assets	(3.0)	13.1
Net cash inflow from operating activities	193.5	359.5

(b) Capital expenditure on investment properties

Payments for capital expenditure on investment properties include \$67.6 million (2012: \$99.8 million) of maintenance and incentive capital expenditure.

Note 35**Earnings per unit**

Earnings per unit are determined by dividing the net profit attributable to unitholders by the weighted average number of ordinary units outstanding during the year. The weighted average number of units has been adjusted for the bonus elements in units issued during the year and comparatives have been appropriately restated.

(a) Net profit/(loss) attributable to unitholders of the parent entity used in calculating basic and diluted earnings per unit

	2013 \$m	2012 \$m
Profit from continuing operations	95.3	127.0
Profit/(loss) from discontinued operations	7.5	(45.5)
Profit attributable to unitholders of the parent entity	102.8	81.5

(b) Net profit/(loss) attributable to stapled security holders used in calculating basic and diluted earnings per stapled security

	2013 \$m	2012 \$m
Profit from continuing operations	521.5	324.6
Loss from discontinued operations	(7.0)	(143.5)
Profit attributable to stapled security holders	514.5	181.1

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

	2013 securities	2012 securities
Weighted average number of units outstanding used in calculation of basic and diluted earnings per unit	4,714,292,865	4,834,864,561

Note 36

Security-based payments

The DXFM Board has approved a grant of performance rights to DXS stapled securities to eligible participants. Awards, via the 2012 Transitional Performance Rights Plan, Deferred Short Term Incentive Plan (DSTI) and Long Term Incentive Plan (LTI), will be in the form of performance rights awarded to eligible participants which convert to DXS stapled securities for nil consideration subject to satisfying specific service and performance conditions.

For each Plan, the DXFM Board approves the eligible participants nominated by the Board Nomination, Remuneration & Governance Committee. Each participant will be granted performance rights, based on performance against agreed key performance indicators, as a percentage of their remuneration mix. The dollar value is converted into performance rights to DXS stapled securities using the average closing price of DXS securities for the period of ten days either side of the financial year end to which the award relates. Participants must remain in employment for the vesting period in order for the performance rights to vest.

The fair value of the performance rights is amortised over the vesting period. In accordance with AASB2 *Share-based Payments*, fair value is independently determined using Black-Scholes and Monte Carlo models with the following inputs:

- Grant date
- Expected vesting date
- Security price at grant date
- Expected price volatility (based on historic DXS security price movements)
- Expected life
- Dividend yield
- Risk free interest rate
- Expected total security holder return (for the LTI only)

(a) 2012 Transitional Performance Rights Plan

Subject to satisfying employment service conditions, the award will vest over a four year period ending 30 June 2015. No performance rights were granted in respect of the year ended 30 June 2013 (2012: 1,840,656). The fair value of the performance rights is \$0.995 per performance right and the total security-based payment expense recognised during the year ended 30 June 2013 was \$489,477 (2012: \$426,250).

(b) Deferred Short Term Incentive Plan

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

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

The number of performance rights granted in respect of the year ended 30 June 2013 was 2,073,400 and the fair value of these performance rights is \$1.07 per performance right. The total security-based payment expense recognised during the year ended 30 June 2013 was \$924,390 (2012: nil).

(c) Long Term Incentive Plan

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

The number of performance rights granted in respect of the year ended 30 June 2013 was 3,317,014. The fair value of these performance rights is \$0.80 per performance right. The total security-based payment expense recognised during the year ended 30 June 2013 was \$600,379 (2012: nil).

The Directors of DEXUS Funds Management Limited as Responsible Entity of DEXUS Diversified Trust declare that the Financial Statements and notes set out on pages 34 to 94:

- (i) comply with Australian Accounting Standards, the *Corporations Act 2001* and other mandatory professional reporting requirements; and
- (ii) give a true and fair view of the Group's financial position as at 30 June 2013 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date.

In the Directors' opinion:

- (a) the Financial Statements and notes are in accordance with the *Corporations Act 2001*;
- (b) there are reasonable grounds to believe that the Group and its consolidated entities will be able to pay their debts as and when they become due and payable; and
- (c) the Group has operated in accordance with the provisions of the Constitution dated 15 August 1984 (as amended) during the year ended 30 June 2013.

Note 1(a) confirms that the Financial Statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

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



Christopher T Beare
Chair
16 August 2013



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

Report on the financial report

We have audited the accompanying financial report of DEXUS Diversified Trust (the Trust or DDF), which comprises the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for DEXUS Property Group (the Group or the consolidated stapled entity). The consolidated stapled entity, as described in Note 1 to the financial report, comprises the Trust and the entities it controlled at the year-end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of DEXUS Funds Management Limited (the Responsible Entity) are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

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

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

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

PricewaterhouseCoopers, ABN 52 780 433 757

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Independence

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

Auditor's opinion

In our opinion:

- (a) the financial report of DEXUS Diversified Trust is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated stapled entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 4 to 22 of the directors' report for the year ended 30 June 2013. The directors of the Responsible Entity are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of DEXUS Diversified Trust for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.

A stylized, handwritten signature of the PricewaterhouseCoopers firm.

PricewaterhouseCoopers

A handwritten signature, likely belonging to E A Barron, the Partner mentioned in the text.

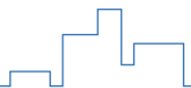
E A Barron
Partner

Sydney
16 August 2013

2013

DEXUS Industrial Trust (ARSN 090 879 137)

Financial Report
30 June 2013



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

The Directors of DEXUS Funds Management Limited (DXFM) as Responsible Entity of DEXUS Industrial Trust present their Directors' Report together with the consolidated Financial Statements for the year ended 30 June 2013. The consolidated Financial Statements represents DEXUS Industrial Trust and its consolidated entities (DIT or the Trust).

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

1 Directors and Secretaries

1.1 Directors

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

Directors	Appointed
Christopher T Beare	4 August 2004
Elizabeth A Alexander, AM	1 January 2005
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
Craig D Mitchell	12 February 2013
W Richard Sheppard	1 January 2012
Darren J Steinberg	1 March 2012
Peter B St George	29 April 2009

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

1.2 Company Secretaries

The names and details of the Company Secretaries of DXFM as at 30 June 2013 are as follows:

Tanya L Cox MBA MAICD FCSA FCIS

Appointed: 1 October 2004

Tanya is the Executive General Manager, Property Services and Chief Operating Officer of DEXUS Property Group and is responsible for the tenant and client service delivery model, sustainability practices, information technology solutions and company secretarial services across the Group.

Tanya has over 25 years' experience in the finance industry. Prior to joining DEXUS in July 2003, Tanya held various general management positions over the previous 15 years, including Director and Chief Operating Officer of NM Rothschild & Sons (Australia) Ltd and General Manager, Finance, Operations and IT for Bank of New Zealand (Australia). Tanya is a Director of Low Carbon Australia Limited, Australian Athletes With a Disability Limited and a number of not-for-profit organisations.

Tanya is a member of the Australian Institute of Company Directors and a fellow of the Institute of Chartered Secretaries of Australia.

Tanya has an MBA from the Australian Graduate School of Management, a Diploma in Applied Corporate Governance and was a finalist in the 2005 NSW Telstra Business Woman of the year awards.

1 Directors and Secretaries (continued)

1.2 Company Secretaries (continued)

John C Easy B Comm LLB FCSA FCIS

Appointed: 1 July 2005

John is the General Counsel and Company Secretary of all DEXUS Group companies and is responsible for the legal function and compliance, risk and governance systems and practices across the Group.

During his time with the Group, John has been involved in the establishment and public listing of Deutsche Office Trust, the acquisition of the Paladin and AXA property portfolios, and subsequent stapling and creation of DEXUS Property Group.

Prior to joining DEXUS in November 1997, John was employed as a senior associate in the commercial property/funds management practices of law firms Allens Arthur Robinson and Gilbert & Tobin. John graduated from the University of New South Wales with Bachelor of Laws and Bachelor of Commerce (Major in Economics) degrees. John is a Fellow Member of the Institute of Chartered Secretaries of Australia.

John is a member of the Board Compliance Committee and Chair of the Continuous Disclosure Committee.

2 Attendance of Directors at Board meetings and Board Committee meetings

The number of Directors' meetings held during the year and each Director's attendance at those meetings is set out in the table below. The Directors met nine times during the year. Eight Board meetings were main meetings and one meeting was held to consider specific business.

	Main meetings held	Main meetings attended	Specific meetings held	Specific meetings attended
Christopher T Beare	8	8	1	1
Elizabeth A Alexander, AM	8	8	1	1
Barry R Brownjohn	8	8	1	1
John C Conde, AO	8	8	1	1
Tonianne Dwyer	8	8	1	1
Stewart F Ewen, OAM	8	8	1	1
Craig D Mitchell ¹	3	3	-	-
W Richard Sheppard	8	8	1	1
Darren J Steinberg	8	8	1	1
Peter B St George	8	8	1	1

¹ Directorship commenced 12 February 2013

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

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

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

	Board Audit, Risk & Sustainability Committee		Board Compliance Committee		Board Nomination, Remuneration & Governance Committee		Board Finance Committee	
	held	attended	held	attended	held	attended	held	attended
Christopher T Beare	-	-	-	-	6	6	4	4
Elizabeth A Alexander, AM	4	4	-	-	-	-	-	-
Barry R Brownjohn	4	4	-	-	-	-	-	-
John C Conde, AO	-	-	-	-	6	6	-	-
Tonianne Dwyer	-	-	4	4	-	-	-	-
Stewart F Ewen, OAM	-	-	-	-	6	6	-	-
W Richard Sheppard	4	4	-	-	-	-	4	4
Peter B St George	-	-	-	-	-	-	4	4

3 Directors' relevant interests

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

Directors	No. of securities
Christopher T Beare	100,000
Elizabeth A Alexander, AM	100,000
Barry R Brownjohn	50,000
John C Conde, AO	100,000
Tonianne Dwyer	100,000
Stewart F Ewen, OAM	100,000
Craig D Mitchell	539,782 ¹
W Richard Sheppard	100,000
Darren J Steinberg	453,417 ¹
Peter B St George	104,000

¹ Performance Rights granted under the 2012 Transitional Performance Rights Plan.

4 Directors' directorships in other listed entities

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

Director	Company	Date appointed	Date resigned
Christopher T Beare	Mnemon Group Limited	6 November 2009	27 May 2013
Elizabeth A Alexander, AM	CSL Limited	12 July 1991	19 October 2011
John C Conde, AO	Whitehaven Coal Limited	3 May 2007	
	Cooper Energy Limited	25 February 2013	
Tonianne Dwyer	Cardno Limited	25 June 2012	
W Richard Sheppard	Echo Entertainment Group	21 November 2012	
Peter B St George	Boart Longyear Limited	21 February 2007	21 May 2013
	First Quantum Minerals Limited ¹	20 October 2003	

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

5 Principal activities

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

6 Review and results of operations

The results for the year ended 30 June 2013 were:

- profit attributable to unitholders was \$100.1 million (2012: \$52.9 million loss);
- total assets were \$1,095.8 million (2012: \$1,534.8 million); and
- net assets were \$720.2 million (2012: \$664.2 million).

A review of the results, financial position and operations of the Group, of which the Trust forms part thereof, is set out in the Operating and Financial Review of the DEXUS Property Group Annual Report and forms part of this Directors' Report. Refer to the Chief Executive Officer's report of the DEXUS Property Group 2013 Annual Review for further information.

7 Likely developments and expected results of operations

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

8 Significant changes in the state of affairs

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

9 Matters subsequent to the end of the financial year

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

10 Distributions

Distributions paid or payable by the Trust for the year ended 30 June 2013 are outlined in note 24 of the Notes to the Financial Statements and form part of this Directors' Report.

11 DXFM's fees and associate interests

Details of fees paid or payable by the Trust to DXFM for the year ended 30 June 2013 are outlined in note 29 of the Notes to the Financial Statements and form part of this Directors' Report.

The number of interests in the Trust held by DXFM or its associates as at the end of the financial year were nil (2012: nil).

12 Units on issue

The movement in units on issue in the Trust during the year and the number of units on issue as at 30 June 2013 are detailed in note 22 of the Notes to the Financial Statements and form part of this Directors' Report.

With the exception of performance rights which are discussed in detail in the Remuneration Report, the Trust did not have any options on issue as at 30 June 2013 (2012: nil).

13 Environmental regulation

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

14 Indemnification and insurance

The insurance premium for a policy of insurance indemnifying Directors, officers and others (as defined in the relevant policy of insurance) is paid by DXH.

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

15 Audit

15.1 Auditor

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

15.2 Non-audit services

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

Details of the amounts paid or payable to the Auditor, for audit and non-audit services provided during the year, are set out in note 7 of the Notes to the Financial Statements.

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

The reasons for the Directors being satisfied are:

- a Charter of Audit Independence provides guidelines under which the Auditor may be engaged to provide non-audit services without impairing the Auditor's objectivity or independence.
- the Charter states that the Auditor will not provide services where the Auditor may be required to review or audit its own work, including:
 - the preparation of tax provisions, accounting records and financial statements;
 - the design, implementation and operation of information technology systems;
 - the design and implementation of internal accounting and risk management controls;
 - conducting valuation, actuarial or legal services;
 - consultancy services that include direct involvement in management decision making functions;
 - investment banking, borrowing, dealing or advisory services;

15 Audit (continued)

15.2 Non-audit services (continued)

- acting as trustee, executor or administrator of trust or estate;
 - prospectus independent expert reports and being a member of the due diligence committee; and
 - providing internal audit services.
- the Board Audit, Risk & Sustainability Committee regularly reviews the performance and independence of the Auditor and whether the independence of this function has been maintained having regard to the provision of non-audit services. The Auditor has provided a written declaration to the Board regarding its independence at each reporting period and Board Audit, Risk & Sustainability Committee approval is required before the engagement of the Auditor to perform any non-audit service for a fee in excess of \$100,000.

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

15.3 Auditor's Independence Declaration

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

16 Corporate governance

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

17 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.

18 Management representation

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

19 Directors' authorisation

The Directors' Report is made in accordance with a resolution of the Directors. The Financial Statements were authorised for issue by the Directors on 16 August 2013. The Directors have the power to amend and reissue the Financial Statements.



Christopher T Beare
Chair
16 August 2013



Darren J Steinberg
Chief Executive Officer
16 August 2013



Auditor's Independence Declaration

As lead auditor for the audit of DEXUS Industrial Trust for the year ended 30 June 2013, I declare that to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in black ink, appearing to be 'E A Barron', with a stylized flourish at the end.

E A Barron
Partner
PricewaterhouseCoopers

Sydney
16 August 2013

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2013

	Note	2013 \$'000	2012 \$'000
Revenue from ordinary activities			
Property revenue	2	93,625	98,626
Interest revenue	3	105	303
Total revenue from ordinary activities		93,730	98,929
Net gain on sale of investment properties		-	553
Other income		-	8
Total income		93,730	99,490
Expenses			
Property expenses		(21,418)	(22,837)
Responsible Entity fees	29	(2,840)	(3,069)
Finance costs	4	(17,258)	(53,091)
Net loss on sale of investment properties		(1,376)	-
Net fair value loss of investment properties		(5,417)	(17,081)
Other expenses	6	(538)	(1,485)
Total expenses		(48,847)	(97,563)
Profit before tax		44,883	1,927
Tax benefit			
Income tax benefit	5(a)	-	-
Total tax benefit		-	-
Profit after tax from continuing operations		44,883	1,927
Profit/(loss) from discontinued operations	10	55,207	(54,810)
Net profit/(loss) for the year		100,090	(52,883)
Other comprehensive income:			
Foreign currency translation reserve transfer on disposal of foreign operations		(26,620)	(10,380)
Exchange differences on translating foreign operations		2,770	(6,732)
Total comprehensive income/(loss) for the year		76,240	(69,995)
		Cents	Cents
Basic and diluted earnings per unit attributable to unitholders of the parent entity			
Earnings per unit - profit/(loss) from continuing operations	33	0.96	(0.08)
Earnings per unit - loss from discontinued operations	33	(1.12)	(1.09)
Earnings per unit - total	33	(0.16)	(1.16)

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

	Note	2013 \$'000	2012 \$'000
Current assets			
Cash and cash equivalents	8	2,452	11,862
Receivables	9	3,763	16,629
Loan with related parties	11	138,948	266,021
Derivative financial instruments	12	29	1,332
Current tax assets		-	198
Other	13	1,887	2,806
		<u>147,079</u>	<u>298,848</u>
Discontinued operations and assets classified as held for sale	10	8,741	102,264
Total current assets		155,820	401,112
Non-current assets			
Investment properties	14	925,526	1,058,533
Investments accounted for using the equity method	15	-	65,599
Derivative financial instruments	12	14,341	9,386
Other	16	143	158
Total non-current assets		940,010	1,133,676
Total assets		1,095,830	1,534,788
Current liabilities			
Payables	17	57,321	75,871
Current tax liabilities		973	973
Provisions	19	10,000	10,000
Derivative financial instruments	12	972	1,430
		<u>69,266</u>	<u>88,274</u>
Discontinued operations classified as held for sale	10	80	-
Total current liabilities		69,346	88,274
Non-current liabilities			
Loans with related parties	11	286,473	696,367
Interest bearing liabilities	18	-	49,404
Derivative financial instruments	12	19,742	35,096
Deferred tax liabilities	21	-	595
Other	20	111	811
Total non-current liabilities		306,326	782,273
Total liabilities		375,672	870,547
Net assets		720,158	664,241
Equity			
Contributed equity	22	1,082,464	1,092,787
Reserves	23	680	24,530
Accumulated losses	23	(362,986)	(453,076)
Total equity		720,158	664,241

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2013

		Contributed equity	Accumulated losses	Foreign currency translation reserve	Total equity
	Note	\$'000	\$'000	\$'000	\$'000
Opening balance as at 1 July 2011		925,116	(390,193)	41,642	576,565
Loss after tax for the year		-	(52,883)	-	(52,883)
Other comprehensive loss for the year		-	-	(17,112)	(17,112)
Transactions with owners in their capacity as owners:					
Capital contribution, net of transaction costs	22	174,901	-	-	174,901
Buy back of contributed equity	22	(7,230)	-	-	(7,230)
Distributions paid or provided for	24	-	(10,000)	-	(10,000)
Closing balance as at 30 June 2012		1,092,787	(453,076)	24,530	664,241
Opening balance as at 1 July 2012		1,092,787	(453,076)	24,530	664,241
Profit after tax for the year		-	100,090	-	100,090
Other comprehensive loss for the year		-	-	(23,850)	(23,850)
Transactions with owners in their capacity as owners:					
Buy back of contributed equity	22	(10,323)	-	-	(10,323)
Distributions paid or provided for	24	-	(10,000)	-	(10,000)
Closing balance as at 30 June 2013		1,082,464	(362,986)	680	720,158

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2013

	Note	2013 \$'000	2012 \$'000
Cash flows from operating activities			
Receipts in the course of operations (inclusive of GST)		120,908	141,538
Payments in the course of operations (inclusive of GST)		(47,218)	(50,205)
Interest received		882	1,858
Finance costs paid		(17,642)	(20,839)
Income and withholding taxes paid		154	(2,000)
Net cash inflow from operating activities	32	57,084	70,352
Cash flows from investing activities			
Proceeds from sale of investment properties		111,989	188,416
Payments for capital expenditure on investment properties		(10,950)	(20,817)
Payments for investment properties		(22,321)	-
Payments for investments accounted for using the equity method		10,849	98,690
Proceeds from sale of subsidiary		89,267	-
Proceeds from sale of investments accounted for using the equity method		90,609	-
Net cash inflow from investing activities		269,443	266,289
Cash flows from financing activities			
Proceeds from capital contribution		-	174,979
Capital contribution transaction costs		-	(78)
Payments for buy back of contributed equity		(10,323)	(7,230)
Borrowings provided by entities within DXS		101,211	149,381
Borrowings provided to entities within DXS		(544,308)	(619,306)
Proceeds from borrowings		-	29,073
Repayment of borrowings		-	(75,920)
Repayment of US REIT loan		125,606	-
Distributions paid to unitholders		(10,000)	(12,360)
Net cash outflow from financing activities		(337,814)	(361,461)
Net decrease in cash and cash equivalents		(11,287)	(24,820)
Cash and cash equivalents at the beginning of the year		11,862	39,837
Effects of exchange rate changes on cash and cash equivalents		2,261	(3,155)
Cash and cash equivalents at the end of the year	8	2,836	11,862

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 Financial Statements for the year ended 30 June 2013 have been prepared in accordance with the requirements of the Trust’s Constitution, the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australia Accounting Standards Board and interpretations. Compliance with Australian Accounting Standards ensures that the Financial Statements and notes also comply with International Financial Reporting Standards (IFRS).

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

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

Critical accounting estimates

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

(b) Principles of consolidation

(i) Controlled entities

The Financial Statements have been prepared on a consolidated basis. The accounting policies of the subsidiaries are consistent with those of the parent.

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

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

(ii) Partnerships and joint ventures

Where assets are held in a partnership or joint venture with another entity directly, the Trust’s share of the results and assets of this partnership or joint venture are consolidated into the Statement of Comprehensive Income and Statement of Financial Position of the Trust. Where assets are jointly controlled via ownership of units in single purpose unlisted unit trusts or shares in companies, the Trust applies equity accounting to record the operations of these investments (refer note 1(q)).

Note 1

Summary of significant accounting policies (continued)

(c) Revenue recognition

(i) Rent

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

(ii) Interest revenue

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

(iii) Dividends and distribution revenue

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

(d) Expenses

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

(i) Property expenses

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

(ii) Borrowing costs

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

Qualifying assets are assets which take more than 12 months to get ready for their intended use or sale. In these circumstances, borrowing costs are capitalised to the cost of the asset during the period of time that is required to complete and prepare the asset for its intended use or sale. Where funds are borrowed generally, borrowing costs are capitalised using a weighted average capitalisation rate.

Note 1

Summary of significant accounting policies (continued)

(e) Derivatives and other financial instruments

(i) Derivatives

The Trust's activities expose it to a variety of financial risks including foreign exchange risk and interest rate risk. Accordingly, the Trust enters into various derivative financial instruments such as interest rate swaps, cross currency swaps and foreign exchange contracts to manage its exposure to certain risks. Written policies and limits are approved by the Board of Directors of the Responsible Entity, in relation to the use of financial instruments to manage financial risks. The Responsible Entity continually reviews the Trust's exposures and updates its treasury policies and procedures. The Trust does not trade in derivative instruments for speculative purposes. Even though derivative financial instruments are entered into for the purpose of providing the Trust with an economic hedge, the Trust has elected not to apply hedge accounting under AASB 139 *Financial Instruments: Recognition and Measurement* for interest rate swaps and foreign exchange contracts. Accordingly, derivatives including interest rate swaps, the interest rate component of cross currency swaps and foreign exchange contracts are measured at fair value with any changes in fair value recognised in the Statement of Comprehensive Income.

(ii) Debt and equity instruments issued by the Trust

Financial instruments issued by the Trust are classified as either liabilities or as equity in accordance with the substance of the contractual arrangements. Accordingly, ordinary units issued by the Trust are classified as equity.

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

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

(iii) Financial guarantee contracts

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

The fair value of financial guarantees is determined as the present value of the difference in the net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of subsidiaries or associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

(iv) Other financial assets

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

(f) Goods and services tax/value added tax

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

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from or payable to the Australian Taxation Office is classified as operating cash flows.

Note 1

Summary of significant accounting policies (continued)

(g) Taxation

Under current Australian income tax legislation, the Trust is not liable for income tax provided it satisfies certain legislative requirements. The Trust may be liable for income tax in jurisdictions where foreign property is held.

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

Deferred tax assets or liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability.

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

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

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

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

(h) Distributions

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

(i) Repairs and maintenance

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

(j) Cash and cash equivalents

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

(k) Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, which is based on the invoiced amount less provision for doubtful debts. Trade receivables are required to be settled within 30 days and are assessed on an ongoing basis for impairment. Receivables which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for doubtful debts is established when there is objective evidence that the Trust will not be able to collect all amounts due according to the original terms of the receivables. The provision for doubtful debts is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted as the effect of discounting is immaterial.

Note 1

Summary of significant accounting policies (continued)

(l) Non-current assets held for sale and discontinued operations

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use, and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the income statement.

Non-current assets classified as held for sale and the assets of a discontinued operation are presented separately from the other assets in the balance sheet. The liabilities of a discontinued operation are presented separately from other liabilities in the balance sheet.

(m) Investment properties

The Trust's investment properties consist of properties held for long-term rental yields and/or capital appreciation and property that is being constructed or developed for future use as investment property. Investment properties are initially recognised at cost including transaction costs. Investment properties are subsequently recognised at fair value in the Financial Statements. Each valuation firm and its signatory valuer are appointed on the basis that they are engaged for no more than three consecutive valuations.

The basis of valuations of investment properties is fair value being the amounts for which the assets could be exchanged between knowledgeable willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases. In addition, an appropriate valuation method is used, which may include the discounted cash flow and the capitalisation method. Discount rates and capitalisation rates are determined based on industry expertise and knowledge and, where possible, a direct comparison to third party rates for similar assets in a comparable location. Rental revenue from current leases and assumptions about future leases, as well as any expected operational cash outflows in relation to the property, are also reflected in fair value. In relation to development properties under construction for future use as investment property, where reliably measurable, fair value is determined based on the market value of the property on the assumption it had already been completed at the valuation date less costs still required to complete the project, including an appropriate adjustment for profit and risk.

External valuations of the individual investment properties are carried out in accordance with the Trust's Constitution or may be earlier where the Responsible Entity believes there is a potential for a material change in the fair value of the property.

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

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

(n) Leasing fees

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

Note 1

Summary of significant accounting policies (continued)

(o) Lease incentives

Prospective lessees may be offered incentives as an inducement to enter into operating leases. These incentives may take various forms including cash payments, rent free periods, or a contribution to certain lessee costs such as fit-out costs or relocation costs.

The costs of incentives are recognised as a reduction of rental revenue on a straight-line basis from the earlier of the date which the tenant has effective use of the premises or the lease commencement date to the end of the lease term. The carrying amount of the lease incentives is reflected in the fair value of investment properties.

(p) Investments accounted for using the equity method

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

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

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

(q) Impairment of assets

Certain assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows, which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(r) Financial assets and liabilities

(i) Classification

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

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

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

(ii) Fair value estimation of financial assets and liabilities

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

Note 1

Summary of significant accounting policies (continued)

(r) Financial assets and liabilities (continued)

(ii) Fair value estimation of financial assets and liabilities (continued)

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

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

(s) Payables

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

(t) Interest bearing liabilities

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

(u) Earnings per unit

Basic earnings per unit are determined by dividing the net profit attributable to unitholders of the parent entity by the weighted average number of ordinary units outstanding during the year.

Diluted earnings per unit are adjusted from the basic earnings per unit by taking into account the impact of dilutive potential units. The Trust did not have such dilutive potential units during the year.

(v) Foreign currency

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

(i) Foreign currency transactions

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

(ii) Foreign operations

Foreign operations are located in Germany. These operations have a functional currency of Euros, which are translated into the presentation currency.

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

Note 1

Summary of significant accounting policies (continued)

(v) Foreign currency (continued)

(ii) Foreign operations (continued)

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

(w) 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 DXS, which consists of DIT, DOT, DDF and DXO. Consistent with how the CODM manages the business, the operating segments within DXS are reviewed on a consolidated basis rather than at an individual trust level. Disclosures concerning DXS's operating segments as well as the operating segments' key financial information provided to the CODM are presented in DXS's Financial Statements.

(x) Rounding of amounts

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

(y) Parent entity financial information

The financial information for the parent entity of the Trust is disclosed in note 25 and has been prepared on the same basis as the consolidated Financial Statements except as set out below:

(i) Investment in subsidiaries, associates and joint venture entities

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

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

(z) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2013 reporting period. Our assessment of the impact of these new standards and interpretations is set out below:

AASB 2012-3 Amendments to Australian Accounting Standard - Offsetting Financial Assets and Financial Liabilities and AASB 2012-2 Amendments to Australian Accounting Standard - Disclosures - Offsetting Financial Assets and Financial Liabilities (effective 1 July 2014 and 1 July 2013 respectively).

In June 2012, the AASB approved amendments to the application guidance in AASB 132 *Financial Instruments: Presentation*, to clarify some of the requirements for offsetting financial assets and financial liabilities in the Financial Statements. These amendments are effective from 1 July 2014. They are unlikely to affect the accounting for any of the Trust's current offsetting arrangements. The AASB has also introduced more extensive disclosure requirements into AASB 7 which will apply from 1 July 2013. The Trust intends to apply the new rules from 1 July 2013 and does not expect any significant impacts.

AASB 2012-5 Amendments to Australian Accounting Standard arising from Annual Improvements 2009-2011 cycle (effective 1 July 2013).

In June 2012, the AASB approved a number of amendments to Australian Accounting Standards as a result of the 2009-2011 annual improvements project. The Trust will apply the amendments from 1 July 2013 and does not expect any significant impacts.

AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) and AASB 2012-6 Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures (effective 1 July 2015).

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard simplifies the classifications of financial assets into those to be carried at amortised cost and those to be carried at fair value. The Trust intends to apply the standards from 1 July 2015 and does not expect any significant impacts.

Note 1

Summary of significant accounting policies (continued)

(z) New accounting standards and interpretations (continued)

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (effective 1 July 2013)

In July 2011 the AASB decided to remove the individual KMP disclosure requirements from AASB 124 *Related Party Disclosures*, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the *Corporations Act 2001*. While this will reduce the disclosures that are currently required in the Notes to the Financial Statements, it will not affect any of the amounts recognised in the Financial Statements. The amendments apply from 1 July 2013 and cannot be adopted early.

AASB 10 Consolidated financial statements (effective 1 July 2013).

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and separate financial statements*, and SIC-12 *Consolidation - special purpose entities*. The standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present. The Trust intends to apply the standard from 1 July 2013 and does not expect any significant impacts.

AASB 11 Joint Arrangements (effective 1 July 2013).

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

AASB 12 Disclosure of interests in other entities (effective 1 July 2013).

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 128. Application of this standard will not affect any of the amounts recognised in the Financial Statements, but may impact some of the Trust's current disclosures. The Trust intends to apply the standard from 1 July 2013 and does not expect any significant impacts.

AASB 128 Investments in associates and joint ventures (effective 1 July 2013).

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The Trust intends to apply the standard from 1 July 2013 and does not expect any significant impacts.

AASB 13 Fair value measurement (effective 1 July 2013).

AASB 13 explains how to measure fair value and aims to enhance fair value disclosures. Application of this standard will not affect any of the amounts recognised in the Financial Statements, but will impact some of the Trust's current disclosures. The Trust intends to apply the standard from 1 July 2013 and does not expect any significant impacts.

Note 2

Property revenue

	2013 \$'000	2012 \$'000
Rent and recoverable outgoings	93,772	100,729
Incentive amortisation	(6,661)	(6,861)
Other revenue	6,514	4,758
Total property revenue	93,625	98,626

Note 3

Interest revenue

	2013 \$'000	2012 \$'000
Interest revenue from financial institutions	105	303
Total interest revenue	105	303

Note 4

Finance costs

	2013 \$'000	2012 \$'000
Interest paid to related parties	14,003	27,852
Net fair value loss of interest rate swaps	3,252	26,133
Amount capitalised	-	(1,111)
Other finance costs	3	216
Total finance costs	17,258	53,091

Note 5**Income tax****(a) Income tax benefit**

	2013 \$'000	2012 \$'000
Current tax benefit	1,757	635
Total income tax benefit	1,757	635
Total income tax benefit attributable to:		
Profit from continuing operations	-	-
Profit from discontinued operations	1,757	635
Total income tax benefit	1,757	635

(b) Reconciliation of income tax benefit to net profit

	2013 \$'000	2012 \$'000
Profit from continuing operations before income tax	44,883	1,927
Profit/(loss) from discontinued operations before income tax	53,011	(46,391)
Total profit/(loss) before income tax	97,894	(44,464)
Less amounts not subject to income tax (note 1(g))	(109,417)	29,964
	(11,523)	(14,500)
Prima facie tax expense at Australian tax rate of 30% (2012: 30%)	(3,457)	(4,350)
Tax effect of amounts which are not (deductible)/taxable in calculating taxable income:		
Depreciation and amortisation	(449)	(1,113)
Revaluation of investment properties	5,169	1,491
Net loss on sale of investment properties	494	4,607
	5,214	4,985
Income tax benefit	1,757	635

Note 6**Other expenses**

		2013 \$'000	2012 \$'000
	Note		
Audit and taxation fees	7	295	373
Custodian fees		66	72
Legal and other professional fees		104	131
Registry costs and listing fees		63	93
Other expenses		10	816
Total other expenses		538	1,485

Note 7**Audit, taxation and transaction services fees**

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

	2013 \$	2012 \$
Audit fees		
PwC Australia - audit and review of Financial Statements	264,689	277,353
PwC fees paid in relation to outgoing audits ¹	31,180	25,127
PwC Australia - regulatory audit and compliance services	7,034	6,708
Audit fees paid to PwC	302,903	309,188
Fees paid to non-PwC audit firms	51,514	52,691
Total audit fees	354,417	361,879
Taxation fees		
Fees paid to PwC Australia	16,667	19,080
Taxation fees paid to PwC	16,667	19,080
Fees paid to non-PwC audit firms	23,333	84,071
Total taxation fees²	40,000	103,151
Total audit and taxation fees^{3,4}	394,417	465,030
Transaction services fees		
Fees paid to PwC Australia	-	7,500
Total transaction services fees²	-	7,500
Total audit, taxation and transaction services fees	394,417	472,530

1 Fees paid in relation to outgoing audits are included in property expenses in the Statement of Comprehensive Income.

2 These services include general compliance work, one off project work and advice.

3 Total audit and taxation fees includes \$67,773 (2012: \$74,359) in relation to the US and European portfolios for general compliance work, one off project work and advice. These fees are included in loss from discontinued operations in the Statement of Comprehensive Income.

4 After allowing for the impact of footnotes 1 and 3 above, total audit and taxation fees included in other expenses is \$295,464 (2012: \$365,544).

Note 8**Current assets - cash and cash equivalents**

	2013 \$'000	2012 \$'000
Cash at bank	2,452	9,100
Short-term deposits ¹	-	2,762
Total current assets - cash and cash equivalents	2,452	11,862

¹ As at 30 June 2012, the Trust held US\$2.8 million (A\$2.8 million) in escrow in relation to the US asset disposals in June 2012.

Reconciliation to cash at the end of the period

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

	2013 \$'000	2012 \$'000
Balances as above	2,452	11,862
Discontinued operations	384	-
Balances per Statement of Cash Flows	2,836	11,862

Note 9**Current assets - receivables**

	2013 \$'000	2012 \$'000
Rent receivable	2,218	2,311
Less: provision for doubtful debts	(486)	(342)
Total rental receivables	1,732	1,969
Interest receivable from related parties	-	5
Other receivables	2,031	14,655
Total other receivables	2,031	14,660
Total current assets - receivables	3,763	16,629

Note 10**Assets classified as held for sale and discontinued operations**

A strategic review was announced to the ASX on 16 August 2012, which resulted in all offshore property being considered non-core. The remaining US industrial portfolio and the majority of the remaining European portfolio were sold in February 2013 and May 2013 respectively. Therefore the results of the US and European portfolios have been presented within loss from discontinued operations in the Statement of Comprehensive Income for the year ended 30 June 2013.

The profit/(loss) from the US and European discontinued operations comprises:

	Note	2013 \$'000	2012 \$'000
Property revenue		9,739	27,567
Interest revenue		772	1,533
Share of net profit of associates accounted for using the equity method		26,322	3,398
Net fair value gain/(loss) of investment properties		355	(3,706)
Net foreign exchange (loss)/gain		(2,721)	872
Net loss on sale of investment properties		(1,651)	(20,941)
Property expenses		(1,901)	(3,769)
Responsible Entity fees		(388)	(957)
Finance gain/(costs)		3,825	(59,037)
Net fair value loss of derivatives		(1,729)	(1,017)
Other expenses		(309)	(714)
Profit/(loss) before tax		32,314	(56,772)
Income tax benefit	5(a)	1,757	635
Withholding tax expense		-	(9,054)
Total tax benefit/(expense)		1,757	(8,419)
Foreign currency translation reserve transfer on disposal of foreign operations		26,620	10,380
Profit/(loss) after tax		60,691	(54,810)
Loss on measurement to fair value less costs to sell before tax		(5,923)	-
Withholding tax benefit		439	-
Loss on measurement to fair value less costs to sell after tax		(5,484)	-
Profit/(loss) from discontinued operations		55,207	(54,810)
Net cash flows from operating activities		(4,827)	(2,590)
Net cash flows from investing activities		17,268	187,253
Net cash flows from financing activities		125,113	-
Net increase in cash generated by discontinued operations		137,555	184,663

Note 10**Assets classified as held for sale and discontinued operations (continued)**

The carrying amounts of assets and liabilities of the US discontinued operations as at the date of disposal were:

	2013	2012
	\$'000	\$'000
Cash and cash equivalents	1,636	-
Receivables	23	-
Other assets	72	-
Investment properties	139,600	-
Investments accounted for using the equity method	90,533	-
Total assets	231,864	-
Payables	1,805	-
Interest bearing liabilities	49,933	-
Total liabilities	51,738	-

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

	Discontinued operations ¹ 30 Jun 13	Total 30 Jun 2012
	\$'000	\$'000
Assets classified as held for sale		
Cash and cash equivalents	384	-
Receivables	395	-
Other assets	263	-
Investment properties	7,699	102,264
Total assets classified as held for sale	8,741	102,264
Liabilities classified as held for sale		
Payables	80	-
Total liabilities classified as held for sale	80	-

¹ Includes one German property.

Disposals

- On 13 July 2012, 114-120 Old Pittwater Road, Brookvale, NSW was disposed of for gross proceeds of \$40.5 million.
- On 2 October 2012, 50% of an industrial portfolio consisting of assets at DEXUS Industrial Estate Laverton North VIC was disposed of for gross proceeds of \$36.9 million.
- On 15 May 2013, five properties located in France were disposed of for gross proceeds of €16.5 million (A\$21.3 million).

Note 11**Loans with related parties**

	2013 \$'000	2012 \$'000
Current assets - loans with related parties		
Non-interest bearing loans with entities within DXS ¹	138,948	138,948
Interest bearing loans with entities within DXS	-	127,073
Total current assets - loans with related parties	138,948	266,021
Non-current liabilities - loans with related parties		
Interest bearing loans with related parties ²	286,473	696,367
Interest bearing loans with entities within DXS	-	-
Total non-current liabilities - loans with related parties	286,473	696,367

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

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

Note 12**Derivative financial instruments**

	2013 \$'000	2012 \$'000
Current assets		
Interest rate swap contracts	29	-
Forward foreign exchange contracts	-	1,332
Total current assets - derivative financial instruments	29	1,332
Non-current assets		
Interest rate swap contracts	7,731	9,386
Cross currency swap contracts	6,610	-
Total non-current assets - derivative financial instruments	14,341	9,386
Current liabilities		
Interest rate swap contracts	972	1,381
Forward foreign exchange contracts	-	49
Total current liabilities - derivative financial instruments	972	1,430
Non-current liabilities		
Interest rate swap contracts	19,742	35,038
Cross currency swap contracts	-	58
Total non-current liabilities - derivative financial instruments	19,742	35,096
Net derivative financial instruments	(6,344)	(25,808)

Refer note 26 for further discussion regarding derivative financial instruments.

Note 13**Current assets - other**

	2012 \$'000	2012 \$'000
Prepayments	1,887	2,806
Total current assets - other	1,887	2,806

Note 14**Non-current assets - investment properties**

	2013 \$'000	2012 \$'000
Opening balance at the beginning of the year	1,058,533	1,307,485
Additions	8,472	15,259
Acquisitions	22,248	-
Lease incentives	6,015	9,791
Amortisation of lease incentives	(6,661)	(7,297)
Net fair value loss of investment properties	(5,417)	(21,616)
Rent straightlining	974	921
Disposals	(18,500)	(172,919)
Transfer to non-current assets classified as held for sale	(140,138)	(77,375)
Foreign exchange differences on foreign currency translation	-	4,284
Closing balance at the end of the year	925,526	1,058,533

Key valuation assumptions

Details of key valuation assumptions in relation to investment properties are outlined in note 13 of the DXS Financial Statements.

Acquisitions

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

Disposals

- On 12 November 2012, 89 Egerton Street, Silverwater, NSW was disposed of for gross proceeds of \$4.0 million.
- On 28 June 2013, 154 O'Riordan Street, Mascot, NSW was disposed of for gross proceeds of \$14.5 million.

Note 15**Non-current assets - investments accounted for using the equity method**

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

Information relating to this entity is set out below.

Name of entity	Principal activity	Ownership Interest		2013 \$'000	2012 \$'000
		2013 %	2012 %		
DEXUS Industrial Properties, Inc. ¹	Asset, property and funds management	-	50.0	-	65,599
Total non-current assets - investments accounted for using the equity method				-	65,599

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

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

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

	2013 \$'000	2012 \$'000
Opening balance at the beginning of the year	65,599	162,513
Share of net profit after tax	26,322	3,398
Distributions received/receivable	-	(109,656)
Interest sold during the year	(90,533)	-
Foreign exchange difference on foreign currency translation	(1,388)	9,344
Closing balance at the end of the year	-	65,599
Results attributable to investments accounted for using the equity method		
Operating profit before income tax	26,322	3,398
Operating profit after income tax	26,322	3,398
	26,322	3,398
Accumulated losses at the beginning of the year	(223,528)	(226,926)
Accumulated losses at the end of the year	(197,206)	(223,528)

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

The Trust's share of aggregate profits, assets and liabilities of investments accounted for using the equity method are:

	2013 \$'000	2012 \$'000
Profit from ordinary activities after income tax expense	26,322	3,398
Assets	-	224,732
Liabilities	-	159,133
Capital commitments	-	183

Note 16**Non-current assets - other**

	2013 \$'000	2012 \$'000
Tenant and other bonds	143	158
Total non-current assets - other	143	158

Note 17**Current liabilities - payables**

	2013 \$'000	2012 \$'000
Trade creditors	6,204	9,456
Accruals	3,357	2,476
Accrued capital expenditure	632	1,060
Prepaid income	1,931	3,391
Responsible Entity fee payable	239	338
GST payable	202	91
Accrued interest	2,939	3,140
Other payable to related party	41,817	55,919
Total current liabilities - payables	57,321	75,871

Note 18**Interest bearing liabilities**

	Note	2013 \$'000	2012 \$'000
Non-current			
Bank loans	(a)	-	50,927
Total secured		-	50,927
Deferred borrowing costs		-	(1,523)
Total non-current liabilities - interest bearing liabilities		-	49,404
Total interest bearing liabilities		-	49,404

(a) Bank loans - secured

Facilities secured by mortgages over investment properties sold as part of the remaining US industrial portfolio were repaid and associated mortgages discharged during the year.

Note 19**Current liabilities - provisions**

	2013	2012
	\$'000	\$'000
Provision for distribution	10,000	10,000
Total current liabilities - provisions	10,000	10,000

Movements in provision for distribution are set out below:

	2013	2012
	\$'000	\$'000
Opening balance at the beginning of the year	10,000	12,360
Additional provisions	10,000	10,000
Payments of distributions	(10,000)	(12,360)
Closing balance at the end of the year	10,000	10,000

A provision for distribution has been raised for the period ended 30 June 2013. This distribution is to be paid on 30 August 2013.

Note 20**Non-current liabilities - other**

	2013	2012
	\$'000	\$'000
Tenant bonds	111	811
Total non-current liabilities - other	111	811

Note 21**Non-current liabilities - deferred tax liabilities**

	2013	2012
	\$'000	\$'000
The balance comprises temporary differences attributable to:		
Investment properties	-	595
Total non-current liabilities - deferred tax liabilities	-	595
Movements		
Opening balance at the beginning of the year	595	595
Charged to the Statement of Comprehensive Income	(595)	-
Closing balance at the end of the year	-	595

Note 22**Contributed equity****(a) Contributed equity**

	2013 \$'000	2012 \$'000
Opening balance at the beginning of the year	1,092,787	925,116
Capital contribution	-	174,979
Capital contribution transaction costs	-	(78)
Buy back of contributed equity	(10,323)	(7,230)
Closing balance at the end of the year	1,082,464	1,092,787

(b) Number of units on issue

	2013 No. of units	2012 No. of units
Opening balance at the beginning of the year	4,783,817,657	4,839,024,176
Buy back of contributed equity	(81,860,267)	(55,206,519)
Closing balance at the end of the year	4,701,957,390	4,783,817,657

Terms and conditions

Each stapled security ranks equally with all other stapled securities for the purposes of distributions and on termination of the Trust. Each stapled security entitles the holder to vote in accordance with the provisions of the Constitution and the *Corporations Act 2001*.

Note 23**Reserves and accumulated losses****(a) Reserves**

	2013 \$'000	2012 \$'000
Foreign currency translation reserve	680	24,530
Total reserves	680	24,530
Movements:		
Foreign currency translation reserve		
Opening balance at the beginning of the year	24,530	41,642
Exchange differences on translating foreign operations	2,770	(6,732)
Foreign currency translation reserve transfer on partial disposal of foreign operations	(26,620)	(10,380)
Closing balance at the end of the year	680	24,530

(b) Nature and purpose of reserves**Foreign currency translation reserve**

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

Note 23**Reserves and accumulated losses (continued)****(c) Accumulated losses**

	2013	2012
	\$'000	\$'000
Opening balance at the beginning of the year	(453,076)	(390,193)
Net profit/(loss) attributable to unitholders	100,090	(52,883)
Distributions provided for or paid	(10,000)	(10,000)
Closing balance at the end of the year	(362,986)	(453,076)

Note 24**Distributions paid and payable****(a) Distribution to unitholders**

	2013	2012
	\$'000	\$'000
30 June (payable 30 August 2013)	10,000	10,000
Total distributions	10,000	10,000

(b) Distribution rate

	2013	2012
	Cents per unit	Cents per unit
30 June (payable 30 August 2013)	0.21	0.21
Total distributions	0.21	0.21

Note 25**Parent entity financial information****(a) Summary financial information**

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

	2013	2012
	\$'000	\$'000
Total current assets	143,779	160,106
Total assets	1,099,935	1,524,226
Total current liabilities	77,711	86,664
Total liabilities	384,022	780,332
Equity		
Contributed equity	1,082,464	1,092,787
Accumulated losses	(366,551)	(348,894)
Total equity	715,913	743,893
Net profit/(loss) for the year from continuing operations	45,159	(3,679)
Net loss for the year from discontinued operations	(52,817)	(52,546)
Net loss for the year	(7,657)	(56,225)
Total comprehensive loss for the year	(7,657)	(56,225)

Note 25**Parent entity financial information (continued)****(b) Investments in controlled entities**

The parent entity has the following investments:

Name of entity	Principal activity	Ownership Interest		2013 \$'000	2012 \$'000
		2013 %	2012 %		
Foundation Macquarie Park Trust	Industrial property investment	100.0	100.0	91,195	96,159
DEXUS PID Trust	Industrial property investment	100.0	100.0	162,822	161,958
DIT Subtrust No. 1	Industrial property investment	100.0	-	736	-
DIT Luxembourg 1 SARL	Investment trust	100.0	100.0	-	-
DEXUS GLOG Trust	Industrial property investment	100.0	100.0	-	-
DEXUS US Whirlpool Trust	Industrial property investment	100.0	100.0	-	71,469
DEXUS Canada Trust	Industrial property investment	100.0	100.0	-	20,412
Total investments in controlled entities				254,753	349,998

(c) Guarantees entered into by the parent entity

Refer to note 27 for details of guarantees entered into by the parent entity.

(d) Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2013 (2012: nil).

(e) Capital commitments

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

	2013 \$'000	2012 \$'000
Investment properties	47	1,551
Total capital commitments	47	1,551

Note 26

Financial risk management

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

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

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

(1) Capital risk management

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

The capital structure of the Trust consists of debt (see note 18), cash and cash equivalents, and equity attributable to unitholders. The capital structure is monitored and managed in consideration of a range of factors including:

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

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

The gearing ratio at 30 June 2013 was 25.9% (as detailed below).

	2013 \$'000	2012 \$'000
Gearing ratio		
Total interest bearing liabilities ¹	279,894	747,352
Total tangible assets ²	1,082,218	1,524,070
Gearing ratio³	25.9%	49.0%

1 Total interest bearing liabilities excludes deferred borrowing costs and includes the currency impact of cross currency swaps as reported internally to management.

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

3 Gearing is managed centrally for DXS. The gearing ratio as disclosed in the DEXUS Property Group Financial Statements 2013 is 29.1% (2012: 27.8%) (refer note 28 of the DXS Financial Statements).

The Trust is not rated by ratings agencies, however, DXS is rated BBB+ by Standard and Poor's and Baa1 by Moody's. The Trust considers potential impacts upon the rating when assessing the strategy and activities of the Trust and regards those impacts as an important consideration in its management of the Trust's capital structure.

Note 26

Financial risk management (continued)

(1) Capital risk management (continued)

The Trust is required to comply with certain financial covenants in respect of its interest-bearing liabilities. During 2013 and 2012 reporting periods, the Trust was in compliance with all of its financial covenants.

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

(2) Financial risk management

The Trust's activities expose it to a variety of financial risks: credit risk, market risk (including currency risk, interest rate risk and price risk), and liquidity risk. Financial risk management is not managed at the individual trust level, but holistically as part of DXS. DXS's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Trust.

Accordingly, the Trust enters into various derivative financial instruments such as interest rate swaps, cross currency interest rate swaps and foreign exchange contracts to manage its exposure to certain risks. The Trust does not trade in derivative instruments for speculative purposes. The Trust uses different methods to measure the different types of risks to which it is exposed, including monitoring the current and forecast levels of exposure, and conducting sensitivity analysis.

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

(a) Liquidity risk

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

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

- short-term liquidity management includes continuously monitoring forecast and actual cash flows;
- medium-term liquidity management includes maintaining a level of committed borrowing facilities above the forecast committed debt requirements (liquidity headroom buffer). Committed debt includes future expenditure that has been approved by the Board or Investment Committee (as required within delegated limits), and may also include projects that have a very high probability of proceeding, taking into consideration risk factors such as the level of regulatory approval, tenant pre-commitments and portfolio considerations; and
- long-term liquidity risk is managed through ensuring an adequate spread of maturities of borrowing facilities so that refinancing risk is not concentrated, and ensuring an adequate diversification of funding sources where possible, subject to market conditions.

Note 26**Financial risk management (continued)****(2) Financial risk management (continued)****(a) Liquidity risk (continued)****Refinancing risk**

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

The refinancing of existing facilities may also result in margin price risk, whereby market conditions may result in an unfavourable change in credit margins on the refinanced facilities. The Trust's key risk management strategy for margin price risk on refinancing is to spread the maturities of debt facilities over different time periods to reduce the volume of facilities to be refinanced and the exposure to market conditions in any one period.

An analysis of the contractual maturities of the Trust's interest bearing liabilities and derivative financial instruments is shown in the table below. The amounts in the table represent undiscounted cash flows.

	2013				2012			
	Expiring within one year \$'000	Expiring between one and two years \$'000	Expiring between two and five years \$'000	Expiring after five years \$'000	Expiring within one year \$'000	Expiring between one and two years \$'000	Expiring between two and five years \$'000	Expiring after five years \$'000
Receivables	3,763	-	-	-	16,629	-	-	-
Payables	57,321	-	-	-	75,871	-	-	-
	(53,558)	-	-	-	(59,242)	-	-	-
Loans with related parties and interest¹	15,555	15,555	333,139	-	35,929	35,929	107,787	751,318
Interest bearing liabilities and interest								
Floating interest bearing liabilities and interest	-	-	-	-	1,049	1,049	3,148	51,436
Total interest bearing liabilities and interest²	-	-	-	-	1,049	1,049	3,148	51,436
Derivative financial instruments								
Derivative assets	3,119	50,054	23,741	-	5,022	3,211	3,551	-
Derivative liabilities	7,791	51,082	30,826	7,040	10,766	5,861	18,468	10,913
Total net derivative financial instruments³	(4,672)	(1,028)	(7,085)	(7,040)	(5,744)	(2,650)	(14,917)	(10,913)

1 Includes estimated interest.

2 Refer to note 18 (interest bearing liabilities). Excludes deferred borrowing costs, but includes estimated fees and interest.

3 The notional maturities on derivatives is only shown for cross currency interest rate swaps (refer foreign exchange rate risk) and forward foreign exchange contracts as they are the only instruments where a principal amount is exchanged. For interest rate swaps, only the net interest cash flows (not the notional principal) are included. For financial assets and liabilities that have floating rate interest cash flows, future cash flows have been calculated using static interest and exchange rates prevailing at the end of each reporting period. Refer to note 12 (derivative financial instruments) for fair value of derivatives. Refer note 27 (contingent liabilities) for financial guarantees.

Note 26**Financial risk management (continued)****(2) Financial risk management (continued)****(b) Market risk**

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

(i) Interest rate risk

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

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

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

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

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

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

	June 2014 \$'000	June 2015 \$'000	June 2016 \$'000	June 2017 \$'000	June 2018 \$'000	> June 2019 \$'000
Interest rate swaps						
A\$ hedged ¹	220,000	220,000	261,667	220,000	150,833	70,000
A\$ hedge rate (%) ²	4.36%	4.47%	4.83%	4.75%	5.62%	6.07%

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

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

Sensitivity on interest expense

The table below shows the impact on unhedged net interest expense (excluding non-cash items) of a 50 basis points increase or decrease in short-term and long-term market interest rates. The sensitivity on cash flow arises due to the impact that a change in interest rates will have on the Trust's floating rate debt and derivative cash flows. Net interest expense is only sensitive to movements in market rates to the extent that floating rate debt is not hedged.

		2013 (+/-) \$'000	2012 (+/-) \$'000
+/- 0.50% (50 basis points)	A\$	237 -	234
+/- 0.50% (50 basis points)	US\$	-	1,100
+/- 0.50% (50 basis points)	€	27	-
Total A\$ equivalent		275	846

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

Note 26**Financial risk management (continued)****(2) Financial risk management (continued)****(b) Market risk (continued)****(i) Interest rate risk (continued)****Sensitivity on fair value of interest rate swaps**

The table below shows the impact on the Statement of Comprehensive Income for changes in the fair value of interest rate swaps for a 50 basis points increase and decrease in short-term and long-term market interest rates. The sensitivity on the fair value arises from the impact that changes in market rates will have on the mark-to-market valuation of the interest rate swaps. The fair value of interest rate swaps is calculated as the present value of estimated future cash flows on the instruments. Cash flows are discounted using the forward price curve of interest rates at the end of the reporting period. Although interest rate swaps are transacted for the purpose of providing the Trust with an economic hedge, the Trust has elected not to apply hedge accounting to its interest rate derivatives. Accordingly, gains or losses arising from changes in the fair value are reflected in the Statement of Comprehensive Income.

		2013 (+/-) \$'000	2012 (+/-) \$'000
+/- 0.50% (50 basis points)	A\$	4,993	7,084
+/- 0.50% (50 basis points)	US\$	(672)	368
Total A\$ equivalent		4,268	7,446

(ii) Foreign exchange risk

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

The Trust operates internationally with an investment in North America, France and Germany. As a result of these activities, the Trust has foreign exchange risk, arising primarily from:

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

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

Foreign currency assets and liabilities

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

Where Australian dollar borrowings are used to fund the foreign currency investment, the Trust may transact cross currency swaps for the purpose of providing an alternate source of foreign currency funding while maintaining the natural hedge. In these instances the Trust has committed foreign currency borrowing capacity in place that can replace the foreign currency amounts that are due under the cross currency swaps.

Where foreign currency borrowings are used to fund Australian investments, the Trust transacts cross currency swaps for the purpose of ensuring the Trust has access to funding in multiple jurisdictions whilst reducing the risk that movements in foreign exchange rates will have an adverse impact on security holder's equity and net tangible assets.

Note 26**Financial risk management (continued)****(2) Financial risk management (continued)****(b) Market risk (continued)****(ii) Foreign exchange risk (continued)**

The Trust's net foreign currency exposures for net investments in foreign operations and hedging instruments are as follows:

	2013 \$'000	2012 \$'000
US\$ assets ¹	-	188,873
US\$ net borrowings and cross currency swaps ²	90	(239,447)
\$US denominated net investment	90	(50,574)
% hedged	0%	127%
€ assets ¹	6,000	36,650
€ net borrowings and cross currency swaps ²	(4,248)	(32,613)
€ denominated net investment	1,752	4,037
% hedged	71%	89%
Total foreign net investment (A\$ equivalent)	2,567	(44,637)
Total % hedged³	71%	119%

1 Assets exclude working capital and cash as reported internally to management.

2 Net borrowings equals interest bearing liabilities less cash. Cross currency swap amounts comprise the foreign currency denominated leg of the cross currency interest swaps.

3 Hedging for investments in foreign operations is managed centrally for DXS. The total % hedge as disclosed in the DXS Financial Statements 2012 is 7% (refer note 28 of the DXS Financial Statements).

Sensitivity on equity (foreign currency translation reserve)

The table below shows the impact on the foreign currency translation reserve for changes in the translated value of foreign currency assets and liabilities for an increase and decrease in foreign exchange rates per currency. The increase and decrease in cents per currency has been based on the historical movements of the Australian dollar relative to each currency¹. The cents per currency has been applied to the spot rates prevailing at the end of each reporting period². The impact on the foreign currency translation reserve arises as the translation of the Trust's foreign currency assets and liabilities are recorded (in Australian dollars) directly in the foreign currency translation reserve.

		2013 \$'000	2012 \$'000
+ 11.8 cents (12.8%)	US\$ (A\$ Equivalent)	11	(5,696)
- 11.8 cents (12.8%)	US\$ (A\$ Equivalent)	(14)	7,394
+ 8.9 cents (12.5%)	€ (A\$ Equivalent)	274	563
- 8.9 cents (12.5%)	€ (A\$ Equivalent)	(353)	(727)

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

2 Exchange rates at 30 June 2013: A\$/US\$ 0.9275 (2012: 1.0191), A\$/€ 0.7095 (2012: 0.8092).

Note 26**Financial risk management (continued)****(2) Financial risk management (continued)****(b) Market risk (continued)****(ii) Foreign exchange risk (continued)****Sensitivity on fair value of cross currency swaps**

The table below shows the impact on the Statement of Comprehensive Income for changes in the fair value of cross currency swaps for a 50 basis point increase and decrease in market rates¹. The sensitivity on the fair value arises from the impact that changes in short-term and long-term market rates will have on the interest rate mark-to-market valuation of the cross currency swaps. The Trust has elected not to apply hedge accounting to its cross currency swaps. Accordingly, gains or losses arising from changes in the fair value are reflected in the Statement of Comprehensive Income.

		2013 (+/-) \$'000	2012 (+/-) \$'000
+ 0.50% (50 basis point)	US\$ (A\$ Equivalent)	655	-
Total A\$ equivalent		655	-

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

Net foreign currency denominated cash flows

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

Forward foreign exchange contracts outstanding at 30 June 2013 and 30 June 2012 are as follows:

	2013		2013	2012		2012
	To pay US\$'000	To receive A\$'000	Weighted average exchange rate	To pay US\$'000	To receive A\$'000	Weighted average exchange rate
1 year or less	-	-	-	-	1,316	-

Note 26

Financial risk management (continued)

(2) Financial risk management (continued)

(c) Credit risk

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

The Trust manages this risk by:

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

A minimum S&P rating of A- (or Moody's or Fitch equivalent) is required to become or remain an approved counterparty. As at 30 June 2013, the lowest rating of counterparties the Trust is exposed to was A- (Fitch) (2012: A (S&P)).

Financial instrument transactions are spread among a number of approved financial institutions within specified credit limits to minimise the Trust's exposure to any one counterparty. As a result, there is no significant concentration of credit risk for financial instruments.

The maximum exposure to credit risk at 30 June 2013 and 30 June 2012 is the carrying amount of financial assets recognised on the Statement of Financial Position.

As at 30 June 2013 and 30 June 2012, there were no significant concentrations of credit risk for trade receivables. Trade receivable balances and the credit quality of trade debtors are consistently monitored on an ongoing basis.

The ageing analysis of loans and receivables net of provisions at 30 June 2013 is (\$'000): 3,659 (0-30 days), (121) (31-60 days), (35) (61-90 days), 260 (91+ days). The ageing analysis of loans and receivables net of provisions at 30 June 2012 is (\$'000): 16,218 (0-30 days), 81 (31-60 days), 35 (61-90 days), 295 (91+ days). Amounts over 31 days are past due, however, no receivables are impaired.

The credit quality of financial assets that are neither past due nor impaired is consistently monitored to ensure that there are no adverse changes in credit quality.

Note 26**Financial risk management (continued)****(2) Financial risk management (continued)****(d) Fair value of financial instruments**

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

As at 30 June 2013 and 30 June 2012, the carrying amounts and fair value of financial assets and liabilities are shown as follows:

	2013	2013	2012	2012
	Carrying	Fair value ²	Carrying	Fair value ²
	amount ¹		amount ¹	
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Cash and cash equivalents	2,836	2,836	11,862	11,862
Loans and receivables (current)	4,158	4,158	16,629	16,629
Derivative assets	14,370	14,370	10,718	10,718
Loans with related parties	138,948	138,948	266,021	266,021
Total financial assets	160,312	160,312	305,230	305,230
Financial liabilities				
Trade payables	58,159	58,159	75,871	75,871
Derivative liabilities	20,714	20,714	36,526	36,526
Interest bearing liabilities	-	-	50,927	50,927
Loans with related parties	286,473	286,473	696,367	696,367
Total financial liabilities	365,346	365,346	859,691	859,691

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

2 Fair value is the amount for which the financial instrument could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Where there is a difference between the carrying amount and fair value the difference is not recognised in the Statement of Financial Position.

The fair value of interest bearing liabilities and derivative financial instruments has been determined by discounting the expected future cash flows by the relevant market interest rates. The discount rates applied range from 0.19% to 4.56% for US\$ and 2.66% to 5.29% for A\$. Refer note 1(r) for fair value methodology for financial assets and liabilities.

Determination of fair value

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

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

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

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

Note 26**Financial risk management (continued)****(2) Financial risk management (continued)****(d) Fair value of financial instruments (continued)**

The following tables present the assets and liabilities measured and recognised as at fair value at 30 June 2013 and 30 June 2012.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2013 \$'000
Financial assets				
Derivative assets				
Interest rate derivatives	-	7,760	-	7,760
Cross currency swaps	-	6,610	-	6,610
	-	14,370	-	14,370
Financial liabilities				
Derivative liabilities				
Interest rate derivatives	-	20,715	-	20,715
	-	20,715	-	20,715

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2012 \$'000
Financial assets				
Derivative assets				
Interest rate derivatives	-	9,386	-	9,386
Forward exchange contracts	-	1,332	-	1,332
	-	10,718	-	10,718
Financial liabilities				
Interest bearing liabilities				
Floating interest bearing liabilities	-	50,927	-	50,927
	-	50,927	-	50,927
Derivative liabilities				
Interest rate derivatives	-	36,419	-	36,419
Cross currency swaps	-	58	-	58
Forward exchange contracts	-	49	-	49
	-	36,526	-	36,526

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

Note 27

Contingent liabilities

The Trust together with DDF, DXO and DOT is a guarantor of a total of A\$1,473.5 million and US\$50.0 million (A\$53.9 million) of bank bilateral facilities, a total of A\$575.0 million of medium term notes, a total of US\$130.0 million (A\$140.2 million) of privately placed notes, and a total of US\$250.0 million (A\$268.8 million) public 144A senior notes, which have all been negotiated to finance the Trust and other entities within DXS. The guarantees have been given in support of debt outstanding and drawn against these facilities, and may be called upon in the event that a borrowing entity has not complied with certain requirements such as failure to pay interest or repay a borrowing, whichever is earlier. During the period no guarantees were called.

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

On settlement of the US sales transaction (refer note 10), a letter of credit was issued in relation to the sale of a number of properties located in the United States. The letter of credit was issued for US\$15.2 million (A\$16.4 million) and is expected to remain on issue until September 2014.

The Directors of the Responsible Entity are not aware of any other contingent liabilities in relation to the 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 28

Commitments

(a) Capital commitments

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

	2013 \$'000	2012 \$'000
Investment properties	614	1,996
Total capital commitments	614	1,996

(b) Lease receivable commitments

The future minimum lease payments receivable by the Trust are:

	2013 \$'000	2012 \$'000
Within one year	66,830	83,970
Later than one year but not later than five years	155,837	247,903
Later than five years	78,652	93,166
Total lease receivable commitments	301,319	425,039

Note 29**Related parties****Responsible Entity**

DXFM is the Responsible Entity of the Trust.

Responsible Entity fees

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

Related party transactions

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

DEXUS Funds Management Limited and its related entities

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

	2013	2012
	\$	\$
Responsible Entity fees paid and payable	3,084,569	4,025,546
Property management fees paid and payable to DXPS	2,530,596	2,496,534
Administration expenses paid and payable to DXH	3,204,412	3,739,108
Responsible Entity fees payable at the end of each reporting period (included above)	239,461	337,570
Property management fees payable at the end of each reporting period (included above)	661,659	239,773
Administration expenses payable at the end of each reporting period (included above)	62,913	4,312
Sale of 154 O'Riordan Street, Mascot, NSW to DXO	14,500,000	-

Entities within DXS

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

	2013	2012
	\$	\$
Interest revenue	770,797	1,528,584
Interest expense	26,617,268	58,470,680
Interest bearing loans advanced to entities within DXS	544,308,000	619,306,260
Interest bearing loans advanced from entities within DXS	101,211,000	149,380,336

Note 29**Related parties (continued)****Directors**

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

C T Beare, BSc, BE (Hons), MBA, PhD, FAICD ^{1,4,5}
 E A Alexander, AM, BComm, FCA, FAICD, FCPA ^{1,2}
 B R Brownjohn, BComm ^{1,2,7}
 J C Conde, AO, BSc, BE (Hons), MBA ^{1,4,6}
 T Dwyer, BJuris (Hons), LLB (Hons) ^{1,3}
 S F Ewen, OAM ^{1,4}
 Craig D Mitchell, BComm, EMBA, FCPA ¹⁰
 W R Sheppard, BEc (Hons) ^{1,2,8}
 D J Steinberg, BEc, FRICS, FAPI
 P B St George, CA(SA), MBA ^{1,5,9}

1 Independent Director

2 Board Audit, Risk & Sustainability Committee Member

3 Board Compliance Committee Member

4 Board Nomination, Remuneration & Governance Committee Member

5 Board Finance Committee Member

6 Resigned as Board Compliance Committee Member on 1 July 2012

7 Resigned as Board Finance Committee Member on 1 July 2012

8 Appointed as Board Finance Committee Member on 1 July 2012

9 Resigned as Board Audit, Risk & Sustainability Committee Member on 1 July 2012

10 Appointed as Director on 12 February 2013

No Directors held an interest in the Trust for the years ended 30 June 2013 and 30 June 2012.

Other key management personnel

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

Name	Title
Tanya L Cox ¹	Executive General Manager, Property Services and Chief Operating Officer
Ross Du Vernet ²	Executive General Manager, Strategy, Transactions & Research
John C Easy ¹	General Counsel
Kevin George ³	Executive General Manager, Office & Industrial

1 Ceased to be key management personnel on 1 July 2012.

2 Appointed as key management personnel on 1 July 2012.

3 Appointed as key management personnel on 10 December 2012.

Key management personnel compensation

	2013	2012
	\$	\$
Compensation		
Short-term employee benefits	9,219,857	10,166,375
Post employment benefits	229,763	247,967
Other long-term benefits	1,116,082	3,115,681
Termination benefits	-	2,300,000
Security-based payments	1,383,669	330,000
	11,949,371	16,160,023

Note 29**Related parties (continued)****Equity instrument disclosures relating to key management personnel**

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

	Opening balance 1 July 2012	Purchases	Other ¹	Closing balance 30 June 2013
Directors				
Christopher T Beare	-	100,000	-	100,000
Elizabeth A Alexander, AM	-	100,000	-	100,000
Barry R Brownjohn	-	50,000	-	50,000
John C Conde, AO	-	100,000	-	100,000
Tonianne Dwyer	-	100,000	-	100,000
Stewart F Ewen, OAM	-	100,000	-	100,000
Craig D Mitchell	-	-	539,782	539,782
W Richard Sheppard	-	100,000	-	100,000
Darren J Steinberg	-	-	453,417	453,417
Peter B St George	-	104,000	-	104,000
Other key management personnel				
Ross Du Vernet ²	-	-	215,913	215,913
Kevin George ³	-	-	-	-

1 Performance Rights granted under the 2012 Transitional Performance Rights Plan (refer note 36 of the DEXUS Property Group Annual Report).

2 Appointed as key management personnel on 1 July 2012.

3 Appointed as key management personnel on 10 December 2012.

The DXFM Board has approved a grant of performance rights to DXS stapled securities to eligible participants (refer note 36 of the DEXUS Property Group Annual Report). Details of the number of performance rights issued to each of the key management personnel are set out in the Remuneration Report.

There were no loans or other transactions with key management personnel or their related parties during the years ended 30 June 2013 and 30 June 2012.

Note 29

Related parties (continued)

Remuneration Report

1. Overview

The Board has pleasure in presenting the Remuneration Report for the DEXUS Property Group (Group). As with prior years, the Remuneration Report has been prepared in accordance with the Corporations Act and relevant accounting standards. Whilst the Group is not statutorily required to prepare such a report, the Board continues to believe that the disclosure of the Group's remuneration practices is in the best interests of all security holders.

Effective 1 July 2012, the Group implemented its new remuneration framework, which includes a new Short-term Incentive (STI) and Long-term Incentive (LTI) plan. The operation of these plans received security holder approval at the Group's Annual General Meeting on 5 November 2012.

The Board believes that the Group's remuneration framework encourages Executives to perform in the best interests of security holders. Short term financial and operational objectives are approved annually by the Board for each Executive, promoting alignment between investor returns and the rewards an Executive can receive under the STI plan. In addition, the Board has determined a set of financial performance hurdles within the LTI plan which provide the Executive with a performance and retention incentive which is strongly linked to security holder returns over the longer-term.

The main Executive remuneration actions for the year ending 30 June 2013 were:

- The implementation of the new remuneration framework effective 1 July 2012
- No fixed remuneration increases for Executives
- The closure of the DEXUS Performance Payment (DPP) and DEXUS Deferred Performance Payment (DDPP) plans
- The Board exercised its discretion to not apply a performance multiplier to vesting legacy DDPP plan outcomes
- Performance pay outcomes for Executives approved by the Board reflect the Group's strong financial and operational results
- Non-Executive Directors base fees remain unchanged since 1 July 2010

Effective 1 July 2013, the Board have approved an average fixed remuneration increase of 2% for Executives and 3% for other employees, noting that that the fixed remuneration for the Chief Executive Officer will remain unchanged.

This Remuneration Report has been prepared in accordance with AASB 124 *Related Party Disclosures* and section 300A of the *Corporations Act 2001* for the year ended 30 June 2013. The information provided in this Report has been audited in accordance with the provisions of section 308 (3C) of the *Corporations Act 2001*.

2. Key Management Personnel

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

- Non-Executive Directors
- Executive Directors (Chief Executive Officer & Chief Financial Officer)
- Key Executives considered KMP under the *Corporations Act 2001* (Executive KMP)

Below are the individuals determined to be KMP of the Group, classified between Non-Executive Directors, Executive Directors and Executive KMP:

Non-Executive Directors

Non-Executive Director	Title	KMP 2012	KMP 2013
Christopher T Beare	Chair	✓	✓
Elizabeth A Alexander AM	Director	✓	✓
Barry R Brownjohn	Director	✓	✓
John C Conde AO	Director	✓	✓
Tonianne Dwyer	Director	✓	✓
Stewart F Ewen OAM	Director	✓	✓
W Richard Sheppard	Director	✓	✓
Peter B St George	Director	✓	✓

Executive Directors

Executive Directors	Position	KMP 2012	KMP 2013
Darren J Steinberg	Chief Executive Officer	Part-Year	✓
Craig D Mitchell	Chief Financial Officer	✓	✓

Executive KMP

Executive KMP	Position	KMP 2012	KMP 2013
Kevin L George	Executive General Manager, Office & Industrial	N/A	Part-Year
Ross G Du Vernet	Executive General Manager, Transactions, Strategy & Research	No	✓

Group Management Committee Members - Previously Included as Executive KMP

Former Executive KMP	Position	KMP 2012	KMP 2013
Tanya L Cox	Executive General Manager, Property Services & Chief Operating Officer	✓	No
John C Easy	General Counsel & Company Secretary	✓	No

Ms Cox and Mr Easy continue as Group Management Committee members. The current organisation structure and membership of internal committees have led to a change in those considered by the Board to be Executive KMP for the 2013 year. The Board has indicated that the composition of Executive KMP may change from year to year in line with the strategic and operational focus of the Group.

3. Board Nomination, Remuneration & Governance Committee

The objectives of the Committee are to assist the Board in fulfilling its responsibilities by overseeing all aspects of Non-Executive Director and Executive remuneration, as well as Board nomination and performance evaluation. Primarily, the responsibilities of the Committee are to review and recommend to the Board:

- Board and CEO succession plans
- performance evaluation procedures for the Board, its committees and individual Directors
- the nomination, appointment, re-election and removal of Directors
- the Group's approach to remuneration, including design and operation of employee incentive plans
- Executive performance and remuneration outcomes
- Non-Executive Directors' fees

The Committee comprises three independent Non-Executive Directors. For the year ended 30 June 2013 Committee members were:

Non-Executive Director	Title	2012	2013
John C Conde AO	Committee Chair	✓	✓
Christopher T Beare	Committee Member	✓	✓
Stewart F Ewen OAM	Committee Member	✓	✓

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

The Committee operates independently from management, and may at its discretion appoint external advisors or instruct management to compile information for its consideration. The CEO attends certain Committee meetings by invitation, where management input is required. The CEO is not present during any discussions related to his own remuneration arrangements.

During the year the Committee appointed Egan Associates to provide remuneration advisory services. Egan Associates were paid a total of \$12,705 for remuneration recommendations made to the Committee and \$39,097 for other advisory services. The Committee is satisfied the advice received from Egan Associates is free from undue influence from the KMP to whom the remuneration recommendations relate. Egan Associates also confirmed in writing that the remuneration recommendations were made free from undue influence by the relevant KMP.

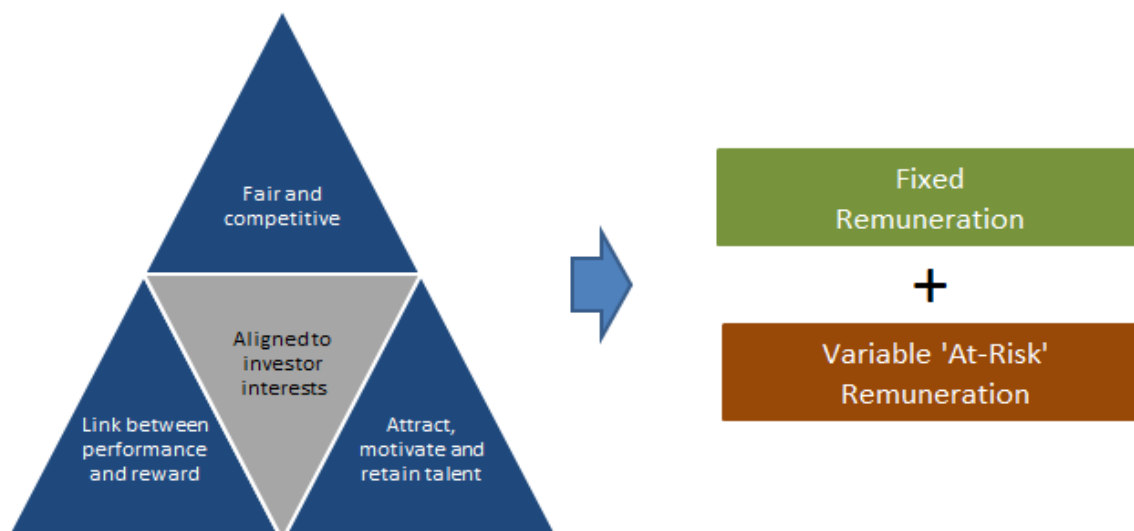
The 2012 Remuneration Report received positive security holder support at the 2012 Annual General Meeting with a vote of 98.3% in favour.

4. Executive Remuneration

Context

The Board believes that Executives should be rewarded at levels consistent with the complexity and risks involved in their position. Incentive awards should be scaled according to the relative performance of the Group, as well as business unit performance and individual effectiveness.

The Group's remuneration principles and target remuneration structure is:



The Group requires, and needs to retain, an Executive team with significant experience in:

- the office, industrial and retail property sectors
- property management, including securing new tenancies under contemporary lease arrangements, asset valuation and related financial structuring and property development in its widest context
- capital markets, funds management, fund raising, joint venture negotiations and the provision of advice and support to independent investment partners
- treasury, tax and compliance

In this context the Committee reviews trends in employee reward structures and strategies embraced across these sectors, including:

- comparable international funds and asset managers which have an active presence in Australia;
- ASX listed entities
- boutique property asset managers and consultants
- where relevant, information from private equity and hedge funds will be considered.

At the Executive level, the Committee reviews feedback from remuneration advisers, proxy advisers and institutional investors, and considers stakeholder interests at each stage of the remuneration review process.

5. Remuneration Structure

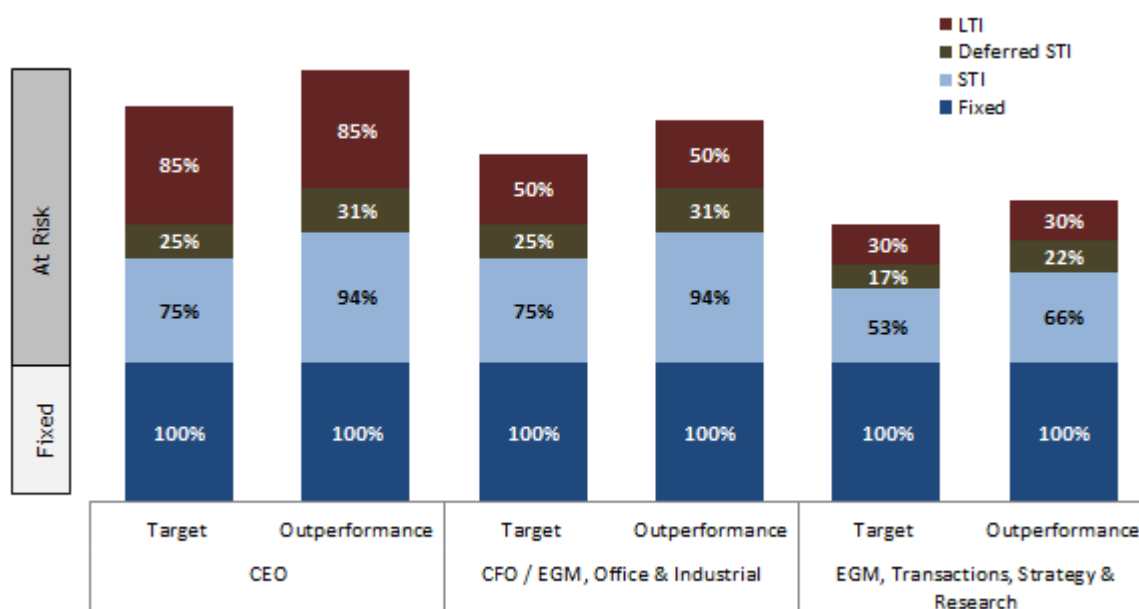
Remuneration Mix

The remuneration structure for Executives comprises fixed remuneration, a short term incentive and a long term incentive. The mix between these components varies according to the individual's position and is determined based on the Group's remuneration principles detailed above.

The remuneration mix for Executives during 2013 was:

Executive	Fixed	Target STI	Target Deferred STI	LTI
Darren J Steinberg	35%	26%	9%	30%
Craig D Mitchell	40%	30%	10%	20%
Kevin L George	40%	30%	10%	20%
Ross G Du Vernet	50%	26%	9%	15%

The chart below shows the remuneration structure for Executives expressed as a percentage of Fixed Remuneration at both target and outperformance (stretch) levels.



Total Remuneration

How does the Board determine total remuneration?	<p>The Committee reviews a considerable amount of information from a variety of sources to ensure an appropriate outcome reflecting market practice (incorporating various benchmarks) is achieved. These sources include:</p> <ul style="list-style-type: none"> Publicly available remuneration reports of A-REIT competitors Publicly available remuneration reports from ASX listed companies with similar market capitalisation and complexity Advice on remuneration levels of privately held property, funds management and private equity owned companies Salary survey data from Hart Consulting, Avdiev, Aon Hewitt, FIRG and others as appropriate Advice from external advisors appointed by the Committee such as Egan Associates <p>The comparator group of companies and market data considered as part of the above process is significantly larger than the comparator group of companies adopted for assessment of the Group's relative TSR performance under its LTI plan (refer below). Executives are typically recruited from the former group, whereas the Group's performance will be assessed appropriately with respect to the latter.</p>
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Fixed Remuneration

What is Fixed Remuneration?	Fixed remuneration is the regular pay (base salary and statutory superannuation contributions) an Executive receives in relation to his/her role. It reflects the complexity of the role, as well as the skills and competencies required to fulfil it, and is determined having regard to a variety of information sources to ensure the quantum is fair and competitive.
How is Fixed Remuneration determined?	The Board sets fixed remuneration around the median level of comparable companies after making adjustments for the different risk profiles of those companies (refer to Total Remuneration above). Group and individual performance is considered during the annual remuneration review process.

Short-term Incentive (STI) Plan

What is the STI plan?	The STI plan provides the Executive with an opportunity to achieve an annual remuneration outcome in addition to fixed remuneration, subject to the achievement of pre-agreed Group, divisional and individual performance objectives which are set out in a personalised balanced scorecard.
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How much can be earned under the STI plan?	Expressed as a percentage of fixed remuneration, Executives can earn the following incentive payments under the STI plan:		
		Target	Outperformance
	CEO	100%	125%
	CFO / EGM, Office & Industrial	100%	125%
	EGM, Strategy, Transactions & Research	70%	88%
	Aggregate performance below predetermined thresholds would result in no award being made under the STI plan.		
	The amount each Executive can earn is dependent on how he/she performs against a balanced scorecard of KPIs that is set at the beginning of each year. The balanced scorecard is arranged in categories and each category is weighted differently depending on the specific accountabilities of each Executive. If an Executive does not meet Threshold performance in a category, the score for that category will be zero.		
	KPIs at the Target level are set with an element of stretch against Threshold performance, which ensures that it is difficult for an Executive to score 100% in any category. Following the same theme, KPIs at the Outperformance level have a significant amount of stretch, and would require exceptional outcomes to be achieved. KPIs at both the Target and Outperformance levels incorporate year-on-year growth.		
When is the STI paid?	August of the financial year immediately following the performance period, following the sign-off of statutory accounts and announcement of Group's annual results.		
How does the deferral component operate?	25% of any award under the STI plan will be deferred and awarded in the form of performance rights to DXS securities. The rights will vest in two equal tranches, 12 and 24 months after being awarded. They are subject to clawback and continued employment, and are based on a deferral period commencing 1 July after the relevant performance period.		
How is the allocation of deferred STI determined?	The number of performance rights awarded is based on 25% of the STI value awarded to the Executive divided by the volume weighted average price (VWAP) of securities 10 trading days either side of the first trading day of the new financial year.		
How are distributions treated during the deferral period?	Executives will be entitled to the benefit of distributions paid on the underlying DXS securities prior to vesting, through the issue of additional performance rights.		
Can deferred STI be forfeited?	Forfeiture will occur should the Executive's employment terminate within 6 months of the grant date for any reason, or if the Executive voluntarily resigns or is terminated for cause prior to the vesting date. Notwithstanding the above, if an Executive's employment is terminated for reasons such as retirement, redundancy, reorganisation, change in control or other unforeseen circumstances, the Committee will recommend whether the Executive should remain in the plan as a good leaver, for decision by the Board.		
How is the STI plan aligned to security holder interests?	The STI plan is aligned to security holder interests in the following ways: <ul style="list-style-type: none">as an immediate reward opportunity to attract, motivate and retain talented Executives who can influence the future performance of the Groupthrough a 25% mandatory STI deferral for Executives, allowing for future clawback of STI awards in the event of a material misstatement of the Group's financial position		

Long-term Incentive (LTI) Plan

What is the LTI plan?	The LTI is an incentive grant which rewards Executives for sustained earnings and security holder returns and is delivered in the form of performance rights to DXS securities.								
How are grants under the LTI plan determined?	<p>Executives receive a grant of performance rights to DXS securities (dependent on their role and responsibilities) under the LTI plan equivalent to the following (expressed as a percentage of Fixed Remuneration):</p> <table> <tr> <th></th><th>Grant as a % of fixed remuneration</th></tr> <tr> <td>CEO</td><td>85%</td></tr> <tr> <td>CFO / EGM, Office & Industrial</td><td>50%</td></tr> <tr> <td>EGM, Strategy, Transactions & Research</td><td>30%</td></tr> </table>		Grant as a % of fixed remuneration	CEO	85%	CFO / EGM, Office & Industrial	50%	EGM, Strategy, Transactions & Research	30%
	Grant as a % of fixed remuneration								
CEO	85%								
CFO / EGM, Office & Industrial	50%								
EGM, Strategy, Transactions & Research	30%								
How does the LTI plan work?	Performance rights are converted into DXS securities upon achievement of performance conditions set by the Board. Performance against the selected hurdles will be assessed in two equal tranches over two periods, 3 and 4 years after the grant date. If the performance conditions are not met over either period, then the respective performance rights will be forfeited. There is no re-testing of forfeited rights.								
Can an LTI grant be forfeited?	<p>If ore-determined performance hurdles are not met then the relevant part of the grant will not vest and those rights will be forfeited.</p> <p>Additionally, forfeiture will occur should the Executive's employment terminate within 12 months of the grant date for any reason, or if the Executive voluntarily resigns or is terminated for cause prior to the vesting date.</p> <p>Notwithstanding the above, if an Executive's employment is terminated for reasons such as retirement, redundancy, reorganisation, change in control or other unforeseen circumstances, the Committee will recommend whether the Executive should remain in the plan as a good leaver, for decision by the Board.</p>								
What are the performance hurdles?	<p>The Board sets the performance hurdles for the LTI plan on an annual basis. For the 2013 LTI grant, a set of external and internal hurdles has been selected.</p> <p>Notably, the Board has clarified the operation of the Relative TSR component of the LTI plan. The previously communicated 50% weighting to Relative TSR will be split into two distinct groups, the first being a standard Relative TSR measurement against listed peers, the second being a Relative ROE measurement against unlisted peers. The Board feels this is a more accurate comparison given the way investors measure the performance of listed and unlisted entities.</p> <p>The 4 performance hurdles for the 2013 LTI plan are:</p> <p><u>External Performance Hurdles (50%)</u></p> <ul style="list-style-type: none"> ▪ 25% is based on the Group's relative performance against a Total Security holder Return (Relative TSR) performance hurdle measured against a peer group of listed entities within the A-REIT sector <ul style="list-style-type: none"> – TSR represents an investor's return, calculated as the percentage difference between the initial amount invested and the final value of DXS securities at the end of the relevant period, assuming distributions were reinvested. ▪ 25% is based on the Group's relative performance against a Return On Equity (Relative ROE) performance hurdle measured against a peer group of unlisted entities within the A-REIT sector <ul style="list-style-type: none"> – ROE represents the annualised composite rate of return to security holders, calculated as a percentage, comprising the change in net tangible asset value per security together with the distributions paid to security holders per security, divided by the net tangible asset value per security at the beginning on the period. 								

<p>What are the performance hurdles? (continued)</p>	<p><u>Internal Performance Hurdles (50%)</u></p> <ul style="list-style-type: none"> 25% is based on the Group's performance against a predetermined Funds From Operations (FFO) per security growth hurdle <p>For the purposes of these performance hurdles, FFO is defined as per the definition adopted by the Property Council of Australia.</p> <ul style="list-style-type: none"> 25% is based on the Group's performance against a predetermined Return on Equity performance hurdle ROE represents the annualised composite rate of return to security holders, calculated as a percentage, comprising the change in net tangible asset value per security together with the distributions paid to security holders per security, divided by the net tangible asset value per security at the beginning on the period.
<p>How are the performance hurdles measured?</p>	<p><u>Relative TSR & Relative ROE</u></p> <p>Vesting under both the Relative TSR & Relative ROE measures will be on a sliding scale reflecting relative performance against a comparator group of entities.</p> <ul style="list-style-type: none"> Nil vesting for performance below the median of the comparator group 50% vesting for performance at the median of the comparator group Straight line vesting for performance between the 50th and 75th percentile 100% vesting for performance at or above the 75th percentile <p>The listed and unlisted comparator groups have been reviewed and selected by the Board as being appropriate entities within similar asset classes, investment risk/return profiles and market capitalisation/size. The 2013 LTI grant comparator groups are</p> <ul style="list-style-type: none"> Listed: CPA, IOF, GPT, CFX, WRT, SCP, CMW and FDC Unlisted: AWOFF, GWOFF, APPFC, ICPF, ISPT, ACP, QPF and APPFR <p>The Board reserves the right to review the peer group annually, with relative performance monitored by an independent external advisor at 30 June each year.</p> <p><u>FFO Growth & ROE</u></p> <p>Vesting under both the FFO Growth & ROE measures will be on a sliding scale reflecting performance against predetermined performance hurdles set by the Board</p> <ul style="list-style-type: none"> Nil vesting for below Target performance 50% vesting for Target performance Straight line vesting between Target and Outperformance 100% vesting for Outperformance
<p>What are the absolute LTI hurdles for the 2013 grant??</p>	<p>Having determined the Group's strategy, the Board have adopted the following FFO Growth and ROE performance hurdles for the 2013 LTI grant:</p> <ul style="list-style-type: none"> FFO Growth Target of 3% - with Outperformance at 5.5% ROE Target of 9% - with Outperformance at 11% <p>These targets are measured as the per annum average over the three and four year grant periods.</p>
<p>How is the LTI plan aligned to security holder interests?</p>	<p>Aligned to long-term security holder interests in the following ways:</p> <ul style="list-style-type: none"> As a reward to Executives when the Group's overall performance exceeds specific predetermined earnings and security holder return benchmarks As a reward mechanism which encourages Executive retention and at the same time allows for future clawback of LTI grants for financial underperformance, deliberate misrepresentation or fraud Aligning the financial interests of security holders with Executives through exposure to DXS securities and the Group's performance Encouraging and incentivising Executives to make sustainable business decisions within the Board-approved risk appetite and strategy of the Group

What policies and procedures exist to support the integrity of the LTI plan?	<p>The administration of the LTI plan is supported by the LTI plan Guidelines which provide Executives with the rules of the plan and guidance as to how it is to be administered.</p> <p>Executives are prevented from hedging their exposure to unvested DXS securities. Trading in DXS securities or related products is only permitted with the permission of the CEO.</p> <p>The Group also has Conflict of Interest and Insider Trading policies in place to support the integrity of the LTI plan, which extends to family members and associates of the Executive.</p> <p>The Board has appointed Link Market Services as Trustee and Administrators of the DEXUS Performance Rights Plan Trust, which is the vehicle into which unvested units are purchased on-market and held in trust for the Executive pending performance assessment.</p>
How is the allocation of performance rights determined?	The number of performance rights granted is based on the grant value to the Executive (% of fixed remuneration) divided by the volume weighted average price (VWAP) of securities 10 trading days either side of the first trading day of the new financial year.
How are distributions treated prior to vesting?	Executives will not be entitled to distributions paid on the underlying DXS securities prior to the performance rights vesting.

The operation of all incentive plans is at the discretion of the Board which retains the right to discontinue, suspend or amend the operation of such plans.

For both the STI and LTI plans, where incentive grants involve DXS securities, it is the Board's current position that DXS securities be acquired on-market and not through the issue of new securities.

6. Performance Pay

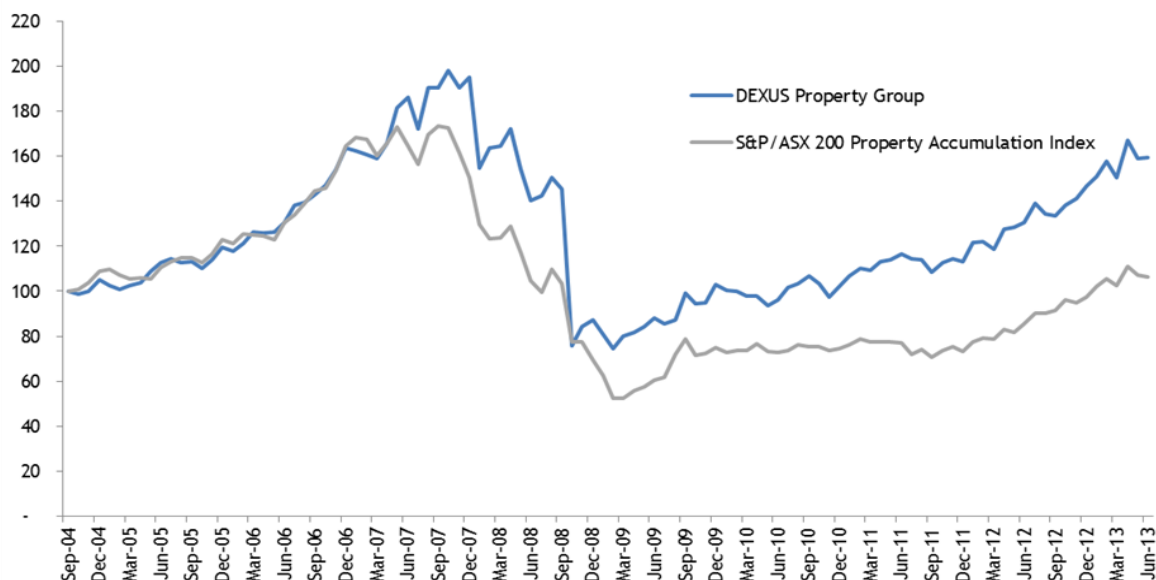
Group Performance

FY13 Highlights

Group	Portfolio	Capital Management	Funds Management	Transactions
12.1% increase in distribution per security	Leased 629,209 square metres of space across the total portfolio	Raised \$300 million of US Private Placement Notes	Increased funds under management by 9.5%, including \$820 million of new equity for DWPF	Achieved a 12% premium on prior book value for the sale of the remaining US portfolio
Achieved a 22.1% one-year total security holder return	Achieved 1.6% growth in like for like property net operating income	Actively managed the diversity of debt achieving a duration greater than 5 years	Launched new \$235 million partnership with a leading global pension fund	Involved in \$2.9 billion of transactions across the Group

Total Return of DXS Securities

The chart below illustrates DXS's performance against the S&P/ASX200 Property Accumulation index since listing in 2004.

Total Return Analysis

The table below sets out DXS's total security holder return over a one, two, three and five year time horizon, relative to the S&P/ASX200 Property Accumulation Index and the median of the Relative TSR comparator group under the new LTI plan:

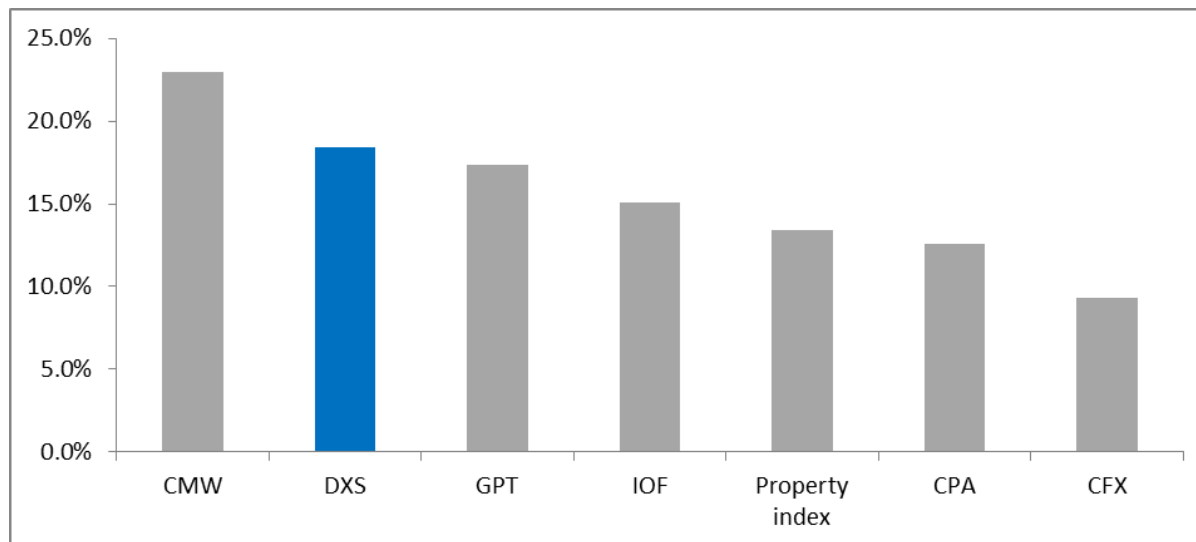
	1 Year	2 Years	3 Years	5 years
Year Ended 30 June 2013	(% per annum)	(% per annum)	(% per annum)	(% per annum)
DEXUS Property Group	22.1%	17.0%	18.4%	2.6%
S&P/ASX200 Property Accumulation Index	24.2%	17.4%	13.4%	0.3%
Median - Relative TSR Comparator Group	18.8% ¹	15.2% ²	16.2% ³	n/a

1. Comparator Group for 1 year comprises DXS, CFX, CMW, CPA, FDC, GPT, IOF and WRT.
2. Comparator Group for 2 years comprises DXS, CFX, CMW, CPA, GPT, IOF and WRT.
3. Comparator Group for 3 years comprises DXS, CFX, CMW, CPA, GPT and IOF.

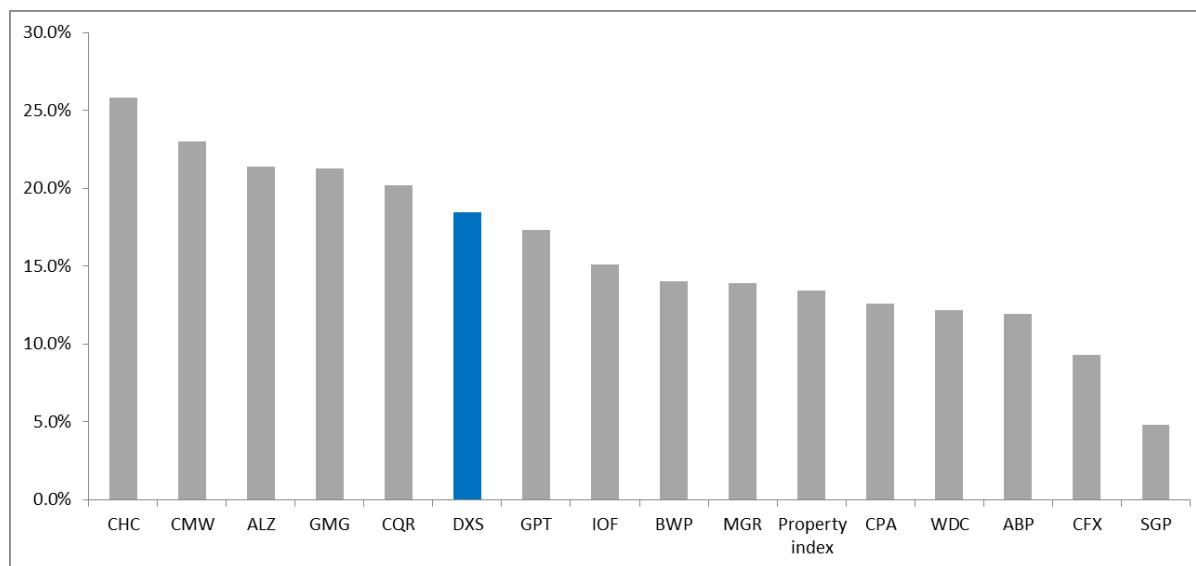
Three Year Performance Relative to Comparator Group

The chart below illustrates DXS's three year performance relative to the comparator group specified for LTI purposes. SCA Property Group, Westfield Retail Trust & Federation Centres have been omitted as these entities were not formed for the comparison period.

The three year performance of the S&P/ASX 200 Property Accumulation index is also included for reference.

**Three Year Performance Relative to Property Index**

The chart below illustrates DXS's performance against the broader property sector over the past three financial years.



Summary

DXS continues to outperform the S&P/ASX200 Property Accumulation index and has exceeded this benchmark on a rolling three year basis.

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

Individual Performance Assessment - Balanced Scorecard

Prior to the commencement of each financial year, the Board approves the Group's strategic and operational objectives which are then translated into a series of weighted financial and non-financial Key Performance Indicators (KPIs) for management. KPIs are assembled to form each Executive's Balanced Scorecard.

The Balanced Scorecard is divided into four components - Financial Performance, Business Management & Strategy, Stakeholder Engagement and People & Culture. These components are weighted differently for each Executive. For each of the components the Executive has objectives and specific initiatives set for that year. These Scorecards are agreed with the Executive at the beginning of the year, reviewed at half year and assessed for performance awards at the end of the year.

Below is a table which summarises the principal elements within Executive Balanced Scorecards for the year ending 30 June 2013 (the numbers in brackets represents what was actually achieved during the year, not the actual KPIs set):

Principal Elements of Executive Balanced Scorecards	
<u>Financial Performance</u> <ul style="list-style-type: none"> • DXS total returns (22.1%) • Funds investment performance • Funds from operations (\$365.4 million) • Return on equity (11.2%) • Trading profit (\$1.5 million) • Net operating income growth - like for like (1.6%) 	<u>Business Management & Strategy</u> <ul style="list-style-type: none"> • Delivery of divisional business plans • Secure rent at risk • Property portfolio investment performance • Operating costs • Capital diversification • Transaction effectiveness
<u>Stakeholder Engagement</u> <ul style="list-style-type: none"> • Investor engagement and feedback • Media and community profile • Tenant relationships and engagement • Internal and external service standards 	<u>People & Culture</u> <ul style="list-style-type: none"> • Leadership effectiveness • Cultural survey results • Succession planning • Talent retention and development

Executive	Balanced Scorecard Weighting			
	Financial KPIs		Non-Financial KPIs	
	Financial Performance	Business Management & Strategy	Stakeholder Engagement	People & Culture
Darren J Steinberg	40%	30%	20%	10%
Craig D Mitchell	40%	40%	10%	10%
Kevin L George	30%	40%	15%	15%
Ross G Du Vernet	30%	50%	10%	10%

Performance Pay Outcomes

Following an assessment of each Executive's Balanced Scorecard, the Board has determined that the following remuneration outcomes are appropriate with respect to each Executive's performance during the year ending 30 June 2013.

Executive	STI Award	% of Maximum Possible STI Earned	% of Maximum STI Forfeited	% of STI to be Deferred
Darren J Steinberg	1,750,000	100%	0%	25%
Craig D Mitchell	750,000	80%	20%	25%
Kevin L George	330,000	72%	28%	25%
Ross G Du Vernet	385,000	100%	0%	25%

In addition to the STI award shown above, Mr Steinberg was eligible for a once-off payment of \$500,000 as part of previously communicated sign-on conditions. This amount was subject to satisfactory performance as determined by the Board, and being payable in August 2013 is disclosed in the Statutory Reporting table under Other Short-Term Benefits.

25% of the value of the STI awarded to each Executive will be deferred into DXS securities, subject to service and clawback conditions, and vesting in two equal tranches after 12 and 24 months.

LTI Grants

The table below shows the number of Performance Rights to be granted to Executives under the 2013 LTI plan (details of which are provided earlier in this report).

Executive	Number of Performance Rights	1st Vesting Date 50%	2nd Vesting Date 50%
Darren J Steinberg	1,128,176	1 July 2016	1 July 2017
Craig D Mitchell	355,518	1 July 2016	1 July 2017
Kevin L George	326,128	1 July 2016	1 July 2017
Ross G Du Vernet	237,012	1 July 2016	1 July 2017

The number of Performance Rights granted to each Executive is based on the dollar value of LTI approved by the Board in its discretion and with reference to the remuneration framework, divided by the Volume Weighted Average Price (VWAP) of DXS securities ten trading days either side of 30 June 2013, which was confirmed as \$1.0548

The LTI grants for Mr Steinberg and Mr Mitchell as Executive Directors are subject to security holder approval at the 2013 Annual General Meeting.

7. Executive Remuneration Actual Cash Received

In line with best-practice recommendations, the amounts shown in the table below provide a summary of actual remuneration received during the year ended 30 June 2013. The DPP and DDPP cash payments were received for performance in the 2012 and 2009 financial years respectively.

Executive	Cash Salary	Pension & Super Benefits ¹	Other Short Term Benefits ²	Termination Benefits	Earned in Prior Financial Year		Total
					DPP Cash Payment ³	DDPP Cash Payment ⁴	
Darren J Steinberg	1,383,530	16,470	-	-	360,000	-	1,760,000
Craig D Mitchell	733,530	16,470	-	-	500,000	636,272	1,886,272
Kevin L George	341,354	9,608	464,383	-	-	-	815,345
Ross G Du Vernet	424,305	16,470	-	-	350,000	-	790,775

¹ Includes employer contributions to superannuation under the superannuation guarantee legislation and salary sacrifice amounts

² Mr George received a sign-on cash payment of \$250,000 plus various relocation benefits totalling \$214,383

³ Cash payment made in August 2012 with respect to the 2012 DPP (i.e. annual performance payment for the prior financial year)

⁴ Cash payment made in August 2012 with respect to the 2009 DDPP award that vested on 1 July 2012 (i.e. realisation of 3 year deferred performance payment)

DEXUS Industrial Trust
Notes to the Financial Statements (continued)

For the year ended 30 June 2013

The amounts shown in this table are prepared in accordance with AASB 124 *Related Party Disclosures* and do not represent actual cash payments received by Executives for the year ended 30 June 2013. Amounts shown under Long Term Benefits reflect the accounting expenses recorded during the year with respect to prior year deferred remuneration and awards that have or are yet to vest. For performance payments and awards made with respect to the year ended 30 June 2013, refer to the Performance Pay Outcomes section of this report.

Executive	Year	Short Term Benefits			Post-Employment Benefits		Share Based & Long Term Benefits				Total
		Cash Salary	STI Cash Award ¹	Other Short Term Benefits ²	Pension & Super Benefits ³	Termination Benefits	Deferred STI Plan Accrual ⁴	DDPP Plan Accrual ⁵	Transition Plan Accrual ⁶	LTI Plan Accrual ⁷	
Darren J Steinberg	2013	1,383,530	1,312,500	500,000	16,470	-	182,284	-	105,000	204,200	3,703,984
	2012	461,409	360,000	1,500,000	5,258	-	-	-	105,000	-	2,431,667
Craig D Mitchell	2013	733,530	562,500	-	16,470	-	78,122	172,790	125,000	64,349	1,752,761
	2012	734,225	500,000	-	15,775	-	-	328,664	125,000	-	1,703,664
Kevin L George ⁸	2013	338,954	247,500	634,383	12,008	-	219,374	-	-	59,029	1,511,248
	2012	-	-	-	-	-	-	-	-	-	-
Ross G Du Vernet ⁸	2013	424,305	288,750	-	16,470	-	40,103	-	50,000	42,899	862,527
	2012	-	-	-	-	-	-	-	-	-	-
Sub-Total	2013	2,880,319	2,411,250	1,134,383	61,418	-	519,883	172,790	280,000	370,477	7,830,520
	2012	1,195,634	860,000	1,500,000	21,033	-	-	328,664	230,000	-	4,135,331

Former KMP

Tanya L Cox	2013	433,530	201,000	-	16,470	-	27,916	75,408	50,000	23,166	827,490
	2012	434,225	200,000	-	15,775	-	-	149,140	50,000	-	849,140
John C Easy	2013	426,530	281,250	-	23,470	-	39,061	76,234	50,000	23,166	919,711
	2012	427,225	200,000	-	22,775	-	-	158,013	50,000	-	858,013
Other former KMP ⁹	2013	-	-	-	-	-	-	791,650	-	-	791,650
	2012	1,879,415	1,175,000	923,834	31,550	2,300,000	-	2,479,864	-	-	8,789,663
Total	2013	3,740,379	2,893,500	1,134,383	101,358	-	586,860	1,116,082	380,000	416,809	10,369,371
	2012	3,936,499	2,435,000	2,423,834	91,133	2,300,000	-	3,115,681	330,000	-	14,632,147

¹ FY13 annual cash STI performance award, payable in August 2013.

² Mr Steinberg's sign-on conditions included access to an additional \$500,000 subject to performance in FY13.

³ Mr George received a cash sign-on payment of \$250,000, a cash payment of \$170,000 as compensation for foregone remuneration and various relocation benefits.

⁴ Includes employer contributions to superannuation under the superannuation guarantee legislation and salary sacrifice amounts.

⁵ Reflects the accounting expense accrued during the financial year for Deferred STI awards made with respect to FY13 performance. Refer to note 36 of the DXS Financial Statements.

⁶ Mr George's accrual also includes accounting for Performance Rights detailed later in this report as Special Terms.

⁷ FY10 and FY11 DDPP legacy plan only applicable to Mr Mitchell and former KMP Ms Cox and Mr Easy. Reflects the accounting expense accrued during the financial year.

⁸ FY13 Transition plan applicable to all KMP and former KMP, excluding Mr George. Reflects the accounting expense accrued during the financial year.

⁹ Reflects the accounting expense accrued during the financial year for LTI grants made with respect to FY13. Refer to note 36 of the DXS Financial Statements.

¹⁰ Mr Du Vernet joined the Group on 7 May 2012 and was appointed KMP with effect 1 July 2013. No prior year remuneration is disclosed on that basis.

¹¹ Mr George joined the Group on 10 December 2012 and was appointed KMP with effect 10 December 2012. No prior year remuneration is disclosed on that basis.

¹² Other former KMP includes Mr Hoog Antink and Mr Say and are disclosed for completeness. Refer to the 2012 Remuneration Report for more detail.

8. Service Agreements

Executive service agreements detail the individual terms and conditions of employment applying to the CEO and Executives of the Group. The quantum and structure of remuneration arrangements are detailed elsewhere in this report, with the termination scenarios and other key employment terms detailed below:

Chief Executive Officer

	Terms
Employment agreement	An ongoing Executive Service Agreement.
Termination by the CEO	Termination by Mr Steinberg requires a 6 month notice period. The Group may choose to place Mr Steinberg on 'leave' or make a payment in lieu of notice at the Board's discretion. All unvested STI and LTI awards are forfeited under this scenario.
Termination by the Group without cause	If the Group terminates Mr Steinberg without cause, Mr Steinberg is entitled to a payment of 12 months Fixed Remuneration. The Board may (in its absolute discretion) also approve a pro-rata STI or LTI award based on part-year performance. Depending on the circumstances, the Board has the ability to treat Mr Steinberg as a 'good leaver' under this scenario, which may result in Mr Steinberg retaining some or all of his unvested STI and LTI.
Termination by the Group with cause	No notice or severance is payable under this scenario.
Other contractual provisions and restrictions	Mr Steinberg's Executive Service Agreement includes standard clauses covering intellectual property, confidentiality, moral rights and disclosure obligations.

Executives - Messrs Mitchell, George & Du Vernet

	Terms
Employment agreement	An ongoing Executive Service Agreement.
Termination by the Executive	Termination by the Executive requires a 3 month notice period. The Group may choose to place the Executive on 'leave' or make a payment in lieu of notice at the Board's discretion. All unvested STI and LTI awards are forfeited under this scenario.
Termination by the Group without cause	If the Group terminates the Executive without cause, the Executive is entitled to a combined notice and severance payment of 12 months Fixed Remuneration. The Board may (in its absolute discretion) also approve a pro-rata STI or LTI award based on part-year performance. Depending on the circumstances, the Board has the ability to treat the Executive as a 'good leaver' under this scenario, which may result in the Executive retaining some or all of their unvested STI and LTI.
Termination by the Group with cause	No notice or severance is payable under this scenario.
Other contractual provisions and restrictions	The Executive Service Agreement includes standard clauses covering intellectual property, confidentiality, moral rights and disclosure obligations.

Legacy Plan - Unvested and Vesting DDPP Awards

The table below shows the value of unvested and vesting DEXUS Deferred Performance Payment (DDPP) awards for Executives and Former Executive KMP as at 30 June 2013. The DDPP awards are part of a legacy plan closed to new participants from 1 July 2012.

Participant	Award Date	Allocation Value	Value as at 30 June 2013	Vesting DDPP as at 1 July 2013	Vesting Date
Craig D Mitchell	1 Jul 2011	450,000	577,305	-	1 Jul 2014
	1 Jul 2010	400,000	598,440	598,440	1 Jul 2013

Former KMP

Tanya L Cox	1 Jul 2011	190,000	243,751	-	1 Jul 2014
	1 Jul 2010	180,000	269,298	269,298	1 Jul 2013
John C Easy	1 Jul 2011	185,000	237,337	-	1 Jul 2014
	1 Jul 2010	188,000	281,267	281,267	1 Jul 2013

Mr Mitchell and former KMP Ms Cox and Mr Easy are entitled to receive a cash payment relating to the vesting of their 2010 DDPP awards. This payment will be made in August 2013.

The vesting DDPP value was determined by calculating the compound total return of both listed DXS (50%) and unlisted DWPF (50%) notional securities over a 3-year vesting period. The DXS total return was 65.8% and the Group's unlisted Funds and Mandates was 33.4%, resulting in a composite 49.6% increase being applied to the original allocation value during the life of the 2010 DDPP plan. The Board chose to exercise its discretion in not applying a performance multiplier (allowable under the DDPP plan rules) to the 2010 tranche, and has indicated it intends to follow the same approach upon vesting of the 2011 tranche.

For more information on the DDPP legacy plan, refer to the 2012 Annual Report.

Legacy Plan - Unvested Transitional Performance Rights

The table below shows the number of unvested performance rights held by Executives under the Transitional Performance Rights plan, which received security holder approval at the Annual General Meeting on 5 November 2012. The Board granted these once-off Performance Rights to Executives, with respect to performance during the year ending 30 June 2012, as a transitional measure towards the adoption of the Group's new remuneration framework which came into effect 1 July 2012.

Participant	Award Date	Number of Performance Rights	Vesting Date
Darren J Steinberg	1 Jul 2012	453,417	1 Jul 2015
Craig D Mitchell	1 Jul 2012	539,782	1 Jul 2015
Ross G Du Vernet	1 Jul 2012	215,913	1 Jul 2015

Former KMP

Tanya L Cox	1 Jul 2012	215,913	1 Jul 2015
John C Easy	1 Jul 2012	215,913	1 Jul 2015

At the Board's instruction, Performance Rights are to be purchased on-market and the plan is subject to both service and clawback conditions. For more information on the Transitional Performance Rights plan, refer to the 2012 Annual Report.

Special Terms - Performance Rights & Relocation Package for Kevin L George

Upon commencement, Mr George was offered a special grant of Performance Rights to DXS securities as compensation for foregone remuneration at his previous employer and to immediately align his interests with those of his KMP peers and security holders.

Participant	Award Date	Number of Performance Rights	Vesting Date
Kevin L George	10 Dec 2012	366,591	1 Aug 2014

The Performance Rights granted to Mr George are subject to both service and clawback conditions, and are to be purchased on-market. The terms and conditions of this offer mirror those of the Deferred STI plan.

In addition to the grant of Performance Rights, Mr George received a commencement and relocation package (disclosed in the Statutory Accounting table as 'Other Short-Term Benefits') which included the following:

- \$250,000 as a cash sign-on payment
- \$170,000 as a cash payment to be made in August 2013 as compensation for part-year incentive forfeiture at Mr George's previous employer
- \$186,916 as a once-off relocation and family disturbance payment
- \$27,467 in expense reimbursements relating to Mr George and his family's relocation from Melbourne to Sydney - including flights, temporary accommodation, removalists, transit insurance, connection of utilities and other service fees

Mr George is also entitled to future reimbursement of reasonable expenses (i.e. stamp duty, agent fees etc.) relating to the purchase of a family home in Sydney. This benefit has not yet been exercised by Mr George and expires on 10 December 2014.

All expense benefits relating to Mr George's relocation are subject to a 100% clawback clause should Mr George voluntarily resign within 2 years of his commencement date.

9. Non-Executive Directors

Non-Executive Directors' fees are reviewed annually by the Committee to ensure they reflect the responsibilities of directors and are market competitive. The Committee reviews information from a variety of sources to inform their recommendation regarding Non-Executive Directors fees to the Board. Information considered included:

- Publicly available remuneration reports from ASX listed companies with similar market capitalisation and complexity
- Publicly available remuneration reports from A-REIT competitors
- Information supplied by external remuneration advisors, including Egan Associates

Total fees paid to Non-Executive Directors remain within the aggregate fee pool of \$1,750,000 per annum approved by security holders at the AGM in October 2008. The Board has reviewed base fees for Non-Executive Directors and has elected not to approve an increase at this time. This will be the fourth consecutive year at the current rate.

In 2012, the Board (as noted in the Directors' Report) determined that it would be appropriate for Non-Executive Directors (existing and new) to hold DXS securities. A minimum target of 50,000 securities is to be acquired in each Director's first three year term (effective from 1 July 2012). Such securities would be subject to the Group's existing trading and insider information policies. No additional remuneration is provided to Directors to purchase these securities. All Directors have subsequently used their own resources to purchase at least the minimum target in the first year of the three year term. Details of Directors' holdings are included in the Directors' Report.

Other than the Chair who receives a single fee, Non-Executive Directors receive a base fee plus additional fees for membership of Board Committees. The table below outlines the Board fee structure (inclusive of statutory superannuation contributions) for the year ended 30 June 2013:

Committee	Chair	Member
Director's Base Fee (DXFM)	\$350,000*	\$150,000
Board Audit, Risk & Sustainability	\$30,000	\$15,000
Board Compliance	\$15,000	\$7,500
Board Finance	\$15,000	\$7,500
Board Nomination, Remuneration & Governance	\$30,000	\$15,000
DWPL Board	\$30,000	\$15,000

* The Chairman receives a single fee for his entire engagement, including service on Committees of the Board

Non-Executive Director's Statutory Accounting Table

The amounts shown in this table are prepared in accordance with AASB 124 *Related Party Disclosures*. The table is a summary of the actual cash and benefits received by each Non-Executive Director for the year ended 30 June 2013.

Non-Executive Director	Year	Short Term Benefits	Post Employment Benefits	Other Long Term Benefits	Total
Christopher T Beare	2013	333,530	16,470	-	350,000
	2012	334,225	15,775	-	350,000
Elizabeth A Alexander AM	2013	178,899	16,101	-	195,000
	2012	170,539	24,461	-	195,000
Barry R Brownjohn	2013	165,138	14,862	-	180,000
	2012	172,018	15,482	-	187,500
John C Conde AO	2013	165,138	14,862	-	180,000
	2012	158,257	14,243	-	172,500
Tonianne Dwyer ¹	2013	158,257	14,243	-	172,500
	2012	132,225	11,900	-	144,125
Stewart F Ewen OAM	2013	141,000	24,000	-	165,000
	2012	109,052	48,448	-	157,500
W Richard Sheppard ²	2013	158,257	14,243	-	172,500
	2012	74,541	6,709	-	81,250
Peter B St George	2013	151,376	13,624	-	165,000
	2012	165,138	14,862	-	180,000
Total	2013	1,451,595	128,405	-	1,580,000
	2012	1,315,995	151,880	-	1,467,875

¹ Ms Dwyer was appointed on 24 August 2011

² Mr Sheppard was appointed 1 January 2012

Note 30

Events occurring after reporting date

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

Note 31

Operating segments

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

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

Office	This comprises office space with any associated retail space; as well as car parks and office developments in Australia and New Zealand.
Industrial	This comprises domestic industrial properties, industrial estates and industrial developments.
Property management	This comprises property management services for third party clients and owned assets.
Development and trading	This comprises revenue earned and costs incurred by the Group on developments and inventory.
Funds management	This comprises funds management of third party client assets.
DXS asset management	This comprises asset management of assets owned by the Group.
All other segments	This comprises corporate expenses associated with maintaining and operating the Group. This segment also includes the treasury function of the Group which is managed through a centralised treasury department.
Discontinued operations	This comprises industrial properties, industrial estates and industrial developments in the United States, as well as the European industrial portfolio.

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 Annual Report (refer note 33 in the DEXUS Property Group Financial Statements).

Note 32**Reconciliation of net profit/(loss) to net cash inflow from operating activities**

	2013 \$'000	2012 \$'000
Net profit/(loss)	100,090	(52,883)
Capitalised interest	-	(1,111)
Net fair value loss of investment properties	575	20,787
Share of net profit of associates accounted for using the equity method	(26,322)	(3,398)
Net fair value loss of derivatives	1,729	1,017
Net loss on sale of investment properties	3,027	20,388
Net foreign exchange loss/(gain)	2,721	(872)
Foreign currency translation reserve transfer on disposal of foreign operations	(26,620)	(10,380)
Change in operating assets and liabilities		
Decrease in receivables	105	81
Decrease/(increase) in prepaid expenses	919	(214)
Decrease in deferred withholding tax assets	-	6,061
Decrease in other non-current assets	2,592	2,182
(Decrease)/increase in payables	(17,712)	27,333
Increase in other non-current liabilities	15,980	66,344
Decrease in current tax liabilities	-	(4,983)
Net cash inflow from operating activities	57,084	70,352

Note 33**Earnings per unit**

Earnings per unit are determined by dividing the net profit attributable to unitholders by the weighted average number of ordinary units outstanding during the year. The weighted average number of units has been adjusted for the bonus elements in units issued during the year and comparatives have been appropriately restated.

(a) Net profit/(loss) attributable to unitholders of the parent entity used in calculating basic and diluted earnings per unit

	2013 \$'000	2012 \$'000
Profit/(loss) from continuing operations	45,159	(3,679)
Loss from discontinued operations	(52,817)	(52,546)
Loss attributable to unitholders of the parent entity	(7,657)	(56,225)

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

	2013 units	2012 units
Weighted average number of units outstanding used in calculation of basic and diluted earnings per unit	4,714,292,865	4,834,864,561

The Directors of DEXUS Funds Management Limited as Responsible Entity for DEXUS Industrial Trust declare that the Financial Statements and notes set out on pages 8 to 69:

- (i) comply with Australian Accounting Standards, the *Corporations Act 2001* and other mandatory professional reporting requirements; and
- (ii) give a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date.

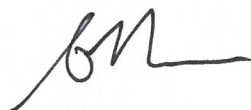
In the Directors' opinion:

- (a) the Financial Statements and notes are in accordance with the *Corporations Act 2001*;
- (b) there are reasonable grounds to believe that the Trust and its consolidated entities will be able to pay their debts as and when they become due and payable; and
- (c) the Trust has operated in accordance with the provisions of the Constitution dated 1 August 1997 (as amended) during the year ended 30 June 2013.

Note 1(a) confirms that the Financial Statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

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



Christopher T Beare
Chair
16 August 2013



Independent auditor's report to the unit holders of DEXUS Industrial Trust

Report on the financial report

We have audited the accompanying financial report of DEXUS Industrial Trust (the Trust), which comprises the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the DEXUS Industrial Trust Group (the consolidated entity). The consolidated entity comprises the Trust and the entities it controlled at the year-end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of DEXUS Funds Management Limited (the Responsible Entity) are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

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

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

Our procedures include reading the other information in the Directors' Report to determine whether it contains any material inconsistencies with the financial report.

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757

Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
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Auditor's opinion

In our opinion:

- (a) the financial report of DEXUS Industrial Trust is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

PricewaterhouseCoopers

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to be "E A Barron", with a stylized flourish at the end.

E A Barron
Partner

Sydney
16 August 2013

DEXUS Office Trust

(ARSN 090 768 531)

Financial Report
30 June 2013



DEXUS
PROPERTY GROUP

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

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

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

The Directors of DEXUS Funds Management Limited (DXFM) as Responsible Entity of DEXUS Office Trust present their Directors' Report together with the consolidated Financial Statements for the year ended 30 June 2013. The consolidated Financial Statements represents DEXUS Office Trust and its consolidated entities (DOT or the Trust).

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

1 Directors and Secretaries

1.1 Directors

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

Directors	Appointed
Christopher T Beare	4 August 2004
Elizabeth A Alexander, AM	1 January 2005
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
Craig D Mitchell	12 February 2013
W Richard Sheppard	1 January 2012
Darren J Steinberg	1 March 2012
Peter B St George	29 April 2009

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

1.2 Company Secretaries

The names and details of the Company Secretaries of DXFM as at 30 June 2013 are as follows:

Tanya L Cox MBA MAICD FCSA FCIS

Appointed: 1 October 2004

Tanya is the Executive General Manager, Property Services and Chief Operating Officer of DEXUS Property Group and is responsible for the tenant and client service delivery model, sustainability practices, information technology solutions and company secretarial services across the Group.

Tanya has over 25 years' experience in the finance industry. Prior to joining DEXUS in July 2003, Tanya held various general management positions over the previous 15 years, including Director and Chief Operating Officer of NM Rothschild & Sons (Australia) Ltd and General Manager, Finance, Operations and IT for Bank of New Zealand (Australia). Tanya is a Director of Low Carbon Australia Limited, Australian Athletes With a Disability Limited and a number of not-for-profit organisations.

Tanya is a member of the Australian Institute of Company Directors and a fellow of the Institute of Chartered Secretaries of Australia.

Tanya has an MBA from the Australian Graduate School of Management, a Diploma in Applied Corporate Governance and was a finalist in the 2005 NSW Telstra Business Woman of the year awards.

John C Easy B Comm LLB FCSA FCIS

Appointed: 1 July 2005

John is the General Counsel and Company Secretary of all DEXUS Group companies and is responsible for the legal function and compliance, risk and governance systems and practices across the Group.

1 Directors and Secretaries (continued)

1.2 Company Secretaries (continued)

John C Easy B Comm LLB FCSA FCIS (continued)

During his time with the Group, John has been involved in the establishment and public listing of Deutsche Office Trust, the acquisition of the Paladin and AXA property portfolios, and subsequent stapling and creation of DEXUS Property Group.

Prior to joining DEXUS in November 1997, John was employed as a senior associate in the commercial property/funds management practices of law firms Allens Arthur Robinson and Gilbert & Tobin. John graduated from the University of New South Wales with Bachelor of Laws and Bachelor of Commerce (Major in Economics) degrees. John is a Fellow Member of the Institute of Chartered Secretaries of Australia.

John is a member of the Board Compliance Committee and Chair of the Continuous Disclosure Committee.

2 Attendance of Directors at Board meetings and Board Committee meetings

The number of Directors' meetings held during the year and each Director's attendance at those meetings is set out in the table below. The Directors met nine times during the year. Eight Board meetings were main meetings, one meeting was held to consider specific business.

	Main meetings held	Main meetings attended	Specific meetings held	Specific meetings attended
Christopher T Beare	8	8	1	1
Elizabeth A Alexander, AM	8	8	1	1
Barry R Brownjohn	8	8	1	1
John C Conde, AO	8	8	1	1
Tonianne Dwyer	8	8	1	1
Stewart F Ewen, OAM	8	8	1	1
Craig D Mitchell ¹	3	3	-	-
W Richard Sheppard	8	8	1	1
Darren J Steinberg	8	8	1	1
Peter B St George	8	8	1	1

¹ Directorship commenced 12 February 2013.

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

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

	Board Audit, Risk & Sustainability Committee		Board Compliance Committee		Board Nomination, Remuneration & Governance Committee		Board Finance Committee	
	held	attended	held	attended	held	attended	held	attended
Christopher T Beare	-	-	-	-	6	6	4	4
Elizabeth A Alexander, AM	4	4	-	-	-	-	-	-
Barry R Brownjohn	4	4	-	-	-	-	-	-
John C Conde, AO	-	-	-	-	6	6	-	-
Tonianne Dwyer	-	-	4	4	-	-	-	-
Stewart F Ewen, OAM	-	-	-	-	6	6	-	-
W Richard Sheppard	4	4	-	-	-	-	4	4
Peter B St George	-	-	-	-	-	-	4	4

3 Directors' interests

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

Directors	No. of securities
Christopher T Beare	100,000
Elizabeth A Alexander, AM	100,000
Barry R Brownjohn	50,000
John C Conde, AO	100,000
Tonianne Dwyer	100,000
Stewart F Ewen, OAM	100,000
Craig D Mitchell	539,782 ¹
W Richard Sheppard	100,000
Darren J Steinberg	453,417 ¹
Peter B St George	104,000

¹ Performance Rights granted under the 2012 Transitional Performance Rights Plan.

4 Directors' directorships in other listed entities

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

Director	Company	Date appointed	Date resigned
Christopher T Beare	Mnemon Group Limited	6 November 2009	27 May 2013
Elizabeth A Alexander, AM	CSL Limited	12 July 1991	19 October 2011
John C Conde, AO	Whitehaven Coal Limited	3 May 2007	
	Cooper Energy Limited	25 February 2013	
Tonianne Dwyer	Cardno Limited	25 June 2012	
W Richard Sheppard	Echo Entertainment Group	21 November 2012	
Peter B St George	Boart Longyear Limited	21 February 2007	21 May 2013
	First Quantum Minerals Limited ¹	20 October 2003	

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

5 Principal activities

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

6 Review of results and operations

The results for the year ended 30 June 2013 were:

- profit attributable to unitholders was \$287.0 million (2012: \$196.3 million);
- total assets were \$4,216.6 million (2012: \$3,368.4 million); and
- net assets were \$2,554.9 million (2012: \$2,451.1 million).

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

7 Likely developments and expected results of operations

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

8 Significant changes in the state of affairs

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

9 Matters subsequent to the end of the financial year

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

10 Distributions

Distributions paid or payable by the Trust for the year ended 30 June 2013 are outlined in note 22 of the Notes to the Financial Statements and form part of this Directors' Report.

11 DXFM fees

Details of fees paid or payable by the Trust to DXFM for the year ended 30 June 2013 are outlined in note 27 of the Notes to the Financial Statements and form part of this Directors' Report.

12 Units on issue

The movement in units on issue in the Trust during the year and the number of units on issue as at 30 June 2013 are detailed in note 20 of the Notes to the Financial Statements and form part of this Directors' Report.

Details of the number of interests in the Trust held by DXFM or its associates as at the end of the financial year are outlined in note 27 of the Notes to the Financial Statements and form part of this Directors' Report.

With the exception of performance rights which are discussed in detail in the Remuneration Report, the Trust did not have any options on issue as at 30 June 2013 (2012: nil).

13 Environmental regulation

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

14 Indemnification and insurance

The insurance premium for a policy of insurance indemnifying Directors, officers and others (as defined in the relevant policy of insurance) is paid by DXH.

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

15 Audit

15.1 Auditor

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

15.2 Non-audit services

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

Details of the amounts paid or payable to the Auditor, for audit and non-audit services provided during the year are set out in note 6 of the Notes to the Financial Statements.

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

The reasons for the Directors being satisfied are:

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

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

15.3 Auditor's Independence Declaration

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

16 Corporate governance

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

17 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.

18 Management representation

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

19 Directors' authorisation

The Directors' Report is made in accordance with a resolution of the Directors. The Financial Statements were authorised for issue by the Directors on 16 August 2013. The Directors have the power to amend and reissue the Financial Statements.



Christopher T Beare
Chair
16 August 2013



Darren J Steinberg
Chief Executive Officer
16 August 2013



Auditor's Independence Declaration

As lead auditor for the audit of DEXUS Office Trust for the year ended 30 June 2013, I declare that to the best of my knowledge and belief, there have been:

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

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

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

E A Barron
Partner
PricewaterhouseCoopers

Sydney
16 August 2013

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2013

	Note	2013 \$'000	2012 \$'000
Revenue from ordinary activities			
Property revenue	2	270,260	270,253
Interest revenue	3	320	389
Total revenue from ordinary activities		270,580	270,642
Net fair value gain of investment properties		131,301	67,158
Share of net profit of investments accounted for using the equity method	14	37,905	13,784
Net fair value gain of derivatives		2,683	-
Net foreign exchange gain		6	18
Total income		442,475	351,602
Expenses			
Property expenses		(73,481)	(70,765)
Responsible Entity fees	27	(11,230)	(9,861)
Finance costs	4	(63,172)	(71,390)
Net loss on sale of investment properties		(547)	-
Fair value adjustment on acquisition of investments	14	(164)	-
Other expenses	5	(1,303)	(1,482)
Total expenses		(149,897)	(153,498)
Profit before tax		292,578	198,104
Income tax expense	7	(5,599)	-
Profit after tax		286,979	198,104
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		7,512	1,306
Total comprehensive income for the year		294,491	199,410
Profit for the year attributable to:			
Unitholders of DEXUS Office Trust		286,979	196,293
Non-controlling interests		-	1,811
Total profit for the year		286,979	198,104
Total comprehensive income for the year attributable to:			
Unitholders of DEXUS Office Trust		294,491	197,599
Non-controlling interests		-	1,811
Total comprehensive income for the year		294,491	199,410
Earnings per unit		Cents	Cents
Basic earnings per unit on profit attributable to unitholders of the parent entity	31	0.62	0.39
Diluted earnings per unit on profit attributable to unitholders of the parent entity	31	0.62	0.39

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

	Note	2013 \$'000	2012 \$'000
Current assets			
Cash and cash equivalents	8	5,007	3,091
Receivables	9	11,883	6,502
Derivative financial instruments	11	3,468	1,284
Other	12	3,708	2,961
Total current assets		24,066	13,838
Non-current assets			
Investment properties	13	3,279,378	3,132,600
Derivative financial instruments	11	5,483	4,124
Investments accounted for using the equity method	14	906,768	217,043
Other	15	894	779
Total non-current assets		4,192,523	3,354,546
Total assets		4,216,589	3,368,384
Current liabilities			
Payables	16	39,170	41,854
Loans with related parties	10	55,684	55,684
Provisions	17	78,547	67,672
Derivative financial instruments	11	770	1,288
Total current liabilities		174,171	166,498
Non-current liabilities			
Loans with related parties	10	1,441,551	693,109
Derivative financial instruments	11	39,759	57,088
Deferred tax liabilities	18	5,599	-
Other	19	574	545
Total non-current liabilities		1,487,483	750,742
Total liabilities		1,661,654	917,240
Net assets		2,554,935	2,451,144
Equity			
Contributed equity	20	1,825,984	1,863,965
Reserves	21	(6,997)	(14,509)
Retained profits	21	735,948	601,688
Total equity		2,554,935	2,451,144

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2013

		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 2011		2,063,214	556,723	(15,815)	2,604,122	204,028	2,808,150
Profit after tax for the year		-	196,293	-	196,293	1,811	198,104
Other comprehensive income for the year		-	-	1,306	1,306	-	1,306
Transactions with owners in their capacity as owners:							
Buy-back of contributed equity, net of transaction costs	20	(24,191)	-	-	(24,191)	-	(24,191)
Capital payment, net of transaction costs	20	(175,058)	-	-	(175,058)	-	(175,058)
Acquisition of non-controlling interest		-	-	-	-	(204,000)	(204,000)
Distributions paid or provided for	22	-	(141,152)	-	(141,152)	(12,015)	(153,167)
Transfer to retained profits		-	(10,176)	-	(10,176)	10,176	-
Closing balance as at 30 June 2012		1,863,965	601,688	(14,509)	2,451,144	-	2,451,144
Opening balance as at 1 July 2012		1,863,965	601,688	(14,509)	2,451,144	-	2,451,144
Profit after tax for the year		-	286,979	-	286,979	-	286,979
Other comprehensive income for the year		-	-	7,512	7,512	-	7,512
Transactions with owners in their capacity as owners:							
Buy-back of contributed equity, net of transaction costs	20	(37,981)	-	-	(37,981)	-	(37,981)
Distributions paid or provided for	22	-	(152,719)	-	(152,719)	-	(152,719)
Closing balance as at 30 June 2013		1,825,984	735,948	(6,997)	2,554,935	-	2,554,935

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2013

	Note	2013 \$'000	2012 \$'000
Cash flows from operating activities			
Receipts in the course of operations (inclusive of GST)		318,170	318,870
Payments in the course of operations (inclusive of GST)		(114,501)	(109,824)
Interest received		320	389
Finance costs paid to financial institutions		(11,480)	(8,180)
Distributions received from investments accounted for using the equity method		19,686	7,539
Net cash inflow from operating activities	30	212,195	208,794
Cash flows from investing activities			
Payments for capital expenditure on investment properties		(52,314)	(52,240)
Proceeds from the sale of investment properties		13,629	-
Payments for investments accounted for using the equity method		(674,290)	(8,565)
Net cash outflow from investing activities		(712,975)	(60,805)
Cash flows from financing activities			
Borrowings provided to entities within DXS		(268,682)	(192,117)
Borrowings provided by entities within DXS		951,175	846,162
Repayment of borrowings		-	(250,000)
Capital payment		-	(174,979)
Capital payment transaction costs		-	(79)
Acquisition of non-controlling interest		-	(204,000)
Payments for buy-back of contributed equity		(37,981)	(24,191)
Distributions paid to unitholders		(141,844)	(138,219)
Distributions paid to non-controlling interests		-	(15,157)
Net cash inflow/(outflow) from financing activities		502,668	(152,580)
Net increase/(decrease) in cash and cash equivalents		1,888	(4,591)
Cash and cash equivalents at the beginning of the year		3,091	7,671
Effects of exchange rate changes on cash and cash equivalents		28	11
Cash and cash equivalents at the end of the year	8	5,007	3,091

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

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

These general purpose Financial Statements for the year ended 30 June 2013 have been prepared in accordance with the requirements of the Trust's Constitution, the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australia Accounting Standards Board and interpretations. Compliance with Australian Accounting Standards ensures that the Financial Statements and notes also comply with International Financial Reporting Standards (IFRS).

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

As at 30 June 2013, the Trust had a net current asset deficiency of \$150.1 million (2012: \$152.7 million). The DXS Group has in place both external and internal funding arrangements to support the cashflow requirements of the Trust. The Trust is a going concern and the Financial Statements have been prepared on that basis. Gearing is managed centrally for DXS. The gearing ratio as disclosed in the DXS Financial Statements for the year ended 30 June 2013 is 29.1% (refer note 28 of the DXS Financial Statements).

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

Critical accounting estimates

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

(b) Principles of consolidation

(i) Controlled entities

The Financial Statements have been prepared on a consolidated basis. The accounting policies of the subsidiaries are consistent with those of the parent.

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

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

Note 1

Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

(ii) Partnerships and joint ventures

Where assets are held in a partnership or joint venture with another entity directly, the Trust's share of the results and assets of this partnership or joint venture are consolidated into the Statement of Comprehensive Income and Statement of Financial Position of the Trust. Where assets are jointly controlled via ownership of units in single purpose unlisted unit trusts or shares in companies, the Trust applies equity accounting to record the operations of these investments (refer note 1(o)).

(c) Revenue recognition

(i) Rent

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

(ii) Interest revenue

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

(iii) Dividends and distribution revenue

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

(d) Expenses

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

(i) Property expenses

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

(ii) Borrowing costs

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

Qualifying assets are assets which take more than 12 months to get ready for their intended use or sale. In these circumstances, borrowing costs are capitalised to the cost of the asset during the period of time that is required to complete and prepare the asset for its intended use or sale. Where funds are borrowed generally, borrowing costs are capitalised using a weighted average capitalisation rate.

Note 1

Summary of significant accounting policies (continued)

(e) Derivatives and other financial instruments

(i) Derivatives

The Trust's activities expose it to a variety of financial risks including foreign exchange risk and interest rate risk. Accordingly, the Trust enters into various derivative financial instruments such as interest rate swaps and foreign exchange contracts to manage its exposure to certain risks. Written policies and limits are approved by the Board of Directors of the Responsible Entity, in relation to the use of financial instruments to manage financial risks. The Responsible Entity continually reviews the Trust's exposures and updates its treasury policies and procedures. The Trust does not trade in derivative instruments for speculative purposes. Even though derivative financial instruments are entered into for the purpose of providing the Trust with an economic hedge, the Trust has elected not to apply hedge accounting under AASB 139 *Financial Instruments: Recognition and Measurement*. Accordingly, derivatives including interest rate swaps and foreign exchange contracts are measured at fair value with any changes in fair value recognised in the Statement of Comprehensive Income.

(ii) Debt and equity instruments issued by the Trust

Financial instruments issued by the Trust are classified as either liabilities or as equity in accordance with the substance of the contractual arrangements. Accordingly, ordinary units issued by the Trust are classified as equity.

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

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

(iii) Financial guarantee contracts

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

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

(iv) Other financial assets

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

(f) Goods and services tax

Revenues, expenses and capital assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from or payable to the Australian Taxation Office is classified as cash flows from operating activities.

Note 1

Summary of significant accounting policies (continued)

(g) Taxation

Under current Australian income tax legislation, the Trust is not liable for income tax provided it satisfies certain legislative requirements. The Trust may be liable for income tax in jurisdictions where foreign property is held (i.e. New Zealand).

DOT NZ Sub-Trust No. 1, a wholly owned Australian sub-trust of the Trust, is liable for New Zealand corporate tax on its New Zealand taxable income at the rate of 28%. In addition, a deferred tax liability or asset and its related deferred tax expense/benefit is recognised on differences between the tax cost base of the New Zealand real estate asset and the accounting carrying value at the end of the reporting period, where required.

(h) Distributions

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

(i) Repairs and maintenance

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

(j) Cash and cash equivalents

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

(k) Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, which is based on the invoiced amount less provision for doubtful debts. Trade receivables are required to be settled within 30 days and are assessed on an ongoing basis for impairment. Receivables which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for doubtful debts is established when there is objective evidence that the Trust will not be able to collect all amounts due according to the original terms of the receivables. The provision for doubtful debts is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted as the effect of discounting is immaterial.

(l) Investment properties

The Trust's investment properties consist of properties held for long-term rental yields and/or capital appreciation and property that is being constructed or developed for future use as investment property. Investment properties are initially recognised at cost including transaction costs. Investment properties are subsequently recognised at fair value in the Financial Statements. Each valuation firm and its signatory valuer are appointed on the basis that they are engaged for no more than three consecutive valuations.

Note 1

Summary of significant accounting policies (continued)

(l) Investment properties (continued)

The basis of valuations of investment properties is fair value being the amounts for which the assets could be exchanged between knowledgeable willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases. In addition, an appropriate valuation method is used, which may include the discounted cashflow and the capitalisation method. Discount rates and capitalisation rates are determined based on industry expertise and knowledge and, where possible, a direct comparison to third party rates for similar assets in a comparable location. Rental revenue from current leases and assumptions about future leases, as well as any expected operational cash outflows in relation to the property, are also reflected in fair value. In relation to development properties under construction for future use as investment property, where reliably measurable, fair value is determined based on the market value of the property on the assumption it had already been completed at the valuation date less costs still required to complete the project, including an appropriate adjustment for profit and risk.

External valuations of the individual investment properties are carried out in accordance with the Trust's Constitution or may be earlier where the Responsible Entity believes there is a potential for a material change in the fair value of the property.

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

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

(m) Leasing fees

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

(n) Lease incentives

Prospective lessees may be offered incentives as an inducement to enter into operating leases. These incentives may take various forms including cash payments, rent free periods, or a contribution to certain lessee costs such as fit-out costs or relocation costs.

The costs of incentives are recognised as a reduction of rental revenue on a straight-line basis from the earlier of the date which the tenant has effective use of the premises or the lease commencement date to the end of the lease term. The carrying amount of the lease incentives is reflected in the fair value of investment properties.

(o) Investments accounted for using the equity method

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

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

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

Note 1

Summary of significant accounting policies (continued)

(p) Impairment of assets

Certain assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows, which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(q) Financial assets and liabilities

(i) Classification

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

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

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

(ii) Fair value estimation of financial assets and liabilities

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

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

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

(r) Payables

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

(s) Interest bearing liabilities

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

Note 1

Summary of significant accounting policies (continued)

(t) Earnings per unit

Basic earnings per unit are determined by dividing the net profit attributable to unitholders of the parent entity by the weighted average number of ordinary units outstanding during the year.

Diluted earnings per unit are adjusted from the basic earnings per unit by taking into account the impact of dilutive potential units. The Trust did not have such dilutive potential units during the year.

(u) Foreign currency

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

(i) Foreign currency transactions

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

(ii) Foreign operations

Foreign operations are located in New Zealand. These operations have a functional currency of NZ dollars, which is translated into the presentation currency.

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

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

(v) 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 DXS, which consists of DDF, DOT, DIT and DXO. Consistent with how the CODM manages the business, the operating segments within DXS are reviewed on a consolidated basis rather than at an individual trust level. Disclosures concerning DXS's operating segments as well as the operating segments' key financial information provided to CODM are presented in DXS's Financial Statements.

(w) Rounding of amounts

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

(x) Parent entity financial information

The financial information for the parent entity of the Trust is disclosed in note 23 and has been prepared on the same basis as the consolidated Financial Statements except as set out below:

(i) Investment in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint ventures are measured at fair value through profit and loss to reduce a measurement inconsistency. Distributions received from associates are recognised in the parent entity's Statement of Comprehensive Income, rather than being deducted from the carrying amount of these investments.

Note 1

Summary of significant accounting policies (continued)

(y) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2013 reporting period. Our assessment of the impact of these new standards and interpretations is set out below:

AASB 2012-3 Amendments to Australian Accounting Standard - Offsetting Financial Assets and Financial Liabilities and AASB 2012-2 Amendments to Australian Accounting Standard - Disclosures - Offsetting Financial Assets and Financial Liabilities (effective 1 July 2014 and 1 July 2013 respectively).

In June 2012, the AASB approved amendments to the application guidance in AASB 132 *Financial Instruments: Presentation*, to clarify some of the requirements for offsetting financial assets and financial liabilities in the Financial Statements. These amendments are effective from 1 July 2014. They are unlikely to affect the accounting for any of the Trust's current offsetting arrangements. The AASB has also introduced more extensive disclosure requirements into AASB 7 which will apply from 1 July 2013. The Trust intends to apply the new rules from 1 July 2013 and does not expect any significant impacts.

AASB 2012-5 Amendments to Australian Accounting Standard arising from Annual Improvements 2009-2011 cycle (effective 1 July 2013).

In June 2012, the AASB approved a number of amendments to Australian Accounting Standards as a result of the 2009-2011 annual improvements project. The Trust will apply the amendments from 1 July 2013 and does not expect any significant impacts.

AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) and AASB 2012-6 Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures (effective 1 July 2015).

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard simplifies the classifications of financial assets into those to be carried at amortised cost and those to be carried at fair value. The Trust intends to apply the standards from 1 July 2015 and does not expect any significant impacts.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (effective 1 July 2013)

In July 2011 the AASB decided to remove the individual KMP disclosure requirements from AASB 124 *Related Party Disclosures*, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the *Corporations Act 2001*. While this will reduce the disclosures that are currently required in the Notes to the Financial Statements, it will not affect any of the amounts recognised in the Financial Statements. The amendments apply from 1 July 2013 and cannot be adopted early.

AASB 10 Consolidated financial statements (effective 1 July 2013).

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and separate financial statements*, and SIC-12 *Consolidation - special purpose entities*. The standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present. The Trust intends to apply the standard from 1 July 2013 and does not expect any significant impacts.

Note 1

Summary of significant accounting policies (continued)

(y) New accounting standards and interpretations (continued)

AASB 11 *Joint Arrangements* (effective 1 July 2013).

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

AASB 12 *Disclosure of interests in other entities* (effective 1 July 2013).

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 128. Application of this standard will not affect any of the amounts recognised in the Financial Statements, but may impact some of the Trust's current disclosures. The Trust intends to apply the standard from 1 July 2013 and does not expect any significant impacts.

AASB 128 *Investments in associates and joint ventures* (effective 1 July 2013).

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The Trust intends to apply the standard from 1 July 2013 and does not expect any significant impacts.

AASB 13 *Fair value measurement* (effective 1 July 2013).

AASB 13 explains how to measure fair value and aims to enhance fair value disclosures. Application of this standard will not affect any of the amounts recognised in the Financial Statements, but will impact some of the Trust's current disclosures. The Trust intends to apply the standard from 1 July 2013 and does not expect any significant impacts.

Note 2**Property revenue**

	2013 \$'000	2012 \$'000
Rent and recoverable outgoings	289,443	288,367
Incentive amortisation	(30,535)	(29,216)
Other revenue	11,352	11,102
Total property revenue	270,260	270,253

Note 3**Interest revenue**

	2013 \$'000	2012 \$'000
Interest revenue from financial institutions	320	389
Total interest revenue	320	389

Note 4**Finance costs**

	2013 \$'000	2012 \$'000
Interest paid/payable	-	3,835
Interest paid to related parties	70,076	27,859
Amount capitalised	-	(1,264)
Other finance costs	1	308
Net fair value (gain)/loss of interest rate swaps	(6,905)	40,652
Total finance costs	63,172	71,390

The average capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 7.00% (2012: 7.70%).

Note 5**Other expenses**

	Note	2013 \$'000	2012 \$'000
Audit and taxation fees	6	314	291
Custodian fees		259	227
Legal and other professional fees		287	313
Registry costs and listing fees		229	346
Other expenses		214	305
Total other expenses		1,303	1,482

Note 6**Audit, taxation and transaction services fees**

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

	2013	2012
	\$	\$
Audit fees		
PwC Australia - audit and review of Financial Statements	246,238	253,612
PwC fees paid in relation to outgoing audit ¹	50,570	36,581
PwC Australia - regulatory audit and compliance services	3,517	6,164
Audit fees paid to PwC	300,325	296,357
Total audit fees	300,325	296,357
Taxation fees		
Fees paid to PwC Australia	38,167	14,325
Fees paid to PwC NZ	26,442	17,068
Taxation fees paid to PwC	64,609	31,393
Total taxation fees²	64,609	31,393
Total audit and taxation fees¹	364,934	327,750
Transaction services fees		
Fees paid to PwC Australia	-	7,500
Total transaction services fees²	-	7,500
Total audit, taxation and transaction services fees	364,934	335,250

1 Fees paid in relation to outgoing audits are included in property expenses in the Statement of Comprehensive Income. Therefore total audit and taxation fees included in other expenses are \$314,364 (2012: \$291,169).

2 These services include general compliance work, one off project work and advice.

Note 7**Income Tax****(a) Income tax expense**

	2013	2012
	\$'000	\$'000
Deferred tax expense	5,599	-
Total income tax expense	5,599	-
Deferred income tax expense attributable to:		
Increase in deferred tax liabilities	5,599	-
Total deferred tax expense	5,599	-

(b) Reconciliation of income tax expense to net profit

	2013	2012
	\$'000	\$'000
Profit before tax	292,578	-
Less amounts not subject to income tax	(279,211)	-
	13,367	-
Prima facie tax expense at the New Zealand tax rate of 28% (2012: 28%)	3,743	-
Tax effects of amounts which are not deductible/(taxable) in calculating taxable income:		
Depreciation and amortisation	(401)	-
Movements in the carrying value and tax cost base of properties	5,599	-
Non-deductible interest expense	48	-
Tax losses brought to account	(1,154)	-
Other temporary differences	(2,236)	-
	1,856	-
Income tax expense	5,599	-

Note 8**Current assets - cash and cash equivalents**

	2013	2012
	\$'000	\$'000
Cash at bank	5,007	3,091
Total current assets - cash and cash equivalents	5,007	3,091

Note 9**Current assets - receivables**

	2013 \$'000	2012 \$'000
Rent receivable	1,993	1,813
Less: provision for doubtful debts	(55)	-
Total rental receivables	1,938	1,813
Distributions receivable	2,620	-
Other receivables	7,325	4,689
Total other receivables	9,945	4,689
Total current assets - receivables	11,883	6,502

Note 10**Loans with related parties**

	2013 \$'000	2012 \$'000
Current liabilities - loans with related parties		
Non-interest bearing loans with entities within DXS ¹	55,684	55,684
Total current liabilities - loans with related parties	55,684	55,684
Non-current liabilities - loans with related parties		
Interest bearing loans with related parties ²	1,441,551	693,109
Total non-current liabilities - loans with related parties	1,441,551	693,109

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

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

Note 11**Derivative financial instruments**

	2013 \$'000	2012 \$'000
Current assets		
Interest rate swap contracts	785	1,284
Other	2,683	-
Total current assets - derivative financial instruments	3,468	1,284
Non-current assets		
Interest rate swap contracts	5,483	4,124
Total non-current assets - derivative financial instruments	5,483	4,124
Current liabilities		
Interest rate swap contracts	770	1,288
Total current liabilities - derivative financial instruments	770	1,288
Non-current liabilities		
Interest rate swap contracts	39,759	57,088
Total non-current liabilities - derivative financial instruments	39,759	57,088
Net derivative financial instruments	(31,578)	(52,968)

Refer note 24 for further discussion regarding derivative financial instruments.

Note 12**Current assets - other**

	2013 \$'000	2012 \$'000
Prepayments	3,708	2,961
Total current assets - other	3,708	2,961

Note 13**Non-current assets - investment properties**

	2013 \$'000	2012 \$'000
Opening balance at the beginning of the year	3,132,600	3,026,959
Additions	21,471	44,088
Disposals	(14,176)	-
Lease incentives	35,605	22,595
Amortisation of lease incentives	(30,735)	(29,216)
Net fair value gain of investment properties	131,301	67,158
Rent straightlining	(3,999)	(338)
Foreign exchange differences on foreign currency translation	7,311	1,354
Closing balance at the end of the year	3,279,378	3,132,600

Key valuation assumptions

Details of key valuation assumptions in relation to investment properties are outlined in note 13 of the DXS Financial Statements.

Note 14**Non-current assets - investments accounted for using the equity method**

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

Information relating to these entities is set out below:

Name of entity	Ownership Interest		2013 \$'000	2012 \$'000
	2013 %	2012 %		
Bent Street Trust	33.3	33.3	248,291	217,043
DEXUS Creek Street Trust	50.0	-	127,620	-
DEXUS Martin Place Trust	50.0	-	79,787	-
Grosvenor Place Holding Trust	50.0	-	289,086	-
Site 6 Homebush Bay Trust	50.0	-	37,093	-
Site 7 Homebush Bay Trust	50.0	-	50,266	-
DEXUS 480 Q Holding Trust	50.0	-	44,502	-
DEXUS Kings Square Trust	50.0	-	30,123	-
Total non-current assets - investments accounted for using the equity method			906,768	217,043

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

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

	2013 \$'000	2012 \$'000
Opening balance at the beginning of the year	217,043	200,356
Additions	674,290	9,829
Share of net profit after tax ¹	37,905	13,784
Fair value adjustment on acquisition	(164)	-
Distributions received/receivable	(22,306)	(6,926)
Closing balance at the end of the year	906,768	217,043

1 Share of net profit after tax includes a fair value gain of investment properties of \$12.9 million (2012: \$7.5 million).

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

The Trust's share of aggregate revenue, profit, assets, liabilities and capital commitments of investments accounted for using the equity method are:

	2013 \$'000	2012 \$'000
Revenue	32,178	8,562
Net profit after tax	37,905	13,784
Assets	922,451	221,170
Liabilities	15,683	4,127
Capital commitments	302,274	12,447

Note 15**Non-current assets - other**

	2013 \$'000	2012 \$'000
Tenant bonds	660	546
Other	234	233
Total non-current assets - other	894	779

Note 16**Current liabilities - payables**

	2013 \$'000	2012 \$'000
Trade creditors	10,836	13,711
Accruals	5,947	2,696
Accrued capital expenditure	5,990	12,969
Prepaid income	7,797	8,149
Responsible Entity fee payable	1,029	827
GST payable	831	641
Accrued interest	6,740	2,861
Total current liabilities - payables	39,170	41,854

Note 17**Current liabilities - provisions**

	2013 \$'000	2012 \$'000
Provision for distribution	78,547	67,672
Total current liabilities - provisions	78,547	67,672

Movements in provision for distribution are set out below:

	2013 \$'000	2012 \$'000
Opening balance at the beginning of the year	67,672	64,739
Additional provisions	152,719	141,152
Payments of distributions	(141,844)	(138,219)
Closing balance at the end of the year	78,547	67,672

A provision for distribution has been raised for the period ended 30 June 2013. This distribution is to be paid on 30 August 2013.

Note 18**Non-current liabilities - deferred tax liabilities**

	2013 \$'000	2012 \$'000
The balance comprises temporary differences attributable to:		
Investment properties	5,599	-
Total non-current liabilities - deferred tax liabilities	5,599	-
Movements		
Temporary differences	5,599	-
Charged to the Statement of Comprehensive Income	5,599	-
Closing balance at the end of the year	5,599	-

Note 19**Non-current liabilities - other**

	2013 \$'000	2012 \$'000
Tenant bonds	574	545
Total non-current liabilities - other	574	545

Note 20**Contributed equity****(a) Contributed equity**

	2013 \$'000	2012 \$'000
Opening balance at the beginning of the year	1,863,965	2,063,214
Capital payment	-	(174,979)
Capital payment transaction costs	-	(79)
Buy-back of contributed equity	(37,981)	(24,191)
Closing balance at the end of the year	1,825,984	1,863,965

(b) Number of units on issue

	2013 No. of units	2012 No. of units
Opening balance at the beginning of the year	4,783,817,657	4,839,024,176
Buy-back of contributed equity	(81,860,267)	(55,206,519)
Closing balance at the end of the year	4,701,957,390	4,783,817,657

Terms and conditions

Each stapled security ranks equally with all other stapled securities for the purposes of distributions and on termination of the Trust. Each stapled security entitles the holder to vote in accordance with the provisions of the Constitution and the *Corporations Act 2001*.

Note 21**Reserves and retained profits****(a) Reserves**

	2013 \$'000	2012 \$'000
Foreign currency translation reserve	(6,997)	(14,509)
Total reserves	(6,997)	(14,509)
Movements:		
Foreign currency translation reserve		
Opening balance at the beginning of the year	(14,509)	(15,815)
Exchange differences on translating foreign operations	7,512	1,306
Closing balance at the end of the year	(6,997)	(14,509)

(b) Nature and purpose of reserves**Foreign currency translation reserve**

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

(c) Retained profits

	2013 \$'000	2012 \$'000
Opening balance at the beginning of the year	601,688	556,723
Net profit attributable to unitholders	286,979	196,293
Transfer of capital reserve of non-controlling interests	-	(10,176)
Distributions provided for or paid	(152,719)	(141,152)
Closing balance at the end of the year	735,948	601,688

Note 22**Distributions paid and payable****(a) Distribution to unitholders**

	2013 \$'000	2012 \$'000
31 December (paid 29 February 2013)	74,172	73,481
30 June (payable 30 August 2013)	78,547	67,671
	152,719	141,152

(b) Distribution to non-controlling interests

	2013 \$'000	2012 \$'000
DEXUS RENTS Trust (paid 18 October 2011)	-	3,223
DEXUS RENTS Trust (paid 17 January 2012)	-	3,101
DEXUS RENTS Trust (paid 18 April 2012)	-	2,897
DEXUS RENTS Trust (paid 29 June 2012)	-	2,794
	-	12,015
Total distributions	148,532	153,167

(c) Distribution rate

	2013 Cents per unit	2012 Cents per unit
31 December (paid 29 February 2013)	1.58	1.54
30 June (payable 30 August 2013)	1.58	1.41
Total distributions	3.16	2.95

Note 23**Parent entity financial information****(a) Summary financial information**

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

	2013 \$'000	2012 \$'000
Total current assets	633,022	599,599
Total assets	4,185,551	3,332,618
Total current liabilities	165,075	151,634
Total liabilities	1,652,558	903,417
Equity		
Contributed equity	1,825,984	1,863,965
Retained profits	707,009	565,236
Total equity	2,532,993	2,429,201
Net profit for the year	294,492	187,422
Total comprehensive income for the year	294,492	187,422

(b) Investments in controlled entities

The parent entity has the following investments:

Name of entity	Principal activity	Ownership Interest		2013 \$'000	2012 \$'000
		2013 %	2012 %		
DOT Commercial Trust	Office property investment	100.0	100.0	615,067	576,816
DOT NZ Sub-Trust No 1	Office property investment	100.0	100.0	30,207	18,856
DOT NZ Sub-Trust No 2	Office property investment	100.0	100.0	55	55
Total investments in controlled entities				645,329	595,727

(c) Guarantees entered into by the parent entity

Refer to note 25 for details of guarantees entered into by the parent entity.

(d) Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2013 (2012: nil).

(e) Capital commitments

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

	2013 \$'000	2012 \$'000
Investment properties	12,289	13,175
Total capital commitments	12,289	13,175

Note 24

Financial risk management

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

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

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

(1) Capital risk management

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

The capital structure of the Trust consists of debt (see note 10), cash and cash equivalents, and equity attributable to unitholders. The capital structure is monitored and managed in consideration of a range of factors including:

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

The gearing ratio at 30 June 2013 was 34.3% (as detailed below).

	2013 \$'000	2012 \$'000
Gearing ratio		
Total interest bearing liabilities ¹	1,441,551	693,109
Total tangible assets ²	4,207,638	3,368,384
Gearing ratio³	34.3%	20.6%

1 Total interest bearing liabilities excludes deferred borrowing costs.

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

3 Gearing is managed centrally for DXS. The gearing ratio as disclosed in the DEXUS Property Group Financial Statements 2013 is 29.1% (2012: 27.8%) (refer note 28 of the DXS Financial Statements).

The Trust is not rated by ratings agencies, however, DXS has been rated BBB+ by Standard and Poor's (S&P) and Baa1 by Moody's. The Trust considers potential impacts upon the rating when assessing the strategy and activities of the Trust and regards those impacts as an important consideration in its management of the Trust's capital structure.

The Trust is required to comply with certain financial covenants in respect of its interest bearing liabilities. During the 2013 and 2012 reporting periods, the Trust was in compliance with all of its financial covenants.

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

Note 24

Financial risk management (continued)

(2) Financial risk management

The Trust's activities expose it to a variety of financial risks: credit risk, market risk (including currency risk, interest rate risk and price risk), and liquidity risk. Financial risk management is not managed at the individual trust level, but holistically as part of DXS. DXS's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Trust.

Accordingly, the Trust enters into various derivative financial instruments such as interest rate swaps and foreign exchange contracts to manage its exposure to certain risks. The Trust does not trade in derivative instruments for speculative purposes. The Trust uses different methods to measure the different types of risks to which it is exposed, including monitoring the current and forecast levels of exposure, and conducting sensitivity analysis.

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

(a) Liquidity risk

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

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

- short-term liquidity management includes continuously monitoring forecast and actual cash flows;
- medium-term liquidity management includes maintaining a level of committed borrowing facilities above the forecast committed debt requirements (liquidity headroom buffer). Committed debt includes future expenditure that has been approved by the Board or Investment Committee (as required within delegated limits), and may also include projects that have a very high probability of proceeding, taking into consideration risk factors such as the level of regulatory approval, tenant pre-commitments and portfolio considerations; and
- long-term liquidity risk is managed through ensuring an adequate spread of maturities of borrowing facilities so that refinancing risk is not concentrated, and ensuring an adequate diversification of funding sources where possible, subject to market conditions.

Refinancing risk

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

The refinancing of existing facilities may also result in margin price risk, whereby market conditions may result in an unfavourable change in credit margins on the refinanced facilities. The Trust's key risk management strategy for margin price risk on refinancing is to spread the maturities of debt facilities over different time periods to reduce the volume of facilities to be refinanced and the exposure to market conditions in any one period.

Note 24**Financial risk management (continued)****(2) Financial risk management (continued)****(a) Liquidity risk (continued)****Refinancing risk (continued)**

An analysis of the contractual maturities of the Trust's interest bearing liabilities and derivative financial instruments is shown in the table below. The amounts in the table represent undiscounted cash flows.

	2013				2012			
	Expiring within one year	Expiring between one and two years	Expiring between two and five years	Expiring after five years	Expiring within one year	Expiring between one and two years	Expiring between two and five years	Expiring after five years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Receivables	11,883	-	-	-	6,502	-	-	-
Payables	39,170	-	-	-	41,854	-	-	-
	(27,287)	-	-	-	(35,352)	-	-	-
Loans with related parties and interest¹	81,159	81,159	1,685,029	-	46,785	46,785	140,355	739,894
Derivative financial instruments								
Derivative assets	1,154	770	802	-	3,407	299	-	-
Derivative liabilities	16,623	12,793	20,332	10	16,668	14,354	23,417	1,575
Total net derivative financial instruments²	(15,469)	(12,023)	(19,530)	(10)	(13,261)	(14,055)	(23,417)	(1,575)

1 Includes estimated interest.

2 The notional maturities on derivatives are only shown for forward foreign exchange contracts as they are the only instruments where a principal amount is exchanged. For interest rate swaps, only the net interest cash flows (not the notional principal) are included. For financial assets and liabilities that have floating rate interest cash flows, future cash flows have been calculated using static interest and exchange rates prevailing at the end of each reporting period. Refer to note 11 (derivative financial instruments) for fair value of derivatives. Refer note 25 (contingent liabilities) for financial guarantees.

(b) Market risk

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

(i) Interest rate risk

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

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

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

Note 24**Financial risk management (continued)****(2) Financial risk management (continued)****(b) Market risk (continued)****(i) Interest rate risk (continued)**

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

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

	June 2014	June 2015	June 2016	June 2017	June 2018	> June 2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Interest rate swaps						
A\$ hedged ¹	674,167	685,417	640,000	423,750	176,667	-
A\$ hedge rate (%) ²	4.52%	4.00%	3.93%	4.26%	3.97%	0.00%

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

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

Sensitivity on interest expense

The table below shows the impact on unhedged net interest expense (excluding non-cash items) of a 50 basis points increase or decrease in short-term and long-term market interest rates. The sensitivity on cash flow arises due to the impact that a change in interest rates will have on the Trust's floating rate debt and derivative cash flows. Net interest expense is only sensitive to movements in market rates to the extent that floating rate debt is not hedged.

	2013	2012
	(+/-) \$'000	(+/-) \$'000
+/- 0.50% (50 basis points)	\$A 5,058	516

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

Sensitivity on fair value of interest rate swaps

The table below shows the impact on the Statement of Comprehensive Income for changes in the fair value of interest rate swaps for a 50 basis points increase and decrease in short-term and long-term market interest rates. The sensitivity on the fair value arises from the impact that changes in market rates will have on the mark-to-market valuation of the interest rate swaps. The fair value of interest rate swaps is calculated as the present value of estimated future cash flows on the instruments. Cash flows are discounted using the forward price curve of interest rates at the end of the reporting period. Although interest rate swaps are transacted for the purpose of providing the Trust with an economic hedge, the Trust has elected not to apply hedge accounting to its interest rate derivatives. Accordingly, gains or losses arising from changes in the fair value are reflected in the Statement of Comprehensive Income.

	2013	2012
	(+/-) \$'000	(+/-) \$'000
+/- 0.50% (50 basis points)	\$A 11,040	5,150

Note 24**Financial risk management (continued)****(2) Financial risk management (continued)****(b) Market risk (continued)****(ii) Equity price risk**

Equity price risk is the risk that the fair value of financial investments fluctuates due to changes in the underlying unit price. The Trust's equity price risk arises from a derivative financial instrument, with any resultant fair value movements recognised in profit and loss.

Sensitivity analysis on equity price risk

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

		2013 (+/-) \$'000	2012 (+/-) \$'000
+/- 0.10%	\$A	7,929	-

(iii) Foreign exchange risk

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

The Trust operates internationally with investments in New Zealand. As a result of these activities, the Trust has foreign exchange risk, arising primarily from:

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

Foreign currency assets and liabilities

The Trust's net foreign currency exposures for net investments in foreign operations are as follows:

	2013 \$'000	2012 \$'000
NZ\$ net assets ¹	127,500	123,253
NZ\$ denominated net investment	127,500	123,253
% hedged	0%	0%
Total foreign investment (A\$)	107,405	96,510
Total % hedged	0%	0%

1 Assets exclude working capital and cash as reported internally to management.

Sensitivity on equity (foreign currency translation reserve)

The table below shows the impact on the foreign currency translation reserve for changes in the translated value of foreign currency assets for an increase and decrease in foreign exchange rates. The increase and decrease in cents has been based on the historical movements of the Australian dollar relative to the New Zealand dollar¹. The increase and decrease has been applied to the spot rate prevailing at the end of each reporting period². The impact on the foreign currency translation reserve arises as the translation of the Trust's foreign currency assets are recorded (in Australian Dollars) directly in the foreign currency translation reserve.

		2013 (+/-) \$'000	2012 (+/-) \$'000
+ 9.5 cents (8.0%) (2012: 10.6 cents)	NZ\$ (A\$ Equivalent)	7,991	7,374
- 9.5 cents (8.0%) (2012: 10.6 cents)	NZ\$ (A\$ Equivalent)	(9,388)	(8,704)

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

2 Exchange rates at 30 June 2013: AUD/NZD 1.1871 (2012: 1.2771).

Note 24

Financial risk management (continued)

(2) Financial risk management (continued)

(c) Credit risk

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

The Trust manages this risk by:

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

A minimum S&P rating of A- (or Moody's or Fitch equivalent) is required to become or remain an approved counterparty. As at 30 June 2013, the lowest rating of counterparties the Trust is exposed to was A- (Fitch) (2012: A (S&P)).

Financial instrument transactions are spread among a number of approved financial institutions within specified credit limits to minimise the Trust's exposure to any one counterparty. As a result, there is no significant concentration of credit risk for financial instruments.

The maximum exposure to credit risk at 30 June 2013 and 30 June 2012 is the carrying amount of financial assets recognised on the Statement of Financial Position.

As at 30 June 2013 and 30 June 2012, there were no significant concentrations of credit risk for trade receivables. Trade receivable balances and the credit quality of trade debtors are consistently monitored on an ongoing basis.

The ageing analysis of loans and receivables net of provisions at 30 June 2013 is (\$'000): 11,286 (0-30 days), 366 (31-60 days), 231 (61-90 days), 0 (91+ days). The ageing analysis of loans and receivables net of provisions at 30 June 2012 is (\$'000): 5,835 (0-30 days), 419 (31-60 days), 64 (61-90 days), 184 (91+ days). Amounts over 31 days are past due, however, no receivables are impaired.

The credit quality of financial assets that are neither past due nor impaired is consistently monitored to ensure that there are no adverse changes in credit quality.

Note 24**Financial risk management (continued)****(2) Financial risk management (continued)****(d) Fair value of financial instruments**

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

At 30 June 2013 and 30 June 2012, the carrying amounts and fair value of financial assets and liabilities are shown as follows:

	2013 Carrying amount ¹ \$'000	2013 Fair value ² \$'000	2012 Carrying amount ¹ \$'000	2012 Fair value ² \$'000
Financial assets				
Cash and cash equivalents	5,007	5,007	3,091	3,091
Loans and receivables (current)	11,883	11,883	6,502	6,502
Derivative assets	8,951	8,951	5,408	5,408
Total financial assets	25,841	25,841	15,001	15,001
Financial liabilities				
Trade payables	39,170	39,170	41,854	41,854
Derivative liabilities	40,529	40,529	58,376	58,376
Non-interest bearing loans with the entities within DXS	55,684	55,684	55,684	55,684
Interest bearing liabilities				
Interest bearing loans with related parties	1,441,551	1,441,551	693,109	693,109
Total financial liabilities	1,576,934	1,576,934	849,023	849,023

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

2 Fair value is the amount for which the financial instrument could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Where there is a difference between the carrying amount and fair value, the difference is not recognised in the Statement of Financial Position.

The fair value of fixed rate interest bearing liabilities has been determined by discounting the expected future cash flows by the relevant market rates. The discount rates applied range from 2.97% to 6.75% for A\$. Refer note 1(q) for fair value methodology for financial assets and liabilities.

Note 24**Financial risk management (continued)****(2) Financial risk management (continued)****(d) Fair value of financial instruments (continued)****Determination of fair value**

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

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

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

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

The following tables present the assets and liabilities measured and recognised as at fair value at 30 June 2013 and 30 June 2012.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2013 \$'000
Financial assets				
Derivative assets				
Interest rate derivatives	-	6,268	-	6,268
Other	2,683	-	-	2,683
	<u>2,683</u>	<u>6,268</u>	<u>-</u>	<u>8,951</u>
Financial liabilities				
Derivative liabilities				
Interest rate derivatives	-	40,529	-	40,529
	<u>-</u>	<u>40,529</u>	<u>-</u>	<u>40,529</u>

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2012 \$'000
Financial assets				
Derivative assets				
Interest rate derivatives	-	5,408	-	5,408
	<u>-</u>	<u>5,408</u>	<u>-</u>	<u>5,408</u>
Financial liabilities				
Derivative liabilities				
Interest rate derivatives	-	58,376	-	58,376
	<u>-</u>	<u>58,376</u>	<u>-</u>	<u>58,376</u>

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

Note 25

Contingent liabilities

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

	2013 \$'000	2012 \$'000
Bank guarantees by the Trust in respect of variations and other financial risks associated with the development of:		
Bligh Street, Sydney, NSW ¹	-	250
Contingent liabilities in respect of developments	-	250

¹ Bank guarantee held in relation to an equity accounted investment. (Refer note 14).

The Trust together with DDF, DIT and DXO is also a guarantor of a total of A\$1,473.5 million and US\$50.0 million (A\$53.9 million) of bank bilateral facilities, a total of A\$575.0 million of medium term notes, a total of US\$130.0 million (A\$140.2 million) of privately placed notes, and a total of US\$250.0 million (A\$268.8 million) public 144A senior notes, which have all been negotiated to finance the Trust and other entities within DXS. The guarantees have been given in support of debt outstanding and drawn against these facilities, and may be called upon in the event that a borrowing entity has not complied with certain requirements such as failure to pay interest or repay a borrowing, whichever is earlier. During the period no guarantees were called.

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

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

Note 26

Commitments

(a) Capital commitments

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

	2013 \$'000	2012 \$'000
Investment properties	19,847	16,422
Total capital commitments	19,847	16,422

(b) Lease receivable commitments

The future minimum lease payments receivable by the Trust are:

	2013 \$'000	2012 \$'000
Within one year	221,792	279,218
Later than one year but not later than five years	554,459	806,490
Later than five years	248,971	370,275
Total lease receivable commitments	1,025,222	1,455,983

Note 27**Related parties****Responsible Entity**

DXFM is the Responsible Entity of the Trust.

Responsible Entity fees

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

Related party transactions

Responsible Entity fees in relation to the Trust assets are on a cost recovery basis. The Trust is entitled to receive rent from DXPS on one component of an investment property owned by the Trust. The agreement is conducted on normal commercial terms and conditions.

DEXUS Funds Management Limited and its related entities

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

	2013	2012
	\$	\$
Responsible Entity fees paid and payable	11,229,765	9,860,933
Property management fees paid and payable to DXPS	7,757,188	8,210,494
Administration expenses paid and payable to DXH	10,362,695	6,099,606
Responsible Entity fees payable at the end of each reporting period (included above)	1,029,348	827,033
Property management fees payable at the end of each reporting period (included above)	1,242,274	890,933
Administration expenses payable at the end of each reporting period (included above)	1,042,715	78,969
Rent received from DXPS	3,150,041	3,150,041

Entities within DXS

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

	2013	2012
	\$	\$
Interest expense	70,076,436	27,858,645
Interest bearing loans advanced to entities within DXS	951,175,101	846,161,956
Interest bearing loans advanced from entities within DXS	268,681,673	192,116,918

Note 27

Related parties (continued)

Directors

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

C T Beare, BSc, BE (Hons), MBA, PhD, FAICD ^{1,4,5}
 E A Alexander, AM, BComm, FCA, FAICD, FCPA ^{1,2}
 B R Brownjohn, BComm ^{1,2,7}
 J C Conde, AO, BSc, BE (Hons), MBA ^{1,4,6}
 T Dwyer, BJuris (Hons), LLB (Hons) ^{1,3}
 S F Ewen, OAM ^{1,4}
 C D Mitchell, BComm, EMBA, FCPA ¹⁰
 W R Sheppard, BEc (Hons) ^{1,2,8}
 D J Steinberg, BEc, FRICS, FAPI
 P B St George, CA(SA), MBA ^{1,5,9}

1 Independent Director

2 Board Audit, Risk & Sustainability Committee Member

3 Board Compliance Committee Member

4 Board Nomination, Remuneration & Governance Committee Member

5 Board Finance Committee Member

6 Resigned as Board Compliance Committee Member on 1 July 2012

7 Resigned as Board Finance Committee Member on 1 July 2012

8 Appointed as Board Finance Committee Member on 1 July 2012

9 Resigned as Board Audit, Risk & Sustainability Committee Member on 1 July 2012

10 Appointed as Director on 12 February 2013

Other key management personnel

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

Name	Title
Tanya L Cox ¹	Executive General Manager, Property Services and Chief Operating Officer
Ross Du Vernet ²	Executive General Manager, Strategy, Transactions & Research
John C Easy ¹	General Counsel
Kevin George ³	Executive General Manager, Office & Industrial

1 Ceased to be key management personnel on 1 July 2012.

2 Appointed as key management personnel on 1 July 2012.

3 Appointed as key management personnel on 10 December 2012.

Key management personnel compensation

	2013 \$'000	2012 \$'000
Compensation		
Short-term employee benefits	9,220	10,166
Post employment benefits	230	248
Other long-term benefits	1,116	3,116
Termination benefits	-	2,300
Security-based payments	1,384	330
	11,950	16,160

Note 27**Related parties (continued)****Equity instrument disclosures relating to key management personnel**

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

	Opening balance 1 July 2012	Purchases	Other ¹	Closing balance 30 June 2013
Directors				
Christopher T Beare	-	100,000	-	100,000
Elizabeth A Alexander, AM	-	100,000	-	100,000
Barry R Brownjohn	-	50,000	-	50,000
John C Conde, AO	-	100,000	-	100,000
Tonianne Dwyer	-	100,000	-	100,000
Stewart F Ewen, OAM	-	100,000	-	100,000
Craig D Mitchell	-	-	539,782	539,782
W Richard Sheppard	-	100,000	-	100,000
Darren J Steinberg	-	-	453,417	453,417
Peter B St George	-	104,000	-	104,000
Other key management personnel				
Ross Du Vernet ²	-	-	215,913	215,913
Kevin George ³	-	-	-	-

1 Performance Rights granted under the 2012 Transitional Performance Rights Plan (refer note 36 of the DEXUS Property Group Annual Report).

2 Appointed as key management personnel on 1 July 2012.

3 Appointed as key management personnel on 10 December 2012.

The DXFM Board has approved a grant of performance rights to DXS stapled securities to eligible participants (refer note 36 of the DEXUS Property Group Annual Report). Details of the number of performance rights issued to each of the key management personnel are set out in the Remuneration Report.

There were no loans or other transactions with key management personnel or their related parties during the years ended 30 June 2013 and 30 June 2012.

Note 27

Related parties (continued)

Remuneration Report

1. Overview

The Board has pleasure in presenting the Remuneration Report for the DEXUS Property Group (Group). As with prior years, the Remuneration Report has been prepared in accordance with the Corporations Act and relevant accounting standards. Whilst the Group is not statutorily required to prepare such a report, the Board continues to believe that the disclosure of the Group's remuneration practices is in the best interests of all security holders.

Effective 1 July 2012, the Group implemented its new remuneration framework, which includes a new Short-term Incentive (STI) and Long-term Incentive (LTI) plan. The operation of these plans received security holder approval at the Group's Annual General Meeting on 5 November 2012.

The Board believes that the Group's remuneration framework encourages Executives to perform in the best interests of security holders. Short term financial and operational objectives are approved annually by the Board for each Executive, promoting alignment between investor returns and the rewards an Executive can receive under the STI plan. In addition, the Board has determined a set of financial performance hurdles within the LTI plan which provide the Executive with a performance and retention incentive which is strongly linked to security holder returns over the longer-term.

The main Executive remuneration actions for the year ending 30 June 2013 were:

- The implementation of the new remuneration framework effective 1 July 2012
- No fixed remuneration increases for Executives
- The closure of the DEXUS Performance Payment (DPP) and DEXUS Deferred Performance Payment (DDPP) plans
- The Board exercised its discretion to not apply a performance multiplier to vesting legacy DDPP plan outcomes
- Performance pay outcomes for Executives approved by the Board reflect the Group's strong financial and operational results
- Non-Executive Directors base fees remain unchanged since 1 July 2010

Effective 1 July 2013, the Board have approved an average fixed remuneration increase of 2% for Executives and 3% for other employees, noting that that the fixed remuneration for the Chief Executive Officer will remain unchanged.

This Remuneration Report has been prepared in accordance with AASB 124 *Related Party Disclosures* and section 300A of the *Corporations Act 2001* for the year ended 30 June 2013. The information provided in this Report has been audited in accordance with the provisions of section 308 (3C) of the *Corporations Act 2001*.

2. Key Management Personnel

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

- Non-Executive Directors
- Executive Directors (Chief Executive Officer & Chief Financial Officer)
- Key Executives considered KMP under the *Corporations Act 2001* (Executive KMP)

Below are the individuals determined to be KMP of the Group, classified between Non-Executive Directors, Executive Directors and Executive KMP:

Non-Executive Directors

Non-Executive Director	Title	KMP 2012	KMP 2013
Christopher T Beare	Chair	✓	✓
Elizabeth A Alexander AM	Director	✓	✓
Barry R Brownjohn	Director	✓	✓
John C Conde AO	Director	✓	✓
Tonianne Dwyer	Director	✓	✓
Stewart F Ewen OAM	Director	✓	✓
W Richard Sheppard	Director	✓	✓
Peter B St George	Director	✓	✓

Executive Directors

Executive Directors	Position	KMP 2012	KMP 2013
Darren J Steinberg	Chief Executive Officer	Part-Year	✓
Craig D Mitchell	Chief Financial Officer	✓	✓

Executive KMP

Executive KMP	Position	KMP 2012	KMP 2013
Kevin L George	Executive General Manager, Office & Industrial	N/A	Part-Year
Ross G Du Vernet	Executive General Manager, Transactions, Strategy & Research	No	✓

Group Management Committee Members - Previously Included as Executive KMP

Former Executive KMP	Position	KMP 2012	KMP 2013
Tanya L Cox	Executive General Manager, Property Services & Chief Operating Officer	✓	No
John C Easy	General Counsel & Company Secretary	✓	No

Ms Cox and Mr Easy continue as Group Management Committee members. The current organisation structure and membership of internal committees have led to a change in those considered by the Board to be Executive KMP for the 2013 year. The Board has indicated that the composition of Executive KMP may change from year to year in line with the strategic and operational focus of the Group.

3. Board Nomination, Remuneration & Governance Committee

The objectives of the Committee are to assist the Board in fulfilling its responsibilities by overseeing all aspects of Non-Executive Director and Executive remuneration, as well as Board nomination and performance evaluation. Primarily, the responsibilities of the Committee are to review and recommend to the Board:

- Board and CEO succession plans
- performance evaluation procedures for the Board, its committees and individual Directors
- the nomination, appointment, re-election and removal of Directors
- the Group's approach to remuneration, including design and operation of employee incentive plans
- Executive performance and remuneration outcomes
- Non-Executive Directors' fees

The Committee comprises three independent Non-Executive Directors. For the year ended 30 June 2013 Committee members were:

Non-Executive Director	Title	2012	2013
John C Conde AO	Committee Chair	✓	✓
Christopher T Beare	Committee Member	✓	✓
Stewart F Ewen OAM	Committee Member	✓	✓

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

The Committee operates independently from management, and may at its discretion appoint external advisors or instruct management to compile information for its consideration. The CEO attends certain Committee meetings by invitation, where management input is required. The CEO is not present during any discussions related to his own remuneration arrangements.

During the year the Committee appointed Egan Associates to provide remuneration advisory services. Egan Associates were paid a total of \$12,705 for remuneration recommendations made to the Committee and \$39,097 for other advisory services. The Committee is satisfied the advice received from Egan Associates is free from undue influence from the KMP to whom the remuneration recommendations relate. Egan Associates also confirmed in writing that the remuneration recommendations were made free from undue influence by the relevant KMP.

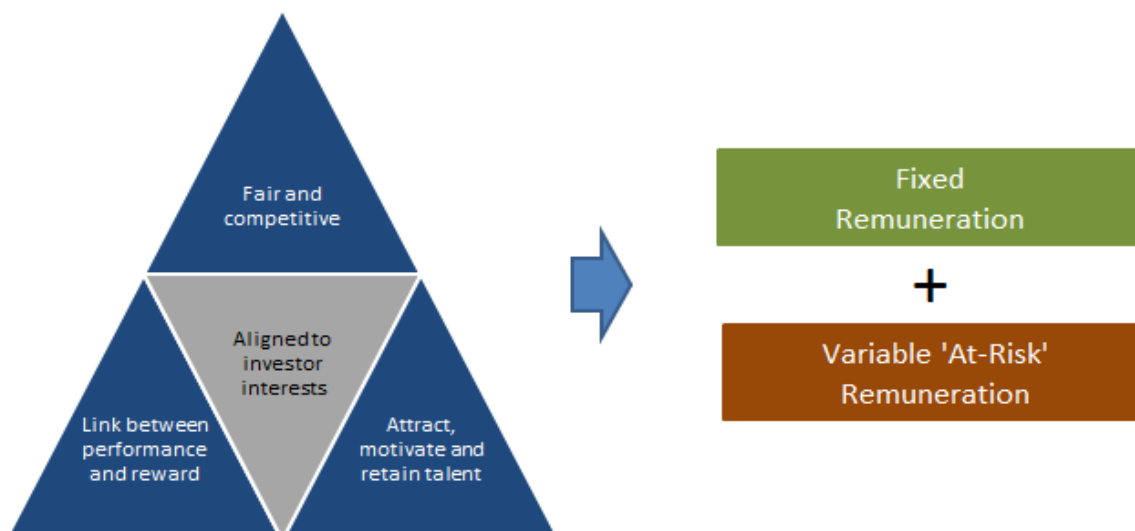
The 2012 Remuneration Report received positive security holder support at the 2012 Annual General Meeting with a vote of 98.3% in favour.

4. Executive Remuneration

Context

The Board believes that Executives should be rewarded at levels consistent with the complexity and risks involved in their position. Incentive awards should be scaled according to the relative performance of the Group, as well as business unit performance and individual effectiveness.

The Group's remuneration principles and target remuneration structure is:



The Group requires, and needs to retain, an Executive team with significant experience in:

- the office, industrial and retail property sectors
- property management, including securing new tenancies under contemporary lease arrangements, asset valuation and related financial structuring and property development in its widest context
- capital markets, funds management, fund raising, joint venture negotiations and the provision of advice and support to independent investment partners
- treasury, tax and compliance

In this context the Committee reviews trends in employee reward structures and strategies embraced across these sectors, including:

- comparable international funds and asset managers which have an active presence in Australia;
- ASX listed entities
- boutique property asset managers and consultants
- where relevant, information from private equity and hedge funds will be considered.

At the Executive level, the Committee reviews feedback from remuneration advisers, proxy advisers and institutional investors, and considers stakeholder interests at each stage of the remuneration review process.

5. Remuneration Structure

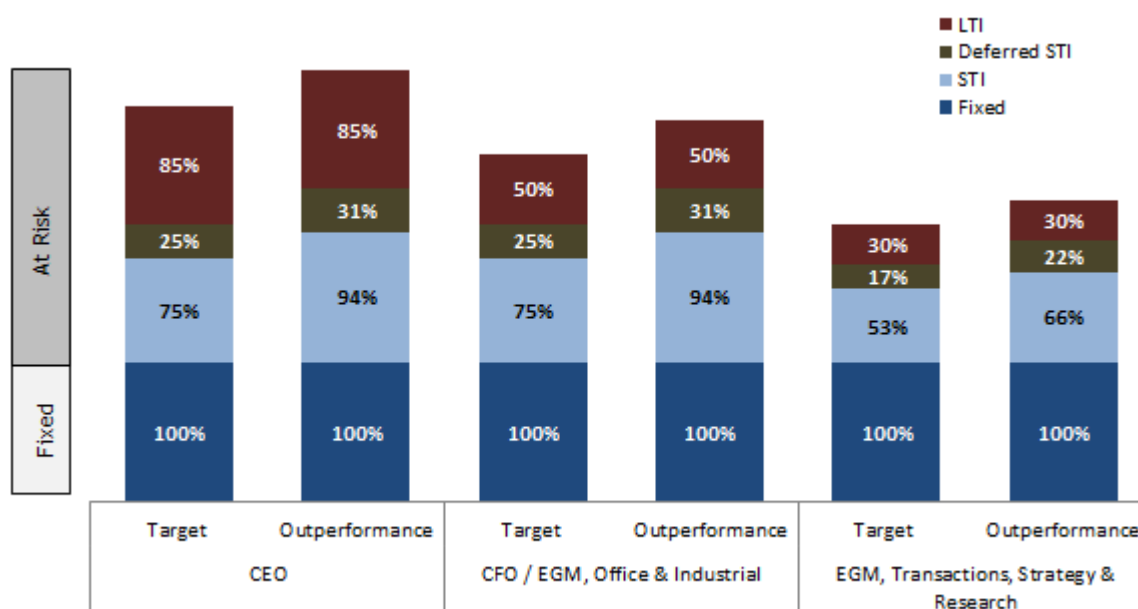
Remuneration Mix

The remuneration structure for Executives comprises fixed remuneration, a short term incentive and a long term incentive. The mix between these components varies according to the individual's position and is determined based on the Group's remuneration principles detailed above.

The remuneration mix for Executives during 2013 was:

Executive	Fixed	Target STI	Target Deferred STI	LTI
Darren J Steinberg	35%	26%	9%	30%
Craig D Mitchell	40%	30%	10%	20%
Kevin L George	40%	30%	10%	20%
Ross G Du Vernet	50%	26%	9%	15%

The chart below shows the remuneration structure for Executives expressed as a percentage of Fixed Remuneration at both target and outperformance (stretch) levels.



Total Remuneration

How does the Board determine total remuneration?	<p>The Committee reviews a considerable amount of information from a variety of sources to ensure an appropriate outcome reflecting market practice (incorporating various benchmarks) is achieved. These sources include:</p> <ul style="list-style-type: none"> Publicly available remuneration reports of A-REIT competitors Publicly available remuneration reports from ASX listed companies with similar market capitalisation and complexity Advice on remuneration levels of privately held property, funds management and private equity owned companies Salary survey data from Hart Consulting, Avdiev, Aon Hewitt, FIRG and others as appropriate Advice from external advisors appointed by the Committee such as Egan Associates <p>The comparator group of companies and market data considered as part of the above process is significantly larger than the comparator group of companies adopted for assessment of the Group's relative TSR performance under its LTI plan (refer below). Executives are typically recruited from the former group, whereas the Group's performance will be assessed appropriately with respect to the latter.</p>
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Fixed Remuneration

What is Fixed Remuneration?	Fixed remuneration is the regular pay (base salary and statutory superannuation contributions) an Executive receives in relation to his/her role. It reflects the complexity of the role, as well as the skills and competencies required to fulfil it, and is determined having regard to a variety of information sources to ensure the quantum is fair and competitive.
How is Fixed Remuneration determined?	The Board sets fixed remuneration around the median level of comparable companies after making adjustments for the different risk profiles of those companies (refer to Total Remuneration above). Group and individual performance is considered during the annual remuneration review process.

Short-term Incentive (STI) Plan

What is the STI plan?	The STI plan provides the Executive with an opportunity to achieve an annual remuneration outcome in addition to fixed remuneration, subject to the achievement of pre-agreed Group, divisional and individual performance objectives which are set out in a personalised balanced scorecard.
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How much can be earned under the STI plan?	Expressed as a percentage of fixed remuneration, Executives can earn the following incentive payments under the STI plan:		
		Target	Outperformance
	CEO	100%	125%
	CFO / EGM, Office & Industrial	100%	125%
	EGM, Strategy, Transactions & Research	70%	88%
	<p>Aggregate performance below predetermined thresholds would result in no award being made under the STI plan.</p> <p>The amount each Executive can earn is dependent on how he/she performs against a balanced scorecard of KPIs that is set at the beginning of each year. The balanced scorecard is arranged in categories and each category is weighted differently depending on the specific accountabilities of each Executive. If an Executive does not meet Threshold performance in a category, the score for that category will be zero.</p> <p>KPIs at the Target level are set with an element of stretch against Threshold performance, which ensures that it is difficult for an Executive to score 100% in any category. Following the same theme, KPIs at the Outperformance level have a significant amount of stretch, and would require exceptional outcomes to be achieved. KPIs at both the Target and Outperformance levels incorporate year-on-year growth.</p>		
When is the STI paid?	August of the financial year immediately following the performance period, following the sign-off of statutory accounts and announcement of Group's annual results.		
How does the deferral component operate?	<p>25% of any award under the STI plan will be deferred and awarded in the form of performance rights to DXS securities.</p> <p>The rights will vest in two equal tranches, 12 and 24 months after being awarded. They are subject to clawback and continued employment, and are based on a deferral period commencing 1 July after the relevant performance period.</p>		
How is the allocation of deferred STI determined?	The number of performance rights awarded is based on 25% of the STI value awarded to the Executive divided by the volume weighted average price (VWAP) of securities 10 trading days either side of the first trading day of the new financial year.		
How are distributions treated during the deferral period?	Executives will be entitled to the benefit of distributions paid on the underlying DXS securities prior to vesting, through the issue of additional performance rights.		
Can deferred STI be forfeited?	<p>Forfeiture will occur should the Executive's employment terminate within 6 months of the grant date for any reason, or if the Executive voluntarily resigns or is terminated for cause prior to the vesting date.</p> <p>Notwithstanding the above, if an Executive's employment is terminated for reasons such as retirement, redundancy, reorganisation, change in control or other unforeseen circumstances, the Committee will recommend whether the Executive should remain in the plan as a good leaver, for decision by the Board.</p>		
How is the STI plan aligned to security holder interests?	<p>The STI plan is aligned to security holder interests in the following ways:</p> <ul style="list-style-type: none"> as an immediate reward opportunity to attract, motivate and retain talented Executives who can influence the future performance of the Group through a 25% mandatory STI deferral for Executives, allowing for future clawback of STI awards in the event of a material misstatement of the Group's financial position 		

Long-term Incentive (LTI) Plan

What is the LTI plan?	The LTI is an incentive grant which rewards Executives for sustained earnings and security holder returns and is delivered in the form of performance rights to DXS securities.								
How are grants under the LTI plan determined?	<p>Executives receive a grant of performance rights to DXS securities (dependent on their role and responsibilities) under the LTI plan equivalent to the following (expressed as a percentage of Fixed Remuneration):</p> <table> <tr> <th></th><th>Grant as a % of fixed remuneration</th></tr> <tr> <td>CEO</td><td>85%</td></tr> <tr> <td>CFO / EGM, Office & Industrial</td><td>50%</td></tr> <tr> <td>EGM, Strategy, Transactions & Research</td><td>30%</td></tr> </table>		Grant as a % of fixed remuneration	CEO	85%	CFO / EGM, Office & Industrial	50%	EGM, Strategy, Transactions & Research	30%
	Grant as a % of fixed remuneration								
CEO	85%								
CFO / EGM, Office & Industrial	50%								
EGM, Strategy, Transactions & Research	30%								
How does the LTI plan work?	Performance rights are converted into DXS securities upon achievement of performance conditions set by the Board. Performance against the selected hurdles will be assessed in two equal tranches over two periods, 3 and 4 years after the grant date. If the performance conditions are not met over either period, then the respective performance rights will be forfeited. There is no re-testing of forfeited rights.								
Can an LTI grant be forfeited?	<p>If ore-determined performance hurdles are not met then the relevant part of the grant will not vest and those rights will be forfeited.</p> <p>Additionally, forfeiture will occur should the Executive's employment terminate within 12 months of the grant date for any reason, or if the Executive voluntarily resigns or is terminated for cause prior to the vesting date.</p> <p>Notwithstanding the above, if an Executive's employment is terminated for reasons such as retirement, redundancy, reorganisation, change in control or other unforeseen circumstances, the Committee will recommend whether the Executive should remain in the plan as a good leaver, for decision by the Board.</p>								
What are the performance hurdles?	<p>The Board sets the performance hurdles for the LTI plan on an annual basis. For the 2013 LTI grant, a set of external and internal hurdles has been selected.</p> <p>Notably, the Board has clarified the operation of the Relative TSR component of the LTI plan. The previously communicated 50% weighting to Relative TSR will be split into two distinct groups, the first being a standard Relative TSR measurement against listed peers, the second being a Relative ROE measurement against unlisted peers. The Board feels this is a more accurate comparison given the way investors measure the performance of listed and unlisted entities.</p> <p>The 4 performance hurdles for the 2013 LTI plan are:</p> <p><u>External Performance Hurdles (50%)</u></p> <ul style="list-style-type: none"> 25% is based on the Group's relative performance against a Total Security holder Return (Relative TSR) performance hurdle measured against a peer group of listed entities within the A-REIT sector <ul style="list-style-type: none"> TSR represents an investor's return, calculated as the percentage difference between the initial amount invested and the final value of DXS securities at the end of the relevant period, assuming distributions were reinvested. 25% is based on the Group's relative performance against a Return On Equity (Relative ROE) performance hurdle measured against a peer group of unlisted entities within the A-REIT sector <ul style="list-style-type: none"> ROE represents the annualised composite rate of return to security holders, calculated as a percentage, comprising the change in net tangible asset value per security together with the distributions paid to security holders per security, divided by the net tangible asset value per security at the beginning on the period. 								

<p>What are the performance hurdles? (continued)</p>	<p><u>Internal Performance Hurdles (50%)</u></p> <ul style="list-style-type: none"> 25% is based on the Group's performance against a predetermined Funds From Operations (FFO) per security growth hurdle <p>For the purposes of these performance hurdles, FFO is defined as per the definition adopted by the Property Council of Australia.</p> <ul style="list-style-type: none"> 25% is based on the Group's performance against a predetermined Return on Equity performance hurdle ROE represents the annualised composite rate of return to security holders, calculated as a percentage, comprising the change in net tangible asset value per security together with the distributions paid to security holders per security, divided by the net tangible asset value per security at the beginning on the period.
<p>How are the performance hurdles measured?</p>	<p><u>Relative TSR & Relative ROE</u></p> <p>Vesting under both the Relative TSR & Relative ROE measures will be on a sliding scale reflecting relative performance against a comparator group of entities.</p> <ul style="list-style-type: none"> Nil vesting for performance below the median of the comparator group 50% vesting for performance at the median of the comparator group Straight line vesting for performance between the 50th and 75th percentile 100% vesting for performance at or above the 75th percentile <p>The listed and unlisted comparator groups have been reviewed and selected by the Board as being appropriate entities within similar asset classes, investment risk/return profiles and market capitalisation/size. The 2013 LTI grant comparator groups are</p> <ul style="list-style-type: none"> Listed: CPA, IOF, GPT, CFX, WRT, SCP, CMW and FDC Unlisted: AWOF, GWOF, APPFC, ICPF, ISPT, ACPD, QPF and APPFR <p>The Board reserves the right to review the peer group annually, with relative performance monitored by an independent external advisor at 30 June each year.</p> <p><u>FFO Growth & ROE</u></p> <p>Vesting under both the FFO Growth & ROE measures will be on a sliding scale reflecting performance against predetermined performance hurdles set by the Board</p> <ul style="list-style-type: none"> Nil vesting for below Target performance 50% vesting for Target performance Straight line vesting between Target and Outperformance 100% vesting for Outperformance
<p>What are the absolute LTI hurdles for the 2013 grant??</p>	<p>Having determined the Group's strategy, the Board have adopted the following FFO Growth and ROE performance hurdles for the 2013 LTI grant:</p> <ul style="list-style-type: none"> FFO Growth Target of 3% - with Outperformance at 5.5% ROE Target of 9% - with Outperformance at 11% <p>These targets are measured as the per annum average over the three and four year grant periods.</p>
<p>How is the LTI plan aligned to security holder interests?</p>	<p>Aligned to long-term security holder interests in the following ways:</p> <ul style="list-style-type: none"> As a reward to Executives when the Group's overall performance exceeds specific predetermined earnings and security holder return benchmarks As a reward mechanism which encourages Executive retention and at the same time allows for future clawback of LTI grants for financial underperformance, deliberate misrepresentation or fraud Aligning the financial interests of security holders with Executives through exposure to DXS securities and the Group's performance Encouraging and incentivising Executives to make sustainable business decisions within the Board-approved risk appetite and strategy of the Group

What policies and procedures exist to support the integrity of the LTI plan?	<p>The administration of the LTI plan is supported by the LTI plan Guidelines which provide Executives with the rules of the plan and guidance as to how it is to be administered.</p> <p>Executives are prevented from hedging their exposure to unvested DXS securities. Trading in DXS securities or related products is only permitted with the permission of the CEO.</p> <p>The Group also has Conflict of Interest and Insider Trading policies in place to support the integrity of the LTI plan, which extends to family members and associates of the Executive.</p> <p>The Board has appointed Link Market Services as Trustee and Administrators of the DEXUS Performance Rights Plan Trust, which is the vehicle into which unvested units are purchased on-market and held in trust for the Executive pending performance assessment.</p>
How is the allocation of performance rights determined?	The number of performance rights granted is based on the grant value to the Executive (% of fixed remuneration) divided by the volume weighted average price (VWAP) of securities 10 trading days either side of the first trading day of the new financial year.
How are distributions treated prior to vesting?	Executives will not be entitled to distributions paid on the underlying DXS securities prior to the performance rights vesting.

The operation of all incentive plans is at the discretion of the Board which retains the right to discontinue, suspend or amend the operation of such plans.

For both the STI and LTI plans, where incentive grants involve DXS securities, it is the Board's current position that DXS securities be acquired on-market and not through the issue of new securities.

6. Performance Pay

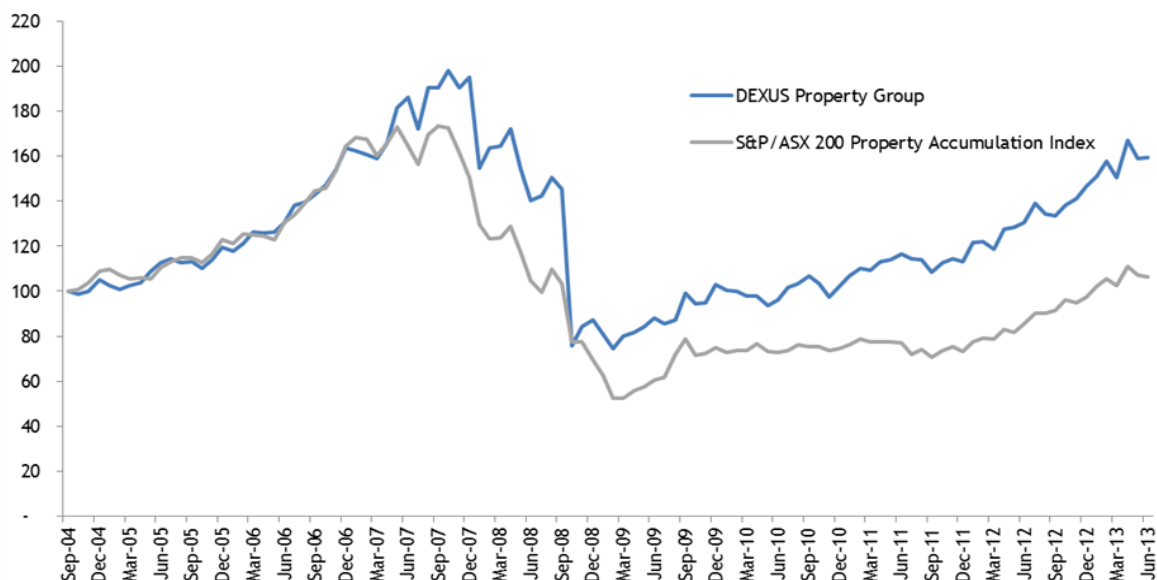
Group Performance

FY13 Highlights

Group	Portfolio	Capital Management	Funds Management	Transactions
12.1% increase in distribution per security	Leased 629,209 square metres of space across the total portfolio	Raised \$300 million of US Private Placement Notes	Increased funds under management by 9.5%, including \$820 million of new equity for DWPF	Achieved a 12% premium on prior book value for the sale of the remaining US portfolio
Achieved a 22.1% one-year total security holder return	Achieved 1.6% growth in like for like property net operating income	Actively managed the diversity of debt achieving a duration greater than 5 years	Launched new \$235 million partnership with a leading global pension fund	Involved in \$2.9 billion of transactions across the Group

Total Return of DXS Securities

The chart below illustrates DXS's performance against the S&P/ASX200 Property Accumulation index since listing in 2004.

Total Return Analysis

The table below sets out DXS's total security holder return over a one, two, three and five year time horizon, relative to the S&P/ASX200 Property Accumulation Index and the median of the Relative TSR comparator group under the new LTI plan:

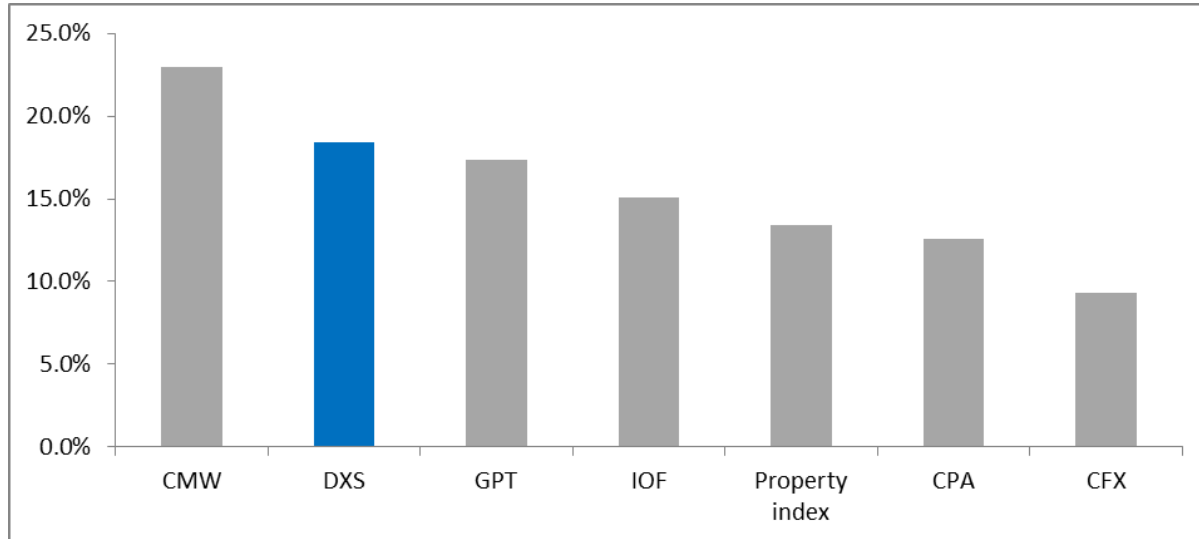
	1 Year	2 Years	3 Years	5 years
Year Ended 30 June 2013	(% per annum)	(% per annum)	(% per annum)	(% per annum)
DEXUS Property Group	22.1%	17.0%	18.4%	2.6%
S&P/ASX200 Property Accumulation Index	24.2%	17.4%	13.4%	0.3%
Median - Relative TSR Comparator Group	18.8% ¹	15.2% ²	16.2% ³	n/a

1. Comparator Group for 1 year comprises DXS, CFX, CMW, CPA, FDC, GPT, IOF and WRT.
2. Comparator Group for 2 years comprises DXS, CFX, CMW, CPA, GPT, IOF and WRT.
3. Comparator Group for 3 years comprises DXS, CFX, CMW, CPA, GPT and IOF.

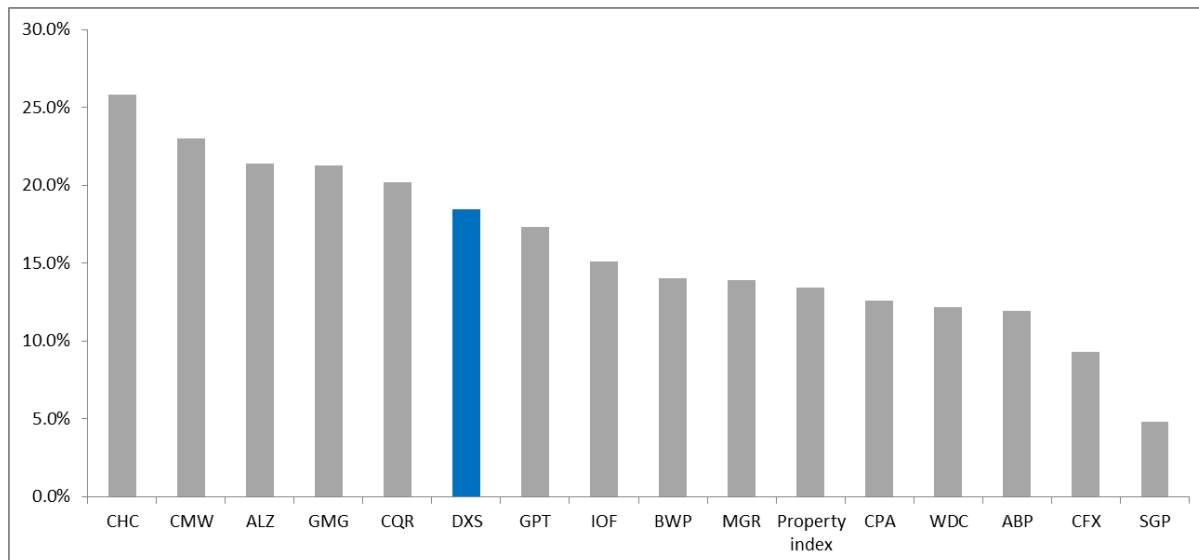
Three Year Performance Relative to Comparator Group

The chart below illustrates DXS's three year performance relative to the comparator group specified for LTI purposes. SCA Property Group, Westfield Retail Trust & Federation Centres have been omitted as these entities were not formed for the comparison period.

The three year performance of the S&P/ASX 200 Property Accumulation index is also included for reference.

**Three Year Performance Relative to Property Index**

The chart below illustrates DXS's performance against the broader property sector over the past three financial years.



Summary

DXS continues to outperform the S&P/ASX200 Property Accumulation index and has exceeded this benchmark on a rolling three year basis.

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

Individual Performance Assessment - Balanced Scorecard

Prior to the commencement of each financial year, the Board approves the Group's strategic and operational objectives which are then translated into a series of weighted financial and non-financial Key Performance Indicators (KPIs) for management. KPIs are assembled to form each Executive's Balanced Scorecard.

The Balanced Scorecard is divided into four components - Financial Performance, Business Management & Strategy, Stakeholder Engagement and People & Culture. These components are weighted differently for each Executive. For each of the components the Executive has objectives and specific initiatives set for that year. These Scorecards are agreed with the Executive at the beginning of the year, reviewed at half year and assessed for performance awards at the end of the year.

Below is a table which summarises the principal elements within Executive Balanced Scorecards for the year ending 30 June 2013 (the numbers in brackets represents what was actually achieved during the year, not the actual KPIs set):

Principal Elements of Executive Balanced Scorecards	
<u>Financial Performance</u> <ul style="list-style-type: none"> • DXS total returns (22.1%) • Funds investment performance • Funds from operations (\$365.4 million) • Return on equity (11.2%) • Trading profit (\$1.5 million) • Net operating income growth - like for like (1.6%) 	<u>Business Management & Strategy</u> <ul style="list-style-type: none"> • Delivery of divisional business plans • Secure rent at risk • Property portfolio investment performance • Operating costs • Capital diversification • Transaction effectiveness
<u>Stakeholder Engagement</u> <ul style="list-style-type: none"> • Investor engagement and feedback • Media and community profile • Tenant relationships and engagement • Internal and external service standards 	<u>People & Culture</u> <ul style="list-style-type: none"> • Leadership effectiveness • Cultural survey results • Succession planning • Talent retention and development

Executive	Balanced Scorecard Weighting			
	Financial KPIs		Non-Financial KPIs	
	Financial Performance	Business Management & Strategy	Stakeholder Engagement	People & Culture
Darren J Steinberg	40%	30%	20%	10%
Craig D Mitchell	40%	40%	10%	10%
Kevin L George	30%	40%	15%	15%
Ross G Du Vernet	30%	50%	10%	10%

Performance Pay Outcomes

Following an assessment of each Executive's Balanced Scorecard, the Board has determined that the following remuneration outcomes are appropriate with respect to each Executive's performance during the year ending 30 June 2013.

Executive	STI Award	% of Maximum Possible STI Earned	% of Maximum STI Forfeited	% of STI to be Deferred
Darren J Steinberg	1,750,000	100%	0%	25%
Craig D Mitchell	750,000	80%	20%	25%
Kevin L George	330,000	72%	28%	25%
Ross G Du Vernet	385,000	100%	0%	25%

In addition to the STI award shown above, Mr Steinberg was eligible for a once-off payment of \$500,000 as part of previously communicated sign-on conditions. This amount was subject to satisfactory performance as determined by the Board, and being payable in August 2013 is disclosed in the Statutory Reporting table under Other Short-Term Benefits.

25% of the value of the STI awarded to each Executive will be deferred into DXS securities, subject to service and clawback conditions, and vesting in two equal tranches after 12 and 24 months.

LTI Grants

The table below shows the number of Performance Rights to be granted to Executives under the 2013 LTI plan (details of which are provided earlier in this report).

Executive	Number of Performance Rights	1st Vesting Date 50%	2nd Vesting Date 50%
Darren J Steinberg	1,128,176	1 July 2016	1 July 2017
Craig D Mitchell	355,518	1 July 2016	1 July 2017
Kevin L George	326,128	1 July 2016	1 July 2017
Ross G Du Vernet	237,012	1 July 2016	1 July 2017

The number of Performance Rights granted to each Executive is based on the dollar value of LTI approved by the Board in its discretion and with reference to the remuneration framework, divided by the Volume Weighted Average Price (VWAP) of DXS securities ten trading days either side of 30 June 2013, which was confirmed as \$1.0548

The LTI grants for Mr Steinberg and Mr Mitchell as Executive Directors are subject to security holder approval at the 2013 Annual General Meeting.

7. Executive Remuneration Actual Cash Received

In line with best-practice recommendations, the amounts shown in the table below provide a summary of actual remuneration received during the year ended 30 June 2013. The DPP and DDPP cash payments were received for performance in the 2012 and 2009 financial years respectively.

Executive	Cash Salary	Pension & Super Benefits ¹	Other Short Term Benefits ²	Termination Benefits	Earned in Prior Financial Year		Total
					DPP Cash Payment ³	DDPP Cash Payment ⁴	
Darren J Steinberg	1,383,530	16,470	-	-	360,000	-	1,760,000
Craig D Mitchell	733,530	16,470	-	-	500,000	636,272	1,886,272
Kevin L George	341,354	9,608	464,383	-	-	-	815,345
Ross G Du Vernet	424,305	16,470	-	-	350,000	-	790,775

¹ Includes employer contributions to superannuation under the superannuation guarantee legislation and salary sacrifice amounts

² Mr George received a sign-on cash payment of \$250,000 plus various relocation benefits totalling \$214,383

³ Cash payment made in August 2012 with respect to the 2012 DPP (i.e. annual performance payment for the prior financial year)

⁴ Cash payment made in August 2012 with respect to the 2009 DDPP award that vested on 1 July 2012 (i.e. realisation of 3 year deferred performance payment)

DEXUS Office Trust
Notes to the Financial Statements (continued)

For the year ended 30 June 2013

The amounts shown in this table are prepared in accordance with AASB 124 *Related Party Disclosures* and do not represent actual cash payments received by Executives for the year ended 30 June 2013. Amounts shown under Long Term Benefits reflect the accounting expenses recorded during the year with respect to prior year deferred remuneration and awards that have or are yet to vest. For performance payments and awards made with respect to the year ended 30 June 2013, refer to the Performance Pay Outcomes section of this report.

Executive	Year	Short Term Benefits			Post-Employment Benefits		Share Based & Long Term Benefits				Total
		Cash Salary	STI Cash Award ¹	Other Short Term Benefits ²	Pension & Super Benefits ³	Termination Benefits	Deferred STI Plan Accrual ⁴	DDPP Plan Accrual ⁵	Transition Plan Accrual ⁶	LTI Plan Accrual ⁷	
Darren J Steinberg	2013	1,383,530	1,312,500	500,000	16,470	-	182,284	-	105,000	204,200	3,703,984
	2012	461,409	360,000	1,500,000	5,258	-	-	-	105,000	-	2,431,667
Craig D Mitchell	2013	733,530	562,500	-	16,470	-	78,122	172,790	125,000	64,349	1,752,761
	2012	734,225	500,000	-	15,775	-	-	328,664	125,000	-	1,703,664
Kevin L George ⁸	2013	338,954	247,500	634,383	12,008	-	219,374	-	-	59,029	1,511,248
	2012	-	-	-	-	-	-	-	-	-	-
Ross G Du Vernet ⁸	2013	424,305	288,750	-	16,470	-	40,103	-	50,000	42,899	862,527
	2012	-	-	-	-	-	-	-	-	-	-
Sub-Total	2013	2,880,319	2,411,250	1,134,383	61,418	-	519,883	172,790	280,000	370,477	7,830,520
	2012	1,195,634	860,000	1,500,000	21,033	-	-	328,664	230,000	-	4,135,331

Former KMP

Tanya L Cox	2013	433,530	201,000	-	16,470	-	27,916	75,408	50,000	23,166	827,490
	2012	434,225	200,000	-	15,775	-	-	149,140	50,000	-	849,140
John C Easy	2013	426,530	281,250	-	23,470	-	39,061	76,234	50,000	23,166	919,711
	2012	427,225	200,000	-	22,775	-	-	158,013	50,000	-	858,013
Other former KMP ⁹	2013	-	-	-	-	-	-	791,650	-	-	791,650
	2012	1,879,415	1,175,000	923,834	31,550	2,300,000	-	2,479,864	-	-	8,789,663
Total	2013	3,740,379	2,893,500	1,134,383	101,358	-	586,860	1,116,082	380,000	416,809	10,369,371
	2012	3,936,499	2,435,000	2,423,834	91,133	2,300,000	-	3,115,681	330,000	-	14,632,147

¹ FY13 annual cash STI performance award, payable in August 2013.

² Mr Steinberg's sign-on conditions included access to an additional \$500,000 subject to performance in FY13.

³ Mr George received a cash sign-on payment of \$250,000, a cash payment of \$170,000 as compensation for foregone remuneration and various relocation benefits.

⁴ Includes employer contributions to superannuation under the superannuation guarantee legislation and salary sacrifice amounts.

⁵ Reflects the accounting expense accrued during the financial year for Deferred STI awards made with respect to FY13 performance. Refer to note 36 of the DXS Financial Statements.

⁶ Mr George's accrual also includes accounting for Performance Rights detailed later in this report as Special Terms.

⁷ FY10 and FY11 DDPP legacy plan only applicable to Mr Mitchell and former KMP Ms Cox and Mr Easy. Reflects the accounting expense accrued during the financial year.

⁸ FY13 Transition plan applicable to all KMP and former KMP, excluding Mr George. Reflects the accounting expense accrued during the financial year.

⁹ Reflects the accounting expense accrued during the financial year for LTI grants made with respect to FY13. Refer to note 36 of the DXS Financial Statements.

¹⁰ Mr Du Vernet joined the Group on 7 May 2012 and was appointed KMP with effect 1 July 2013. No prior year remuneration is disclosed on that basis.

¹¹ Mr George joined the Group on 10 December 2012 and was appointed KMP with effect 10 December 2012. No prior year remuneration is disclosed on that basis.

¹² Other former KMP includes Mr Hoog Antink and Mr Say and are disclosed for completeness. Refer to the 2012 Remuneration Report for more detail.

8. Service Agreements

Executive service agreements detail the individual terms and conditions of employment applying to the CEO and Executives of the Group. The quantum and structure of remuneration arrangements are detailed elsewhere in this report, with the termination scenarios and other key employment terms detailed below:

Chief Executive Officer

	Terms
Employment agreement	An ongoing Executive Service Agreement.
Termination by the CEO	Termination by Mr Steinberg requires a 6 month notice period. The Group may choose to place Mr Steinberg on 'leave' or make a payment in lieu of notice at the Board's discretion. All unvested STI and LTI awards are forfeited under this scenario.
Termination by the Group without cause	If the Group terminates Mr Steinberg without cause, Mr Steinberg is entitled to a payment of 12 months Fixed Remuneration. The Board may (in its absolute discretion) also approve a pro-rata STI or LTI award based on part-year performance. Depending on the circumstances, the Board has the ability to treat Mr Steinberg as a 'good leaver' under this scenario, which may result in Mr Steinberg retaining some or all of his unvested STI and LTI.
Termination by the Group with cause	No notice or severance is payable under this scenario.
Other contractual provisions and restrictions	Mr Steinberg's Executive Service Agreement includes standard clauses covering intellectual property, confidentiality, moral rights and disclosure obligations.

Executives - Messrs Mitchell, George & Du Vernet

	Terms
Employment agreement	An ongoing Executive Service Agreement.
Termination by the Executive	Termination by the Executive requires a 3 month notice period. The Group may choose to place the Executive on 'leave' or make a payment in lieu of notice at the Board's discretion. All unvested STI and LTI awards are forfeited under this scenario.
Termination by the Group without cause	If the Group terminates the Executive without cause, the Executive is entitled to a combined notice and severance payment of 12 months Fixed Remuneration. The Board may (in its absolute discretion) also approve a pro-rata STI or LTI award based on part-year performance. Depending on the circumstances, the Board has the ability to treat the Executive as a 'good leaver' under this scenario, which may result in the Executive retaining some or all of their unvested STI and LTI.
Termination by the Group with cause	No notice or severance is payable under this scenario.
Other contractual provisions and restrictions	The Executive Service Agreement includes standard clauses covering intellectual property, confidentiality, moral rights and disclosure obligations.

Legacy Plan - Unvested and Vesting DDPP Awards

The table below shows the value of unvested and vesting DEXUS Deferred Performance Payment (DDPP) awards for Executives and Former Executive KMP as at 30 June 2013. The DDPP awards are part of a legacy plan closed to new participants from 1 July 2012.

Participant	Award Date	Allocation Value	Value as at 30 June 2013	Vesting DDPP as at 1 July 2013	Vesting Date
Craig D Mitchell	1 Jul 2011	450,000	577,305	-	1 Jul 2014
	1 Jul 2010	400,000	598,440	598,440	1 Jul 2013

Former KMP

Tanya L Cox	1 Jul 2011	190,000	243,751	-	1 Jul 2014
	1 Jul 2010	180,000	269,298	269,298	1 Jul 2013
John C Easy	1 Jul 2011	185,000	237,337	-	1 Jul 2014
	1 Jul 2010	188,000	281,267	281,267	1 Jul 2013

Mr Mitchell and former KMP Ms Cox and Mr Easy are entitled to receive a cash payment relating to the vesting of their 2010 DDPP awards. This payment will be made in August 2013.

The vesting DDPP value was determined by calculating the compound total return of both listed DXS (50%) and unlisted DWPF (50%) notional securities over a 3-year vesting period. The DXS total return was 65.8% and the Group's unlisted Funds and Mandates was 33.4%, resulting in a composite 49.6% increase being applied to the original allocation value during the life of the 2010 DDPP plan. The Board chose to exercise its discretion in not applying a performance multiplier (allowable under the DDPP plan rules) to the 2010 tranche, and has indicated it intends to follow the same approach upon vesting of the 2011 tranche.

For more information on the DDPP legacy plan, refer to the 2012 Annual Report.

Legacy Plan - Unvested Transitional Performance Rights

The table below shows the number of unvested performance rights held by Executives under the Transitional Performance Rights plan, which received security holder approval at the Annual General Meeting on 5 November 2012. The Board granted these once-off Performance Rights to Executives, with respect to performance during the year ending 30 June 2012, as a transitional measure towards the adoption of the Group's new remuneration framework which came into effect 1 July 2012.

Participant	Award Date	Number of Performance Rights	Vesting Date
Darren J Steinberg	1 Jul 2012	453,417	1 Jul 2015
Craig D Mitchell	1 Jul 2012	539,782	1 Jul 2015
Ross G Du Vernet	1 Jul 2012	215,913	1 Jul 2015

Former KMP

Tanya L Cox	1 Jul 2012	215,913	1 Jul 2015
John C Easy	1 Jul 2012	215,913	1 Jul 2015

At the Board's instruction, Performance Rights are to be purchased on-market and the plan is subject to both service and clawback conditions. For more information on the Transitional Performance Rights plan, refer to the 2012 Annual Report.

Special Terms - Performance Rights & Relocation Package for Kevin L George

Upon commencement, Mr George was offered a special grant of Performance Rights to DXS securities as compensation for foregone remuneration at his previous employer and to immediately align his interests with those of his KMP peers and security holders.

Participant	Award Date	Number of Performance Rights	Vesting Date
Kevin L George	10 Dec 2012	366,591	1 Aug 2014

The Performance Rights granted to Mr George are subject to both service and clawback conditions, and are to be purchased on-market. The terms and conditions of this offer mirror those of the Deferred STI plan.

In addition to the grant of Performance Rights, Mr George received a commencement and relocation package (disclosed in the Statutory Accounting table as 'Other Short-Term Benefits') which included the following:

- \$250,000 as a cash sign-on payment
- \$170,000 as a cash payment to be made in August 2013 as compensation for part-year incentive forfeiture at Mr George's previous employer
- \$186,916 as a once-off relocation and family disturbance payment
- \$27,467 in expense reimbursements relating to Mr George and his family's relocation from Melbourne to Sydney - including flights, temporary accommodation, removalists, transit insurance, connection of utilities and other service fees

Mr George is also entitled to future reimbursement of reasonable expenses (i.e. stamp duty, agent fees etc.) relating to the purchase of a family home in Sydney. This benefit has not yet been exercised by Mr George and expires on 10 December 2014.

All expense benefits relating to Mr George's relocation are subject to a 100% clawback clause should Mr George voluntarily resign within 2 years of his commencement date.

9. Non-Executive Directors

Non-Executive Directors' fees are reviewed annually by the Committee to ensure they reflect the responsibilities of directors and are market competitive. The Committee reviews information from a variety of sources to inform their recommendation regarding Non-Executive Directors fees to the Board. Information considered included:

- Publicly available remuneration reports from ASX listed companies with similar market capitalisation and complexity
- Publicly available remuneration reports from A-REIT competitors
- Information supplied by external remuneration advisors, including Egan Associates

Total fees paid to Non-Executive Directors remain within the aggregate fee pool of \$1,750,000 per annum approved by security holders at the AGM in October 2008. The Board has reviewed base fees for Non-Executive Directors and has elected not to approve an increase at this time. This will be the fourth consecutive year at the current rate.

In 2012, the Board (as noted in the Directors' Report) determined that it would be appropriate for Non-Executive Directors (existing and new) to hold DXS securities. A minimum target of 50,000 securities is to be acquired in each Director's first three year term (effective from 1 July 2012). Such securities would be subject to the Group's existing trading and insider information policies. No additional remuneration is provided to Directors to purchase these securities. All Directors have subsequently used their own resources to purchase at least the minimum target in the first year of the three year term. Details of Directors' holdings are included in the Directors' Report.

Other than the Chair who receives a single fee, Non-Executive Directors receive a base fee plus additional fees for membership of Board Committees. The table below outlines the Board fee structure (inclusive of statutory superannuation contributions) for the year ended 30 June 2013:

Committee	Chair	Member
Director's Base Fee (DXFM)	\$350,000*	\$150,000
Board Audit, Risk & Sustainability	\$30,000	\$15,000
Board Compliance	\$15,000	\$7,500
Board Finance	\$15,000	\$7,500
Board Nomination, Remuneration & Governance	\$30,000	\$15,000
DWPL Board	\$30,000	\$15,000

* The Chairman receives a single fee for his entire engagement, including service on Committees of the Board

Non-Executive Director's Statutory Accounting Table

The amounts shown in this table are prepared in accordance with AASB 124 *Related Party Disclosures*. The table is a summary of the actual cash and benefits received by each Non-Executive Director for the year ended 30 June 2013.

Non-Executive Director	Year	Short Term Benefits	Post Employment Benefits	Other Long Term Benefits	Total
Christopher T Beare	2013	333,530	16,470	-	350,000
	2012	334,225	15,775	-	350,000
Elizabeth A Alexander AM	2013	178,899	16,101	-	195,000
	2012	170,539	24,461	-	195,000
Barry R Brownjohn	2013	165,138	14,862	-	180,000
	2012	172,018	15,482	-	187,500
John C Conde AO	2013	165,138	14,862	-	180,000
	2012	158,257	14,243	-	172,500
Tonianne Dwyer ¹	2013	158,257	14,243	-	172,500
	2012	132,225	11,900	-	144,125
Stewart F Ewen OAM	2013	141,000	24,000	-	165,000
	2012	109,052	48,448	-	157,500
W Richard Sheppard ²	2013	158,257	14,243	-	172,500
	2012	74,541	6,709	-	81,250
Peter B St George	2013	151,376	13,624	-	165,000
	2012	165,138	14,862	-	180,000
Total	2013	1,451,595	128,405	-	1,580,000
	2012	1,315,995	151,880	-	1,467,875

¹ Ms Dwyer was appointed on 24 August 2011

² Mr Sheppard was appointed 1 January 2012

Note 28

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.

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

Office	This comprises office space with any associated retail space; as well as car parks and office developments in Australia and New Zealand.
Industrial	This comprises domestic industrial properties, industrial estates and industrial developments.
Property management	This comprises property management services for third party clients and owned assets.
Development and trading	This comprises revenue earned and costs incurred by the Group on developments and inventory.
Funds management	This comprises funds management of third party client assets.
DXS asset management	This comprises asset management of assets owned by the Group.
All other segments	This comprises corporate expenses associated with maintaining and operating the Group. This segment also includes the treasury function of the Group which is managed through a centralised treasury department.
Discontinued operations	This comprises industrial properties, industrial estates and industrial developments in the United States, as well as the European industrial portfolio.

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 Annual Report (refer note 33 in the DEXUS Property Group Financial Statements).

Note 29

Events occurring after reporting date

On 25 July 2013, DEXUS Funds Management Limited (DXFM) as Responsible Entity of DEXUS Property Group entered into a forward contract with Deutsche Bank AG (DBA) in relation to units in the Commonwealth Property Office Fund (CPA) which, in accordance with its terms, gives DXFM the ability to acquire and DBA the obligation to deliver, 350,000,000 CPA units (a 14.9% relevant interest in CPA) at a price of \$1.1334 per unit.

On 25 July 2013, at the same time as the forward contract was entered into, DXFM also entered into a zero-cost cash-settled collar with DBA over 350,000,000 CPA units.

The zero-cost cash-settled collar is a derivative product under which:

- If the prevailing price of relevant securities falls below a “floor” price (\$1.02), DBA will pay DXFM the difference between the prevailing security price and the “floor” price on the settlement date;
- If the prevailing price of relevant securities rises above a “ceiling” price (\$1.20), DXFM will pay the DBA the difference between the prevailing security price and the “ceiling” price on the settlement date; and
- No party pays a fee to the other for entry into the collar.

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

Note 30

Reconciliation of net profit to net cash inflow from operating activities

	2013 \$'000	2012 \$'000
Net profit for the year after tax	286,979	198,104
Capitalised interest	-	(1,264)
Net fair value gain of investment properties	(131,301)	(67,158)
Share of net profit of associates accounted for using the equity method	(37,905)	(13,784)
Net fair value loss/(gain) of derivatives	(9,974)	39,416
Net foreign exchange gain	166	(59)
Change in operating assets and liabilities		
Increase in receivables	(5,382)	(1,110)
(Increase)/decrease in other current assets	(1,173)	35
Decrease in other non-current assets - investments	23,000	21,158
Decrease in other non-current assets	22,191	7,222
Increase/(decrease) in payables	1,050	(1,666)
Increase in deferred tax liabilities	5,599	-
Increase in other non-current liabilities	58,945	27,900
Net cash inflow from operating activities	212,195	208,794

Note 31**Earnings per unit**

Earnings per unit are determined by dividing the net profit attributable to unitholders by the weighted average number of ordinary units outstanding during the year. The weighted average number of units has been adjusted for the bonus elements in units issued during the year and comparatives have been appropriately restated.

	2013 cents	2012 cents
Basic earnings per unit on profit attributable to unitholders of the parent entity	0.62	0.39
Diluted earnings per unit on profit attributable to unitholders of the parent entity	0.62	0.39

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

	2013 \$'000	2012 \$'000
Net profit for the year of the parent entity	294,492	187,422
Net profit attributable to the unitholders of the Trust used in calculating basic and diluted earnings per unit	294,492	187,422

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

	2013 units	2012 units
Weighted average number of units outstanding used in calculation of basic and diluted earnings per unit	4,714,292,865	4,834,864,561

The Directors of DEXUS Funds Management Limited as Responsible Entity for DEXUS Office Trust (the Trust) declare that the Financial Statements and notes set out on pages 8 to 65:

- (i) comply with Australian Accounting Standards, the *Corporations Act 2001* and other mandatory professional reporting requirements; and
- (ii) give a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date.

In the Directors' opinion:

- (a) the Financial Statements and notes are in accordance with the *Corporations Act 2001*;
- (b) there are reasonable grounds to believe that the Trust and its consolidated entities will be able to pay their debts as and when they become due and payable; and
- (c) the Trust has operated in accordance with the provisions of the Constitution dated 17 June 1998 (as amended) during the year ended 30 June 2013.

Note 1(a) confirms that the Financial Statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

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



Christopher T Beare
Chair
16 August 2013



Independent auditor's report to the unit holders of DEXUS Office Trust

Report on the financial report

We have audited the accompanying financial report of DEXUS Office Trust (the Trust), which comprises the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for DEXUS Office Trust Group (the consolidated entity). The consolidated entity comprises the Trust and the entities it controlled at the year-end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of DEXUS Funds Management Limited (the Responsible Entity) are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

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

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

Our procedures include reading the other information in the Directors' Report to determine whether it contains any material inconsistencies with the financial report.

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

PricewaterhouseCoopers, ABN 52 780 433 757

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Independence

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

Auditor's opinion

In our opinion:

- (a) the financial report of DEXUS Office Trust is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

PricewaterhouseCoopers

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to be "E A Barron", with a stylized flourish at the end.

E A Barron
Partner

Sydney
16 August 2013

2013

DEXUS Operations Trust (ARSN 110 521 223)

Financial Report
30 June 2013



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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 ASX and media releases, Financial Statements and other information are available on our website:

www.dexus.com

The Directors of DEXUS Funds Management Limited (DXFM) as Responsible Entity of DEXUS Operations Trust present their Directors' Report together with the consolidated Financial Statements for the year ended 30 June 2013. The consolidated Financial Statements represents DEXUS Operations Trust and its consolidated entities (DXO or the Trust).

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

1 Directors and Secretaries

1.1 Directors

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

Directors	Appointed
Christopher T Beare	4 August 2004
Elizabeth A Alexander, AM	1 January 2005
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
Craig D Mitchell	12 February 2013
W Richard Sheppard	1 January 2012
Darren J Steinberg	1 March 2012
Peter B St George	29 April 2009

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

1.2 Company Secretaries

The names and details of the Company Secretaries of DXFM as at 30 June 2013 are as follows:

Tanya L Cox MBA MAICD FCSA FCIS

Appointed: 1 October 2004

Tanya is the Executive General Manager, Property Services and Chief Operating Officer of DEXUS Property Group and is responsible for the tenant and client service delivery model, sustainability practices, information technology solutions and company secretarial services across the Group.

Tanya has over 25 years' experience in the finance industry. Prior to joining DEXUS in July 2003, Tanya held various general management positions over the previous 15 years, including Director and Chief Operating Officer of NM Rothschild & Sons (Australia) Ltd and General Manager, Finance, Operations and IT for Bank of New Zealand (Australia). Tanya is a Director of Low Carbon Australia Limited, Australian Athletes With a Disability Limited and a number of not-for-profit organisations.

Tanya is a member of the Australian Institute of Company Directors and a fellow of the Institute of Chartered Secretaries of Australia.

Tanya has an MBA from the Australian Graduate School of Management, a Diploma in Applied Corporate Governance and was a finalist in the 2005 NSW Telstra Business Woman of the year awards.

1 Directors and Secretaries (continued)

1.2 Company Secretaries (continued)

John C Easy B Comm LLB FCSA FCIS

Appointed: 1 July 2005

John is the General Counsel and Company Secretary of all DEXUS Group companies and is responsible for the legal function and compliance, risk and governance systems and practices across the Group.

During his time with the Group, John has been involved in the establishment and public listing of Deutsche Office Trust, the acquisition of the Paladin and AXA property portfolios, and subsequent stapling and creation of DEXUS Property Group.

Prior to joining DEXUS in November 1997, John was employed as a senior associate in the commercial property/funds management practices of law firms Allens Arthur Robinson and Gilbert & Tobin. John graduated from the University of New South Wales with Bachelor of Laws and Bachelor of Commerce (Major in Economics) degrees. John is a Fellow Member of the Institute of Chartered Secretaries of Australia.

John is a member of the Board Compliance Committee and Chair of the Continuous Disclosure Committee.

2 Attendance of Directors at Board meetings and Board Committee meetings

The number of Directors' meetings held during the year and each Director's attendance at those meetings is set out in the table below. The Directors met nine times during the year. Eight Board meetings were main meetings, one meeting was held to consider specific business.

	Main meetings held	Main meetings attended	Specific meetings held	Specific meetings attended
Christopher T Beare	8	8	1	1
Elizabeth A Alexander, AM	8	8	1	1
Barry R Brownjohn	8	8	1	1
John C Conde, AO	8	8	1	1
Tonianne Dwyer	8	8	1	1
Stewart F Ewen, OAM	8	8	1	1
Craig D Mitchell ¹	3	3	-	-
W Richard Sheppard	8	8	1	1
Darren J Steinberg	8	8	1	1
Peter B St George	8	8	1	1

1 Directorship commenced 12 February 2013

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

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

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

	Board Audit, Risk & Sustainability Committee		Board Compliance Committee		Board Nomination, Remuneration & Governance Committee		Board Finance Committee	
	held	attended	held	attended	held	attended	held	attended
Christopher T Beare	-	-	-	-	6	6	4	4
Elizabeth A Alexander, AM	4	4	-	-	-	-	-	-
Barry R Brownjohn	4	4	-	-	-	-	-	-
John C Conde, AO	-	-	-	-	6	6	-	-
Tonianne Dwyer	-	-	4	4	-	-	-	-
Stewart F Ewen, OAM	-	-	-	-	6	6	-	-
W Richard Sheppard	4	4	-	-	-	-	4	4
Peter B St George	-	-	-	-	-	-	4	4

3 Directors' relevant interests

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

Directors	No. of securities
Christopher T Beare	100,000
Elizabeth A Alexander, AM	100,000
Barry R Brownjohn	50,000
John C Conde, AO	100,000
Tonianne Dwyer	100,000
Stewart F Ewen, OAM	100,000
Craig D Mitchell	539,782 ¹
W Richard Sheppard	100,000
Darren J Steinberg	453,417 ¹
Peter B St George	104,000

1 Performance Rights granted under the 2012 Transitional Performance Rights Plan.

4 Directors' directorships in other listed entities

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

Director	Company	Date appointed	Date resigned
Christopher T Beare	Mnemon Group Limited	6 November 2009	27 May 2013
Elizabeth A Alexander, AM	CSL Limited	12 July 1991	19 October 2011
John C Conde, AO	Whitehaven Coal Limited	3 May 2007	
	Cooper Energy Limited	25 February 2013	
Tonianne Dwyer	Cardno Limited	25 June 2012	
W Richard Sheppard	Echo Entertainment Group	21 November 2012	
Peter B St George	Boart Longyear Limited	21 February 2007	21 May 2013
	First Quantum Minerals Limited ¹	20 October 2003	

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

5 Principal activities

During the year the principal activity of the Trust was to be a trading trust. There were no significant changes in the nature of the Trust's activities during the year.

6 Review of results and operations

The results for the year ended 30 June 2013 were:

- profit attributable to unitholders was \$30.6 million (2012: \$29.2 million loss);
- total assets were \$759.9 million (2012: \$631.5 million); and
- net assets were \$151.4 million (2012: \$122.7 million).

A review of the results, financial position and operations of the Group, of which the Trust forms part thereof, is set out in the Operating and Financial Review of the DEXUS Property Group Annual Report and forms part of this Directors' Report. Refer to the Chief Executive Officers report of the DEXUS Property Group 2013 Annual Review for further information.

7 Likely developments and expected results of operations

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

8 Significant changes in the state of affairs

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

9 Matters subsequent to the end of the financial year

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

10 Distributions

Distributions paid or payable by the Trust for the year ended 30 June 2013 were nil (2012: nil).

11 DXFM's fees and associate interests

Details of fees paid or payable by the Trust to DXFM for the year ended 30 June 2013 are outlined in note 32 of the Notes to the Financial Statements and form part of this Directors' Report.

The number of interests in the Trust held by DXFM or its associates as at the end of the financial year were nil (2012: nil).

12 Interests in DXS securities

The movement in securities on issue in the Trust during the year and the number of securities on issue as at 30 June 2013 are detailed in note 25 of the Notes to the Financial Statements and form part of this Directors' Report.

Details of the number of interests in the Trust held by DXFM or its associates as at the end of the financial year are outlined in note 32 of the Notes to the Financial Statements and form part of this Directors' Report.

With the exception of performance rights which are discussed in detail in the Remuneration Report, the Trust did not have any options on issue as at 30 June 2013 (2012: nil).

13 Environmental regulation

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

14 Indemnification and insurance

The insurance premium for a policy of insurance indemnifying Directors, officers and others (as defined in the relevant policy of insurance) is paid by DXH.

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

15 Audit

15.1 Auditor

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

15.2 Non-audit services

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

Details of the amounts paid or payable to the Auditor, for audit and non-audit services provided during the year, are set out in note 7 of the Notes to the Financial Statements.

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

The reasons for the Directors being satisfied are:

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

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

15.3 Auditor's Independence Declaration

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

16 Corporate governance

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

17 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.

18 Management representation

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

19 Directors' authorisation

The Directors' Report is made in accordance with a resolution of the Directors. The Financial Statements were authorised for issue by the Directors on 16 August 2013. The Directors have the power to amend and reissue the Financial Statements.



Christopher T Beare
Chair
16 August 2013



Darren J Steinberg
Chief Executive Officer
16 August 2013



Auditor's Independence Declaration

As lead auditor for the audit of DEXUS Operations Trust for the year ended 30 June 2013, I declare that to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in black ink, appearing to be 'E A Barron', with a stylized flourish at the end.

E A Barron
Partner
PricewaterhouseCoopers

Sydney
16 August 2013

DEXUS Operations Trust
Consolidated Statement of Comprehensive Income
For the year ended 30 June 2013

	Note	2013 \$'000	2012 \$'000
Revenue from ordinary activities			
Management fee revenue	2	81,480	83,314
Property revenue	3	25,402	16,236
Proceeds from sale of inventory		24,422	49,847
Interest revenue		612	868
Total revenue from ordinary activities		131,916	150,265
Reversal of previous impairment	17	20,494	-
Net fair value gain of investment properties		3,926	-
Distribution Income		64	-
Other income		166	33
Total income		156,566	150,298
Expenses			
Property expenses	3	(7,009)	(5,023)
Cost of sale of inventory		(23,924)	(43,998)
Finance costs	4	(17,800)	(22,022)
Net loss on sale of investment properties		(876)	-
Net fair value loss of investment properties		-	(27,318)
Impairment of inventories		(1,209)	(14,846)
Depreciation and amortisation		(3,234)	(2,483)
Impairment of goodwill		(99)	(625)
Employee benefits expense		(62,274)	(71,493)
Other expenses	6	(11,735)	(13,420)
Total expenses		(128,160)	(201,228)
Profit/(loss) before tax		28,406	(50,930)
Tax benefit			
Income tax benefit	5(a)	3,383	21,777
Total tax benefit		3,383	21,777
Profit/(loss) after tax from continuing operations		31,789	(29,153)
Loss from discontinued operations	8	(1,141)	-
Net profit/(loss) for the year		30,648	(29,153)
Other comprehensive income net of tax:			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations	26	3	-
Foreign currency translation reserve transfer on disposal of foreign operations	26	(3)	-
Changes in fair value of available-for-sale financial assets	26	(13)	-
Total comprehensive profit/(loss) for the year		30,635	(29,153)
Earnings per unit		Cents	Cents
Basic and diluted earnings per unit attributable to unitholders of the parent entity			
Earnings per unit - profit/(loss) from continuing operations	36	0.23	(0.00)
Earnings per unit - profit from discontinued operations	36	0.00	-
Earnings per unit - total	36	0.23	(0.00)

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 30 June 2013

	Note	2013 \$'000	2012 \$'000
Current assets			
Cash and cash equivalents	9	4,748	13,082
Receivables	10	30,416	19,823
Non-current assets classified as held for sale	11	-	93,700
Inventories	15	10,853	26,841
Other	12	1,467	759
Total current assets		47,484	154,205
Non-current assets			
Investment properties	13	176,279	141,151
Plant and equipment	14	8,781	4,678
Inventories	15	242,057	70,990
Deferred tax assets	16	39,414	36,729
Intangible assets	17	243,707	223,641
Available-for-sale financial assets	18	2,200	-
Other	19	7	66
Total non-current assets		712,445	477,255
Total assets		759,929	631,460
Current liabilities			
Payables	20	12,754	11,065
Loans with related parties	21	48,932	48,932
Provisions	22	22,834	22,324
Other		719	-
Total current liabilities		85,239	82,321
Non-current liabilities			
Loans with related parties	21	500,369	402,409
Provisions	22	13,639	16,351
Derivative financial instruments	23	2,442	3,772
Deferred tax liabilities	24	3,215	3,913
Other		3,639	-
Total non-current liabilities		523,304	426,445
Total liabilities		608,543	508,766
Net assets/(liabilities)		151,386	122,694
Equity			
Contributed equity	25	197,775	199,712
Reserves	26	42,732	42,751
Accumulated losses	26	(89,121)	(119,769)
Total equity		151,386	122,694

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

DEXUS Operations Trust
Consolidated Statement of Changes in Equity

For the year ended 30 June 2013

		Contributed equity \$'000	Asset revaluation reserve \$'000	Foreign currency translation reserve \$'000	Treasury securities reserve \$'000	Security-based payments reserve \$'000	Available-for- sale financial assets \$'000	Accumulated losses \$'000	Total equity \$'000
	Note								
Opening balance as at 1 July 2011		26,335	42,738	-	-	-	-	(90,616)	(21,543)
Net loss for the year		-	-	-	-	-	-	(29,153)	(29,153)
Other comprehensive income for the year	26	-	-	-	-	-	-	-	-
Transactions with owners in their capacity as owners:									
Capital contribution, net of transaction costs	25	174,901	-	-	-	-	-	-	174,901
Buy back of contributed equity, net of transaction costs	25	(1,524)	-	-	-	-	-	-	(1,524)
Purchase of securities, net of transaction costs	26	-	-	-	-	-	-	-	-
Security-based payments expense	26	-	-	-	-	13	-	-	13
Closing balance as at 30 June 2012		199,712	42,738	-	-	13	-	(119,769)	122,694
Opening balance as at 1 July 2012		199,712	42,738	-	-	13	-	(119,769)	122,694
Net profit for the year		-	-	-	-	-	-	30,648	30,648
Other comprehensive income for the year	26	-	-	-	-	-	13	-	13
Transactions with owners in their capacity as owners:									
Capital contribution, net of transaction costs	25	-	-	-	-	-	-	-	-
Buy back of contributed equity, net of transaction costs	25	(1,937)	-	-	-	-	-	-	(1,937)
Purchase of securities, net of transaction costs	26	-	-	-	(56)	-	-	-	(56)
Security-based payments expense	26	-	-	-	-	24	-	-	24
Closing balance as at 30 June 2013		197,775	42,738	-	(56)	37	13	(89,121)	151,386

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 year ended 30 June 2013

	Note	2013 \$'000	2012 \$'000
Cash flows from operating activities			
Receipts in the course of operations (inclusive of GST)		109,716	109,573
Payments in the course of operations (inclusive of GST)		(97,180)	(97,515)
Proceeds from sale of property classified as inventory		24,422	53,206
Payments for property classified as inventory		(175,340)	(44,925)
Interest received		683	870
Finance costs paid		(1,639)	(1,790)
Income tax received		-	1,015
Net cash (outflow)/inflow from operating activities	35	(139,338)	20,434
Cash flows from investing activities			
Proceeds from sale of investment properties		163,070	-
Payments for acquisition of investment properties		(58,114)	-
Payments for capital expenditure on investment properties		(37,324)	(50,760)
Acquisition of subsidiaries net of cash acquired		5,238	-
Payments for plant and equipment		(7,008)	(2,820)
Net cash inflow/(outflow) from investing activities		65,862	(53,580)
Cash flows from financing activities			
Borrowings provided to entities within DXS		(271,203)	(336,858)
Borrowings provided by entities within DXS		340,525	196,480
Purchase of securities for security-based payments plans		(2,243)	-
Proceeds from capital contribution		-	174,979
Capital contribution transaction costs		-	(78)
Payments for buy back of contributed equity		(1,937)	(1,524)
Net cash inflow from financing activities		65,142	32,999
Net decrease in cash and cash equivalents		(8,334)	(147)
Cash and cash equivalents at the beginning of the year		13,082	13,229
Cash and cash equivalents at the end of the year	9	4,748	13,082

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

These general purpose Financial Statements for the year ended 30 June 2013 have been prepared in accordance with the requirements of the Trust’s Constitutions, the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australia Accounting Standards Board and interpretations. Compliance with Australian Accounting Standards ensures that the Financial Statements and notes also comply with International Financial Reporting Standards (IFRS).

These Financial Statements are prepared on a going concern basis and in accordance with historical cost conventions and have not been adjusted to take account of either changes in the general purchasing power of the dollar or changes in the values of specific assets, except for the valuation of certain non-current assets and financial instruments (refer notes 1(e), 1(p), 1(t), 1(u), 1(v) and 1(z)). DXO is a for-profit entity for the purpose of preparing Financial Statements.

As at 30 June 2013, the Trust had a current net asset deficiency of \$37.8 million (2012: \$71.9 million current net assets). The DXS Group has in place both external and internal funding arrangements to support the cashflow requirements of the Trust. The Trust is a going concern and the Financial Statements have been prepared on that basis.

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

Critical accounting estimates

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 estimations described in notes 1(e), 1(l), 1(p), 1(t), 1(u), 1(v) and 1(z), no key assumptions concerning the future or other estimation of uncertainty at the end of each reporting period have a significant risk of causing material adjustments to the Financial Statements in the next annual reporting period.

(b) Principles of consolidation

(i) Controlled entities

The Financial Statements have been prepared on a consolidated basis. The accounting policies of the subsidiaries are consistent with those of the parent.

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

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

Note 1

Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

(ii) Partnerships and joint ventures

Where assets are held in a partnership or joint venture with another entity directly, the Trust's share of the results and assets of this partnership or joint venture are consolidated into the Statement of Comprehensive Income and Statement of Financial Position of the Trust. Where assets are jointly controlled via ownership of units in single purpose unlisted unit trusts or shares in companies, the Trust applies equity accounting to record the operations of these investments.

(iii) Employee share trust

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

(c) Revenue recognition

(i) Rent

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

(ii) Management fee revenue

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

(iii) Interest revenue

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

(iv) Dividends and distribution revenue

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

(d) Expenses

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

(i) Property expenses

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

(ii) Borrowing costs

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

Qualifying assets are assets which take more than 12 months to get ready for their intended use or sale. In these circumstances, borrowing costs are capitalised to the cost of the asset during the period of time that is required to complete and prepare the asset for its intended use or sale. Where funds are borrowed generally, borrowing costs are capitalised using a weighted average capitalisation rate.

Note 1

Summary of significant accounting policies (continued)

(e) Derivatives and other financial instruments

(i) Derivatives

The Trust's activities expose it to a variety of financial risks including interest rate risk. Accordingly, the Trust enters into derivative financial instruments such as interest rate swaps to manage its exposure to certain risks. Written policies and limits are approved by the Board of Directors of the Responsible Entity, in relation to the use of financial instruments to manage financial risks. The Responsible Entity continually reviews the Trust's exposures and updates its treasury policies and procedures. The Trust does not trade in derivative instruments for speculative purposes. Even though derivative financial instruments are entered into for the purpose of providing the Trust with an economic hedge, the Trust has elected not to apply hedge accounting under AASB 139 *Financial Instruments: Recognition and Measurement*. Accordingly, derivatives including interest rate swaps are measured at fair value with any changes in fair value recognised in the Statement of Comprehensive Income.

(ii) Debt and equity instruments issued by the Trust

Financial instruments issued by the Trust are classified as either liabilities or as equity in accordance with the substance of the contractual arrangements. Accordingly, ordinary units issued by the Trust are classified as equity.

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

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

(iii) Financial guarantee contracts

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

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

(iv) Other financial assets

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

(f) Goods and services tax

Revenues, expenses and capital assets are recognised net of any amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing and financing activities that is recoverable from or payable to the Australian Taxation Office is classified as cash flows from operating activities.

Note 1

Summary of significant accounting policies (continued)

(g) Taxation

The Trust is liable for income tax as follows:

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

DXO and its wholly owned controlled Australian entities have formed a tax consolidated group. As a consequence, these entities are taxed as a single entity.

(h) Distributions

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

(i) Repairs and maintenance

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

(j) Cash and cash equivalents

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

Note 1

Summary of significant accounting policies (continued)

(k) Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, which is based on the invoiced amount less provision for doubtful debts. Trade receivables are required to be settled within 30 days and are assessed on an ongoing basis for impairment. Receivables which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for doubtful debts is established when there is objective evidence that the Trust will not be able to collect all amounts due according to the original terms of the receivables. The provision for doubtful debts is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted as the effect of discounting is immaterial.

(l) Inventories

(i) Land and properties held for resale

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

(ii) Net realisable value

Net realisable value is determined using the estimated selling price in the ordinary course of business. Costs to bring inventories to their finished condition, including marketing and selling expenses, are estimated and deducted to establish net realisable value.

(m) Non-current assets held for sale and discontinued operations

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use, and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the income statement.

Non-current assets classified as held for sale and the assets of a discontinued operation are presented separately from the other assets in the balance sheet. The liabilities of a discontinued operation are presented separately from other liabilities in the balance sheet.

(n) Plant and equipment

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

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

Note 1

Summary of significant accounting policies (continued)

(o) Depreciation of plant and equipment

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

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

(p) Investment properties

The Trust's investment properties consist of properties held for long-term rental yields and/or capital appreciation and property that is being constructed or developed for future use as investment property. Investment properties are initially recognised at cost including transaction costs. Investment properties are subsequently recognised at fair value in the Financial Statements. Each valuation firm and its signatory valuer are appointed on the basis that they are engaged for no more than three consecutive valuations.

The basis of valuations of investment properties is fair value being the amounts for which the assets could be exchanged between knowledgeable willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases. In addition, an appropriate valuation method is used, which may include the discounted cashflow and the capitalisation method. Discount rates and capitalisation rates are determined based on industry expertise and knowledge and, where possible, a direct comparison to third party rates for similar assets in a comparable location. Rental revenue from current leases and assumptions about future leases, as well as any expected operational cash outflows in relation to the property, are also reflected in fair value. In relation to development properties under construction for future use as investment property, where reliably measurable, fair value is determined based on the market value of the property on the assumption it had already been completed at the valuation date less costs still required to complete the project, including an appropriate adjustment for profit and risk.

External valuations of the individual investment properties are carried out in accordance with the Trust's Constitution or may be earlier where the Responsible Entity believes there is a potential for a material change in the fair value of the property.

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

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

(q) Leasing fees

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

(r) Lease incentives

Prospective lessees may be offered incentives as an inducement to enter into operating leases. These incentives may take various forms including cash payments, rent free periods, or a contribution to certain lessee costs such as fit-out costs or relocation costs.

The costs of incentives are recognised as a reduction of rental revenue on a straight-line basis from the earlier of the date which the tenant has effective use of the premises or the lease commencement date to the end of the lease term. The carrying amount of the lease incentives is reflected in the fair value of investment properties.

Note 1

Summary of significant accounting policies (continued)

(s) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows, which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(t) Intangible assets

(i) Goodwill

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

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

(ii) Management rights

Management rights represent the asset management rights owned by the Trust which entitle it to management fee revenue from both finite and indefinite life trusts. Those rights that are deemed to have a finite useful life, are measured at cost and amortised using the straight-line method over their estimated remaining useful lives of 20 years. Management rights with indefinite useful lives are not subject to amortisation and are tested for impairment annually.

(u) Available-for-sale financial assets

Available-for-sale financial assets comprise DXS securities acquired on-market in order to fulfil the future requirements of the security-based payments plans (refer note 1(z)). They are included in non-current assets except for those securities that will be used to fulfil security based payment plans that vest within 12 months, which are classified as current assets. Changes in fair value are recognised in other comprehensive income net of tax in reserves. Amounts are reclassified to profit or loss when the associated assets are sold, transferred or impaired.

Note 1

Summary of significant accounting policies (continued)

(v) Financial assets and liabilities

(i) Classification

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

Financial asset/liability	Classification	Valuation basis	Reference
Receivables	Loans and receivables	Amortised cost	Refer note 1(k)
Other financial assets	Loans and receivables	Amortised cost	Refer note 1(e)
Other financial assets	Available-for-sale	Fair value	Refer note 1(u)
Payables	Financial liability at amortised cost	Amortised cost	Refer note 1(w)
Interest bearing liabilities	Financial liability at amortised cost	Amortised cost	Refer note 1(x)
Derivatives	Fair value through profit or loss	Fair value	Refer note 1(e)

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

(ii) Fair value estimation of financial assets and liabilities

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

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

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

(w) Payables

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

(x) Interest bearing liabilities

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

(y) Foreign currency

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

Note 1

Summary of significant accounting policies (continued)

(z) Employee benefits

(i) Wages, salaries and annual leave

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

(ii) Long service leave

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

The provision is calculated using expected future increases in wage and salary rates, including related on-costs and expected settlement dates based on turnover history and is discounted using the rates attaching to national government bonds at the end of the reporting period that most closely matches the term of the maturity of the related liabilities. The unwinding of the discount is treated as long service leave expense.

(iii) Security-based payments

Security-based employee benefits will be provided to eligible participants via the DEXUS Transitional Performance Rights Plan, the Deferred Short Term Incentive Plan (DSTI) and the Long Term Incentive Plan (LTI). Information relating to these plans is set out in note 37. Under the plans, participating employees will be granted a defined number of performance rights which will vest into DXS stapled securities at no cost, if certain vesting conditions are satisfied.

The fair value of performance rights granted is recognised as an employee benefit expense with a corresponding increase in the provision for employee benefits and security-based payments reserve in equity. The total amount to be expensed is determined by reference to the fair value of the performance rights granted. Fair value is determined independently using Black-Scholes and Monte Carlo pricing models with reference to the expected life of the rights, security price at grant date, expected price volatility of the underlying security, expected distribution yield and the risk free interest rate for the term of the rights and expected total security-holder returns (where applicable). The amount recorded in the security-based payments reserve is DXO's share of the security based payment which is deemed to be equity settled in accordance with AASB 2 *Share-based Payments*. The amount is calculated based on DXO's proportionate share of the Group's net asset value, with the remainder of the security-based payment recorded as a provision for employee benefits.

Non-market vesting conditions, including funds from operations (FFO), Return on Equity (ROE) and employment status at vesting, are included in assumptions about the number of performance rights that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the Trust revises its estimates of the number of performance rights that are expected to vest based on the non-market vesting conditions. The impact of the revised estimates, if any, is recognised in profit or loss with a corresponding adjustment to the security-based payments reserve and provision for employee benefits. The fair value of the provision is reassessed each reporting period.

When performance rights vest, DXO will arrange for the allocation and delivery of the appropriate number of securities to the participant.

(aa) Earnings per unit

Basic earnings per unit are determined by dividing the net profit attributable to unitholders of the parent entity by the weighted average number of ordinary units outstanding during the year.

Diluted earnings per unit are adjusted from the basic earnings per unit by taking into account the impact of dilutive potential units.

Note 1

Summary of significant accounting policies (continued)

(ab) 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 DXS, which consists of DDF, DOT, DIT and DXO. Consistent with how the CODM manages the business, the operating segments within DXS are reviewed on a consolidated basis rather than at an individual trust level. Disclosures concerning DXS's operating segments as well as the operating segments' key financial information provided to CODM are presented in DXS's Financial Statements.

(ac) Rounding of amounts

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

(ad) Parent entity financial information

The financial information for the parent entity of the Trust is disclosed in note 28 and has been prepared on the same basis as the consolidated Financial Statements except as set out below:

(i) Investment in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the parent entity's Statement of Financial Position. Distributions received from associates are recognised in the parent entity's Statement of Comprehensive Income, rather than being deducted from the carrying amount of these investments.

(ae) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2013 reporting period. Our assessment of the impact of these new standards and interpretations is set out below:

AASB 2012-3 Amendments to Australian Accounting Standard - Offsetting Financial Assets and Financial Liabilities and AASB 2012-2 Amendments to Australian Accounting Standard - Disclosures - Offsetting Financial Assets and Financial Liabilities (effective 1 July 2014 and 1 July 2013 respectively).

In June 2012, the AASB approved amendments to the application guidance in AASB 132 *Financial Instruments: Presentation*, to clarify some of the requirements for offsetting financial assets and financial liabilities in the Financial Statements. These amendments are effective from 1 July 2014. They are unlikely to affect the accounting for any of the Trust's current offsetting arrangements. The AASB has also introduced more extensive disclosure requirements into AASB 7 which will apply from 1 July 2013. The Trust intends to apply the new rules from 1 July 2013 and does not expect any significant impacts.

AASB 2012-5 Amendments to Australian Accounting Standard arising from Annual Improvements 2009-2011 cycle (effective 1 July 2013).

In June 2012, the AASB approved a number of amendments to Australian Accounting Standards as a result of the 2009-2011 annual improvements project. The Trust will apply the amendments from 1 July 2013 and does not expect any significant impacts.

AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) and AASB 2012-6 Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures (effective 1 July 2015).

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard simplifies the classifications of financial assets into those to be carried at amortised cost and those to be carried at fair value. The Trust intends to apply the standards from 1 July 2015 and does not expect any significant impacts.

Note 1

Summary of significant accounting policies (continued)

(ae) New accounting standards and interpretations (continued)

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (effective 1 July 2013)

In July 2011 the AASB decided to remove the individual KMP disclosure requirements from AASB 124 *Related Party Disclosures*, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the *Corporations Act 2001*. While this will reduce the disclosures that are currently required in the Notes to the Financial Statements, it will not affect any of the amounts recognised in the Financial Statements. The amendments apply from 1 July 2013 and cannot be adopted early.

AASB 10 Consolidated financial statements (effective 1 July 2013).

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and separate financial statements*, and SIC-12 *Consolidation - special purpose entities*. The standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present. The Trust intends to apply the standard from 1 July 2013 and does not expect any significant impacts.

AASB 11 Joint Arrangements (effective 1 July 2013).

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

AASB 12 Disclosure of interests in other entities (effective 1 July 2013).

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 128. Application of this standard will not affect any of the amounts recognised in the Financial Statements, but may impact some of the Trust's current disclosures. The Trust intends to apply the standard from 1 July 2013 and does not expect any significant impacts.

AASB 128 Investments in associates and joint ventures (effective 1 July 2013).

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The Trust intends to apply the standard from 1 July 2013 and does not expect any significant impacts.

AASB 13 Fair value measurement (effective 1 July 2013).

AASB 13 explains how to measure fair value and aims to enhance fair value disclosures. Application of this standard will not affect any of the amounts recognised in the Financial Statements, but will impact some of the Trust's current disclosures. The Trust intends to apply the standard from 1 July 2013 and does not expect any significant impacts.

Note 2**Management fee revenue**

	2013 \$'000	2012 \$'000
Responsible Entity fees	40,694	38,178
Asset management fees	6,369	9,480
Property management fees	25,888	23,832
Capital works and development fees	1,740	3,888
Wages recovery and other fees	6,789	7,936
Total management fee revenue	81,480	83,314

Note 3**Property revenue and property expenses**

Property revenue includes \$20.4 million (2012: \$8.9 million) and property expenses includes \$6.2 million (2012: \$0.7 million) related to investment properties owned by the Trust. The balance of the property revenue and expenses relates to property held as inventory and one component of an investment property owned by DOT for which DEXUS Property Services Pty Limited (DXPS), a wholly owned subsidiary of the Trust, has a contractual agreement to earn income.

Note 4**Finance costs**

	2013 \$'000	2012 \$'000
Interest paid to related parties	28,015	35,583
Amount capitalised	(10,525)	(15,763)
Net fair value loss of interest rate swaps	285	2,184
Other finance costs	25	18
Total finance costs	17,800	22,022

The average capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 7.00% (2012: 7.70%).

Note 5**Income tax****(a) Income tax benefit**

	2013 \$'000	2012 \$'000
Current tax expense	(48)	-
Deferred tax benefit	3,383	21,777
Total income tax benefit	3,335	21,777
Total income tax benefit attributable to:		
Profit from continuing operations	3,383	21,777
Loss from discontinued operations	(48)	-
Total income tax benefit	3,335	21,777
Deferred income tax benefit included in income tax benefit comprises:		
Increase in deferred tax assets 16	2,685	8,677
Decrease in deferred tax liabilities 24	698	13,100
Total deferred tax benefit	3,383	21,777

(b) Reconciliation of income tax benefit to net profit

	2013 \$'000	2012 \$'000
Profit/(loss) from continuing operations before income tax	28,406	(50,930)
Loss from discontinued operations before income tax	(1,093)	-
Total profit/(loss) before income tax	27,313	(50,930)
Prima facie tax (expense)/benefit at the Australian tax rate of 30% (2012: 30%)	(8,194)	15,279
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Depreciation and amortisation	682	(208)
Reversal of previous impairment	6,148	-
Sundry items	(1,682)	114
Movements in the carrying value and tax cost base of properties	6,458	6,592
Loss on sale of assets	(29)	-
	11,577	6,498
Income tax benefit	3,383	21,777

Note 6**Other expenses**

		2013	2012
	Note	\$'000	\$'000
Audit and other fees	7	346	351
Custodian fees		33	29
Legal and other professional fees		2,185	2,319
Registry costs and listing fees		7	32
Occupancy expenses		3,074	2,937
Administration expenses		1,690	3,039
Other staff expenses		2,306	2,489
Other expenses		2,094	2,224
Total other expenses		11,735	13,420

Note 7**Audit, taxation and transaction services fees**

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

	2013	2012
	\$	\$
Audit fees		
PwC Australia - audit and review of Financial Statements	178,079	173,280
PwC Australia - fees paid in relation to outgoing audit ¹	10,552	5,026
PwC Australia - regulatory audit and compliance services	168,184	160,699
Total audit fees	356,815	339,005
Taxation fees		
Fees paid to PwC Australia	-	17,075
Total taxation fees²	-	17,075
Total audit and taxation fees¹	356,815	356,080
Transaction services fees		
Fees paid to PwC Australia	-	87,500
Total transaction services fees²	-	87,500
Total audit, taxation and transaction services fees	356,815	443,580

¹ Fees paid in relation to outgoing audits are included in property expenses in the Statement of Comprehensive Income. Therefore total audit and taxation fees included in other expenses are \$346,263 (2012: \$351,054).

² These services include general compliance work, one off project work and advice.

Note 8

Discontinued Operations

A strategic review was announced to the ASX on 16 August 2012, which resulted in all offshore property being considered non-core. One property, 3550 Tyburn Street & 3332-3424 North San Fernando Road, Los Angeles (Glendale) was excluded from the sales process in order to ensure that the property was sold at fair value. Glendale was acquired by DXO on 20 December 2012 as part of the process to exclude the property from the portfolio sale. Glendale was subsequently sold on 18 April 2013.

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

	2013 \$'000	2012 \$'000
Property revenue	1,936	-
Management fee revenue	646	-
Net fair value gain of investments	3,929	-
Net foreign exchange loss	(149)	-
Property expenses	(542)	-
Employee benefits expense	(3,406)	-
Finance costs	(273)	-
Other expenses	(458)	-
Loss before tax	1,683	-
Income tax expense	(48)	-
Total tax expense	(48)	-
Loss after tax	1,635	-
Loss on measurement to fair value less costs to sell before tax	(3,487)	-
Net gain on sale of investment properties	714	-
Loss on measurement to fair value less costs to sell after tax	(2,773)	-
Foreign currency translation reserve transfer on disposal of foreign operations	(3)	-
Loss from discontinued operations	(1,141)	-
Net cash flows from operating activities	(894)	-
Net cash flows from investing activities	(2,206)	-
Net cash flows from financing activities	3,100	-
Net increase in cash generated by discontinued operations	-	-

Note 9

Current assets - cash and cash equivalents

	2013 \$'000	2012 \$'000
Cash at bank	1,792	3,082
Short-term deposits	-	10,000
Cash held in escrow ¹	2,956	-
Total current assets - cash and cash equivalents	4,748	13,082

¹ As at 30 June 2013, the Trust held US\$2.7 million (A\$3.0 million) in escrow in relation to the US asset disposal in April 2013. These funds were released from escrow on 25 July 2013.

Note 10**Current assets - receivables**

	2013 \$'000	2012 \$'000
Rent Receivable	372	1,812
Less: provision for doubtful debts	-	-
Total rental receivables	372	1,812
Fee receivable	13,131	12,843
GST receivable	373	589
Receivables from related entities	14,841	4,480
Interest receivable	-	70
Distribution receivable	64	-
Other receivables	1,635	29
Total current assets - receivables	30,416	19,823

Note 11**Non-current assets classified as held for sale****(a) Non-current assets held for sale**

	2013 \$'000	2012 \$'000
Investment properties held for sale	-	93,700
Total non-current assets classified as held for sale	-	93,700

(b) Reconciliation

	Note	2013 \$'000	2012 \$'000
Opening balance at the beginning of the year		93,700	-
Transfer from investment properties	13	7,202	93,700
Disposals		(101,996)	-
Net fair value loss of investment properties		(2,929)	-
Acquisitions, additions and other		4,023	-
Closing balance at the end of the year		-	93,700

Disposals

- On 2 October 2012, 50% of an industrial portfolio consisting of assets at DEXUS Industrial Estate Laverton North VIC, Altona North VIC and Quarry Greystanes NSW was disposed of for gross proceeds of \$57.7 million.
- On 1 February 2013, 50% of Quarry Greystanes, NSW - Camerons Transport was disposed of for gross proceeds of \$14.9 million.
- On 20 February 2013, 50% of Quarry Greystanes, NSW - Promak was disposed of for gross proceeds of \$16.4 million.
- On 21 June 2013, 50% of Quarry Greystanes, NSW - Warehouse 9 was disposed of for gross proceeds of \$12.7 million.

Note 12**Current assets - other**

	2013 \$'000	2012 \$'000
Prepayments	1,467	759
Total current assets - other	1,467	759

Note 13**Non-current assets - investment properties**

	Note	2013 \$'000	2012 \$'000
Opening balance at the beginning of the year		141,151	192,306
Additions		39,712	60,782
Lease incentives		1,881	895
Amortisation of lease incentives		(647)	(254)
Rent straightlining		1,290	1,405
Disposals		(6,761)	-
Transfer to non-current assets classified as held for sale	11	(7,202)	(93,700)
Transfer from inventories	15	-	7,035
Net fair value gain/(loss) of investment properties		6,855	(27,318)
Closing balance at the end of the year		176,279	141,151

Key Valuation Assumptions

Details of key valuation assumptions in relation to investment properties are outlined in note 13 of the DXS Financial Statements.

Note 14**Non-current assets - plant and equipment**

	2013 \$'000	2012 \$'000
Opening balance at the beginning of the year	4,678	3,922
Additions	7,008	2,821
Depreciation charge	(2,905)	(2,065)
Closing balance at the end of the year	8,781	4,678

	2013 \$'000	2012 \$'000
Cost	22,626	15,618
Accumulated depreciation	(13,845)	(10,940)
Net book value as at the end of the year	8,781	4,678

Plant and equipment comprises IT and office equipment.

Note 15**Inventories****(a) Land and properties held for resale**

	2013 \$'000	2012 \$'000
Current assets		
Land and properties held for resale	10,853	26,841
Total current assets - inventories	10,853	26,841
Non-current assets		
Land and properties held for resale	242,057	70,990
Total non-current assets - inventories	242,057	70,990
Total assets - inventories	252,910	97,831

(b) Reconciliation

	Note	2013 \$'000	2012 \$'000
Opening balance at the beginning of the year		97,831	112,238
Transfer to investment properties	13	-	(7,035)
Disposals		(23,924)	(43,998)
Impairment		(1,209)	(14,846)
Acquisitions, additions and other		180,212	51,472
Closing balance at the end of the year		252,910	97,831

Acquisitions

- On 30 November 2012, 50 Carrington Street, Sydney, NSW was acquired for \$58.5 million, excluding acquisition costs.
- On 17 January 2013, 40 Market Street, Melbourne, VIC was acquired for \$46.7 million, excluding acquisition costs.
- On 27 June 2013, DEXUS Projects Pty Limited, a wholly owned subsidiary of DXO, purchased 154 O'Riorden Street, Mascot, NSW from DEXUS PID Trust, a wholly owned subsidiary of DIT, for \$14.5 million.

Disposals

- During the year ended 30 June 2013, six lots located at Boundary Road, Laverton, VIC were disposed of for gross proceeds of \$24.4 million.

Note 16**Non-current assets - deferred tax assets**

	2013 \$'000	2012 \$'000
The balance comprises temporary differences attributable to:		
Derivative financial instruments	650	1,048
Employee provisions	10,671	12,229
Incentives	-	363
Other	598	825
Deferred tax asset arising from temporary differences	11,919	14,465
Deferred tax arising on tax losses	27,495	22,264
Total non-current assets - deferred tax assets	39,414	36,729
Movements		
Opening balance at the beginning of the year	36,729	28,052
Recognition of tax losses	5,231	8,399
Movement in deferred tax asset arising from temporary differences	(2,546)	278
Credited to the Statement of Comprehensive Income	2,685	8,677
Closing balance at the end of the year	39,414	36,729

Note 17**Non-current assets - intangible assets**

	2013 \$'000	2012 \$'000
Management rights		
Opening balance at the beginning of the year	221,935	222,353
Reversal of previous impairment	20,494	-
Amortisation charge	(329)	(418)
Closing balance at the end of the year	242,100	221,935
 Cost	 252,382	 252,382
Accumulated amortisation	(2,973)	(2,644)
Accumulated impairment	(7,309)	(27,803)
Total management rights	242,100	221,935
 Goodwill		
Opening balance at the beginning of the year	1,706	2,331
Impairment	(99)	(625)
Closing balance at the end of the year	1,607	1,706
 Cost	 2,998	 2,998
Accumulated impairment	(1,391)	(1,292)
Total goodwill	1,607	1,706
Total non-current assets - intangible assets	243,707	223,641

Management rights represent the asset management rights owned by DXH, which entitle it to management fee revenue from both finite and indefinite life trusts. Those rights that are deemed to have a finite useful life (held at a value of \$5,356,996 (2012: \$5,686,657)) are measured at cost and amortised using the straight-line method over their estimated remaining useful lives of 20 years. Management rights that are deemed to have an indefinite life are held at a value of \$236,743,004 (2012: \$216,248,492).

Impairment of management rights

During the current year, management carried out a review of the recoverable amount of its management rights. As part of this process, the estimated fair value of assets under management, which are used to derive the future expected management fee income, have been adjusted to better reflect current market conditions and committed developments. This has resulted in the recognition of a reversal of previous impairments of \$20.5 million (2012: nil) through the Consolidated Statement of Comprehensive Income.

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

Key assumptions:

- A terminal capitalisation rate of 12.5% (2012: 12.5%) was used incorporating an appropriate risk premium for a management business.
- The cash flows have been discounted at 9.5% (2012: 9.3%) based on externally published weighted average cost of capital for an appropriate peer group plus an appropriate premium for risk. A 0.25% (2012: 0.25%) decrease in the discount rate would increase the valuation by \$2.7 million (2012: \$2.4 million).

Note 18**Non-current assets - available-for-sale financial assets**

	2013 \$'000	2012 \$'000
DXS securities	2,200	-
Total available-for-sale financial assets	2,200	-

Note 19**Non-current assets - other**

	2013 \$'000	2012 \$'000
Tenant and other bonds	5	5
Other	2	61
Total non-current assets - other	7	66

Note 20**Current liabilities - payables**

	2013 \$'000	2012 \$'000
Trade creditors	3,887	1,938
Accruals	4,150	2,629
Accrued capital expenditure	759	972
Employee related expenses	2,292	3,242
Payable to related parties	1,666	2,284
Total current liabilities - payables	12,754	11,065

Note 21**Loans with related parties**

	2013 \$'000	2012 \$'000
Current liabilities - loan with related parties		
Non-interest bearing loans with entities within DXS ¹	48,932	48,932
Total current liabilities - loan with related parties	48,932	48,932
Non-current liabilities - loan with related parties		
Interest bearing loans with related parties ²	500,369	402,409
Total non-current liabilities - loan with related parties	500,369	402,409

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

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

Note 22

Provisions

	2013 \$'000	2012 \$'000
Current		
Provision for employee benefits	22,834	22,324
Total current liabilities - provisions	22,834	22,324
	2013 \$'000	2012 \$'000
Non-current		
Provision for employee benefits	13,639	16,351
Total non-current liabilities - provisions	13,639	16,351

Note 23

Non-current liabilities - derivative financial instruments

	2013 \$'000	2012 \$'000
Interest rate swap contracts	2,442	3,772
Total non-current liabilities - derivative financial instruments	2,442	3,772

Refer note 29 for further discussion regarding derivative financial instruments.

Note 24

Non-current liabilities - deferred tax liabilities

	2013 \$'000	2012 \$'000
The balance comprises temporary differences attributable to:		
Goodwill	2,107	2,205
Inventories	932	1,626
Other	176	82
Total non-current liabilities - deferred tax liabilities	3,215	3,913
Movements		
Opening balance at the beginning of the year	3,913	17,013
Credited to the Statement of Comprehensive Income	(698)	(13,100)
Closing balance at the end of the year	3,215	3,913

Note 25**Contributed equity****(a) Contributed equity**

	2013 \$'000	2012 \$'000
Opening balance at the beginning of the year	199,712	26,335
Capital contribution	-	174,979
Capital contribution transaction costs	-	(78)
Buy back of contributed equity	(1,937)	(1,524)
Closing balance at the end of the year	197,775	199,712

(b) Number of units on issue

	2013 No. of units	2012 No. of units
Opening balance at the beginning of the year	4,783,817,657	4,839,024,176
Buy back of contributed equity	(81,860,267)	(55,206,519)
Closing balance at the end of the year	4,701,957,390	4,783,817,657

Terms and conditions

Each stapled security ranks equally with all other stapled securities for the purposes of distributions and on termination of the Trust. Each stapled security entitles the holder to vote in accordance with the provisions of the Constitution and the *Corporations Act 2001*.

Note 26**Reserves and accumulated losses****(a) Reserves**

	2013 \$'000	2012 \$'000
Asset revaluation reserve	42,738	42,738
Foreign currency translation reserve	-	-
Security-based payments reserve	37	13
Treasury securities reserve	(56)	-
Available-for-sale financial assets	13	-
Total reserves	42,732	42,751
Movements:		
Asset revaluation reserve		
Opening balance at the beginning of the year	42,738	42,738
Closing balance at the end of the year	42,738	42,738
Foreign currency translation reserve		
Opening balance at the beginning of the year	-	-
Exchange differences on translating foreign operations	(3)	-
Transfer on disposal of foreign operations	3	-
Closing balance at the end of the year	-	-
Security-based payments reserve		
Opening balance at the beginning of the year	13	-
Security-based payments expense	24	13
Closing balance at the end of the year	37	13
Treasury securities reserve		
Opening balance at the beginning of the year	-	-
Purchase of securities	(56)	-
Closing balance at the end of the year	(56)	-
Available-for-sale financial assets		
Opening balance at the beginning of the year	-	-
Fair value gain of securities	13	-
Closing balance at the end of the year	13	-

(b) Nature and purpose of reserves**Foreign currency translation reserve**

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

Asset revaluation reserve

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

Note 26**Reserves and retained profits (continued)****(b) Nature and purpose of reserves (continued)****Security-based payments reserve**

The security-based payments reserve is used to recognise the fair value of performance rights to be issued under the 2012 Transitional Performance Rights Plan, the Deferred Short Term Incentive Plan (DSTI) and the Long Term Incentive Plan (LTI). Refer to note 32 for further details.

Treasury securities reserve

The treasury securities reserve is used to record the acquisition of securities purchased to fulfil the obligations of the 2012 Transitional Performance Rights Plan, the Deferred Short Term Incentive Plan (DSTI) and the Long Term Incentive Plan (LTI). As at 30 June 2013, the Trust held 2,108,728 stapled securities (2012: nil).

Available-for-sale financial assets

Changes in the fair value arising on valuation of investments, classified as available-for-sale financial assets, are recognised in other comprehensive income, as described in note 1(u) and accumulated in a separate reserve within equity. Amounts are reclassified to profit or loss when the associated assets are sold, transferred or impaired.

(c) Accumulated losses

	2013 \$'000	2012 \$'000
Opening balance at the beginning of the year	(119,769)	(90,616)
Net profit/(loss) attributable to unitholders	30,648	(29,153)
Closing balance at the end of the year	(89,121)	(119,769)

Note 27**Distributions paid and payable**

There were no distributions paid or payable by the Trust for the year ended 30 June 2013 (2012: nil).

Franked dividends

The franked portions of the final dividends recommended after 30 June 2013 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ended 30 June 2013.

	2013 \$'000	2012 \$'000
Franking credits		
Opening balance at the beginning of the year	16,181	17,196
Franking debits arising during the year on receipt of tax refund at 30%	-	(1,015)
Closing balance at the end of the year	16,181	16,181

Note 28**Parent entity financial information****(a) Summary financial information**

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

	2013 \$'000	2012 \$'000
Total current assets	54,831	153,089
Total assets	339,180	403,014
Total current liabilities	52,272	51,724
Total liabilities	222,764	295,463
Equity		
Contributed equity	197,775	199,712
Retained profits	(81,359)	(92,161)
Total equity	116,416	107,551
Net profit/(loss) for the year from continuing operations	10,768	(11)
Net profit/(loss) for the year from discontinued operations	34	-
Net profit/(loss) for the year	10,802	(11)
Total comprehensive loss for the year	10,802	(11)

(b) Investments in controlled entities

The parent entity has the following investments:

Name of entity	Principal activity	Ownership Interest			
		2013 %	2012 %	2013 \$'000	2012 \$'000
Barrack Street Trust	Office property investment	100.0	100.0	99	99
DEXUS Holdings Pty Limited	Management services	100.0	100.0	98,652	98,652
DEXUS Projects Pty Limited	Industrial property development	100.0	100.0	-	-
DEXUS Office Projects Pty Limited	Office property development	100.0	100.0	-	-
DXO Subtrust No. 1	Holding Company	100.0	100.0	-	-
DEXUS US Holdings Pty Limited	Industrial property investment	100.0	-	-	-
Total non-current assets - investments in controlled entities				98,751	98,751

(c) Guarantees

Refer to note 30 for details of guarantees entered into by the parent entity.

(d) Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2013 (2012: nil).

(e) Capital commitments

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

	2013 \$'000	2012 \$'000
Investment properties	33,772	30,647
Total capital commitments	33,772	30,647

Note 29

Financial risk management

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

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

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

(1) Capital risk management

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

The capital structure of the Trust consists of debt (see note 21), cash and cash equivalents, and equity attributable to unitholders. The capital structure is monitored and managed in consideration of a range of factors including:

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

The gearing ratio at 30 June 2013 was 104.9% (as detailed below).

	2013	2012
	\$'000	\$'000
Gearing ratio		
Interest bearing liabilities ¹	500,369	402,409
Total tangible assets ²	476,808	371,090
Gearing ratio ³	104.9%	108.4%

¹ Total interest bearing liabilities excludes deferred borrowing costs.

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

³ Gearing is managed centrally for DXS. The gearing ratio as disclosed in the DEXUS Property Group Financial Statements 2013 is 29.1% (2012: 27.8%)(refer note 28 of the DXS Financial Statements).

The Trust is not rated by ratings agencies, however, DXS is rated BBB+ by Standard and Poor's and Baa1 by Moody's. The Trust considers potential impacts upon the rating when assessing the strategy and activities of the Trust and regards those impacts as an important consideration in its management of the Trust's capital structure.

The Trust is required to comply with certain financial covenants in respect of its interest-bearing liabilities. During 2013 and 2012 reporting periods, the Trust was in compliance with all of its financial covenants.

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

DEXUS Wholesale Property Limited (DWPL), a wholly owned entity, has also been issued with an AFSL as it is the Responsible Entity for DEXUS Wholesale Property Fund. DEXUS Wholesale Management Limited (DWML), a wholly owned entity, has also been issued with an AFSL as it is the Trustee of the Golden Diamond (GD) Trust. These entities are subject to the same requirements.

Note 29

Financial risk management (continued)

(2) Financial risk management

The Trust's activities expose it to a variety of financial risks: credit risk, market risk (interest rate and equity price risks), and liquidity risk. Financial risk management is not managed at the individual trust level, but holistically as part of DXS. DXS's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Trust.

Accordingly, the Trust enters into various derivative financial instruments such as interest rate swaps to manage its exposure to certain risks. The Trust does not trade in derivative instruments for speculative purposes. The Trust uses different methods to measure the different types of risks to which it is exposed, including monitoring the current and forecast levels of exposure, and conducting sensitivity analysis.

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

(a) Liquidity risk

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

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

- short-term liquidity management includes continuously monitoring forecast and actual cash flows;
- medium-term liquidity management includes maintaining a level of committed borrowing facilities above the forecast committed debt requirements (liquidity headroom buffer). Committed debt includes future expenditure that has been approved by the Board or Investment Committee (as required within delegated limits), and may also include projects that have a very high probability of proceeding, taking into consideration risk factors such as the level of regulatory approval, tenant pre-commitments and portfolio considerations; and
- long-term liquidity risk is managed through ensuring an adequate spread of maturities of borrowing facilities so that refinancing risk is not concentrated, and ensuring an adequate diversification of funding sources where possible, subject to market conditions.

Refinancing risk

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

The refinancing of existing facilities may also result in margin price risk, whereby market conditions may result in an unfavourable change in credit margins on the refinanced facilities. The Trust's key risk management strategy for margin price risk on refinancing is to spread the maturities of debt facilities over different time periods to reduce the volume of facilities to be refinanced and the exposure to market conditions in any one period.

An analysis of the contractual maturities of the Trust's interest bearing liabilities and derivative financial instruments is shown in the table below. The amounts in the table represent undiscounted cash flows.

Note 29**Financial risk management (continued)****(2) Financial risk management (continued)****(a) Liquidity risk (continued)**

	2013				2012			
	Expiring within one year \$'000	Expiring between one and two years \$'000	Expiring between two and five years \$'000	Expiring after five years \$'000	Expiring within one year \$'000	Expiring between one and two years \$'000	Expiring between two and five years \$'000	Expiring after five years \$'000
Receivables	30,416	-	-	-	19,823	-	-	-
Payables	12,754	-	-	-	11,065	-	-	-
	17,662				8,758			
Interest bearing loans with related parties and interest ¹	30,964	28,004	581,426	-	27,163	27,163	81,488	429,572
Derivative financial instruments								
Derivative assets	1,941	48	-	-	-	-	-	-
Derivative liabilities	-	92	14	-	1,461	1,305	29	-
Total net derivative financial instruments ²	1,941	(44)	(14)	-	(1,461)	(1,305)	(29)	-

1 Includes estimated interest.

2 For interest rate swaps, only the net interest cash flows (not the notional principal) are included. For derivative assets and liabilities that have floating interest cash flows, future cash flows have been calculated using static interest and exchange rates prevailing at the end of each reporting period. Refer to note 23 (derivative financial instruments) for fair value of derivatives. Refer to note 30 (contingent liabilities) for financial guarantees.

(b) Market risk

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

(i) Interest rate risk

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

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

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

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

Note 29**Financial risk management (continued)****(2) Financial risk management (continued)****(b) Market risk (continued)****(i) Interest rate risk (continued)**

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

	June 2014	June 2015	June 2016 > June 2017	June 2018 > June 2019
	\$'000	\$'000	\$'000	\$'000
Interest rate swaps				
A\$ hedged ¹	50,000	27,500	2,500	-
A\$ hedge rate (%) ²	6.75%	2.90%	0.27%	0.00%

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

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

Sensitivity on interest expense

The table below shows the impact on unhedged net interest expense (excluding non-cash items) of a 50 basis point increase or decrease in short-term and long-term market interest rates. The sensitivity on cash flow arises due to the impact that a change in interest rates will have on the Trust's floating rate debt and derivative cash flows. Net interest expense is only sensitive to movements in markets rates to the extent that floating rate debt is not hedged.

		2013	2012
		(+/-) \$'000	(+/-) \$'000
+ / - 0.50% (50 basis points)	A\$	2,252	1,762

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

Sensitivity on fair value of interest rate swaps

The table below shows the impact on the Statement of Comprehensive Income for changes in the fair value of interest rate swaps for a 50 basis points increase and decrease in short-term and long-term market interest rates. The sensitivity on the fair value arises from the impact that changes in market rates will have on the mark-to-market valuation of the interest rate swaps. The fair value of interest rate swaps is calculated as the present value of estimated future cash flows on the instruments. Cash flows are discounted using the forward price curve of interest rates at the end of the reporting period. Although interest rate swaps are transacted for the purpose of providing the Trust with an economic hedge, the Trust has elected not to apply hedge accounting to its interest rate derivatives. Accordingly, gains or losses arising from changes in the fair value are reflected in the Statement of Comprehensive Income.

		2013	2012
		(+/-) \$'000	(+/-) \$'000
+ / - 0.50% (50 basis points)	A\$	393	491

Note 29**Financial risk management (continued)****(2) Financial risk management (continued)****(b) Market risk (continued)****(ii) Equity price risk**

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

Sensitivity analysis on equity price risk

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

		2013 (+/-) \$'000	2012 (+/-) \$'000
+ / - 10%	A\$	220	-

(c) Credit risk

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

The Trust manages this risk by:

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

A minimum S&P rating of A- (or Moody's or Fitch equivalent) is required to become or remain an approved counterparty. As at 30 June 2013, the lowest rating of counterparties that the Trust is exposed to was A- (Fitch) (2012: A (S&P)).

Financial instrument transactions are spread among a number of approved financial institutions within specified credit limits to minimise the Trust's exposure to any one counterparty. As a result, there is no significant concentration of credit risk for financial instruments.

The maximum exposure to credit risk at 30 June 2013 and 30 June 2012 is the carrying amount of financial assets recognised on the Statement of Financial Position.

As at 30 June 2013 and 30 June 2012, there were no significant concentrations of credit risk for trade receivables. Trade receivable balances and the credit quality of trade debtors are consistently monitored on an ongoing basis.

Note 29**Financial risk management (continued)****(2) Financial risk management (continued)****(c) Credit risk (continued)**

The ageing analysis of loans and receivables net of provisions at 30 June 2013 is (\$'000): 25,548 (0-30 days), 2,352 (31-60 days), 1,693 (61-90 days), 1,823 (91+ days). The ageing analysis of loans and receivables net of provisions at 30 June 2012 is (\$'000): 14,604 (0-30 days), 1,621 (31-60 days), 1,537 (61-90 days), 2,061 (91+ days). Amounts over 31 days are past due, however, no receivables are impaired.

The credit quality of financial assets that are neither past due nor impaired is consistently monitored to ensure that there are no adverse changes in credit quality.

(d) Fair value of financial instruments

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

As at 30 June 2013 and 30 June 2012, the carrying amounts and fair value of financial assets and liabilities are shown as follows:

	2013 Carrying amount ¹ \$'000	2013 Fair value ² \$'000	2012 Carrying amount ¹ \$'000	2012 Fair value ² \$'000
Financial assets				
Cash and cash equivalents	4,748	4,748	13,082	13,082
Receivables	30,416	30,416	19,823	19,823
Available-for-sale financial assets	2,200	2,200	-	-
Total financial assets	37,364	37,364	32,905	32,905
Financial liabilities				
Trade payables	12,754	12,754	11,065	11,065
Derivative liabilities	2,442	2,442	3,772	3,772
Non-interest bearing loans with entities within DXS	48,932	48,932	48,932	48,932
Interest bearing liabilities				
Interest bearing loans with related parties	500,369	500,369	402,409	402,409
Total financial liabilities	564,497	564,497	466,178	466,178

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

² Fair value is the amount for which the financial instrument could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Where there is a difference between the carrying amount and fair value the difference is not recognised in the Statement of Financial Position.

The fair value of fixed rate interest bearing liabilities has been determined by discounting the expected future cash flows by the relevant market rates. The discount rates applied range from 2.66% to 5.29% for A\$. Refer note 1(v) for fair value methodology for financial assets and liabilities.

Note 29**Financial risk management (continued)****(2) Financial risk management (continued)****(d) Fair value of financial instruments (continued)****Determination of fair value**

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

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

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

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

The following table presents the assets and liabilities measured and recognised as at fair value 30 June 2013 and 30 June 2012.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2013 \$'000
Financial assets				
Available-for-sale financial assets	2,200	-	-	2,200
Financial liabilities				
Derivative Liabilities				
Interest rate derivatives	-	2,442	-	2,442
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2012 \$'000
Financial assets				
Available-for-sale financial assets	-	-	-	-
Financial liabilities				
Derivative Liabilities				
Interest rate derivatives	-	3,772	-	3,772

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

Note 30

Contingent liabilities

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

	2013 \$'000	2012 \$'000
Bank guarantees by the Trust in respect of variations and other financial risks associated with the development of:		
Boundary Road, Laverton VIC - Stage 2	532	368
Quarry, Greystanes NSW	413	-
Contingent liabilities in respect of developments	532	368

The Trust together with DDF, DIT and DOT is also a guarantor of a total of A\$1,473.5 million and US\$50 million (A\$53.9 million) of bank bilateral facilities, a total of A\$575.0 million of medium term notes, a total of US\$130.0 million (A\$140.2 million) of privately placed notes, and a total of US\$250.0 million (A\$268.8 million) public 144A senior notes, which have all been negotiated to finance the Trust and other entities within DXS. The guarantees have been given in support of debt outstanding and drawn against these facilities, and may be called upon in the event that a borrowing entity has not complied with certain requirements such as failure to pay interest or repay a borrowing, whichever is earlier. During the period no guarantees were called.

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

The Trust has bank guarantees of \$12.0 million held on behalf of DEXUS Funds Management Limited and DEXUS Wholesale Property Limited to comply with the terms of their Australian Financial Services Licences (AFSL). The bank guarantees are issued in respect of the Trust and do not constitute an additional liability to those already existing on the Statements 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 31**Commitments****(a) Capital commitments**

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

	2013 \$'000	2012 \$'000
Investment properties	29,876	30,647
Inventories	4,930	10,126
Total capital commitments	34,806	40,773

(b) Lease payable commitments

The future minimum lease payments payable are:

	2013 \$'000	2012 \$'000
Within one year	4,153	3,008
Later than one year but not later than five years	11,564	3,918
Greater than five years	1,990	-
Total lease payable commitments	17,707	6,926

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

The Trust has a commitment for ground rent payable in respect of a leasehold property included in investment properties and a commitment for its Head Office premise at 264-278 George Street, Sydney and for 343 George Street, Sydney.

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

(c) Lease receivable commitments

The future minimum lease payments receivable by the Trust are:

	2013 \$'000	2012 \$'000
Within one year	19,760	11,854
Later than one year but not later than five years	61,769	50,620
Later than five years	30,565	79,209
Total lease receivable commitments	112,094	141,683

Note 32

Related parties

Responsible Entity

DXFM is the Responsible Entity of DDF, DIT, DOT and DXO.

DXH is the parent entity of DWPL, the Responsible Entity for DEXUS Wholesale Property Fund (DWPF).

Responsible Entity fees

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

Related party transactions

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

DEXUS Funds Management Limited and its related entities

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

	2013	2012
	\$	\$
Transactions with DEXUS Diversified Trust		
Responsible Entity fee revenue	5,162,470	5,487,594
Property management fee revenue	4,459,208	4,330,685
Recovery of administration expenses	3,769,142	3,915,031
Aggregate amount receivable at the end of each reporting period (included above)	935,104	1,079,398
Transactions with DEXUS Industrial Trust		
Responsible Entity fee revenue	3,084,569	4,025,546
Property management fee revenue	2,530,596	2,496,534
Recovery of administration expenses	3,204,412	3,739,108
Purchase of investment properties	14,500,000	-
Aggregate amount receivable at the end of each reporting period (included above)	964,033	581,655
Transactions with DEXUS Office Trust		
Responsible Entity fee revenue	11,229,765	9,860,933
Property management fee revenue	7,757,188	8,210,494
Recovery of administration expenses	10,362,695	6,099,606
Aggregate amount receivable at the end of each reporting period (included above)	3,594,546	1,796,935
Rent paid to Southgate Trust	4,263,654	3,150,041

Note 32**Related parties (continued)**

	2013	2012
	\$	\$
Transactions with DEXUS Finance Pty Limited		
Management fee revenue	897,198	888,297
Recovery of administration expenses	762,459	84,804
Aggregate amount receivable at the end of each reporting period (included above)	232,806	223,092
Interest bearing loan payable at the end of each reporting period	500,368,753	402,409,437
Transactions with DEXUS Wholesale Property Fund		
Responsible Entity fee revenue	21,017,944	19,003,659
Property management fee revenue	7,629,028	7,435,393
Recovery of administration expenses	3,377,099	3,141,448
Aggregate amount receivable at the end of each reporting period (included above)	2,891,504	2,519,300
Bent Street Trust		
Property management fee revenue	850,960	2,112,131
Recovery of administration expenses	541,179	796,137
Aggregate amount receivable at the end of each reporting period (included above)	143,340	138,206
Transactions with Kent Street Joint Venture		
Responsible Entity fee revenue	565,875	547,500
Property management fee revenue	366,813	436,201
Recovery of administration expenses	239,326	301,674
Aggregate amount receivable at the end of each reporting period (included above)	183,975	314,952

Entities within DXS

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

	2013	2012
	\$	\$
Interest expense	28,015,050	35,583,270
Interest bearing loans advanced to entities within DXS	271,202,386	336,858,348
Interest bearing loans advanced from entities within DXS	340,524,537	196,480,439

Note 32**Related parties (continued)****Directors**

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

C T Beare, BSc, BE (Hons), MBA, PhD, FAICD ^{1,4,5}
 E A Alexander, AM, BComm, FCA, FAICD, FCPA ^{1,2}
 B R Brownjohn, BComm ^{1,2,7}
 J C Conde, AO, BSc, BE (Hons), MBA ^{1,4,6}
 T Dwyer, BJuris (Hons), LLB (Hons) ^{1,3}
 S F Ewen, OAM ^{1,4}
 Craig D Mitchell, BComm, EMBA, FCPA ¹⁰
 W R Sheppard, BEc (Hons) ^{1,2,8}
 D J Steinberg, BEc, FRICS, FAPI
 P B St George, CA(SA), MBA ^{1,5,9}

1 Independent Director

2 Board Audit, Risk & Sustainability Committee Member

3 Board Compliance Committee Member

4 Board Nomination, Remuneration & Governance Committee Member

5 Board Finance Committee Member

6 Resigned as Board Compliance Committee Member on 1 July 2012

7 Resigned as Board Finance Committee Member on 1 July 2012

8 Appointed as Board Finance Committee Member on 1 July 2012

9 Resigned as Board Audit, Risk & Sustainability Committee Member on 1 July 2012

10 Appointed as Director on 12 February 2013

Other key management personnel

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

Name	Title
Tanya L Cox ¹	Executive General Manager, Property Services and Chief Operating Officer
Ross Du Vernet ²	Executive General Manager, Strategy, Transactions & Research
John C Easy ¹	General Counsel
Kevin George ³	Executive General Manager, Office & Industrial

1 Ceased to be key management personnel on 1 July 2012.

2 Appointed as key management personnel on 1 July 2012.

3 Appointed as key management personnel on 10 December 2012.

Key management personnel compensation

	2013	2012
	\$	\$
Compensation		
Short-term employee benefits	9,219,857	10,166,375
Post employment benefits	229,763	247,967
Other long-term benefits	1,116,082	3,115,681
Termination benefits	-	2,300,000
Security-based payments	1,383,669	330,000
	11,949,371	16,160,023

Note 32**Related parties (continued)****Equity instrument disclosures relating to key management personnel**

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

	Opening balance 1 July 2012	Purchases	Other ¹	Closing balance 30 June 2013
Directors				
Christopher T Beare	-	100,000	-	100,000
Elizabeth A Alexander, AM	-	100,000	-	100,000
Barry R Brownjohn	-	50,000	-	50,000
John C Conde, AO	-	100,000	-	100,000
Tonianne Dwyer	-	100,000	-	100,000
Stewart F Ewen, OAM	-	100,000	-	100,000
Craig D Mitchell	-	-	539,782	539,782
W Richard Sheppard	-	100,000	-	100,000
Darren J Steinberg	-	-	453,417	453,417
Peter B St George	-	104,000	-	104,000
Other key management personnel				
Ross Du Vernet ²	-	-	215,913	215,913
Kevin George ³	-	-	-	-

1 Performance Rights granted under the 2012 Transitional Performance Rights Plan (refer note 37).

2 Appointed as key management personnel on 1 July 2012.

3 Appointed as key management personnel on 10 December 2012.

The DXFM Board has approved a grant of performance rights to DXS stapled securities to eligible participants (refer note 37). Details of the number of performance rights issued to each of the key management personnel are set out in section 3 of the Directors' Report.

There were no loans or other transactions with key management personnel or their related parties during the years ended 30 June 2013 and 30 June 2012.

Note 32

Related parties (continued)

Remuneration Report

1. Overview

The Board has pleasure in presenting the Remuneration Report for the DEXUS Property Group (Group). As with prior years, the Remuneration Report has been prepared in accordance with the Corporations Act and relevant accounting standards. Whilst the Group is not statutorily required to prepare such a report, the Board continues to believe that the disclosure of the Group's remuneration practices is in the best interests of all security holders.

Effective 1 July 2012, the Group implemented its new remuneration framework, which includes a new Short-term Incentive (STI) and Long-term Incentive (LTI) plan. The operation of these plans received security holder approval at the Group's Annual General Meeting on 5 November 2012.

The Board believes that the Group's remuneration framework encourages Executives to perform in the best interests of security holders. Short term financial and operational objectives are approved annually by the Board for each Executive, promoting alignment between investor returns and the rewards an Executive can receive under the STI plan. In addition, the Board has determined a set of financial performance hurdles within the LTI plan which provide the Executive with a performance and retention incentive which is strongly linked to security holder returns over the longer-term.

The main Executive remuneration actions for the year ending 30 June 2013 were:

- The implementation of the new remuneration framework effective 1 July 2012
- No fixed remuneration increases for Executives
- The closure of the DEXUS Performance Payment (DPP) and DEXUS Deferred Performance Payment (DDPP) plans
- The Board exercised its discretion to not apply a performance multiplier to vesting legacy DDPP plan outcomes
- Performance pay outcomes for Executives approved by the Board reflect the Group's strong financial and operational results
- Non-Executive Directors base fees remain unchanged since 1 July 2010

Effective 1 July 2013, the Board have approved an average fixed remuneration increase of 2% for Executives and 3% for other employees, noting that that the fixed remuneration for the Chief Executive Officer will remain unchanged.

This Remuneration Report has been prepared in accordance with AASB 124 *Related Party Disclosures* and section 300A of the *Corporations Act 2001* for the year ended 30 June 2013. The information provided in this Report has been audited in accordance with the provisions of section 308 (3C) of the *Corporations Act 2001*.

2. Key Management Personnel

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

- Non-Executive Directors
- Executive Directors (Chief Executive Officer & Chief Financial Officer)
- Key Executives considered KMP under the *Corporations Act 2001* (Executive KMP)

Below are the individuals determined to be KMP of the Group, classified between Non-Executive Directors, Executive Directors and Executive KMP:

Non-Executive Directors

Non-Executive Director	Title	KMP 2012	KMP 2013
Christopher T Beare	Chair	✓	✓
Elizabeth A Alexander AM	Director	✓	✓
Barry R Brownjohn	Director	✓	✓
John C Conde AO	Director	✓	✓
Tonianne Dwyer	Director	✓	✓
Stewart F Ewen OAM	Director	✓	✓
W Richard Sheppard	Director	✓	✓
Peter B St George	Director	✓	✓

Executive Directors

Executive Directors	Position	KMP 2012	KMP 2013
Darren J Steinberg	Chief Executive Officer	Part-Year	✓
Craig D Mitchell	Chief Financial Officer	✓	✓

Executive KMP

Executive KMP	Position	KMP 2012	KMP 2013
Kevin L George	Executive General Manager, Office & Industrial	N/A	Part-Year
Ross G Du Vernet	Executive General Manager, Transactions, Strategy & Research	No	✓

Group Management Committee Members - Previously Included as Executive KMP

Former Executive KMP	Position	KMP 2012	KMP 2013
Tanya L Cox	Executive General Manager, Property Services & Chief Operating Officer	✓	No
John C Easy	General Counsel & Company Secretary	✓	No

Ms Cox and Mr Easy continue as Group Management Committee members. The current organisation structure and membership of internal committees have led to a change in those considered by the Board to be Executive KMP for the 2013 year. The Board has indicated that the composition of Executive KMP may change from year to year in line with the strategic and operational focus of the Group.

3. Board Nomination, Remuneration & Governance Committee

The objectives of the Committee are to assist the Board in fulfilling its responsibilities by overseeing all aspects of Non-Executive Director and Executive remuneration, as well as Board nomination and performance evaluation. Primarily, the responsibilities of the Committee are to review and recommend to the Board:

- Board and CEO succession plans
- performance evaluation procedures for the Board, its committees and individual Directors
- the nomination, appointment, re-election and removal of Directors
- the Group's approach to remuneration, including design and operation of employee incentive plans
- Executive performance and remuneration outcomes
- Non-Executive Directors' fees

The Committee comprises three independent Non-Executive Directors. For the year ended 30 June 2013 Committee members were:

Non-Executive Director	Title	2012	2013
John C Conde AO	Committee Chair	✓	✓
Christopher T Beare	Committee Member	✓	✓
Stewart F Ewen OAM	Committee Member	✓	✓

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

The Committee operates independently from management, and may at its discretion appoint external advisors or instruct management to compile information for its consideration. The CEO attends certain Committee meetings by invitation, where management input is required. The CEO is not present during any discussions related to his own remuneration arrangements.

During the year the Committee appointed Egan Associates to provide remuneration advisory services. Egan Associates were paid a total of \$12,705 for remuneration recommendations made to the Committee and \$39,097 for other advisory services. The Committee is satisfied the advice received from Egan Associates is free from undue influence from the KMP to whom the remuneration recommendations relate. Egan Associates also confirmed in writing that the remuneration recommendations were made free from undue influence by the relevant KMP.

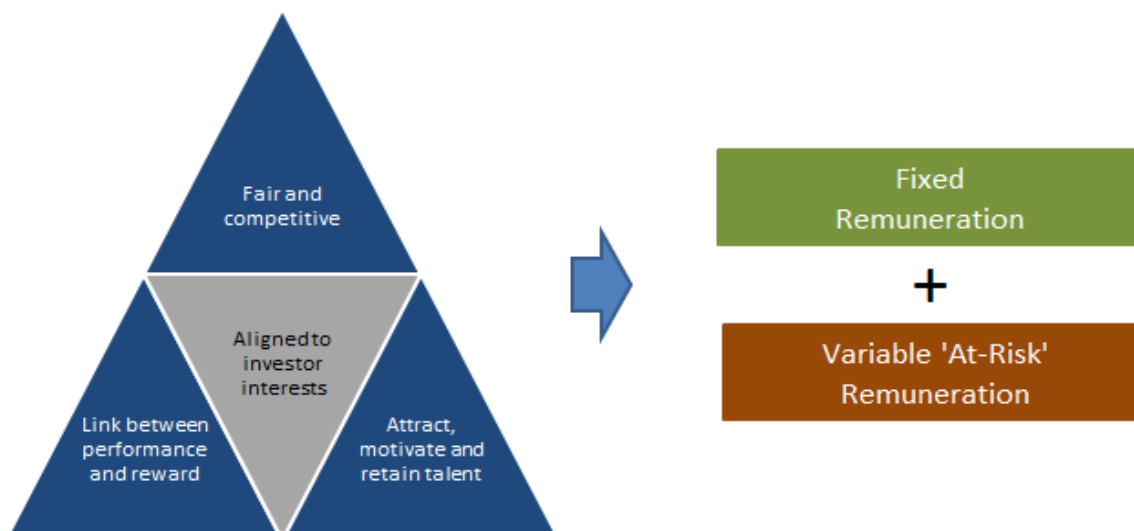
The 2012 Remuneration Report received positive security holder support at the 2012 Annual General Meeting with a vote of 98.3% in favour.

4. Executive Remuneration

Context

The Board believes that Executives should be rewarded at levels consistent with the complexity and risks involved in their position. Incentive awards should be scaled according to the relative performance of the Group, as well as business unit performance and individual effectiveness.

The Group's remuneration principles and target remuneration structure is:



The Group requires, and needs to retain, an Executive team with significant experience in:

- the office, industrial and retail property sectors
- property management, including securing new tenancies under contemporary lease arrangements, asset valuation and related financial structuring and property development in its widest context
- capital markets, funds management, fund raising, joint venture negotiations and the provision of advice and support to independent investment partners
- treasury, tax and compliance

In this context the Committee reviews trends in employee reward structures and strategies embraced across these sectors, including:

- comparable international funds and asset managers which have an active presence in Australia;
- ASX listed entities
- boutique property asset managers and consultants
- where relevant, information from private equity and hedge funds will be considered.

At the Executive level, the Committee reviews feedback from remuneration advisers, proxy advisers and institutional investors, and considers stakeholder interests at each stage of the remuneration review process.

5. Remuneration Structure

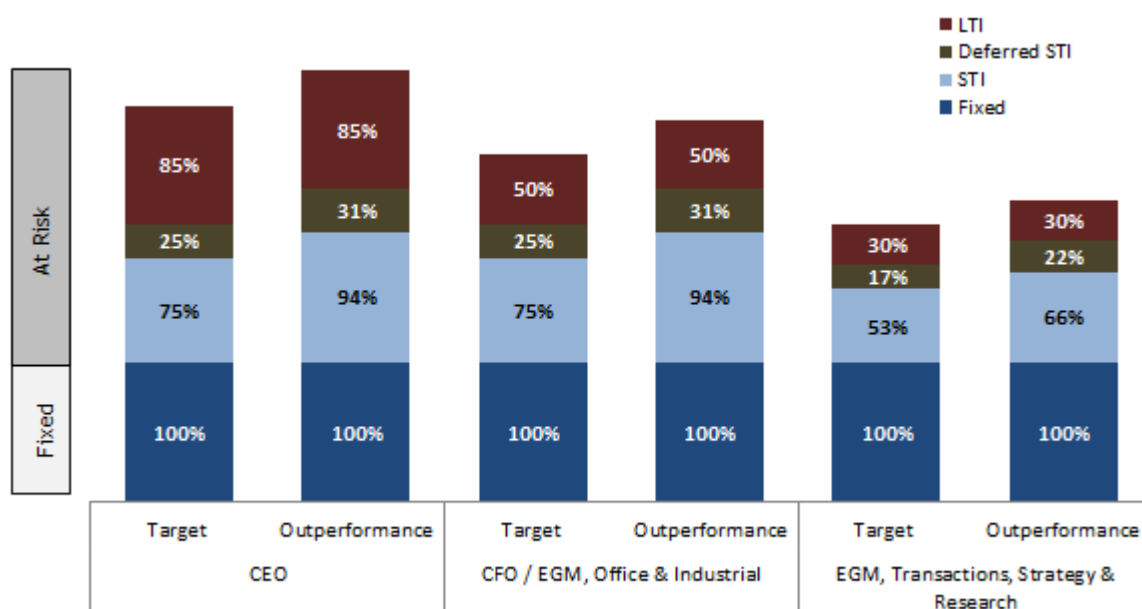
Remuneration Mix

The remuneration structure for Executives comprises fixed remuneration, a short term incentive and a long term incentive. The mix between these components varies according to the individual's position and is determined based on the Group's remuneration principles detailed above.

The remuneration mix for Executives during 2013 was:

Executive	Fixed	Target STI	Target Deferred STI	LTI
Darren J Steinberg	35%	26%	9%	30%
Craig D Mitchell	40%	30%	10%	20%
Kevin L George	40%	30%	10%	20%
Ross G Du Vernet	50%	26%	9%	15%

The chart below shows the remuneration structure for Executives expressed as a percentage of Fixed Remuneration at both target and outperformance (stretch) levels.



Total Remuneration

How does the Board determine total remuneration?	<p>The Committee reviews a considerable amount of information from a variety of sources to ensure an appropriate outcome reflecting market practice (incorporating various benchmarks) is achieved. These sources include:</p> <ul style="list-style-type: none"> Publicly available remuneration reports of A-REIT competitors Publicly available remuneration reports from ASX listed companies with similar market capitalisation and complexity Advice on remuneration levels of privately held property, funds management and private equity owned companies Salary survey data from Hart Consulting, Avdiev, Aon Hewitt, FIRG and others as appropriate Advice from external advisors appointed by the Committee such as Egan Associates <p>The comparator group of companies and market data considered as part of the above process is significantly larger than the comparator group of companies adopted for assessment of the Group's relative TSR performance under its LTI plan (refer below). Executives are typically recruited from the former group, whereas the Group's performance will be assessed appropriately with respect to the latter.</p>
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Fixed Remuneration

What is Fixed Remuneration?	Fixed remuneration is the regular pay (base salary and statutory superannuation contributions) an Executive receives in relation to his/her role. It reflects the complexity of the role, as well as the skills and competencies required to fulfil it, and is determined having regard to a variety of information sources to ensure the quantum is fair and competitive.
How is Fixed Remuneration determined?	The Board sets fixed remuneration around the median level of comparable companies after making adjustments for the different risk profiles of those companies (refer to Total Remuneration above). Group and individual performance is considered during the annual remuneration review process.

Short-term Incentive (STI) Plan

What is the STI plan?	The STI plan provides the Executive with an opportunity to achieve an annual remuneration outcome in addition to fixed remuneration, subject to the achievement of pre-agreed Group, divisional and individual performance objectives which are set out in a personalised balanced scorecard.
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How much can be earned under the STI plan?	Expressed as a percentage of fixed remuneration, Executives can earn the following incentive payments under the STI plan:		
		Target	Outperformance
	CEO	100%	125%
	CFO / EGM, Office & Industrial	100%	125%
	EGM, Strategy, Transactions & Research	70%	88%
	<p>Aggregate performance below predetermined thresholds would result in no award being made under the STI plan.</p> <p>The amount each Executive can earn is dependent on how he/she performs against a balanced scorecard of KPIs that is set at the beginning of each year. The balanced scorecard is arranged in categories and each category is weighted differently depending on the specific accountabilities of each Executive. If an Executive does not meet Threshold performance in a category, the score for that category will be zero.</p> <p>KPIs at the Target level are set with an element of stretch against Threshold performance, which ensures that it is difficult for an Executive to score 100% in any category. Following the same theme, KPIs at the Outperformance level have a significant amount of stretch, and would require exceptional outcomes to be achieved. KPIs at both the Target and Outperformance levels incorporate year-on-year growth.</p>		
When is the STI paid?	August of the financial year immediately following the performance period, following the sign-off of statutory accounts and announcement of Group's annual results.		
How does the deferral component operate?	<p>25% of any award under the STI plan will be deferred and awarded in the form of performance rights to DXS securities.</p> <p>The rights will vest in two equal tranches, 12 and 24 months after being awarded. They are subject to clawback and continued employment, and are based on a deferral period commencing 1 July after the relevant performance period.</p>		
How is the allocation of deferred STI determined?	The number of performance rights awarded is based on 25% of the STI value awarded to the Executive divided by the volume weighted average price (VWAP) of securities 10 trading days either side of the first trading day of the new financial year.		
How are distributions treated during the deferral period?	Executives will be entitled to the benefit of distributions paid on the underlying DXS securities prior to vesting, through the issue of additional performance rights.		
Can deferred STI be forfeited?	<p>Forfeiture will occur should the Executive's employment terminate within 6 months of the grant date for any reason, or if the Executive voluntarily resigns or is terminated for cause prior to the vesting date.</p> <p>Notwithstanding the above, if an Executive's employment is terminated for reasons such as retirement, redundancy, reorganisation, change in control or other unforeseen circumstances, the Committee will recommend whether the Executive should remain in the plan as a good leaver, for decision by the Board.</p>		
How is the STI plan aligned to security holder interests?	<p>The STI plan is aligned to security holder interests in the following ways:</p> <ul style="list-style-type: none"> as an immediate reward opportunity to attract, motivate and retain talented Executives who can influence the future performance of the Group through a 25% mandatory STI deferral for Executives, allowing for future clawback of STI awards in the event of a material misstatement of the Group's financial position 		

Long-term Incentive (LTI) Plan

What is the LTI plan?	The LTI is an incentive grant which rewards Executives for sustained earnings and security holder returns and is delivered in the form of performance rights to DXS securities.								
How are grants under the LTI plan determined?	<p>Executives receive a grant of performance rights to DXS securities (dependent on their role and responsibilities) under the LTI plan equivalent to the following (expressed as a percentage of Fixed Remuneration):</p> <table> <tr> <th></th><th>Grant as a % of fixed remuneration</th></tr> <tr> <td>CEO</td><td>85%</td></tr> <tr> <td>CFO / EGM, Office & Industrial</td><td>50%</td></tr> <tr> <td>EGM, Strategy, Transactions & Research</td><td>30%</td></tr> </table>		Grant as a % of fixed remuneration	CEO	85%	CFO / EGM, Office & Industrial	50%	EGM, Strategy, Transactions & Research	30%
	Grant as a % of fixed remuneration								
CEO	85%								
CFO / EGM, Office & Industrial	50%								
EGM, Strategy, Transactions & Research	30%								
How does the LTI plan work?	Performance rights are converted into DXS securities upon achievement of performance conditions set by the Board. Performance against the selected hurdles will be assessed in two equal tranches over two periods, 3 and 4 years after the grant date. If the performance conditions are not met over either period, then the respective performance rights will be forfeited. There is no re-testing of forfeited rights.								
Can an LTI grant be forfeited?	<p>If ore-determined performance hurdles are not met then the relevant part of the grant will not vest and those rights will be forfeited.</p> <p>Additionally, forfeiture will occur should the Executive's employment terminate within 12 months of the grant date for any reason, or if the Executive voluntarily resigns or is terminated for cause prior to the vesting date.</p> <p>Notwithstanding the above, if an Executive's employment is terminated for reasons such as retirement, redundancy, reorganisation, change in control or other unforeseen circumstances, the Committee will recommend whether the Executive should remain in the plan as a good leaver, for decision by the Board.</p>								
What are the performance hurdles?	<p>The Board sets the performance hurdles for the LTI plan on an annual basis. For the 2013 LTI grant, a set of external and internal hurdles has been selected.</p> <p>Notably, the Board has clarified the operation of the Relative TSR component of the LTI plan. The previously communicated 50% weighting to Relative TSR will be split into two distinct groups, the first being a standard Relative TSR measurement against listed peers, the second being a Relative ROE measurement against unlisted peers. The Board feels this is a more accurate comparison given the way investors measure the performance of listed and unlisted entities.</p> <p>The 4 performance hurdles for the 2013 LTI plan are:</p> <p><u>External Performance Hurdles (50%)</u></p> <ul style="list-style-type: none"> ▪ 25% is based on the Group's relative performance against a Total Security holder Return (Relative TSR) performance hurdle measured against a peer group of listed entities within the A-REIT sector <ul style="list-style-type: none"> – TSR represents an investor's return, calculated as the percentage difference between the initial amount invested and the final value of DXS securities at the end of the relevant period, assuming distributions were reinvested. ▪ 25% is based on the Group's relative performance against a Return On Equity (Relative ROE) performance hurdle measured against a peer group of unlisted entities within the A-REIT sector <ul style="list-style-type: none"> – ROE represents the annualised composite rate of return to security holders, calculated as a percentage, comprising the change in net tangible asset value per security together with the distributions paid to security holders per security, divided by the net tangible asset value per security at the beginning on the period. 								

<p>What are the performance hurdles? (continued)</p>	<p><u>Internal Performance Hurdles (50%)</u></p> <ul style="list-style-type: none"> 25% is based on the Group's performance against a predetermined Funds From Operations (FFO) per security growth hurdle <p>For the purposes of these performance hurdles, FFO is defined as per the definition adopted by the Property Council of Australia.</p> <ul style="list-style-type: none"> 25% is based on the Group's performance against a predetermined Return on Equity performance hurdle ROE represents the annualised composite rate of return to security holders, calculated as a percentage, comprising the change in net tangible asset value per security together with the distributions paid to security holders per security, divided by the net tangible asset value per security at the beginning of the period.
<p>How are the performance hurdles measured?</p>	<p><u>Relative TSR & Relative ROE</u></p> <p>Vesting under both the Relative TSR & Relative ROE measures will be on a sliding scale reflecting relative performance against a comparator group of entities.</p> <ul style="list-style-type: none"> Nil vesting for performance below the median of the comparator group 50% vesting for performance at the median of the comparator group Straight line vesting for performance between the 50th and 75th percentile 100% vesting for performance at or above the 75th percentile <p>The listed and unlisted comparator groups have been reviewed and selected by the Board as being appropriate entities within similar asset classes, investment risk/return profiles and market capitalisation/size. The 2013 LTI grant comparator groups are</p> <ul style="list-style-type: none"> Listed: CPA, IOF, GPT, CFX, WRT, SCP, CMW and FDC Unlisted: AWO, GWO, APPFC, ICP, ISPT, ACP, QP and APPFR <p>The Board reserves the right to review the peer group annually, with relative performance monitored by an independent external advisor at 30 June each year.</p> <p><u>FFO Growth & ROE</u></p> <p>Vesting under both the FFO Growth & ROE measures will be on a sliding scale reflecting performance against predetermined performance hurdles set by the Board</p> <ul style="list-style-type: none"> Nil vesting for below Target performance 50% vesting for Target performance Straight line vesting between Target and Outperformance 100% vesting for Outperformance
<p>What are the absolute LTI hurdles for the 2013 grant??</p>	<p>Having determined the Group's strategy, the Board have adopted the following FFO Growth and ROE performance hurdles for the 2013 LTI grant:</p> <ul style="list-style-type: none"> FFO Growth Target of 3% - with Outperformance at 5.5% ROE Target of 9% - with Outperformance at 11% <p>These targets are measured as the per annum average over the three and four year grant periods.</p>
<p>How is the LTI plan aligned to security holder interests?</p>	<p>Aligned to long-term security holder interests in the following ways:</p> <ul style="list-style-type: none"> As a reward to Executives when the Group's overall performance exceeds specific predetermined earnings and security holder return benchmarks As a reward mechanism which encourages Executive retention and at the same time allows for future clawback of LTI grants for financial underperformance, deliberate misrepresentation or fraud Aligning the financial interests of security holders with Executives through exposure to DXS securities and the Group's performance Encouraging and incentivising Executives to make sustainable business decisions within the Board-approved risk appetite and strategy of the Group

What policies and procedures exist to support the integrity of the LTI plan?	<p>The administration of the LTI plan is supported by the LTI plan Guidelines which provide Executives with the rules of the plan and guidance as to how it is to be administered.</p> <p>Executives are prevented from hedging their exposure to unvested DXS securities. Trading in DXS securities or related products is only permitted with the permission of the CEO.</p> <p>The Group also has Conflict of Interest and Insider Trading policies in place to support the integrity of the LTI plan, which extends to family members and associates of the Executive.</p> <p>The Board has appointed Link Market Services as Trustee and Administrators of the DEXUS Performance Rights Plan Trust, which is the vehicle into which unvested units are purchased on-market and held in trust for the Executive pending performance assessment.</p>
How is the allocation of performance rights determined?	The number of performance rights granted is based on the grant value to the Executive (% of fixed remuneration) divided by the volume weighted average price (VWAP) of securities 10 trading days either side of the first trading day of the new financial year.
How are distributions treated prior to vesting?	Executives will not be entitled to distributions paid on the underlying DXS securities prior to the performance rights vesting.

The operation of all incentive plans is at the discretion of the Board which retains the right to discontinue, suspend or amend the operation of such plans.

For both the STI and LTI plans, where incentive grants involve DXS securities, it is the Board's current position that DXS securities be acquired on-market and not through the issue of new securities.

6. Performance Pay

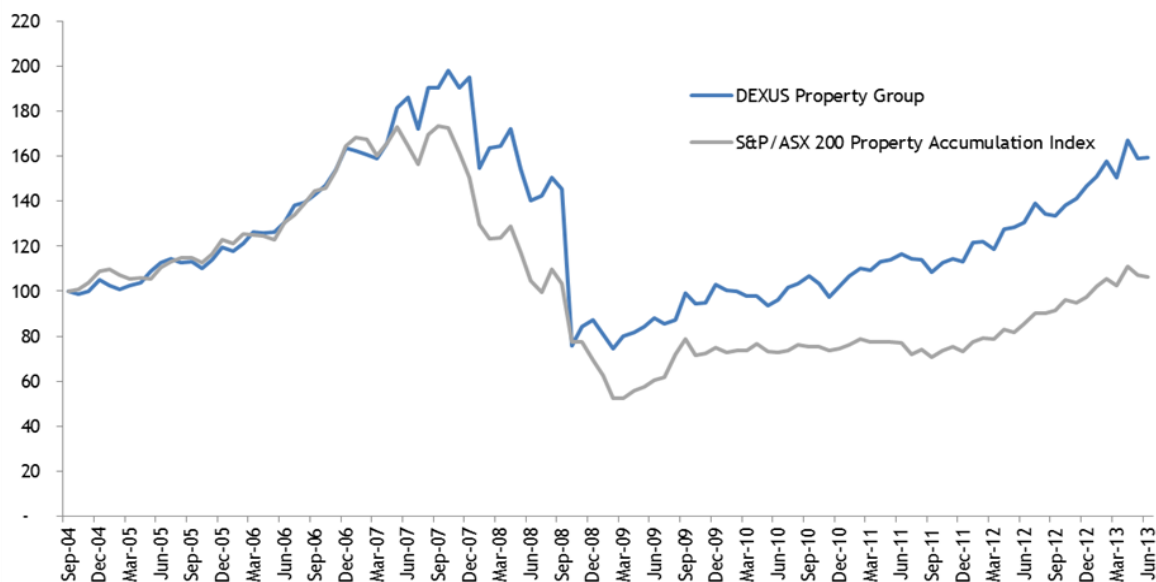
Group Performance

FY13 Highlights

Group	Portfolio	Capital Management	Funds Management	Transactions
12.1% increase in distribution per security	Leased 629,209 square metres of space across the total portfolio	Raised \$300 million of US Private Placement Notes	Increased funds under management by 9.5%, including \$820 million of new equity for DWPF	Achieved a 12% premium on prior book value for the sale of the remaining US portfolio
Achieved a 22.1% one-year total security holder return	Achieved 1.6% growth in like for like property net operating income	Actively managed the diversity of debt achieving a duration greater than 5 years	Launched new \$235 million partnership with a leading global pension fund	Involved in \$2.9 billion of transactions across the Group

Total Return of DXS Securities

The chart below illustrates DXS's performance against the S&P/ASX200 Property Accumulation index since listing in 2004.



Total Return Analysis

The table below sets out DXS's total security holder return over a one, two, three and five year time horizon, relative to the S&P/ASX200 Property Accumulation Index and the median of the Relative TSR comparator group under the new LTI plan:

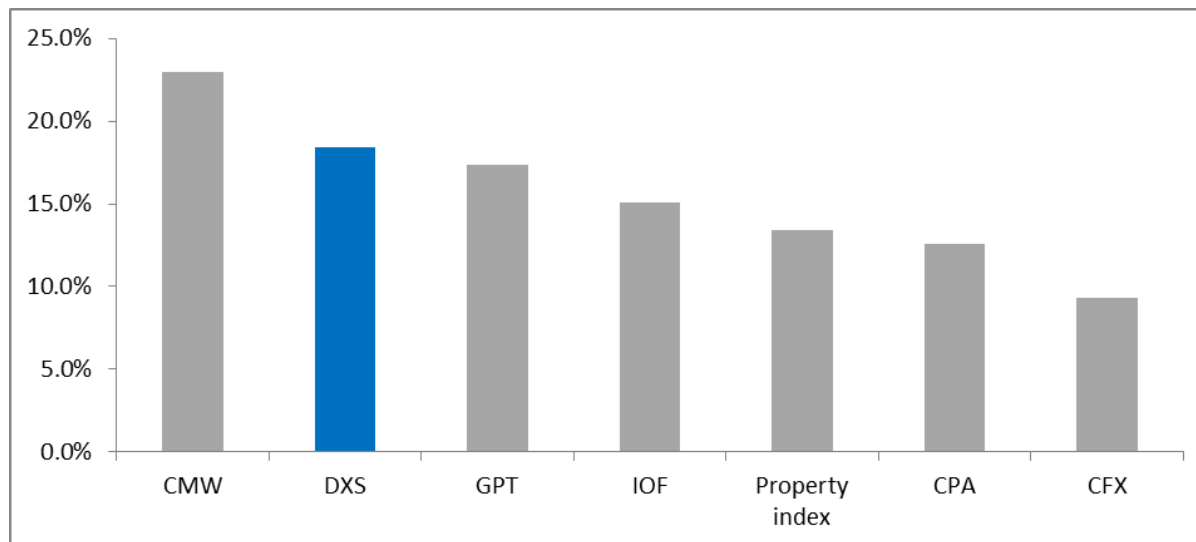
	1 Year	2 Years	3 Years	5 years
Year Ended 30 June 2013	(% per annum)	(% per annum)	(% per annum)	(% per annum)
DEXUS Property Group	22.1%	17.0%	18.4%	2.6%
S&P/ASX200 Property Accumulation Index	24.2%	17.4%	13.4%	0.3%
Median - Relative TSR Comparator Group	18.8% ¹	15.2% ²	16.2% ³	n/a

1. Comparator Group for 1 year comprises DXS, CFX, CMW, CPA, FDC, GPT, IOF and WRT.
2. Comparator Group for 2 years comprises DXS, CFX, CMW, CPA, GPT, IOF and WRT.
3. Comparator Group for 3 years comprises DXS, CFX, CMW, CPA, GPT and IOF.

Three Year Performance Relative to Comparator Group

The chart below illustrates DXS's three year performance relative to the comparator group specified for LTI purposes. SCA Property Group, Westfield Retail Trust & Federation Centres have been omitted as these entities were not formed for the comparison period.

The three year performance of the S&P/ASX 200 Property Accumulation index is also included for reference.

**Three Year Performance Relative to Property Index**

The chart below illustrates DXS's performance against the broader property sector over the past three financial years.



Summary

DXS continues to outperform the S&P/ASX200 Property Accumulation index and has exceeded this benchmark on a rolling three year basis.

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

Individual Performance Assessment - Balanced Scorecard

Prior to the commencement of each financial year, the Board approves the Group's strategic and operational objectives which are then translated into a series of weighted financial and non-financial Key Performance Indicators (KPIs) for management. KPIs are assembled to form each Executive's Balanced Scorecard.

The Balanced Scorecard is divided into four components - Financial Performance, Business Management & Strategy, Stakeholder Engagement and People & Culture. These components are weighted differently for each Executive. For each of the components the Executive has objectives and specific initiatives set for that year. These Scorecards are agreed with the Executive at the beginning of the year, reviewed at half year and assessed for performance awards at the end of the year.

Below is a table which summarises the principal elements within Executive Balanced Scorecards for the year ending 30 June 2013 (the numbers in brackets represents what was actually achieved during the year, not the actual KPIs set):

Principal Elements of Executive Balanced Scorecards	
<u>Financial Performance</u> <ul style="list-style-type: none"> • DXS total returns (22.1%) • Funds investment performance • Funds from operations (\$365.4 million) • Return on equity (11.2%) • Trading profit (\$1.5 million) • Net operating income growth - like for like (1.6%) 	<u>Business Management & Strategy</u> <ul style="list-style-type: none"> • Delivery of divisional business plans • Secure rent at risk • Property portfolio investment performance • Operating costs • Capital diversification • Transaction effectiveness
<u>Stakeholder Engagement</u> <ul style="list-style-type: none"> • Investor engagement and feedback • Media and community profile • Tenant relationships and engagement • Internal and external service standards 	<u>People & Culture</u> <ul style="list-style-type: none"> • Leadership effectiveness • Cultural survey results • Succession planning • Talent retention and development

Executive	Balanced Scorecard Weighting			
	Financial KPIs		Non-Financial KPIs	
	Financial Performance	Business Management & Strategy	Stakeholder Engagement	People & Culture
Darren J Steinberg	40%	30%	20%	10%
Craig D Mitchell	40%	40%	10%	10%
Kevin L George	30%	40%	15%	15%
Ross G Du Vernet	30%	50%	10%	10%

Performance Pay Outcomes

Following an assessment of each Executive's Balanced Scorecard, the Board has determined that the following remuneration outcomes are appropriate with respect to each Executive's performance during the year ending 30 June 2013.

Executive	STI Award	% of Maximum Possible STI Earned	% of Maximum STI Forfeited	% of STI to be Deferred
Darren J Steinberg	1,750,000	100%	0%	25%
Craig D Mitchell	750,000	80%	20%	25%
Kevin L George	330,000	72%	28%	25%
Ross G Du Vernet	385,000	100%	0%	25%

In addition to the STI award shown above, Mr Steinberg was eligible for a once-off payment of \$500,000 as part of previously communicated sign-on conditions. This amount was subject to satisfactory performance as determined by the Board, and being payable in August 2013 is disclosed in the Statutory Reporting table under Other Short-Term Benefits.

25% of the value of the STI awarded to each Executive will be deferred into DXS securities, subject to service and clawback conditions, and vesting in two equal tranches after 12 and 24 months.

LTI Grants

The table below shows the number of Performance Rights to be granted to Executives under the 2013 LTI plan (details of which are provided earlier in this report).

Executive	Number of Performance Rights	1st Vesting Date 50%	2nd Vesting Date 50%
Darren J Steinberg	1,128,176	1 July 2016	1 July 2017
Craig D Mitchell	355,518	1 July 2016	1 July 2017
Kevin L George	326,128	1 July 2016	1 July 2017
Ross G Du Vernet	237,012	1 July 2016	1 July 2017

The number of Performance Rights granted to each Executive is based on the dollar value of LTI approved by the Board in its discretion and with reference to the remuneration framework, divided by the Volume Weighted Average Price (VWAP) of DXS securities ten trading days either side of 30 June 2013, which was confirmed as \$1.0548

The LTI grants for Mr Steinberg and Mr Mitchell as Executive Directors are subject to security holder approval at the 2013 Annual General Meeting.

7. Executive Remuneration Actual Cash Received

In line with best-practice recommendations, the amounts shown in the table below provide a summary of actual remuneration received during the year ended 30 June 2013. The DPP and DDPP cash payments were received for performance in the 2012 and 2009 financial years respectively.

Executive	Cash Salary	Pension & Super Benefits ¹	Other Short Term Benefits ²	Termination Benefits	Earned in Prior Financial Year		Total
					DPP Cash Payment ³	DDPP Cash Payment ⁴	
Darren J Steinberg	1,383,530	16,470	-	-	360,000	-	1,760,000
Craig D Mitchell	733,530	16,470	-	-	500,000	636,272	1,886,272
Kevin L George	338,954	12,008	464,383	-	-	-	815,345
Ross G Du Vernet	424,305	16,470	-	-	350,000	-	790,775

1 Includes employer contributions to superannuation under the superannuation guarantee legislation and salary sacrifice amounts

2 Mr George received a sign-on cash payment of \$250,000 plus various relocation benefits totalling \$214,383

3 Cash payment made in August 2012 with respect to the 2012 DPP (i.e. annual performance payment for the prior financial year)

4 Cash payment made in August 2012 with respect to the 2009 DDPP award that vested on 1 July 2012 (i.e. realisation of 3 year deferred performance payment)

DEXUS Operations Trust

Notes to the Financial Statements (continued)

For the year ended 30 June 2013

The amounts shown in this table are prepared in accordance with AASB 124 *Related Party Disclosures* and do not represent actual cash payments received by Executives for the year ended 30 June 2013. Amounts shown under Long Term Benefits reflect the accounting expenses recorded during the year with respect to prior year deferred remuneration and awards that have or are yet to vest. For performance payments and awards made with respect to the year ended 30 June 2013, refer to the Performance Pay Outcomes section of this report.

Executive	Year	Short Term Benefits			Post-Employment Benefits		Share Based & Long Term Benefits				Total
		Cash Salary	STI Cash Award ¹	Other Short Term Benefits ²	Pension & Super Benefits ³	Termination Benefits	Deferred STI Plan Accrual ⁴	DDPP Plan Accrual ⁵	Transition Plan Accrual ⁶	LTI Plan Accrual ⁷	
Darren J Steinberg	2013	1,383,530	1,312,500	500,000	16,470	-	182,284	-	105,000	204,200	3,703,984
	2012	461,409	360,000	1,500,000	5,258	-	-	-	105,000	-	2,431,667
Craig D Mitchell	2013	733,530	562,500	-	16,470	-	78,122	172,790	125,000	64,349	1,752,761
	2012	734,225	500,000	-	15,775	-	-	328,664	125,000	-	1,703,664
Kevin L George ⁸	2013	338,954	247,500	634,383	12,008	-	219,374	-	-	59,029	1,511,248
	2012	-	-	-	-	-	-	-	-	-	-
Ross G Du Vernet ⁸	2013	424,305	288,750	-	16,470	-	40,103	-	50,000	42,899	862,527
	2012	-	-	-	-	-	-	-	-	-	-
Sub-Total	2013	2,880,319	2,411,250	1,134,383	61,418	-	519,883	172,790	280,000	370,477	7,830,520
	2012	1,195,634	860,000	1,500,000	21,033	-	-	328,664	230,000	-	4,135,331

Former KMP

Tanya L Cox	2013	433,530	201,000	-	16,470	-	27,916	75,408	50,000	23,166	827,490
	2012	434,225	200,000	-	15,775	-	-	149,140	50,000	-	849,140
John C Easy	2013	426,530	281,250	-	23,470	-	39,061	76,234	50,000	23,166	919,711
	2012	427,225	200,000	-	22,775	-	-	158,013	50,000	-	858,013
Other former KMP ⁹	2013	-	-	-	-	-	-	791,650	-	-	791,650
	2012	1,879,415	1,175,000	923,834	31,550	2,300,000	-	2,479,864	-	-	8,789,663
Total	2013	3,740,379	2,893,500	1,134,383	101,358	-	586,860	1,116,082	380,000	416,809	10,369,371
	2012	3,936,499	2,435,000	2,423,834	91,133	2,300,000	-	3,115,681	330,000	-	14,632,147

¹ FY13 annual cash STI performance award, payable in August 2013.

² Mr Steinberg's sign-on conditions included access to an additional \$500,000 subject to performance in FY13.

Mr George received a cash sign-on payment of \$250,000, a cash payment of \$170,000 as compensation for foregone remuneration and various relocation benefits.

³ Includes employer contributions to superannuation under the superannuation guarantee legislation and salary sacrifice amounts.

⁴ Reflects the accounting expense accrued during the financial year for Deferred STI awards made with respect to FY13 performance. Refer to note 36 of the DXS Financial Statements.

Mr George's accrual also includes accounting for Performance Rights detailed later in this report as Special Terms.

⁵ FY10 and FY11 DDPP legacy plan only applicable to Mr Mitchell and former KMP Ms Cox and Mr Easy. Reflects the accounting expense accrued during the financial year.

⁶ FY13 Transition plan applicable to all KMP and former KMP, excluding Mr George. Reflects the accounting expense accrued during the financial year.

⁷ Reflects the accounting expense accrued during the financial year for LTI grants made with respect to FY13. Refer to note 36 of the DXS Financial Statements.

⁸ Mr Du Vernet joined the Group on 7 May 2012 and was appointed KMP with effect 1 July 2013. No prior year remuneration is disclosed on that basis.

Mr George joined the Group on 10 December 2012 and was appointed KMP with effect 10 December 2012. No prior year remuneration is disclosed on that basis.

⁹ Other former KMP includes Mr Hoog Antink and Mr Say and are disclosed for completeness. Refer to the 2012 Remuneration Report for more detail.

8. Service Agreements

Executive service agreements detail the individual terms and conditions of employment applying to the CEO and Executives of the Group. The quantum and structure of remuneration arrangements are detailed elsewhere in this report, with the termination scenarios and other key employment terms detailed below:

Chief Executive Officer

	Terms
Employment agreement	An ongoing Executive Service Agreement.
Termination by the CEO	Termination by Mr Steinberg requires a 6 month notice period. The Group may choose to place Mr Steinberg on 'leave' or make a payment in lieu of notice at the Board's discretion. All unvested STI and LTI awards are forfeited under this scenario.
Termination by the Group without cause	If the Group terminates Mr Steinberg without cause, Mr Steinberg is entitled to a payment of 12 months Fixed Remuneration. The Board may (in its absolute discretion) also approve a pro-rata STI or LTI award based on part-year performance. Depending on the circumstances, the Board has the ability to treat Mr Steinberg as a 'good leaver' under this scenario, which may result in Mr Steinberg retaining some or all of his unvested STI and LTI.
Termination by the Group with cause	No notice or severance is payable under this scenario.
Other contractual provisions and restrictions	Mr Steinberg's Executive Service Agreement includes standard clauses covering intellectual property, confidentiality, moral rights and disclosure obligations.

Executives - Messrs Mitchell, George & Du Vernet

	Terms
Employment agreement	An ongoing Executive Service Agreement.
Termination by the Executive	Termination by the Executive requires a 3 month notice period. The Group may choose to place the Executive on 'leave' or make a payment in lieu of notice at the Board's discretion. All unvested STI and LTI awards are forfeited under this scenario.
Termination by the Group without cause	If the Group terminates the Executive without cause, the Executive is entitled to a combined notice and severance payment of 12 months Fixed Remuneration. The Board may (in its absolute discretion) also approve a pro-rata STI or LTI award based on part-year performance. Depending on the circumstances, the Board has the ability to treat the Executive as a 'good leaver' under this scenario, which may result in the Executive retaining some or all of their unvested STI and LTI.
Termination by the Group with cause	No notice or severance is payable under this scenario.
Other contractual provisions and restrictions	The Executive Service Agreement includes standard clauses covering intellectual property, confidentiality, moral rights and disclosure obligations.

Legacy Plan - Unvested and Vesting DDPP Awards

The table below shows the value of unvested and vesting DEXUS Deferred Performance Payment (DDPP) awards for Executives and Former Executive KMP as at 30 June 2013. The DDPP awards are part of a legacy plan closed to new participants from 1 July 2012.

Participant	Award Date	Allocation Value	Value as at 30 June 2013	Vesting DDPP as at 1 July 2013	Vesting Date
Craig D Mitchell	1 Jul 2011	450,000	577,305	-	1 Jul 2014
	1 Jul 2010	400,000	598,440	598,440	1 Jul 2013

Former KMP

Tanya L Cox	1 Jul 2011	190,000	243,751	-	1 Jul 2014
	1 Jul 2010	180,000	269,298	269,298	1 Jul 2013
John C Easy	1 Jul 2011	185,000	237,337	-	1 Jul 2014
	1 Jul 2010	188,000	281,267	281,267	1 Jul 2013

Mr Mitchell and former KMP Ms Cox and Mr Easy are entitled to receive a cash payment relating to the vesting of their 2010 DDPP awards. This payment will be made in August 2013.

The vesting DDPP value was determined by calculating the compound total return of both listed DXS (50%) and unlisted DWPF (50%) notional securities over a 3-year vesting period. The DXS total return was 65.8% and the Group's unlisted Funds and Mandates was 33.4%, resulting in a composite 49.6% increase being applied to the original allocation value during the life of the 2010 DDPP plan. The Board chose to exercise its discretion in not applying a performance multiplier (allowable under the DDPP plan rules) to the 2010 tranche, and has indicated it intends to follow the same approach upon vesting of the 2011 tranche.

For more information on the DDPP legacy plan, refer to the 2012 Annual Report.

Legacy Plan - Unvested Transitional Performance Rights

The table below shows the number of unvested performance rights held by Executives under the Transitional Performance Rights plan, which received security holder approval at the Annual General Meeting on 5 November 2012. The Board granted these once-off Performance Rights to Executives, with respect to performance during the year ending 30 June 2012, as a transitional measure towards the adoption of the Group's new remuneration framework which came into effect 1 July 2012.

Participant	Award Date	Number of Performance Rights	Vesting Date
Darren J Steinberg	1 Jul 2012	453,417	1 Jul 2015
Craig D Mitchell	1 Jul 2012	539,782	1 Jul 2015
Ross G Du Vernet	1 Jul 2012	215,913	1 Jul 2015

Former KMP

Tanya L Cox	1 Jul 2012	215,913	1 Jul 2015
John C Easy	1 Jul 2012	215,913	1 Jul 2015

At the Board's instruction, Performance Rights are to be purchased on-market and the plan is subject to both service and clawback conditions. For more information on the Transitional Performance Rights plan, refer to the 2012 Annual Report.

Special Terms - Performance Rights & Relocation Package for Kevin L George

Upon commencement, Mr George was offered a special grant of Performance Rights to DXS securities as compensation for foregone remuneration at his previous employer and to immediately align his interests with those of his KMP peers and security holders.

Participant	Award Date	Number of Performance Rights	Vesting Date
Kevin L George	10 Dec 2012	366,591	1 Aug 2014

The Performance Rights granted to Mr George are subject to both service and clawback conditions, and are to be purchased on-market. The terms and conditions of this offer mirror those of the Deferred STI plan.

In addition to the grant of Performance Rights, Mr George received a commencement and relocation package (disclosed in the Statutory Accounting table as 'Other Short-Term Benefits') which included the following:

- \$250,000 as a cash sign-on payment
- \$170,000 as a cash payment to be made in August 2013 as compensation for part-year incentive forfeiture at Mr George's previous employer
- \$186,916 as a once-off relocation and family disturbance payment
- \$27,467 in expense reimbursements relating to Mr George and his family's relocation from Melbourne to Sydney - including flights, temporary accommodation, removalists, transit insurance, connection of utilities and other service fees

Mr George is also entitled to future reimbursement of reasonable expenses (i.e. stamp duty, agent fees etc.) relating to the purchase of a family home in Sydney. This benefit has not yet been exercised by Mr George and expires on 10 December 2014.

All expense benefits relating to Mr George's relocation are subject to a 100% clawback clause should Mr George voluntarily resign within 2 years of his commencement date.

9. Non-Executive Directors

Non-Executive Directors' fees are reviewed annually by the Committee to ensure they reflect the responsibilities of directors and are market competitive. The Committee reviews information from a variety of sources to inform their recommendation regarding Non-Executive Directors fees to the Board. Information considered included:

- Publicly available remuneration reports from ASX listed companies with similar market capitalisation and complexity
- Publicly available remuneration reports from A-REIT competitors
- Information supplied by external remuneration advisors, including Egan Associates

Total fees paid to Non-Executive Directors remain within the aggregate fee pool of \$1,750,000 per annum approved by security holders at the AGM in October 2008. The Board has reviewed base fees for Non-Executive Directors and has elected not to approve an increase at this time. This will be the fourth consecutive year at the current rate.

In 2012, the Board (as noted in the Directors' Report) determined that it would be appropriate for Non-Executive Directors (existing and new) to hold DXS securities. A minimum target of 50,000 securities is to be acquired in each Director's first three year term (effective from 1 July 2012). Such securities would be subject to the Group's existing trading and insider information policies. No additional remuneration is provided to Directors to purchase these securities. All Directors have subsequently used their own resources to purchase at least the minimum target in the first year of the three year term. Details of Directors' holdings are included in the Directors' Report.

Other than the Chair who receives a single fee, Non-Executive Directors receive a base fee plus additional fees for membership of Board Committees. The table below outlines the Board fee structure (inclusive of statutory superannuation contributions) for the year ended 30 June 2013:

Committee	Chair	Member
Director's Base Fee (DXFM)	\$350,000*	\$150,000
Board Audit, Risk & Sustainability	\$30,000	\$15,000
Board Compliance	\$15,000	\$7,500
Board Finance	\$15,000	\$7,500
Board Nomination, Remuneration & Governance	\$30,000	\$15,000
DWPL Board	\$30,000	\$15,000

* The Chairman receives a single fee for his entire engagement, including service on Committees of the Board

Non-Executive Director's Statutory Accounting Table

The amounts shown in this table are prepared in accordance with AASB 124 *Related Party Disclosures*. The table is a summary of the actual cash and benefits received by each Non-Executive Director for the year ended 30 June 2013.

Non-Executive Director	Year	Short Term Benefits	Post Employment Benefits	Other Long Term Benefits	Total
Christopher T Beare	2013	333,530	16,470	-	350,000
	2012	334,225	15,775	-	350,000
Elizabeth A Alexander AM	2013	178,899	16,101	-	195,000
	2012	170,539	24,461	-	195,000
Barry R Brownjohn	2013	165,138	14,862	-	180,000
	2012	172,018	15,482	-	187,500
John C Conde AO	2013	165,138	14,862	-	180,000
	2012	158,257	14,243	-	172,500
Tonianne Dwyer ¹	2013	158,257	14,243	-	172,500
	2012	132,225	11,900	-	144,125
Stewart F Ewen OAM	2013	141,000	24,000	-	165,000
	2012	109,052	48,448	-	157,500
W Richard Sheppard ²	2013	158,257	14,243	-	172,500
	2012	74,541	6,709	-	81,250
Peter B St George	2013	151,376	13,624	-	165,000
	2012	165,138	14,862	-	180,000
Total	2013	1,451,595	128,405	-	1,580,000
	2012	1,315,995	151,880	-	1,467,875

¹ Ms Dwyer was appointed on 24 August 2011

² Mr Sheppard was appointed 1 January 2012

Note 33

Events occurring after the reporting date

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

Note 34

Operating segments

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

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

Office	This comprises office space with any associated retail space; as well as car parks and office developments in Australia and New Zealand.
Industrial	This comprises domestic industrial properties, industrial estates and industrial developments.
Property management	This comprises property management services for third part clients and owned assets.
Development and trading	This comprises revenue earned and costs incurred by the Group on developments and inventory.
Funds management	This comprises funds management of third party client assets.
DXS asset management	This comprises asset management of assets owned by the Group.
All other segments	This comprises corporate expenses associated with maintaining and operating the Group. This segment also includes the treasury function of the Group which is managed through a centralised treasury department.
Discontinued operations	This comprises industrial properties, industrial estates and industrial developments in the United States, as well as the European industrial portfolio.

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

Disclosures concerning DXS's operating segments as well as the operating segments' key financial information provided to the CODM, are presented in the DEXUS Property Group Annual Report (refer note 33 in the DEXUS Property Group Financial Statements).

Note 35**Reconciliation of net loss to net cash (outflow)/ inflow from operating activities**

	2013 \$'000	2012 \$'000
Net profit/(loss)	30,648	(29,153)
Capitalised interest	(10,525)	(15,763)
Depreciation and amortisation	3,234	2,483
Reversal of previous impairment	(20,494)	-
Impairment of goodwill	99	625
Net loss on sale of investment properties	876	-
Net fair value gain of derivatives	(285)	(2,184)
Lease incentives	(1,695)	(2,046)
Net fair value (gain)/loss of investment properties	(3,926)	27,318
Change in operating assets and liabilities		
(Increase)/decrease in receivables	(10,593)	6,261
(Increase)/decrease in inventories	(155,079)	13,114
Increase in other current assets	(649)	(298)
Decrease in current tax assets	-	1,015
Increase in deferred tax assets	(2,685)	(8,677)
Increase in payables	2,307	2,721
Increase in current liabilities	1,229	446
Increase in other non-current liabilities	28,898	37,670
Decrease in deferred tax liabilities	(698)	(13,100)
Net cash (outflow)/inflow from operating activities	(139,338)	20,434

Note 36**Earnings per unit**

Earnings per unit are determined by dividing the net profit attributable to unitholders by the weighted average number of ordinary units outstanding during the year. The weighted average number of units has been adjusted for the bonus elements in units issued during the year and comparatives have been appropriately restated.

(a) Net profit/(loss) attributable to unitholders of the parent entity used in calculating basic and diluted earnings per unit

	2013 \$'000	2012 \$'000
Profit/(loss) from continuing operations	10,768	(11)
Profit from discontinued operations	34	-
Profit/(loss) attributable to unitholders of the parent entity	10,768	(11)

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

	2013 units	2012 units
Weighted average number of units outstanding used in calculation of basic and diluted earnings per unit	4,714,292,865	4,834,864,561

Note 37

Security-based payments

The DXFM Board has approved a grant of performance rights to DXS stapled securities to eligible participants. Awards, via the 2012 Transitional Performance Rights Plan, Deferred Short Term Incentive Plan (DSTI) and Long Term Incentive Plan (LTI), will be in the form of performance rights awarded to eligible participants which convert to DXS stapled securities for nil consideration subject to satisfying specific service and performance conditions.

For each Plan, the DXFM Board approves the eligible participants nominated by the Board Nomination, Remuneration & Governance Committee. Each participant will be granted performance rights, based on performance against agreed key performance indicators, as a percentage of their remuneration mix. The dollar value is converted into performance rights to DXS stapled securities using the average closing price of DXS securities for the period of ten days either side of the financial year end to which the award relates. Participants must remain in employment for the vesting period in order for the performance rights to vest.

The fair value of the performance rights is amortised over the vesting period. In accordance with AASB2 *Share-based Payments*, fair value is independently determined using Black-Scholes and Monte Carlo models with the following inputs:

- Grant date
- Expected vesting date
- Security price at grant date
- Expected price volatility (based on historic DXS security price movements)
- Expected life
- Dividend yield
- Risk free interest rate
- Expected total security holder return (for the LTI only)

(a) 2012 Transitional Performance Rights Plan

Subject to satisfying employment service conditions, the award will vest over a four year period ending 30 June 2015. No performance rights were granted in respect of the year ended 30 June 2013 (2012: 1,840,656). The fair value of the 2012 performance rights is \$0.9950 per performance right and the total security-based payment expense recognised during the year ended 30 June 2013 was \$535,605 (2012: \$426,250).

(b) Deferred Short Term Incentive Plan (DSTI)

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

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

The number of performance rights granted in respect of the year ended 30 June 2013 was 2,073,400 and the fair value of these performance rights is \$1.07 per performance right. The total security-based payment expense recognised during the year ended 30 June 2013 was \$924,390 (2012: nil).

(c) Long Term Incentive Plan (LTI)

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

The number of performance rights granted in respect of the year ended 30 June 2013 was 3,317,014. The fair value of these performance rights is \$0.80 per performance right. The total security-based payment expense recognised during the year ended 30 June 2013 was \$600,379 (2012: nil).

DEXUS Operations Trust

Directors' Declaration

For the year ended 30 June 2013

The Directors of DEXUS Funds Management Limited as Responsible Entity for DEXUS Operations Trust (the Trust) declare that the Financial Statements and notes set out on pages 9 to 74:

- (i) comply with Australian Accounting Standards, the *Corporations Act 2001* and other mandatory professional reporting requirements; and
- (ii) give a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date.

In the Directors' opinion:

- (a) the Financial Statements and notes are in accordance with the *Corporations Act 2001*;
- (b) there are reasonable grounds to believe that the Trust and its consolidated entities will be able to pay their debts as and when they become due and payable; and
- (c) the Trust has operated in accordance with the provisions of the Constitution dated 11 August 2004 (as amended) during the year ended 30 June 2013.

Note 1(a) confirms that the Financial Statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

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



Christopher T Beare

Chair

16 August 2013



Independent auditor's report to the unit holders of DEXUS Operations Trust

Report on the financial report

We have audited the accompanying financial report of DEXUS Operations Trust (the Trust), which comprises the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the DEXUS Operations Trust Group (the consolidated entity). The consolidated entity comprises the Trust and the entities it controlled at the year-end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of DEXUS Funds Management Limited (the Responsible Entity) are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

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

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

Our procedures include reading the other information in the Directors' Report to determine whether it contains any material inconsistencies with the financial report.

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

PricewaterhouseCoopers, ABN 52 780 433 757

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Independence

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

Auditor's opinion

In our opinion:

- (a) the financial report of DEXUS Operations Trust is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

PricewaterhouseCoopers

PricewaterhouseCoopers

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

E A Barron
Partner

Sydney
16 August 2013