DEXUS

Annual Report 2015

DEXUS PROPERTY GROUP

DEXUS
ANNUAL REPORT 2015

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

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

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

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

2015 ANNUAL REPORTING SUITE

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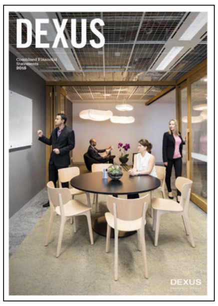

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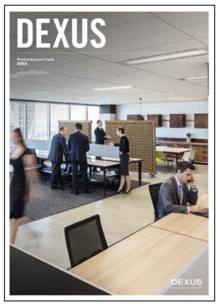

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DEXUS Property Group presents its 2015 Annual Reporting Suite for the year ended 30 June 2015, demonstrating how it manages its financial and non financial performance in line with its strategy.

1. The **2015 DEXUS Annual Review**
An integrated report summarising financial, operational and Corporate Responsibility and Sustainability (CR&S) performance. This report should be read in conjunction with the DEXUS 2015 Annual Report.

2. This **2015 DEXUS Annual Report**
Provides DEXUS's Consolidated Financial Statements, Operating and Financial Review, Corporate Governance Statement and Board of Directors information. This report should be read in conjunction with the 2015 DEXUS Annual Review.

3. The **2015 DEXUS Combined Financial Statements**
Comprises the Financial Statements of DEXUS Industrial Trust, DEXUS Office Trust and DEXUS Operations Trust. This report should be read in conjunction with the 2015 DEXUS Annual Report and Annual Review.

4. The **2015 DEXUS Performance Pack**
Provides the data and detailed information supporting the results outlined in the 2015 DEXUS Annual Review and is available in the online Annual Reporting Suite, at **www.dexus.com**.

The Annual Reporting Suite is available in hard copy by email request to **ir@dexus.com** or by calling **+61 1800 819 675**.

Chair and CEO Review

DEXUS Property Group delivered strong results across key business areas in 2015, ensuring it is well positioned to continue to create value for investors.

We are pleased to present the 2015 Annual Review for DEXUS Property Group.

DEXUS has had a successful 12 months, reflecting our determination to create value at every level of our operations and ensuring we are well-positioned to continue to create value for investors.

DEXUS's performance during the year has met or exceeded all of our financial objectives.

We delivered on the upgraded guidance for our FFO and distribution per security, which both increased 9.3% on the prior year and contributed to the average growth in distributions per security of 8.6% per annum since FY12.

DEXUS's net profit increased 52.2% to $618.7 million. Return On Equity[1] for the 12 months to 30 June 2015 was 11.5%, above our target of 9–10% per annum through the cycle, and ahead of the prior year which was impacted by the CPA transaction.

MARKET CONDITIONS

Our strong financial outcomes were achieved in a market characterised by mixed economic news, both domestically and globally. Office markets are showing early signs of improvement, particularly in the Sydney and Melbourne CBDs, however the recovery in the Brisbane and Perth markets remains subdued.

Investment demand for Australian real estate remains strong, despite volumes having tapered off from the record levels seen at the end of 2014 due to the limited amount of available stock. In this competitive market, we successfully acquired and divested properties on balance sheet and for our third party clients.

DELIVERING ON STRATEGY

Our strategy continues to deliver for investors and in FY15 we further positioned DEXUS as a leader in the Australian real estate sector.

Our people remained focused on enhancing returns for investors and creating value through our four strategic objectives:

- **To be the leader in office**
  Investing in and developing properties and spaces that our customers want to occupy
- **To have the best core capabilities**
  Utilising our core capabilities to constantly improve the levels of service and amenity we provide to our customers
- **To be the wholesale partner of choice**
  Partnering with third parties to grow in core markets and attract expertise
- **To actively manage capital and risk** Maintaining a conservative approach to financial and operational risk

Achieved a distribution of 41.04 cents per security, an increase on FY14 of

9.3%

DEXUS Office Partnership portfolio delivered an unlevered total return for 12 months to 30 June 2015

12.7%

During the year, we leveraged our diverse capabilities to:

- Improve the performance of our property portfolio
- Drive the performance of, and generate revenue from, our funds management business
- Deliver trading profits from identified trading opportunities

In **our property portfolio** we focused on maximising cash flow by working closely with new and existing customers to secure great leasing outcomes throughout the year, increasing office portfolio occupancy to 95.3%. We created value through meeting the needs of a diverse range of customers, including expanding our fitted suites offering to attract small to medium businesses.

In **our third party funds management business**, we transacted properties and progressed the development pipeline to satisfy the investment plans of our clients, growing third party funds under management by 10% to $9.6 billion. We also progressed plans to enhance the retail space at the base of our office buildings to improve customer amenity and enhance returns.

In **our trading business**, we delivered an improved after tax profit of $42.6 million driven by settlements of properties that we had actively repositioned. We also made progress on replenishing the trading pipeline for future years.

1. Return on equity is calculated as the growth in NTA per security plus the distribution paid/payable per security divided by the opening NTA per security.

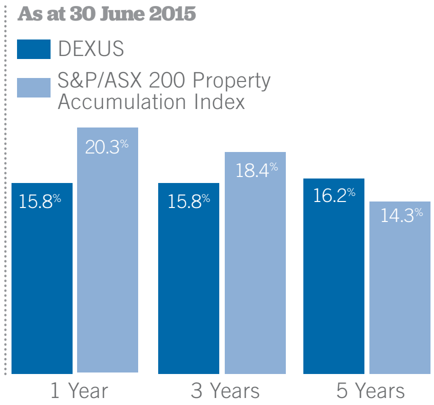
Chair and CEO Review
Continued

STRONG RETURNS FROM COMMONWEALTH PROPERTY OFFICE FUND TAKEOVER

We realised value from the takeover of Commonwealth Property Office Fund (CPA), by acting on identified opportunities in the portfolio. The DEXUS Office Partnership[2] portfolio delivered an unlevered total return 12.7% for the 12 months to 30 June 2015. DEXUS's investment in the Office Partnership delivered a 20.4% levered return to DEXUS for the year.

DELIVERING SOLID SECURITY HOLDER RETURNS

DEXUS has outperformed the A-REIT index by 190 basis points over the past five years. While DEXUS underperformed the A-REIT index over one and three year periods, it has delivered solid total security holder returns of 15.8% per annum over both of these periods.



Source: UBS Securities Australia 2015

MAINTAINING A STRONG BALANCE SHEET

In a competitive market, we sourced and secured new opportunities where we saw potential to add value to our portfolio or satisfy the objectives of our third party clients. We conducted these activities while maintaining a strong balance sheet, with gearing of 28.5% at 30 June 2015.

The strength of DEXUS's balance sheet was enhanced through an equity raising in April that included a $400 million institutional placement, and a Security Purchase Plan for eligible security holders which raised a further $77.8 million. This equity raising enabled DEXUS to pursue compelling acquisition opportunities while maintaining low gearing.

Including the divestment of non-strategic and trading properties, we undertook $2 billion of transactions across the office, industrial and retail sectors.

Our acquisition of Lakes Business Park, in Botany in January 2015 presents an opportunity to create value though a dual strategy to enhance value and advance a trading opportunity.

In June 2015, we announced that DEXUS and DEXUS Wholesale Property Fund (DWPF) had entered into a conditional agreement to jointly acquire Waterfront Place and Eagle Street Pier in Brisbane (Waterfront Place Complex) for a total price of $635 million[3], building on our established presence in the Brisbane CBD office market and enabling us to leverage our expertise in a market where we have been able to demonstrate leasing success.

We continued to improve the diversification, duration and cost of our debt through accessing a market we know well, raising $250 million through a US Private Placement issue.

FOCUS ON THE CUSTOMER

We have made it a priority to increase our understanding of our customers and their needs, providing workspace solutions for a diverse range of customers. In office, we continued to deliver on our fitted suites offering to capture demand from a rising number of small to medium sized businesses. We also introduced a number of initiatives to enhance the customer experience.

Our active leasing approach resulted in the leasing of almost 400,000 square metres of space across the DEXUS portfolio, representing a 25.6% increase in leasing volumes compared to the prior year.

CREATING VALUE THROUGH DEVELOPMENT

Our key office developments at 5 Martin Place in Sydney and Kings Square in Perth will enhance the quality of our office portfolio and contribute to future growth. The Kings Square development project is nearing completion and Ashurst moved into 5 Martin Place in July 2015.

CREATING A HIGH PERFORMANCE CULTURE

We create value through leveraging the expertise of our people and invest in their development so they can perform at their best. Over the year, we invested in leadership and training programs to further develop our high performance culture. We also provided opportunities for our people to move to different areas within the business to bring fresh ways of thinking into how we do business, and awarded more than 15% of new job roles to internal applicants.

It is important to us that we maintain an inclusive and diverse culture as we believe diversity enables our people to make better informed decisions. During the year we introduced a new superannuation framework for parental leave to assist in closing the superannuation gender gap. We have also progressed diversity targets.

DRIVING BUSINESS EXCELLENCE AND HARNESSING INNOVATION ACROSS THE GROUP

As traditional business models continue to be challenged, we have set innovation as a fundamental driver of business excellence. We recognise that developing a culture of innovation to drive new products and processes is essential to the continual strengthening of our competitive position.

A great example of DEXUS innovation in action was the launch of DEXUS Place, a state-of-the-art premium meeting, training and conference facility. The facility was created following extensive market research and is specifically tailored to meet the needs of our customers for on-demand access to quality meeting space. Our first facility is located at One Margaret Street in Sydney and we have plans to replicate the facility in Melbourne and Brisbane.

In an effort to ensure a clear approach to how innovation is harnessed, a framework has been created to systematically prioritise and evaluate ideas generated within the business. This framework is overseen by our Innovation Forum comprising members of the Group Management Committee and chaired by the CEO.

Along with innovation we have also worked hard to instil a culture of continuous improvement to achieve operational efficiencies in the way we work. During the year we launched a mechanism to capture ideas from the business and enable improvements to be shared across the Group. This has had the benefits of reducing costs and saving time.

2. DEXUS executed the $3.7 billion takeover of Commonwealth Property Office Fund in April 2014 and formed the DEXUS Office Partnership with its capital partner, Canada Pension Plan Investment Board.

3. Excluding acquisition costs.

SUSTAINABILITY APPROACH

The way we look at sustainability continues to evolve to respond to new perspectives. During the year, after consulting with our key stakeholders, we revised our sustainability approach to embrace the broader ecosystem in which we operate.

Through our new approach we continue to set commitments targeting our people, community, environment and customers, with 'cities' introduced as a new area of focus. Recognising the role we play in creating leading cities, we continued to position our portfolio to be successful in a low carbon economy, while monitoring the current international debate on climate change for potential local impacts.

BOARD OF DIRECTORS

The Board renewal process over the past few years has produced a strong Board of Directors with a broad and diverse skill set. There were no changes to the Board this year, with the Board comprising seven non-executive directors and two executive directors. Further details relating to the Board are included in the Corporate Governance Statement in this Annual Report.

ANNUAL GENERAL MEETING

Our Annual General Meeting (AGM) was held at our head office at Australia Square in October 2014. All resolutions were passed. Post the AGM, a number of investors took the opportunity to tour two of our Premium properties, Governor Phillip Tower at 1 Farrer Place, and 1 Bligh Street in Sydney.

OUTLOOK AND FUTURE PRIORITIES

The economic outlook for the year ahead remains subdued, with the economy expected to grow at a similar rate in FY16. Over the next year, the economies of New South Wales and Victoria are likely to outperform other states. Queensland will remain a two-tier office market and Western Australia's economic performance will lag as it recovers from the end of the mining boom.

Positive leasing momentum is expected to continue in Sydney and Melbourne, where the majority of our properties are located, as positive business confidence supports a mild improvement in tenant demand. However, rental growth prospects remain relatively subdued in FY16 due to the availability of new supply.

Investment demand is expected to remain high for quality office properties in our core markets of Sydney, Melbourne, Brisbane and Perth.

This should result in a more competitive transactional landscape which will provide potential upside for our property values. Consequently, we will continue to recycle properties and selectively invest in opportunities where we have high conviction.

Looking ahead to FY16, we will continue to create value and position the Group for future growth by maximising the performance of our core property portfolio.

Our business has a strong leadership team, supported by outstanding people. On behalf of the Board, we would like to thank our employees around Australia for their dedication and hard work in delivering these results.

Barring unforeseen changes to operating conditions, DEXUS's guidance[1] for the 12 months ending 30 June 2016 is for FFO per security growth of 5.5–6.0%, with FFO from the underlying business (excluding trading profits net of tax) expected to grow by 3.0–3.5%.

Distributions will be paid in line with free cash flow, to deliver growth in distribution per security of 5.5–6.0% for the 12 months ending 30 June 2016.

Additional information on our financial and operational performance is provided in the 2015 DEXUS Annual Review which is available at www.dexus.com/annualreview2015 or by emailing ir@dexus.com to request a printed copy.

Finally, we would like to thank you, our security holders, for your continued support. We are committed to building on DEXUS's strong foundations and delivering superior risk- adjusted returns.

Chris Beare
Chair

Darren Steinberg
CEO

11 August 2015

1. Barring unforeseen circumstances guidance is supported by the following assumptions: flat like-for-like income across the DEXUS combined portfolio, weighted average cost of debt of circa 4.9%, trading profits of approximately $60m net of tax, Management Operations FFO of $45-50m (including third party development management fees), approximately $150m net proceeds from non-core property divestments during FY16, excluding any buy-back of DEXUS securities, and excluding any further transactions.

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. He is also Chair of the Board Nomination Committee and a member of the Board People & Remuneration 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 Committee.

Elizabeth is the Chair of Medibank and the Chancellor of the University of Melbourne.

Elizabeth brings to the Board extensive experience in accounting, finance, corporate governance and risk management and was formerly a partner with PricewaterhouseCoopers. Elizabeth's previous appointments include National Chair of the Australian Institute of Company Directors, National President of the Australian Society of Certified Practising Accountants, Deputy Chairman of the Financial Reporting Council and a member of the Takeovers Panel. Elizabeth was previously Chair of CSL and Director of Amcor and Boral.

PENNY BINGHAM-HALL

Independent Director

BA (Industrial Design), FAICD, SF (Fin)

Penny Bingham-Hall is an Independent Director of DEXUS Funds Management Limited and a member of the Board Risk Committee and Board People & Remuneration Committee.

Penny is a Non-executive Director of BlueScope Steel Limited, Port Authority of NSW, SCEGGS Darlinghurst Limited and Taronga Conservation Society Australia. She is also an independent director of Macquarie Specialised Asset Management Limited.

Penny has broad industry experience having spent more than 20 years in a variety of senior management roles with Leighton Holdings Limited including Executive General Manager Strategy, responsible for the Group's overall business strategy and Executive General Manager Corporate, responsible for business planning, corporate affairs including investor relations and governance systems. Penny is a former director of the Australian Postal Corporation and the Global Foundation (a member-based organisation promoting high-level thinking within Australia and cooperation between Australia and the world). She also served as the inaugural Chair of Advocacy Services Australia Limited (a not-for-profit organisation promoting the interests of the Australian tourism, transport, infrastructure and related industries) from 2008 to 2011.

JOHN C CONDE AO

Independent Director

BSc, BE (Hons), MBA

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

John is the Chairman of Bupa Australia Holdings Pty Limited, Cooper Energy Limited and the McGrath Foundation. John is President of the Commonwealth Remuneration Tribunal and Deputy Chairman of Whitehaven Coal Limited. John is also Chairman of the Australian Olympic Committee (NSW) Fundraising Committee.

John brings to the Board extensive experience across diverse sectors including commerce, industry and government. John was previously Chairman of Ausgrid (formerly EnergyAustralia), Destination NSW and the Sydney Symphony Orchestra. He was 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.

TONIANNE DWYER

Independent Director

BJuris (Hons), LLB (Hons)

Tonianne Dwyer is an Independent Director of DEXUS Funds Management Limited and DEXUS Wholesale Property Limited, Chair of the Board Risk Committee and a member of the Board Audit Committee.

Tonianne is a Director of Cardno Limited, Metcash Limited and Queensland Treasury Corporation. She is also a member of the Senate of the University of Queensland.

Tonianne 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.

Tonianne 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, Tonianne was a Director of Investment Banking at Hambros Bank, SG Cowen and Societe Generale based in London. Tonianne 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.

CRAIG D MITCHELL

Executive Director Finance & Chief Operating Officer

BComm, MBA (Exec), FCPA, HBS (AMP)

Craig is Executive Director Finance and Chief Operating Officer (COO) of DEXUS Property Group and an Executive Director of DEXUS Funds Management Limited.

Craig is responsible for operational and strategic finance, accounting, tax, treasury and IT and in his role as COO, is responsible for third party funds management and DEXUS's 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 previously held positions with Stockland Group and 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 University, Boston.

RICHARD SHEPPARD

Independent Director

BEc Hons, FAICD

Richard Sheppard is an Independent Director of DEXUS Funds Management Limited, Chair of the Board Audit Committee and a member of the Board Risk Committee.

Richard is the Chairman of Green State Power Pty Ltd, a Director of Snowy Hydro Limited and Echo Entertainment Group, and a Treasurer of the Bradman Foundation.

Richard brings to the DEXUS Board extensive experience in banking and finance and as a director and Chairman of listed and unlisted property trusts. 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, Macquarie Group Foundation and Eraring Energy.

PETER B ST GEORGE

Independent Director

CA(SA), MBA

Peter is an Independent Director of DEXUS Funds Management Limited and a member of the Board Audit Committee and Board Risk Committee.

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

Peter has more than 20 years' experience in senior corporate advisory and finance roles within NatWest Markets and Hill Samuel & Co in London. Peter acted as Chief Executive/Co-Chief Executive Officer of Salomon Smith Barney Australia/NatWest Markets Australia from 1995 to 2001. Peter was previously a Director of Boart Longyear, Spark Infrastructure Group, its related companies and SFE Corporation Limited.

DARREN J STEINBERG

Chief Executive Officer and Executive Director

BEc, FAICD, FRICS, FAPI

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

Darren has over 25 years' experience in the property and funds management industry with an extensive background in office, industrial and retail property investment and development.

Darren has a Bachelor of Economics from the University of Western Australia. Darren is a Director and the former National President of the Property Council of Australia, a Fellow of the Australian Institute of Company Directors, Royal Institution of Chartered Surveyors and the Australian Property Institute.

Corporate Governance Statement

ASX CORPORATE GOVERNANCE COUNCIL PRINCIPLES AND RECOMMENDATIONS RECONCILIATION

The Corporate Governance Statement is accurate and up to date as at 11 August 2015 and has been approved by the Board on 29 July 2015.

The following reconciliation of the ASX Corporate Governance Principles & Recommendations with 2014 Amendments – Third Edition (ASX Principles) against DEXUS's governance framework discloses how DEXUS meets each of the ASX Principles.

	ASX Principles	Reference	Comply
	Principle 1 – Lay solid foundations for management and oversight	Page 9	
1.1	A listed entity should disclose: (a) the respective roles and responsibilities of its board and management, and (b) those matters expressly reserved to the board and those delegated to management	1.1 – 1.5	✓
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director, and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director	2.4 Notice of Meeting	✓
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	2.4	✓
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	1.4	✓
1.5	A listed entity should: (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them (b) disclose that policy or a summary of it, and (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either: i. the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined 'senior executive' for these purposes), or ii. if the entity is a 'relevant employer' under the Workplace Gender Equality Act, the entity's most recent 'Gender Equality Indicators', as defined in and published under that Act	3.6	✓
1.6	A listed entity should: (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors, and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process	2.9	✓
1.7	A listed entity should: (a) have and disclose a process for periodically evaluating the performance of its senior executives, and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process	Remuneration Report	✓
	Principle 2 – Structure of the board to add value	Pages 9-13	
2.1	The board of a listed entity should: (a) have a nomination committee which: i. has at least three members, a majority of whom are independent directors, and ii. is chaired by an independent director, and disclose iii. the charter of the committee iv. the members of the committee, and v. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings, or (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively	2.8	✓
2.2	A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership	2.1	✓

ASX Principles		Reference	Comply
2.3	A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion, and (c) the length of service of each director	2.3	✓
2.4	A majority of the board of a listed entity should be independent directors.	2.2 and 2.3	✓
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	2.2 and 2.3	✓
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	2.4	✓
Principle 3 – Act ethically and responsibly		Pages 14-15	
3.1	A listed entity should: (a) have a code of conduct for its directors, senior executives and employees, and (b) disclose that code or a summary of it	3.1	✓
Principle 4 – Safeguard integrity in corporate reporting		Page 15	
4.1	The board of a listed entity should: (a) have an audit committee which: (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors, and (2) is chaired by an independent director, who is not the chair of the board, and disclose: (3) the charter of the committee (4) the relevant qualifications and experience of the members of the committee, and (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings, or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner	4.1	✓
4.2	The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	4.1	✓
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	6.1	✓
Principle 5 – Make timely and balanced disclosure		Page 16	
5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules, and (b) disclose that policy or a summary of it	5.1	✓
Principle 6 – Respect the rights of security holders		Page 16	
6.1	A listed entity should provide information about itself and its governance to investors via its website.	www.dexus.com	✓
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	6.2	✓
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	6.2	✓
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	6.2	✓

Corporate Governance Statement
Continued

ASX CORPORATE GOVERNANCE COUNCIL PRINCIPLES AND RECOMMENDATIONS RECONCILIATION (CONTINUED)

ASX Principles		Reference	Comply
Principle 7 – Recognise and manage risk		Page 17	
7.1	The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: i. has at least three members, a majority of whom are independent directors, and ii. is chaired by an independent director, and disclose iii. the charter of the committee iv. the members of the committee, and v. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings, or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework	7.1	✓
7.2	The board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound, and (b) disclose, in relation to each reporting period, whether such a review has taken place	7.1 and 7.2	✓
7.3	A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs, or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes	7.3	✓
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	7.2	✓
Principle 8 – Remunerate fairly and responsibly		Page 17	
8.1	The board of a listed entity should: (a) have a remuneration committee which: (1) has at least three members, a majority of whom are independent directors, and (2) is chaired by an independent director, and disclose (3) the charter of the committee (4) the members of the committee, and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings, or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive	8.1	✓
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	Remuneration Report	✓
8.3	A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme, and (b) disclose that policy or a summary of it	Remuneration Report	✓

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

The Board implements a corporate governance framework that applies to all DXFM funds, the DEXUS Wholesale Property Fund (DWPF), capital partner investments and mandates.

The Board has determined that good corporate governance supports:

- a culture of ethical behaviour resulting in an organisation that acts with integrity
- improved decision making processes
- better controls and risk management
- improved relationships with stakeholders
- accountability and transparency

The framework meets the requirements of the ASX Corporate Governance Principles and Recommendations (third edition) (ASX Principles), and addresses additional aspects of governance which the Board considers important. To assist stakeholders in accessing key documents outlining our approach to corporate governance, DEXUS maintains a Corporate Governance page on its website www.dexus.com/corporategovernance. The website is updated throughout the year, as policies and procedures are reviewed.

PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

1.1 Roles and responsibilities

As DEXUS comprises four real estate investment trusts, its corporate governance practices satisfy the requirements relevant to unit trusts. The Board has determined that the governance framework will also meet the highest standards of a publicly listed company. This includes the convening of an Annual General Meeting, the appointment of directors by DEXUS security holders and their consideration of its remuneration report.

1.2 Board responsibilities

The framework ensures accountability and a balance of authority by defining the respective roles and responsibilities of the Board and executive management (as outlined in the Terms of Reference for the Board and the Group Management Committee). This enables the Board to maintain a focus of strategic guidance while exercising effective oversight.

Terms of Reference for the Board and its delegated Committees are available at www.dexus.com/boardcommittees

The Board's responsibilities include (but are not limited to):

- Determining strategy, including reviewing and approving DEXUS's business objectives and strategies to achieve them. These objectives inform the setting of performance targets for the Chief Executive Officer and the Group Management Committee members. Performance against these objectives is reviewed by the Board People & Remuneration Committee and is a primary input to the remuneration review of Group Management Committee members
- Approving the annual business plan
- Approving periodic market guidance
- Approving the financial statements and disclosures
- Approving significant acquisitions and divestments and major developments
- Ensuring that DEXUS has in place an appropriate Risk Management Framework (including a Risk Appetite Statement) to support the company's risk policies
- Ensuring that DEXUS's fiduciary and statutory obligations to stakeholders (including third party clients, and capital partners) are met

The Board is also responsible for appointing and removing the Chief Executive Officer and Company Secretaries, ratifying the appointment of the Executive Director, Finance & Chief Operating Officer and monitoring the performance of the Group Management Committee.

1.3 The Role of the Chair

The role and responsibility of the Chair includes leading the Board, facilitating the effective contribution of all directors, and promoting constructive and respectful relations between directors and between the Board and management. The Chair is also responsible for promoting the interests of the Group to its security holders and regulators.

The Chair of the DXFM Board, Chris Beare, is a Non-Executive Director. Mr Beare is also Chair of FlexiGroup Limited. The Board is satisfied that Mr Beare commits the appropriate time necessary to serve the DXFM Board and DEXUS.

1.4 Company Secretaries

Company Secretaries play an important role in supporting the effectiveness of the Board and Board Committees. Company Secretaries are responsible for ensuring the smooth running of the Boards and Board Committees and governance matters are appropriately addressed. They are accountable directly to the CEO, the Chair of the Board and the Chairs of the Board Committees on all matters relating to the proper functioning of the Board and its Committees.

All directors have direct access to the Company Secretaries for guidance and assistance.

1.5 Group Management Committee responsibilities

The Board has appointed a Group Management Committee responsible for achieving DEXUS's goals and objectives, including the prudent financial and risk management of the Group. The Group Management Committee generally meets weekly.

Members of the Group Management Committee during 2015 were:

- Chief Executive Officer & Executive Director
- Deputy Chief Financial Officer*
- Executive Director Finance & Chief Operating Officer
- Executive General Manager, Investor Relations, Marketing & Communications
- Executive General Manager, Office & Industrial
- Executive General Manager, People & Property Services
- Executive General Manager, Strategy, Transactions & Research
- General Counsel & Company Secretary

* The Deputy Chief Financial Officer commenced employment at DEXUS on 12 January 2015.

PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE

2.1 DEXUS corporate governance structure

During 2014, DEXUS undertook a detailed review of its Committee structure, analysing the existing structure against the ASX Principles and best practice. It resulted in the implementation of a streamlined Board Committee structure from 1 September 2014 with the following Committees established to support the Board in discharging its responsibilities:

- Board Audit Committee
- Board Nomination Committee
- Board People & Remuneration Committee
- Board Risk Committee

Board Committee membership and responsibilities are revised regularly to ensure maximum effectiveness. The Terms of Reference for the DEXUS Board and the Board Committees are reviewed at least annually.

Non-Executive 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).

Corporate Governance Statement
Continued

PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE (CONTINUED)

2.1 DEXUS corporate governance structure (continued)

The Board and Board Committees are supported by Management Committees.

Chris Beare
Chair

To lead and guide the Board

The Board

1 Non-executive Chair
6 Non-executive Directors
2 Executive Directors

To ensure that the fiduciary and statutory obligations to its Investors are met. Meets at least eight times a year.

Board Risk Committee
T Dwyer (Chair)

4 Non-executive Directors

To assist the Board, DWPL and DEXUS's third party clients and capital partners in fulfilling their responsibilities as they relate to risk management (including Work, Health & Safety), compliance management, internal audit, and sustainability practices and procedures. Meets at least four times a year.

Board Audit Committee
R Sheppard (Chair)

4 Non-executive Directors

To assist the Board in fulfilling its responsibilities by reviewing the integrity and quality of the Group's financial statements and disclosures including auditing, accounting and financial reporting processes. Meets at least four times a year.

Board Nomination Committee
C Beare (Chair)

3 Non-executive Directors

To assist the Board in fulfilling its responsibilities by overseeing all aspects of the Board nomination and performance evaluation. Meets at least twice a year.

Board People & Remuneration Committee
J Conde (Chair)

3 Non-executive Directors

To assist the Board in fulfilling its responsibilities by overseeing all aspects of Director, Group Management Committee ('GMC') and Key Management Personnel remuneration and also oversees aspects of human resources management. Meets at least four times a year.

Group Management Committee
D Steinberg (Chair)

1 CEO & Executive Director
1 Exec. Director Finance & COO
6 Executive General Managers

To ensure that the financial and human resources of DXFM are efficiently and effectively employed in the achievement of its operational and strategic objectives. Meets weekly, or as required.

Management Committees

Group Management Committee
Capital Markets Committee
Compliance, Risk & Sustainability Committee
Continuous Disclosure Committee
Corporate Responsibility, Inclusion & Diversity Committee
Innovation Committee
Investment Committee
Project Prioritisation Committee

Board skills matrix

The Board Nomination Committee is responsible for reviewing the size, composition, diversity, skill and desired competencies of the Board and Board Committees (and recommending approval by the Board).

The Committee has identified the skills and expertise deemed necessary for the Board to fulfil its obligations.

The following table outlines the required skills and expertise that the DEXUS Board should possess.

Areas of skills & expertise
LEADERSHIP ▪ Directorship experience (past & present) ▪ Senior management experience (past & present)
CAPITAL & FUNDS MANAGEMENT ▪ Experience in the dynamics of raising capital and investment banking ▪ Experience in the management of third party funds
FINANCE & ACCOUNTING ▪ Experience in analysing accounting material & financial statements and assessing financial viability ▪ Experience in understanding financial drivers/funding and business models
GOVERNANCE ▪ Experience with corporate governance and standards of complex organisations ▪ Ability to assess and commitment to ensure the effectiveness of governance structures
PEOPLE MANAGEMENT & REMUNERATION ▪ Ability to manage people and influence organisational culture ▪ Experience in relation to remuneration and the legislation/framework governing remuneration
PROPERTY EXPERIENCE (INCLUDING DEVELOPMENTS) ▪ Experience and industry knowledge in the management of properties including property development ▪ Understanding of stakeholder needs and industry trends
RISK MANAGEMENT ▪ Experience in managing areas of major risk to the organisation ▪ Experience in workplace health & safety, environmental & community, social responsibility and technology matters affecting organisations
STRATEGY ▪ Experience in mergers & acquisitions activities ▪ Ability to guide and review strategy through constructive questioning and suggestions ▪ Experience in developments and successful implementation of strategy

The Board has also determined that director tenure and diversity is integral to a well functioning board.

Details on the skills and qualifications of our directors are provided on pages 4 and 5 of this report.

The Board has reviewed the skills of the current directors against the skill categories in the table above and has determined that the current composition of the Board meets or exceeds the minimum requirements in each category.

2.2 Size and tenure

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

At 30 June 2015, the Board comprised nine members including seven Non-Executive Directors, the Chief Executive Officer and the Executive Director Finance & COO. The DXFM constitution allows for the appointment of up to 10 directors.

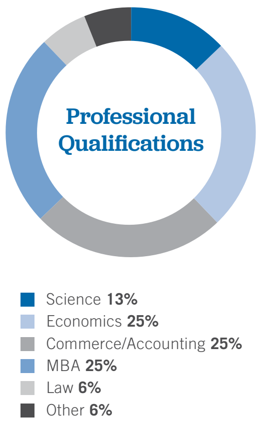
Details of directors at 30 June 2015 are:

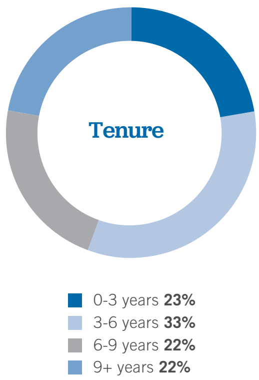
Name	Independent	Qualifications	Date appointed
Chris Beare (Chair)	Yes	BSc, BE (Hons), MBA, PhD, FAICD	Director and Chair since 4 August 2004
Elizabeth Alexander AM	Yes	BComm, FCA, FAICD, FCPA	Director since 1 January 2005
Penny Bingham-Hall	Yes	BA (Industrial Design), FAICD, SF (Fin)	Director since 10 June 2014
John Conde AO	Yes	BSc, BE (Hons), MBA	Director since 29 April 2009
Tonianne Dwyer	Yes	BJuris (Hons), LLB (Hons)	Director since 24 August 2011
Craig Mitchell	No	BComm, MBA (Exec), FCPA, HBS (AMP)	Appointed Executive Director on 12 February 2013
Richard Sheppard	Yes	BEc Hons, FAICD	Director since 1 January 2012
Peter St George	Yes	CA(SA), MBA	Director since 29 April 2009
Darren Steinberg	No	BEc, FAICD, FRICS, FAPI	Appointed Executive Director on 1 March 2012

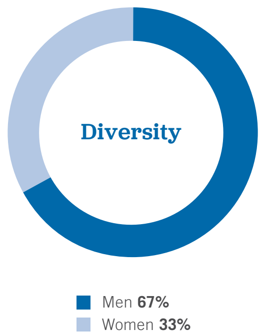
Corporate Governance Statement
Continued

PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE (CONTINUED)

2.2 Size and tenure (continued)







2.3 Board independence

Non-Executive Directors must be free of any business or other relationship that could interfere materially with the exercise of their unfettered and independent judgement.

The Board has determined that each Non-Executive Director:

- Is not a substantial security holder of DEXUS, nor otherwise associated with a substantial security holder of DEXUS
- Is not employed, nor within the last three years has been employed, in an executive capacity by DEXUS (there must be a period of at least three years between ceasing such employment and serving on the Board)
- Has not been, within the last three years, a principal or an employee of a material professional adviser or a material consultant to DEXUS
- Has not been a material supplier or customer of DEXUS, or otherwise associated with a material supplier or customer
- Has no material contractual relationship with DEXUS (other than as a Non-Executive Director of DEXUS)
- Has not served on the Board for a period which could, or could reasonably be perceived to, interfere materially with the director's ability to act in the best interests of DEXUS
- Is free from any interest and any business or other relationship which could, or could reasonably be perceived to, interfere with the director's ability to act in the best interests of DEXUS, and
- Is free from family ties or cross-directorships that may compromise director independence

The Board regularly assesses the independence of its directors in light of interests disclosed to it and has determined that each Non-Executive Director has maintained independence throughout the year.

2.4 Appointment of directors

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, will stand for election by DEXUS stapled security holders. If a nominated director fails to receive a majority vote, that director will cease to be appointed to the Board of DXFM.

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

At the time of appointment, each Non-Executive Director is required to sign a letter of appointment which sets out terms and conditions. The letter defines the term of office, independence, role and responsibilities of the director.

Executive Directors and other members of the Group Management Committee are also required to enter into an employment agreement setting out their terms of employment.

The Induction Program for newly appointed directors is comprehensive and includes familiarisation with specific structures, policies and legal documents including (but not limited to):

- Outline of the Corporate and Committee structure
- Organisational charts providing details of business units
- Terms of Reference for the Board and Board Committees
- Minutes of the previous Board and Board Committee meetings
- A copy of the Constitution
- A copy of the business plan
- DEXUS Compliance Management Framework
- DEXUS Risk Management Framework
- Key DEXUS policies including:
  - Directors' Code of Conduct
  - Securities Trading (including inside information) Policy
  - Continuous Disclosure Policy

A newly appointed Non-Executive Director will meet with key managers who provide an overview of their areas of responsibility. Newly appointed Non-Executive Directors are encouraged to attend each of the Board Committee meetings to assist in understanding the DEXUS business model and approach to corporate governance.

Background checks of newly appointed Non-Executive Directors are performed which include:

- National Police Check
- ASIC Banned and Disqualified Register check
- ASIC Authorised Representative search

- ASIC Enforceable Undertaking Register search
- APRA Disqualified Register check
- Directorships check
- AML/CTF Global Official Lists check (sanctions list)
- Public Record check
- Academic Qualification check
- Employment history check
- Bankruptcy Record check

The process for selecting and appointing new directors to the Board can be found at www.dexus.com/appointment

2.5 Meetings

The Board generally meets monthly between February and November, with additional meetings held throughout the year as required. A Board Calendar is developed and agreed six months ahead of the new calendar year. The calendar provides dates of Board and Board Committee meetings.

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

Each standard Board meeting includes a Non-Executive Director only session, led by the Chair, followed by a session in which the Executive Directors join the board. The remaining members of the Group Management Committee and Company Secretary then join the meeting.

Senior management is also available to provide clarification or answer questions directors may have either prior to the Board meeting or may be invited to attend and present at the Board meeting.

Board papers are provided to directors electronically at least three business days prior to the meeting.

Any Action Items identified by the directors are recorded in the minutes. The Company Secretary ensures that the Action Items are appropriately addressed.

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

Some of the key issues addressed by the Board during 2015 include the:

- One-for-six security consolidation
- Continued oversight of capital management
- Acquisition and disposal of office and industrial properties
- Institutional placement of Share Purchase Plan
- Work Health Safety (WHS) policies and practices

Directors are expected to use their best endeavours to attend all scheduled meetings. For the year to 30 June 2015, there was 100% attendance of Non-Executive Directors at all Board and Board Committee meetings (for which they are a member).

2.6 Access to training and information

Directors receive regular presentations by management and external advisers regarding sector, fund, and industry specific trends. Non-Executive Directors are encouraged to seek additional information from management as necessary.

Non-Executive Directors also attend property tours and are encouraged to pursue professional development opportunities at the Group's expense.

Should a Non-Executive Director wish to seek independent professional advice that they believe is necessary to discharge their responsibility as a director, the matter should initially be referred to the Chair. Where the Chair determines it is appropriate that advice be sought by the Non-Executive Director, DEXUS will pay for such advice. Where the Chair seeks independent professional advice, approval is required by a majority of the Non-Executive Directors.

2.7 Membership on other Boards

The Board acknowledges that concurrent service on multiple boards by DEXUS directors may impact their overall performance and ability to devote adequate time to each board/position. The Board recognises that the time required to fulfil each directorship role varies and as a result, has determined that it is not appropriate to set a limit on the total number of directorships held.

Directors will consider the number of directorships they hold to ensure they have sufficient time to attend to the affairs of DEXUS Property Group. Should a director wish to accept directorships in addition to those already held, the matter is referred to the Chair of the DXFM Board for approval.

2.8 Board Nomination Committee

The Board Nomination Committee oversees all aspects of:

- Board renewal
- Board and Board Committee performance evaluation
- Director nominations

The Committee comprises three Non-Executive Directors:

- Chris Beare, Chair, Non-Executive Director (Chair)
- John Conde AO, Non-Executive Director
- Richard Sheppard, Non-Executive Director

The Chief Executive Officer and Executive General Manager, People & Property Services attend the Board Nomination Committee meeting by invitation.

2.9 Performance

The Board Nomination Committee oversees a three year Board performance evaluation cycle in which Board and Board 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. Any areas for improvement identified in the performance evaluation process are agreed by the Board Nomination Committee which oversees the implementation of process enhancements.

In 2015, directors were asked to provide feedback on the function of the Board and its Committees, structure of Board meetings and the role of the Chair of the Board and Board Committees. Feedback from the anonymously completed questionnaires was co-ordinated by the Company Secretary and provided to the Board Nomination Committee for discussion.

The process for Board performance evaluation can be found at www.dexus.com/corporategovernance

Corporate Governance Statement
Continued

PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY

3.1 Codes of Conduct

To meet statutory and fiduciary obligations (including those relating to the management of third party funds and capital partners) and to maintain confidence in its integrity, the Board implements a series of clearly articulated policies and procedures to which all employees must adhere. These policies are reviewed at least annually:

- The Board considers it important that all employees meet the highest ethical and professional standards and has established an Employee Code of Conduct and a Directors' Code of Conduct. Any alleged breach of the Codes of Conduct is investigated. A significant breach may result in termination of employment
- DEXUS's Anti-Bribery policy addresses the acceptance and granting of gifts and benefits and reinforces the Group's commitment not to donate to political parties
- The Group strongly supports the identification and 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, on an annual basis, compliance with key DEXUS policies. In 2015, employees were asked to confirm ongoing compliance with policies addressing:

- Code of Conduct
- Compliance Incidents
- Good Faith Reporting
- Conflicts of Interest (Personal and Business), and
- Securities Trading (including inside information)

DEXUS Board and Corporate Policies are available at www.dexus.com/corporategovernance

3.2 Trading in DEXUS securities

The Group's Securities Trading (including inside information) 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 Non-Executive Director who wishes to trade in DEXUS securities to obtain approval from the Chair and General Counsel/Company Secretary. Should the Chair wish to trade in DEXUS securities, approval is required from a Non-Executive Director and General Counsel/Company Secretary.

Employees wishing to trade in DEXUS securities must obtain written approval from the Chief Executive Officer and General Manager, Compliance, Risk & Governance/Company Secretary before entering into a transaction.

Non-Executive Directors and employees are permitted to trade DEXUS securities only in defined trading windows, provided approval has been granted and only if they are not in possession of inside information.

In the event that the Chair, Chief Executive Officer or General Counsel 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 during defined trading windows.

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

3.3 Non-Executive Director holdings in DXS

On 26 November 2014, the Board approved the policy that the minimum holding by each Non-Executive Director be set at 16,500 securities by 29 October 2017. Newly appointed Non-Executive Directors should hold 16,500 securities within three years of appointment.

At 30 June 2015, Non-Executive Directors' holdings in DEXUS were as follows:

Chris Beare (Chair)	16,667
Elizabeth Alexander AM	16,667
Penny Bingham-Hall (appointed 10 June 2014)	8,334
John Conde AO	16,667
Tonianne Dwyer	16,667
Richard Sheppard	70,090
Peter St George	17,333

At 1 July 2015, Darren Steinberg (Executive Director) has been awarded the following:

- Performance Rights granted under the 2014 STI Rights Plan giving the right to 32,179 securities
- Performance Rights granted under the 2013 LTI Rights Plan giving the right to 188,029 securities
- Performance Rights granted under the 2014 LTI Rights Plan giving the right to 205,943 securities
- 195,164 securities

At 1 July 2015, Craig Mitchell (Executive Director) has been awarded the following:

- Performance Rights granted under the 2014 STI Rights Plan giving the right to 17,836 securities
- Performance Rights granted under the 2013 LTI Rights Plan giving the right to 59,253 securities
- Performance rights granted under the 2014 LTI Rights Plan giving the right to 85,503 securities
- 153,995 securities

Dealings in DXS securities by directors are reported to the ASX within five business days of the transaction.

The Board is considering introducing a minimum security holding requirement for Executive Key Management Personnel once an appropriate vested equity position has been achieved through the Deferred STI and LTI plans which were first introduced in 2012.

3.4 Conflicts of interest and related party dealings

The Group's Conflict of Interest 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 DEXUS client (including DXS)
- 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
- When the personal interests of an employee or director conflict with those of DEXUS or its clients

Where a conflict of interest is identified, the Compliance, Risk & Governance team liaises with the business representatives 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 Risk Committee each quarter.

Leasing Conflicts of Interests that have been identified and managed during the quarter are reported to:

- Group Management Committee
- Compliance, Risk & Sustainability Committee
- Board Risk Committee
- Relevant capital partners and mandates

Where there is an actual, potential or perceived conflict of interest between the personal interests of a director and the duties the director owes to DEXUS, the director is required to disclose the circumstances to the Chair for determination as to the most appropriate method in which to manage the conflict.

A director with an actual, potential or perceived conflict in relation to a matter before the Board will be excluded from attending that part of the Board meeting. Papers or minutes in relation to the matter will not be provided to the director.

During 2015, the Conflicts of Interest policies and procedures (as they relate to allocation of property transactions and leasing transactions) were subject to an independent, external review. The Compliance team also facilitated refresher Conflicts of Interest training for DEXUS employees. Successful completion of all compliance training is compulsory.

3.5 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.

3.6 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.

During 2015, the Corporate Responsibility, Inclusion & Diversity Committee, chaired by the Chief Executive Officer, continued to promote and encourage a work environment where diversity is understood and valued.

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 including *Workplace Gender Equality Act 2012.*

The DEXUS gender diversity target by 30 June 2015 was set at 33% of Non-Executive Directors to be held by women and 33% of senior management roles to be held by women.

As at 30 June 2015, DEXUS's workforce profile places women at 43% of Non-Executive Directors and 26% senior manager roles. Women represent 48% of DEXUS's employees.

DEXUS's definitions of 'Senior Management' and 'Measurable Objectives' are disclosed in its Diversity Target which is available at www.dexus.com/corporategovernance

DEXUS undertakes Gender Pay Equity audits to gain insight into the effectiveness of its Diversity Principles and to review its position on diversity both internally and against external benchmarks.

The results of this year's audit were presented to the Group Management Committee as part of a new calibration process at the end of the annual DEXUS Compensation Review.

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

PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING

4.1 Board Audit Committee

To ensure the accurate presentation of each Trust's financial position, DXFM has in place a structure of review and authorisation, where the Board Audit 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 Non-Executive Directors with financial expertise and an understanding of the industry in which DEXUS 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, but not less than four times a year, and the external auditor is invited to attend all meetings.

From 1 July to 31 August 2014, the members of the Committee were:

- Richard Sheppard, Chair, Non-Executive Director
- Elizabeth Alexander AM, Non-Executive Director
- Chris Beare, Non-Executive Director

Following the implementation of a streamlined Board Committee structure from 1 September, the members of the Committee for the 10 months ending 30 June 2015 were:

- Richard Sheppard, Chair, Non-Executive Director
- Elizabeth Alexander AM, Non-Executive Director
- Tonianne Dwyer, Non-Executive Director
- Peter St George, Non-Executive Director

The following reports are provided to the Committee:

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

PricewaterhouseCoopers (PwC) continues 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 2015, fees paid to the external auditor for non-audit services were 11.3% of audit fees (25.5% at 30 June 2014).

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

Corporate Governance Statement
Continued

PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

5.1 Continuous disclosure

To ensure continuous disclosure obligations are met, DEXUS has the following processes and procedures in place:

- Ongoing education of managers and directors ensuring all parties clearly understand the ASX Listing Rule obligations and the consequences of a breach
- Efficient reporting channels capturing potential information requiring disclosure and bringing it to the immediate attention of the Chief Executive Officer or the General Counsel
- An effective monitoring system which helps ensure ongoing compliance
- A clear and concise policy outlining obligations and expectations of our employees in the identification and management of matters that may require disclosure to the market. The policy was subject to an independent external review during 2015 to ensure it reflects regulatory requirements and industry best practice

DEXUS has established a Continuous Disclosure Committee to assist in the identification and reporting of material matters to the market in the spirit of legislation and regulations.

Committee members comprise:

- General Counsel & Company Secretary (Chair)
- Chief Executive Officer
- Executive Director Finance & COO
- EGM – Investor Relations, Marketing & Communications
- EGM – Strategy, Transactions & Research

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 Committee is comprised of executives based at DEXUS's corporate head office allowing meetings to be held at short notice.

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.

The Chief Executive Officer and/or General Counsel will immediately notify the Chair of the DXFM Board should any material concern arise regarding continuous disclosure. The Chair will then decide whether the issue should be further referred to the full Board or a nominated board Sub-Committee prior to any market release, if considered appropriate, is made.

The DXFM Board has a standing Agenda Item for it to assess if there are any matters that should be disclosed to the market.

The Continuous Disclosure Policy is available at www.dexus.com/corporategovernance

PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS

6.1 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 readily understandable information
- Increase the opportunities for participation
- Facilitate security holders' rights to appoint Non-Executive Directors to the Board of DXFM

DEXUS recognises the importance of security holder participation at the AGM and supports and encourages that participation.

The Group's policy is that all directors attend the AGM, and in 2014 all directors attended 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 is webcast live and archived for viewing on DEXUS's website for those security holders unable to attend the meeting. The results of voting on the items for the formal business of the meeting are released to the market and posted to DEXUS's website after the AGM.

6.2 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 involves providing an open and ongoing two-way dialogue with the investment community and other key stakeholders that integrates the communication of financial and operational performance, marketing and regulatory reporting requirements.

Annual and half-year financial results presentation briefings with institutional investors and analysts are webcast and made available to all investors on DEXUS's website.

DEXUS's website enables access to all ASX announcements and media releases, annual and half year reviews, annual reports, presentations and analyst support material. Investors can subscribe to alerts from the website to receive DEXUS communications immediately after release. The website also provides historical distribution and tax information and includes a security holder login section to enable security holders to update their details directly and download statements from Link Market Services.

DEXUS maintains an Investor Relations app available for iPhone, iPad and Android users that provides security holders with instant access to corporate and stock information such as recent announcements, results reporting and research reports. DEXUS has a corporate company page on LinkedIn which enables it to 'push' news stories and ASX releases to its large network of DEXUS followers.

Any enquiries received from security holders are addressed in a timely manner in accordance with DEXUS's policy on handling of enquiries and complaints.

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

PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

7.1 Board Risk Committee

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

The Risk Management Framework is subject to annual review. The continuing evolution of a Risk Appetite Statement will result in further enhancements to the Risk Management Framework.

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

Members of the Committee from 1 July to 31 August 2014 were:

- Richard Sheppard, Chair, Non-Executive Director
- Elizabeth Alexander AM, Non-Executive Director
- Chris Beare, Non-Executive Director

Following the implementation of a streamlined Board Committee structure from 1 September, the members of the Committee for the 10 months ending 30 June 2015 increased to four Non-Executive Directors:

- Tonianne Dwyer, Chair, Non-Executive Director
- Penny Bingham-Hall, Non-Executive Director
- Richard Sheppard, Non-Executive Director
- Peter St George, Non-Executive Director

While most 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.

7.2 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 & Sustainability Committee that supports the Board Risk Committee.

The General Manager, Compliance, Risk & Governance has direct access to the Chief Executive Officer and Non-Executive Directors.

Risks to DEXUS arise from both internal and external factors and include:

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

Further information relating to the identification and management of risks is available at page 44 of this report.

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, compliance management and internal control systems is reported by the General Manager, Compliance, Risk & Governance to the Board Risk 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.

During 2015, the Board Risk Committee also focused on:

- The formalisation of DEXUS's Risk Appetite Statement
- Security risk management at head office and across the portfolio as a result of the heightened terrorist alert announced by Australian National Security
- Work health and safety acknowledging both physical and mental health
- Identification and management of conflicts of interest

7.3 Internal audit

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

DEXUS has appointed Ernst & Young to perform the internal audit program. An Ernst & Young partner attends each Board Risk Committee to present findings of internal audits undertaken during the quarter.

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

8.1 Board People & Remuneration Committee

The Board People & Remuneration Committee oversees all aspects of:

- Director and Executive remuneration
- Director, Chief Executive Officer, and management succession planning

The Committee comprises three Non-Executive Directors:

- John Conde AO, Chair, Non-Executive Director
- Chris Beare, Non-Executive Director
- Penny Bingham-Hall, Non-Executive Director

The Chief Executive Officer and Executive General Manager, People & Property Services attend the Board People & Remuneration Committee meeting by invitation.

It is the practice of the Board People & Remuneration 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, Non-Executive Directors and employees are set out in the Remuneration Report that forms part of the Directors' Report contained in this report commencing on page 19. There are no schemes for retirement benefits (other than compulsory contributions to superannuation) for Non-Executive Directors.

Directors' Report

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 2015. The consolidated Financial Statements represent 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
Penny Bingham-Hall	10 June 2014
John C Conde, AO	29 April 2009
Tonianne Dwyer	24 August 2011
Craig D Mitchell	12 February 2013
W Richard Sheppard	1 January 2012
Darren J Steinberg	1 March 2012
Peter B St George	29 April 2009

1.2 Company Secretaries

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

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

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

Prior to joining DEXUS, Brett was Head of Legal for Macquarie Real Estate (Asia) and has held senior legal positions at Macquarie Capital Funds in Hong Kong and Minter Ellison in Sydney and Hong Kong. Brett has 19 years' experience as in-house counsel and in private practice in Australia and in Asia, where he worked on real estate structuring and operations, funds management, mergers and acquisitions, private equity and corporate finance across a number of industries.

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

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

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

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

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

2. ATTENDANCE OF DIRECTORS AT BOARD MEETINGS AND BOARD COMMITTEE MEETINGS

The number of Directors' meetings held during the year and each Director's attendance at those meetings is set out in the table below. The Directors met 11 times during the year. Ten Board meetings were main meetings and one meeting was held to consider specific business.

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

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

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

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

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

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

Elizabeth A Alexander and Tonianne Dwyer were also Directors of DWPL and attended the Board meetings during the year ended 30 June 2015 (refer note 22).

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

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

3. REMUNERATION REPORT

Overview

The Remuneration Report has been prepared in accordance with the *Corporations Act 2001* 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.

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 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.

3. REMUNERATION REPORT (CONTINUED)

Overview (continued)
The Board notes that the senior management team at DEXUS is small and focused. Consequently, an understanding of the individual roles and accountabilities is relevant in making remuneration judgements compared to other organisations in the sector. In some cases, revised job titles reflect the broader accountabilities.

Below are the principal Key Management Personnel (KMP) remuneration-related changes during the year ended 30 June 2015, which were approved by the Board and prospectively disclosed in the 2014 Remuneration Report:

- Fixed remuneration for the Executive Director & Chief Executive Officer increased to $1,500,000 (+$100,000) effective 1 July 2014. This was the first fixed remuneration increase for Mr Steinberg since his commencement in March 2012 and was informed by market remuneration data and independent advice
- Fixed remuneration for the Executive Director Finance & Chief Operating Officer increased to $900,000 (+$125,000) effective 1 July 2014. Mr Mitchell's increase was based on peer comparison within the property industry and financial services industries, noting his increased responsibilities following a reduction in the size of the senior executive team
- The Board Chair's base fee increased to $375,000 (+$25,000) effective 1 July 2014, with Board Members' base fees increasing to $160,000 (+$10,000). This was the first increase in Directors' fees since 2010
- Following security holder approval at the 2014 Annual General Meeting, the aggregate Directors' fee pool was increased from $1,750,000 to $2,200,000. The fee pool had remained unchanged since the 2008 Annual General Meeting
- The number of securities required to be held by each Director increased from 50,000 to 100,000 (this was adjusted to 16,500 post the security consolidation undertaken in October 2014). Securities are to be purchased on-market with personal funds and are to be acquired within three years of the 2014 Annual General Meeting. Newly appointed Directors need to acquire the relevant number of securities within three years of their appointment

Remuneration-related decisions effective 1 July 2015 approved by the Board are:

- No fixed remuneration increase for the Executive Director & Chief Executive Officer
- No fixed remuneration increase for the Executive Director Finance & Chief Operating Officer
- Modest increases for other Executives, averaging just over 2%
- Positively amending the Long Term Incentive (LTI) plan, with Adjusted Funds From Operations (AFFO) Growth replacing Funds From Operation (FFO) Growth as a performance measure to reflect management's performance in managing maintenance capital expenditure, leasing incentives, derivative close-out costs and other one-off items
- The intent to introduce a minimum security holding requirement for Executive KMP once an appropriate vested equity position has been achieved through the Deferred STI and LTI plans which were first introduced in 2012.

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

Key Management Personnel
In this report, Key Management Personnel (KMP) are those 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
- 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 Directors	Title	KMP FY14	KMP FY15
Christopher T Beare	Chair	✓	✓
Elizabeth A Alexander AM	Director	✓	✓
Penny Bingham-Hall	Director	Part-year	✓
John C Conde AO	Director	✓	✓
Tonianne Dwyer	Director	✓	✓
W Richard Sheppard	Director	✓	✓
Peter B St George	Director	✓	✓
Barry R Brownjohn	Director	Part-year	–
Stewart F Ewen OAM	Director	Part-year	–

Executive Directors

Executive Directors	Position	KMP FY14	KMP FY15
Darren J Steinberg	Executive Director and Chief Executive Officer	✓	✓
Craig D Mitchell	Executive Director Finance and Chief Operating Officer	✓	✓

Executive KMP

Executive KMP	Position	KMP FY14	KMP FY15
Kevin L George	Executive General Manager, Office & Industrial	✓	✓
Ross G Du Vernet	Executive General Manager, Strategy, Transactions & Research	✓	✓

Board People & Remuneration Committee

The objective of the Committee is to assist the Board in fulfilling its responsibilities to oversee all aspects of Director and Executive remuneration and also oversee aspects of Human Resources management. The primary accountabilities of the Committee are to review and recommend to the Board:

- CEO & Executive succession plans
- Remuneration structures, including design and operation of employee incentive plans
- CEO & Executive performance objectives, evaluation and remuneration outcomes
- Non-Executive Directors' base and committee fees
- Talent management and learning & development strategies
- Diversity principles and general people & culture practices

The Committee comprises three independent Non-Executive Directors. For the years ended 30 June 2014 and 2015 Committee members were:

Non-Executive Director	Title	2014	2015
John C Conde AO	Committee Chair	✓	✓
Christopher T Beare	Committee Member	✓	✓
Penny Bingham-Hall	Committee Member	–	Part-year
Tonianne Dwyer	Committee Member	Part-year	Part-year
Stewart F Ewen OAM	Committee Member	Part-year	–

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 capabilities are further enhanced through the membership of Mr Beare and Ms Bingham-Hall, each of whom has significant management experience in the property and financial services sectors.

Following Mr Ewen's standing down from the Board in October 2013, Ms Dwyer joined the Committee for the remainder of FY14. She was subsequently replaced by Ms Bingham-Hall when the new Board Committee structure was implemented on 1 September 2014.

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

During the year, the Committee appointed Egan Associates to provide remuneration advisory services. Egan Associates was paid a total of $27,200 for general advisory services to the Committee. The Committee is satisfied the information and general advice received from Egan Associates is free from undue influence from the KMP to whom it relates.

The 2014 Remuneration Report received positive security holder support at the 2014 Annual General Meeting with a vote of 87.1% in favour.

Directors' Report
Continued

3. REMUNERATION REPORT (CONTINUED)

Executive remuneration

Context

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

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

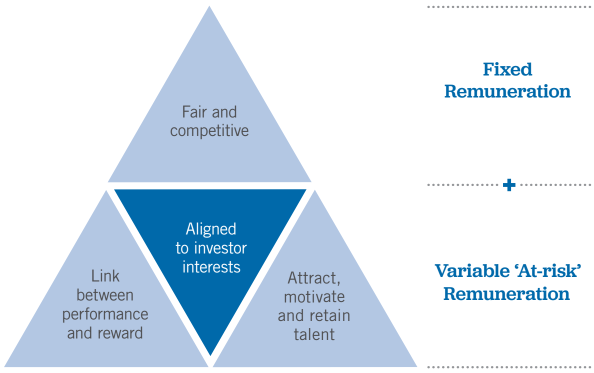
- the office, industrial and retail property sectors
- property management, including securing new tenancies under contemporary lease arrangements, asset valuation and related financial structuring and property development in its widest context
- capital markets, funds management, fund raising, joint 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
- salary benchmarking information from reputable industry sources such as Aon Hewitt and FIRG
- 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 and information from remuneration advisers, proxy advisers and institutional investors, and considers stakeholder interests at each stage of the remuneration review process.

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

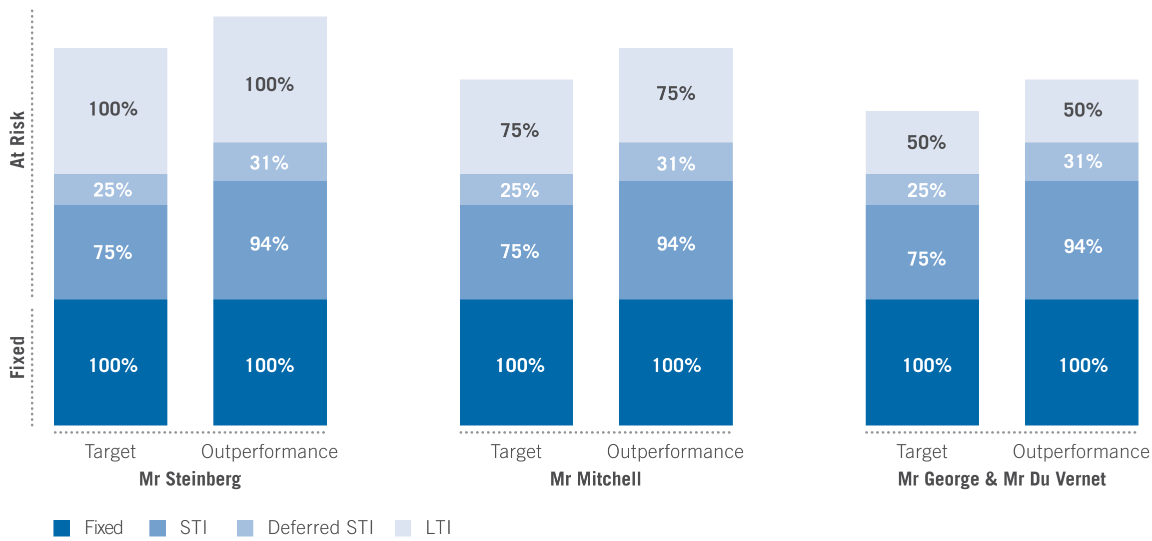


Remuneration structure

Remuneration mix

The remuneration structure for Executive Directors and Executive KMP (collectively referred to as 'Executives' in this report) 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.

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



STI plan

Purpose	The STI plan is designed to motivate and reward Executives for their annual contribution to the financial and non-financial performance of the Group.
Participation	At Target, each Executive can earn 100% of fixed remuneration under the STI plan and up to a maximum of 125% of fixed remuneration for Outperformance. 25% of the STI award is then deferred at further risk as Rights to DXS securities, subject to clawback and potential forfeiture.
Performance	The amount each Executive can earn is guided by how he/she performs against a personalised balanced scorecard of key performance indicators (KPIs) that are 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 incentive benefit under 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 achieve 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 performance improvement. Aggregate performance below predetermined thresholds would result in no award being made under the STI plan.
Payment	STI payments are made in August, following the sign-off of statutory accounts and announcement of the Group's annual results for the period to which the performance relates.
Deferral	25% of any award under the STI plan is deferred in the form of Rights to DXS securities. The Rights vest ordinarily in two equal tranches, 12 and 24 months after being awarded. However, they are subject to clawback and continued employment, and are based on a deferral period commencing 1 July after the relevant performance period. The number of 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.
Distributions	Executives will be entitled to the benefit of distributions paid on the underlying DXS securities prior to vesting, through the issue of additional Rights.
Forfeiture	Forfeiture will occur should the Executive's employment terminate within six 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 Board may decide that the Executive should remain in the plan as a 'good leaver'.
Alignment	The STI plan is aligned to security holder interests in the following ways: ▪ 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
Oversight	The CEO monitors and assesses performance of Executives as part of the Group's annual performance management cycle. The CEO makes STI recommendations to the Board People and Remuneration Committee, who subsequently make recommendations to the Board for approval. The CEO's own performance is assessed in a similar manner, with the Chair of the Board making recommendations to the Committee for the Board's ultimate approval. The Board retains the right to amend, suspend or cancel the STI plan at any time.

LTI plan

Purpose	The LTI plan is designed to motivate and reward Executives for sustained earnings and security holder returns and is delivered in the form of Performance Rights to DXS securities.
Participation	The CEO receives an LTI grant equal to 100% of his fixed remuneration. The Executive Director Finance and Chief Operating Officer receives an LTI grant equal to 75% of his fixed remuneration and other Executive KMP 50%.
Allocation	Executives receive a grant of Performance Rights to DXS securities which are at risk and subject to performance conditions set by the Board. The number of Performance Rights granted is based on the Executive's grant value (% 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.
Tranches	Each grant is split into two equal tranches, with a vesting period of three and four years respectively after the grant date.

3. REMUNERATION REPORT (CONTINUED)

Remuneration structure (continued)

LTI plan (continued)

Performance conditions

The Board sets the performance conditions for the LTI plan on an annual basis. The four performance conditions for the 2015 LTI plan remain the same as last year but with a change to one of the internal performance conditions as explained below:

External Performance Conditions (50%)

- 25% is based on the Group's relative performance against a Total Shareholder Return (Relative TSR) performance hurdle measured against listed peers within the A-REIT sector

  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 unlisted peers

  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

Internal Performance Conditions (50%)

- 25% is based on the Group's performance against a predetermined Adjusted Funds From Operations (AFFO) per security growth hurdle

  Based on an internal review and cognisant of investor feedback, the Board has elected to make the change to AFFO from FFO (as used in previous year's plans) in order to reflect the impact of maintenance capex, leasing incentives, derivative close-out costs and other one-off items

  For the purposes of these performance hurdles, AFFO is defined as per the definition adopted by the Property Council of Australia.
- 25% is based on the Group's performance against a predetermined Return on Equity (ROE) 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

Vesting

Relative TSR and Relative ROE

Vesting under both the Relative TSR and Relative ROE conditions will be on a sliding scale reflecting relative performance against a comparator group of entities.

- 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

The listed and unlisted comparator groups remain unchanged ahead of the 2015 grant. Specifically:

- Listed: all members of the S&P/ASX 200's A-REIT Index
- Unlisted: all members of the Mercer IPD Core Wholesale Property Fund Index

The Board reserves the right to review the comparator groups annually, with relative performance monitored by an independent external adviser at 30 June each year.

AFFO Growth and ROE

Vesting under both the AFFO Growth and ROE measures will be on a sliding scale reflecting performance against predetermined performance conditions set by the Board.

- Nil vesting for below Target performance
- 50% vesting for Target performance
- Straight line vesting between Target and Outperformance
- 100% vesting for Outperformance

AFFO Growth is the implied compound annual growth rate (CAGR) of the aggregate AFFO earnings per security in the three and four year vesting periods. ROE is measured as the per annum average at the conclusion of each vesting period.

Following a review of the Group's strategy and having complicated extensive internal forecasting, the Board has set the internal performance conditions for the 2015 LTI grant. Due to their commercially sensitive nature, LTI performance conditions will only be disclosed at the conclusion of the vesting period in line with the contemporary market practise.

Distributions	Executives are not entitled to distributions paid on underlying DXS securities prior to Performance Rights vesting.
Forfeiture	If the pre-determined performance conditions are not met then the Performance Rights relating to that tranche will be forfeited. There is no retesting of forfeited Rights. 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. 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 may recommend that the Executive should remain in the plan as a 'good leaver', for decision by the Board.
Alignment	The LTI plan is aligned to security holder interests in the following ways: ▪ As a reward to Executive's when the Group's overall performance exceeds specific pre-determined earnings and security holder return benchmarks ▪ As a reward mechanism which encourages Executive retention and at the same time allows for future forfeiture of LTI grants for financial underperformance, deliberate misrepresentation or fraud ▪ By aligning the financial interests of Executives to security holders through exposure to DXS securities and Group performance ▪ By encouraging and incentivising Executives to make sustainable business decisions within the Board-approved strategy of the Group
Oversight	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. 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. 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. 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 and held in trust for the Executive pending performance assessment. The Board retains the right to amend, suspend or cancel the LTI plan at any time.

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:

CEO – Mr Steinberg

	Terms
Employment agreement	An ongoing Executive Service Agreement.
Termination by the CEO	Termination by Mr Steinberg requires a six 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 in this circumstance.
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', 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 in this circumstance.
Other contractual provisions and restrictions	Mr Steinberg's Executive Service Agreement includes standard clauses covering intellectual property, confidentiality, moral rights and disclosure obligations.

3. REMUNERATION REPORT (CONTINUED)

Service agreements (continued)

Executives – Messrs Mitchell, George and Du Vernet

	Terms
Employment agreement	An ongoing Executive Service Agreement.
Termination by the Executive	Termination by the Executive requires a three 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 in this circumstance.
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', which may result in the Executive retaining some or all of his unvested STI and LTI.
Termination by the Group with cause	No notice or severance is payable in this circumstance.
Other contractual provisions and restrictions	The Executive Service Agreement includes standard clauses covering intellectual property, confidentiality, moral rights and disclosure obligations.

Performance pay

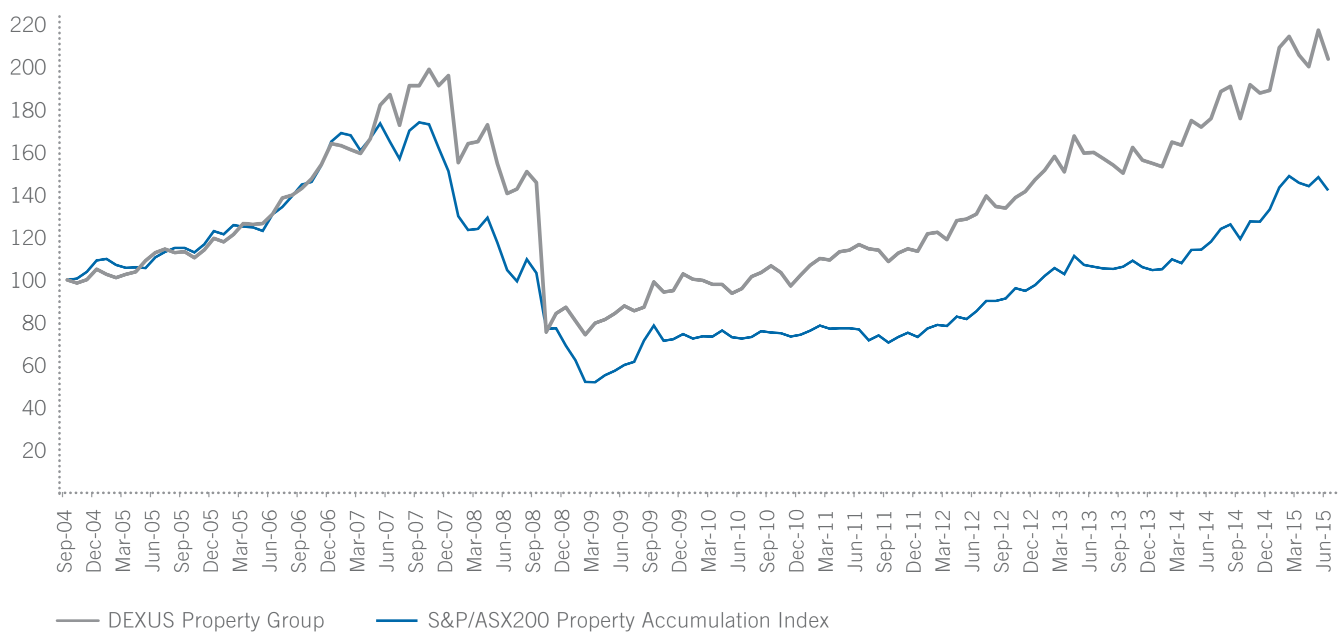
Group performance

FY15 Highlights

Group	Property Portfolio	Third Party Funds Management	Trading	Capital Management
Delivered a 9.3% increase in FFO and distribution per security. Increased AFFO by 19.0% to $369.8 million	Leased 394,133 square metres of space across the total portfolio	Increased third party funds under management by 10% to $9.6 billion	Generated trading profits of $42.6 million	Maintained a strong balance sheet, with gearing of 28.5%, below the target range
Achieved a 15.8% one-year total security holder return and 11.5% return on equity	Maintained high occupancy 95.3% across the DEXUS office portfolio	Involved in $863 million of transactions on behalf of third party clients	More than 60% of FY15 trading profits realised from the active repositioning of office properties	Continued to diversify and increase duration of debt, securing $250 million of US Private Placement debt

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, three and five year time horizon, relative to the S&P/ASX200 Property Accumulation Index:

Year Ended 30 June 2015	1 Year (% per annum)	3 Years (% per annum)	5 years (% per annum)
DEXUS Property Group	15.8%	15.8%	16.2%
S&P/ASX200 Property Accumulation Index	20.3%	18.4%	14.3%
Median – Relative TSR Comparator Group	18.9%	21.0%	17.2%

DXS achieved a 15.8% per annum return over a rolling three year basis, underperforming the S&P/ASX200 Property Accumulation index by 2.6% and the median return of the benchmark peer group by 5.2%.

Individual performance assessment – Balanced Scorecards

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. Each Executive's Balanced Scorecard is agreed based on these indicators.

The Scorecard is divided into five major components – 'Group Financial Performance', 'Business & Portfolio Management', 'Funds Management & Transactions', 'Stakeholder Engagement' and 'People & Culture'. These components are differentially weighted to reflect the responsibilities of each Executive. For each of the components the Executive has objectives and specific initiatives set for that year. The Scorecards are agreed with the KMP Executive at the beginning of the year, reviewed at the half year and assessed for performance awards at the end of the year.

Below is a table which summarises the CEO's Balanced Scorecard for the year ended 30 June 2015.

Category & Principal KPIs	Weighting	Result	Performance Detail
Group Financial Performance Funds from operation (FFO), Return on equity (ROE), Development trading profits, like for like property net operating income (NOI) growth	30%	Above target	On balance, the Board has determined that Group Financial Performance is above target, due to FFO, ROE, and trading profits exceeding targets, and market guidance, and property NOI growth in line with expectations.
Business & Portfolio Management Rent at risk, deliver divisional business plans, debt duration, operating costs, development delivery, leasing transactions	20%	At target	Consistently strong capital management and corporate disciplines have underpinned sound performance across property portfolios. Highlights include maintenance of strong credit ratings, debt WALE profile, solid occupancy rates and the delivery of business unit objectives around operational efficiency and continuous improvement.
Funds Management & Transactions Funds investment performance, funds under management (FUM) growth, strategy development, transactions effectiveness	30%	Above target	Unlisted funds growth through new and existing partners and fund investment performance exceeding expectations and continuing to outperform benchmarks.
Stakeholder Engagement Investor engagement and feedback, media and community profile, sustainability, tenant relationships, internal and external service standards	10%	Above target	Senior Executives increasing engagement with investors and new capital partners, whilst developing existing relationships. Investors and the broader market gained an increased understanding of key areas of the business through the inaugural Investor Day and the sustainability approach was enhanced. Continuing focus on improving customer relationships and community profile through innovation and service-based businesses.
People & Culture Leadership effectiveness, employee engagement and culture, talent attraction and retention, succession planning, employee development	10%	Above target	Increased focus on leadership, culture and diversity to sustain a performance oriented culture was noted by the Board. Improvements in recruitment and succession processes have enabled talent strategies to be deployed through moderate growth in employee population.

The scorecards for other Executive KMP are similar to that of the CEO, but with different weightings and with KPIs tailored to their individual roles.

3. REMUNERATION REPORT (CONTINUED)

Performance pay (continued)

STI awards

Application of the KPIs against the Balanced Scorecards resulted in no executive achieving their target STI or the maximum possible STI. The following table summarises the final awards made to each Executive KMP with respect to their performance during the year ended 30 June 2015.

Executive	STI Award ($)	% of Maximum Possible STI Earned	% of Maximum STI Forfeited	% of STI to be Deferred
Darren J Steinberg	1,425,000	76%	24%	25%
Craig D Mitchell	810,000	72%	28%	25%
Kevin L George	575,000	72%	28%	25%
Ross G Du Vernet	500,000	73%	27%	25%

Deferred STI grants

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

The table below shows the number of Rights to be granted to Executives under the 2015 Deferred STI plan (details of which are provided earlier in this report).

Executive	Number of Rights	1st Vesting Date 50%	2nd Vesting Date 50%
Darren J Steinberg	48,302	1 July 2016	1 July 2017
Craig D Mitchell	27,456	1 July 2016	1 July 2017
Kevin L George	19,490	1 July 2016	1 July 2017
Ross G Du Vernet	16,948	1 July 2016	1 July 2017

The number of Rights granted to each Executive is based on 25% of the dollar value of STI 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 10 trading days either side of 1 July 2015, which was confirmed as $7.3754.

DXS securities relating to Deferred STI grants are purchased on-market in accordance with *ASX Listing Rule 10.15B* and are held by the DEXUS Performance Rights Plan Trust until the scheduled vesting date.

LTI grants

The table below shows the number of Performance Rights to be granted to Executives under the 2015 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	203,379	1 July 2018	1 July 2019
Craig D Mitchell	91,520	1 July 2018	1 July 2019
Kevin L George	43,387	1 July 2018	1 July 2019
Ross G Du Vernet	37,286	1 July 2018	1 July 2019

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 10 trading days either side of 1 July 2015, which was confirmed as $7.3754.

DXS securities relating to LTI grants are purchased on-market in accordance with *ASX Listing Rule 10.15B* and are held by the DEXUS Performance Rights Plan Trust until the scheduled vesting date.

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 2015. The STI and DDPP cash payments were received for performance in the 2014 and 2011 financial years respectively.

				Earned in Prior Financial Years		
Executive	Cash Salary ($)	Pension & Super Benefits[1] ($)	Other Short Term Benefits ($)	STI Cash Payment[2] ($)	DDPP Cash Payment[3] ($)	Total ($)
Darren J Steinberg	1,481,217	18,783	–	1,312,500	–	2,812,500
Craig D Mitchell	866,997	33,003	–	727,500	625,005	2,252,505
Kevin L George	616,417	23,583	–	337,500	–	977,500
Ross G Du Vernet	531,217	18,783	–	562,500	–	1,112,500

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

2 Cash payment made in August 2014 with respect to the 2014 STI Plan (i.e. annual performance payment for the prior financial year).

3 Cash payment made in August 2014 with respect to the 2011 DDPP award that vested on 1 July 2014 (i.e. realisation of three year deferred performance payment).

Executive remuneration statutory accounting method

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 2015. Amounts shown under Share based and 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 2015, refer to the Performance Pay Outcomes section of this report.

		Short Term Benefits			Post-Employment Benefits	Share Based & Long Term Benefits				
Executive	Year	Cash Salary ($)	STI Cash Award[1] ($)	Other Short Term Benefits ($)	Pension & Super Benefits[2] ($)	Deferred STI Plan Accrual[3] ($)	DDPP Plan Accrual[4] ($)	Transition Plan Accrual[5] ($)	LTI Plan Accrual[6] ($)	Total ($)
Darren J Steinberg	**2015**	**1,481,217**	**1,068,750**	–	**18,783**	**430,168**	–	**104,853**	**748,595**	**3,852,366**
	2014	1,382,225	1,312,500	–	17,775	360,799	–	105,000	434,572	3,612,871
Craig D Mitchell	**2015**	**866,997**	**607,500**	–	**33,003**	**231,836**	–	**124,825**	**295,273**	**2,159,434**
	2014	751,300	727,500	–	23,700	177,281	57,105	125,000	159,995	2,012,476
Kevin L George	**2015**	**616,417**	**431,250**	–	**23,583**	**131,628**	–	–	**180,568**	**1,383,446**
	2014	602,425	337,500	–	22,575	271,020	–	–	110,452	1,343,972
Ross G Du Vernet	**2015**	**531,217**	**375,000**	–	**18,783**	**155,454**	–	**49,930**	**142,487**	**1,272,871**
	2014	482,225	562,500	–	17,775	116,960	–	50,000	84,037	1,313,497
Total	**2015**	**3,495,848**	**2,482,500**	–	**94,152**	**949,086**	–	**279,608**	**1,366,923**	**8,668,117**
	2014	3,218,175	2,940,000	–	81,825	926,060	57,105	280,000	789,056	8,292,221

1 FY15 annual cash STI performance award, payable in August 2015.

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

3 Reflects the accounting expense accrued during the financial year for Deferred STI awards made with respect to FY13, FY14 and FY15 performance. Refer to note 21 of the DXS Financial Statements. Mr George's accrual for FY14 also included accounting for Performance Rights detailed in the 2014 Remuneration Report as Special Terms.

4 Reflects the accounting expense accrued during the financial year. The DDPP was closed to new members as of 1 July 2013 and Mr Mitchell is the only KMP beneficiary of this legacy plan. The amount presented includes a $9,405 adjustment to the 2014 disclosure which did not include June 2014 distributions as required by the plan. Mr Mitchell has no further residual entitlements under this plan.

5 FY12 Transitional plan applicable to all Executives, excluding Mr George. Reflects the accounting expense accrued during the financial year.

6 Reflects the accounting expense accrued during the financial year for LTI grants made with respect to FY13, FY14 and FY15 plans. Refer to note 21 of the DXS Financial Statements.

3. REMUNERATION REPORT (CONTINUED)

Deferred remuneration plans

Rights Plan – vesting deferred STI

The table below shows the number of rights that vested to executives under the Deferred STI during the year ended 30 June 2015.

Participant	Award Date	Tranche	Number of Rights[1]	Number of Additional Rights[2]	Vesting Date
Darren J Steinberg	1 July 2013	1	34,565	1,898	1 July 2014
Craig D Mitchell	1 July 2013	1	14,813	813	1 July 2014
Kevin L George	1 July 2013	1	6,518	358	1 July 2014
Ross G Du Vernet	1 July 2013	1	7,604	418	1 July 2014

1 Amounts have been restated to reflect the one-for-six security consolidation in October 2014.

2 Additional Rights are provided for under the terms of the STI Plan to reflect the distributions the participant would have received had they held the securities personally during the vesting period.

Rights Plan – unvested deferred STI

The table below shows the number of unvested rights held by Executives as at 30 June 2015 under the Deferred STI plan.

Participant	Award Date	Tranche	Number of Rights[1]	Fair Value ($)	Vesting Date
Darren J Steinberg	1 July 2013	2	34,565	6.27	1 July 2015
	1 July 2014	1	32,179	6.72	1 July 2015
		2	32,179	6.72	1 July 2016
Craig D Mitchell	1 July 2013	2	14,813	6.27	1 July 2015
	1 July 2014	1	17,836	6.72	1 July 2015
		2	17,836	6.72	1 July 2016
Kevin L George	1 July 2013	2	6,518	6.27	1 July 2015
	1 July 2014	1	8,274	6.72	1 July 2015
		2	8,274	6.72	1 July 2016
Ross G Du Vernet	1 July 2013	2	7,604	6.27	1 July 2015
	1 July 2014	1	13,791	6.72	1 July 2015
		2	13,791	6.72	1 July 2016

1 Amounts have been restated to reflect the one-for-six security consolidation in October 2014.

Performance Rights plan – unvested LTI

The table below shows the number of unvested Performance Rights held by Executives as at 30 June 2015 under the LTI plan.

Participant	Award Date	Tranche	Number of Rights[1]	Fair Value ($)	Vesting Date
Darren J Steinberg	1 July 2013	1	94,015	5.79	1 July 2016
		2	94,015	5.63	1 July 2017
	1 July 2014	1	102,971	5.66	1 July 2017
		2	102,971	5.43	1 July 2018
Craig D Mitchell	1 July 2013	1	29,626	5.79	1 July 2016
		2	29,626	5.63	1 July 2017
	1 July 2014	1	42,752	5.66	1 July 2017
		2	42,752	5.43	1 July 2018
Kevin L George	1 July 2013	1	27,177	5.79	1 July 2016
		2	27,177	5.63	1 July 2017
	1 July 2014	1	22,985	5.66	1 July 2017
		2	22,985	5.43	1 July 2018
Ross G Du Vernet	1 July 2013	1	19,751	5.79	1 July 2016
		2	19,751	5.63	1 July 2017
	1 July 2014	1	18,388	5.66	1 July 2017
		2	18,388	5.43	1 July 2018

1 Amounts have been restated to reflect the one-for-six security consolidation in October 2014.

Legacy Plan – unvested Transitional Rights

The table below shows the number of unvested Rights held by Executives under the Transitional Rights plan, which received security holder approval at the 2012 Annual General Meeting. The Board granted these once-off Rights to Executives, with respect to performance during the year ended 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 Rights[1]	Vesting Date
Darren J Steinberg	1 Jul 2012	75,570	1 Jul 2015
Craig D Mitchell	1 Jul 2012	89,964	1 Jul 2015
Ross G Du Vernet	1 Jul 2012	35,985	1 Jul 2015

1 Amounts have been restated to reflect the one-for-six security consolidation in October 2014.

At the Board's instruction, Rights were 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.

3. REMUNERATION REPORT (CONTINUED)

Non-Executive Directors

Board fee structure

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 advisers, including Egan Associates

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 2015:

Committee	Chair ($)	Member ($)
Director’s Base Fee (DXFM)	375,000[1]	160,000
Board Risk Committee	30,000	15,000
Board Audit Committee	30,000	15,500
Board Nomination Committee	15,000	7,500
Board People & Remuneration Committee	30,000	15,000
DWPL Board	45,000	22,500

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

As mentioned in the overview section of this report, fees for Non-Executive Directors were increased effective 1 July 2014. The Board Chair’s base fee increased to $375,000 (+25,000), with Board Members’ base fees increasing to $160,000 (+$10,000). These were the first increase in Directors’ fees since 2010.

Total fees paid to Non-Executive Directors for the year remained within the aggregate fee pool of $2,200,000 per annum approved by security holders at the AGM in October 2014.

Minimum security holding

The minimum security holding requirement for Non-Executive Directors was increased to 100,000 (+50,000) DXS securities at the AGM in October 2014. This was then adjusted in October 2016 to 16,500 securities following the DXS security consolidation, with the requisite holding to be acquired by 29 October 2017. Newly appointed Directors are required to acquire the minimum security holding within three years of their appointment, noting that the minimum requirement is not dissimilar to one year’s base directors’ fees.

Securities held by Directors are subject to the Group’s existing trading and insider information policies. No additional remuneration is provided to Directors to purchase these securities. As at 30 June 2015, all Directors met this requirement, with the exception of Penny Bingham-Hall who was appointed to the Board on 10 June 2014. Details of Directors’ holdings are included in this Directors’ Report.

Non-Executive Directors' 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 2015.

Non-Executive Director	Year	Short Term Benefits ($)	Post Employment Benefits ($)	Other Long Term Benefits ($)	Total ($)
Christopher T Beare	**2015**	**356,217**	**18,783**	–	**375,000**
	2014	332,225	17,775	–	350,000
Elizabeth A Alexander AM	**2015**	**201,683**	**18,317**	–	**220,000**
	2014	178,490	16,510	–	195,000
Penny Bingham-Hall[1]	**2015**	**168,950**	**18,147**	–	**187,097**
	2014	7,921	733	–	8,654
Barry R Brownjohn[2]	**2015**	–	–	–	–
	2014	54,920	5,080	–	60,000
John C Conde AO	**2015**	**179,224**	**17,026**	–	**196,250**
	2014	164,760	15,240	–	180,000
Tonianne Dwyer	**2015**	**205,596**	**18,764**	–	**224,360**
	2014	165,798	15,337	–	181,135
Stewart F Ewen OAM[3]	**2015**	–	–	–	–
	2014	47,644	7,356	–	55,000
W Richard Sheppard	**2015**	**191,781**	**18,219**	–	**210,000**
	2014	167,206	15,467	–	182,673
Peter B St George	**2015**	**171,233**	**16,267**	–	**187,500**
	2014	151,030	13,970	–	165,000
Total	**2015**	**1,474,684**	**125,523**	–	**1,600,207**
	2014	1,269,994	107,468	–	1,377,462

1 Ms Bingham-Hall was appointed on 10 June 2014.
2 Mr Brownjohn stood down from the Board on 29 October 2013 and is included for comparative purposes only.
3 Mr Ewen stood down from the Board on 29 October 2013 and is included for comparative purposes only.

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

1 Includes interests held directly and through performance rights (refer note 21).

5. REVIEW OF RESULTS AND OPERATIONS

The Group's financial performance for the year ended 30 June 2015 is summarised in the following section. In order to fully understand the results, the full Financial Statements included in this Financial Report should be referred to.

DEXUS OVERVIEW

DEXUS Property Group (DEXUS or the Group) is an Australian Real Estate Investment Trust (A-REIT) listed on the Australian Securities Exchange (ASX) that invests in, develops, manages and trades Australian office and industrial property. On behalf of third party clients which are mainly domestic and international pension funds, DEXUS also transacts, develops, and manages Australian office, industrial and retail property.

The owned portfolio consists primarily of high quality central business district (CBD) office properties, held long term and leased to derive stable and secure ongoing income streams. Developments, acquisitions and divestments are undertaken to enhance the quality and value of the portfolio.

DEXUS generates both rental income from its own properties and fees for leasing, property management and development on behalf of third party clients. In addition, DEXUS has a trading trust that enables the development and repositioning of properties to enhance value and sell for a profit.

The total property portfolio of $19.1 billion as at 30 June 2015 includes:

- $9.5 billion of owned property, with an additional $1.2 billion development pipeline, and
- $9.6 billion of property managed for third party clients, with an additional $2.3 billion development pipeline

DEXUS PORTFOLIO **$9.5bn**	THIRD PARTY FUNDS PORTFOLIO **$9.6bn**	TOTAL GROUP PORTFOLIO **$19.1bn**
DEXUS owned and managed portfolio of Australian office and industrial properties	Management of a diverse portfolio of office, industrial and retail properties on behalf of third party partners and funds	
Office: **$7.8bn**	Office: **$4.6bn**	Office: **$12.4bn**
Industrial: **$1.7bn**	Industrial: **$1.2bn**	Industrial: **$2.9bn**
	Retail: **$3.8bn**	Retail: **$3.8bn**
DEVELOPMENT PIPELINE (future growth) Development **$1.2bn**	**DEVELOPMENT PIPELINE** (future growth) Development **$2.3bn**	**DEVELOPMENT PIPELINE** (future growth) Development **$3.5bn**

DEXUS employs more than 350 property professionals with offices in Sydney, Melbourne, Brisbane and Perth. The team manages approximately 1.7 million square metres of office space, 2.2 million square metres of industrial space and 0.8 million square metres of retail space, making DEXUS the largest office manager and second largest industrial manager in Australia.

STRATEGY

DEXUS's vision is to be globally recognised as Australia's leading real estate company. This will be achieved by delivering superior risk adjusted returns from Australian real estate by investing primarily in CBD office properties. DEXUS sets measurable targets across its key stakeholder groups in line with its strategy and drives ethical and responsible performance in all areas of its operations.

Vision — **To be globally recognised as Australia's leading real estate company**

Strategy — **To deliver superior risk-adjusted returns for investors from high quality Australian real estate primarily comprising CBD office buildings**

Strategic Objectives

DEXUS has objectives in support of its overall strategy

LEADERSHIP IN OFFICE	CORE CAPABILITIES	THIRD PARTY PARTNERSHIPS	CAPITAL & RISK MANAGEMENT
Being the leading owner and manager of Australian office property	Having the best people, strongest tenant relationships and most efficient systems	Being the wholesale partner of choice in Australian office, industrial and retail property	Actively managing capital and risk in a prudent and disciplined manner

DEXUS's strategy has several key elements:

1. Investing in and developing properties and spaces that DEXUS customers (tenants) want to occupy

DEXUS understands what drives demand from its customers and focuses on high quality properties in prime locations. This enables access to facilities and amenities which are sought after by DEXUS's customers.

2. Constantly improving the levels of service and amenity provided to customers

DEXUS utilises its core capabilities to continually improve the amenity of its real estate through property enhancements, and develops new products and services to enhance the customer experience. This focus increases the market appeal of DEXUS's properties and assists in building meaningful relationships to attract and retain customers.

3. Partnering with third parties to grow in core markets and attract expertise

DEXUS partners with third parties to increase its access to properties and grow in core markets. The third party funds management platform enables DEXUS to invest in the best people, systems and processes, and ultimately minimise the costs of running the portfolio.

4. Maintaining a conservative approach to financial and operational risk

DEXUS has a strong 'A-' Standard & Poor's credit rating and 'A3' investment grade rating from Moody's. These ratings are the result of measuring, pricing and managing risk in a prudent manner. The success DEXUS has had in attracting significant amounts of capital from third parties is an endorsement of its approach to investing and managing risk. Since 2012, DEXUS has raised more than $4 billion from some of the world's largest and most sophisticated investors in unlisted property.

DEXUS considers corporate responsibility and sustainability an integral part of its daily business operations. Committed to understanding, monitoring and managing social, environmental and economic impact, DEXUS delivers these responsibilities through measurable actions and within corporate policies. DEXUS's sustainability approach supports its strategy through its overarching goal of delivering sustained value.

Reflecting DEXUS's strategy of delivering superior risk adjusted returns for investors, DEXUS has identified three long term measures for success:

- FFO growth of 3-5% through the cycle
- Return on Equity of 9-10% through the cycle
- Top quartile total security holder return

DEXUS draws on the core capabilities of its people to achieve its long term and short term targets.

Key earnings drivers – FY15 result

DEXUS sets short term targets against its earnings drivers across three areas of its business: the property portfolio, funds management and property services, and trading. The following chart summarises the FY15 result against the targets set for each of the earnings drivers.

	PROPERTY PORTFOLIO	FUNDS MANAGEMENT & PROPERTY SERVICES	TRADING
FY15 Target	Positive like-for-like income growth	$35-40 million	Approximately $40 million
FY15 Result	**$645.6 million** 95.3% office portfolio occupancy Total portfolio +0.3% L-F-L income growth[3]	**$37.9 million** DEXUS Office Partnership delivered a levered one-year total return to DEXUS of 20.4%	**$42.6 million**[2]
	89% FFO[1]	**5% FFO**[1]	**6% FFO**[1]
	Underlying business		**Trading**

1 FFO contribution is calculated before Finance costs and Group corporate costs.

2 Trading profits generated less FFO tax expense that is being recognised for Rosebery in the year.

3 Like-for-like income growth is calculated on an effective basis.

DEXUS achieved its FY15 targets against each of its earnings drivers. Funds from Operations[1] (FFO) from the owned property portfolio delivered $645.6 million, within the 80-90% target range. Funds management and property services delivered $37.9 million and the trading business achieved $42.6 million in profits (post tax).

1 FFO is in line with the Property Council of Australia definition and 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, fair value movements of interest bearing liabilities, amortisation of tenant incentives, gain/loss on sale of certain assets, straight line rent adjustments, deferred tax expense/benefit, rental guarantees, coupon income and distribution income net of funding costs.

5. REVIEW OF RESULTS AND OPERATIONS (CONTINUED)

STRATEGY (continued)

FY15 Achievements

The successful achievement of the FY15 targets against the key earnings drivers is underpinned by activities relating to DEXUS's four strategic objectives. The table below details achievements for FY15 for each of the strategic objectives.

Strategic Objective	FY15 Achievements
Leadership In Office	Leveraged property expertise to improve the DEXUS office portfolio occupancy rate to 95.3%.
	Developed and implemented a 'fitted suites' offering of customised office space for customers with needs of less than a whole floor, enabling DEXUS to attract and retain more tenants.
	Developed and introduced 'DEXUS Place' in Sydney, providing state of the art meeting room and conference facilities for DEXUS customers, enabling DEXUS to attract and retain more customers through enhanced customer offering.
	Launched multiple new services for DEXUS customers including on-site secure Australian Post parcel locker facilities, DEXUS Diners Club charge card for payment of rent and accruing reward points, and insurance based 'security bond' facilities. These services assist in increasing customer satisfaction and improve the willingness to enter or renew leases.
Core Capabilities	Leveraged the capabilities of the business to deliver trading profits of $42.6 million (after tax).
	Continued to attract and retain the best people in key positions to enhance expertise and leadership across the Group including a new leadership role of Deputy Chief Financial Officer.
	Through ongoing investment in people and processes, continued to develop a culture of efficiency and continuous improvement to achieve high performance.
	Leveraged industrial expertise to acquire and develop new industrial product.
	Leveraged retail expertise to reposition the quality and income earning capacity of city retail spaces in the office portfolio and the shopping centres managed on behalf of third party partners.
Third Party Partnerships	Delivered a 12.7% unlevered total return for the DEXUS Office Partnership portfolio in the 12 months to 30 June 2015, exceeding original performance assumptions.
	Involved in $863 million of transactions on behalf of third party clients across the office, industrial and retail markets.
	Grew the third party development pipeline from $2.0 billion to $2.3 billion.
	Achieved continued outperformance to benchmark for DEXUS Wholesale Property Fund (DWPF) over three and five year periods.
Capital and Risk Management	Maintained a prudent balance sheet, with gearing of 28.5% (debt as a percent of total assets) below DEXUS's 30-40% target range.
	Maintained a competitive cost of capital with a debt cost of 5.2% and maintained hedging of greater than 65% of total debt.
	Improved access and diversity of funding sources, including acquiring properties in joint partnership with existing partners (DEXUS Industrial Partnership and DWPF).
	Recycled properties through divestment and acquisition consistent with the return on investment objectives of creating security holder value over individual property life cycles.

REVIEW OF OPERATIONS

DEXUS has adopted FFO as its underlying earnings measure which has been defined in accordance with the guidelines established by the Property Council of Australia for its reporting with effect from 1 July 2014.

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 and is determined by adjusting net profit after finance costs and taxes, and is adjusted for certain items which are non-cash, unrealised or capital in nature.

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 2015 ($m)	30 June 2014 ($m)
Net profit for the year attributable to stapled security holders	**618.7**	406.6
Net fair value gain of investment properties[1]	**(241.0)**	(165.5)
Net fair value loss of derivatives and interest bearing liabilities	**47.0**	40.6
Net loss on sale of investment properties	**3.1**	8.3
CPA transaction costs	–	76.7
Finance break costs attributable to sales transactions	–	4.5
Foreign currency translation reserve transfer on disposal of foreign operations	**2.1**	(0.8)
Incentive amortisation and rent straight-line[1,2]	**79.9**	58.4
Reversal of impairment of management rights	–	(7.3)
Coupon income	**15.5**	13.1
Deferred tax	**19.2**	12.0
Funds from Operations (FFO)	**544.5**	446.6
Retained earnings[3]	**158.9**	131.2
Distributions	**385.6**	315.4
FFO per security[4] (cents)	**59.5**	54.4
Distribution per security[4] (cents)	**41.04**	37.56
Net tangible asset backing per security[4] ($)	**6.68**	6.36

1 Including DEXUS's share of equity accounted investments.
2 Including cash, rent free and fit out incentives amortisation.
3 Based on DEXUS's distribution policy to payout in line with free cash flow. The payout ratio equated to 69% of FFO in both FY15 and FY14.
4 All FY14 per security figures in this report are restated to reflect the one-for-six security consolidation completed on 14 November 2014.

5. REVIEW OF RESULTS AND OPERATIONS (CONTINUED)

REVIEW OF OPERATIONS (continued)

Operating result

GROUP

DEXUS's net profit after tax was $618.7 million or 67.6 cents per security, an increase of $212.1 million from the prior year (FY14: $406.6 million). The key drivers of this movement included:

- Funds from Operations, or FFO, increased by $97.9 million resulting in FFO per security of 59.5 cents, an increase of 9.3%
- Net revaluation gains of investment properties of $241.0 million, representing a 2.6% uplift across the portfolio, were $75.5 million higher than the FY14 gains. This was driven primarily by value uplifts across the office portfolio
- The FY14 statutory net profit was reduced by costs of $76.7 million relating to the CPA transaction which completed in April 2014

Revaluation gains achieved across DEXUS's office portfolio primarily drove the 32 cent increase in NTA per security to $6.68, reflecting the contribution of leasing success on capital values and capitalisation rate compression at properties with strong tenant covenants.

The following table provides a summary of the key components of FFO and AFFO based on the information provided in the Group Performance and Property Portfolio assets sections included in this Financial Report.

	30 June 2015 $m	30 June 2014 $m
Office Property FFO	**533.3**	455.4
Industrial Property FFO	**112.3**	122.8
Total Property FFO	**645.6**	578.2
Management operations	**37.9**	27.9
Group corporate	**(30.4)**	(27.5)
Net finance costs	**(150.8)**	(139.4)
Other[1]	**(0.4)**	3.1
Underlying FFO	**501.9**	442.3
Trading profits (net of tax)	**42.6**	4.3
FFO	**544.5**	446.6
Maintenance capex, lease incentives and leasing costs paid	**(174.7)**	(135.9)
AFFO[2]	**369.8**	310.7

1 'Other' income includes development management fees.

2 AFFO is calculated in line with the Property Council of Australia definition and comprises PCA FFO and adjusted for: maintenance capex,incentives (including rent free incentives) given to tenants during the period and other items which have not been adjusted in determining FFO.

Operationally, FFO increased 21.9% to $544.5 million (FY14: $446.6 million).

The key drivers of the $97.9 million increase included:

- Office Property FFO increased by $77.9 million to $533.3 million, driven by additional income from the DEXUS Office Partnership properties. This was partially offset by a $10.5 million reduction in Industrial Property FFO to $112.3 million as a result of divestments and lower occupancy at Auburn, Gladesville and Rosebery
- Management operations income increased by $10.0 million to $37.9 million, driven by the DEXUS Office Partnership and growth in other third party Funds Under Management (FUM)
- Group corporate costs increased by $2.9 million (up 10.5% compared to FY14) despite the significant increase in revenues and FUM, demonstrating the scalability of DEXUS's business
- Finance costs net of interest revenue increased by $11.4 million to $150.8 million, due to an increase in debt to fund the CPA transaction, partially offset by lower interest costs
- Trading profits (net of tax) increased by $38.3 million to $42.6 million after tax

On a per security basis, FFO increased 9.3% to 59.5 cents. The per security result takes into account the scrip issued in April 2014 as part of the CPA transaction, explaining the difference in growth rates between the aggregate total dollar value of FFO and FFO per security. The underlying business excluding trading profits delivered FFO per security of 54.8 cents, and grew by 1.7% on the previous year.

Distributions

Distributions per security for the year ended 30 June 2015 were 41.04 cents per security, up 9.3% on the previous year (FY14: 37.56 cents). The distribution payout for the year was in line with free cash flow, in accordance with DEXUS's distribution policy.

Return on equity

DEXUS delivered Return on Equity of 11.5%[1] in FY15, above the 9–10% per annum target through the cycle and above the 6.7% delivered in the prior year which was impacted by the CPA transaction.

Management expense ratio

	30 June 2015 $m	30 June 2014 $m
Group corporate costs	**30.4**	27.5
Asset management costs	**9.1**	10.8
Total corporate and asset management costs	**39.5**	38.3
Closing funds under management (balance sheet only)	**9,533**	7,820[2]
Group management expense ratio (MER)	**41bps**	49bps

While Group corporate costs increased to $30.4 million as a result of business growth, DEXUS has been able to maintain these corporate costs enough to reduce the overall Management expense ratio[3] (MER) from 49 basis points in FY14 to 41 basis points.

The following sections review the FY15 performance of the Group's key financial drivers: Property Portfolio, Funds Management & Property Services, and Trading.

PROPERTY PORTFOLIO

DEXUS remains focused on maximising the performance of its property portfolio through leasing and asset management activities, with the property portfolio contributing to 89% of FFO in FY15.

DEXUS increased the size of its direct portfolio to $9.5 billion at 30 June 2015 from $9.1 billion at FY14. This movement was driven by the acquisition of Lakes Business Park, Botany for $153.5 million and three industrial properties through the DEXUS Industrial Partnership for $55.1 million in aggregate, the positive contribution of developments and investment property revaluations, which were partially offset by $433 million of divestments including DEXUS's remaining offshore property in New Zealand as well as three trading properties.

Office portfolio

Portfolio value:	$7.8 billion
Total area:	1,403,255 square metres
Area leased during the year:	211,071 square metres[4]

Key metrics	30 June 2015	30 June 2014
Occupancy by income	**95.3%**	94.6%
Occupancy by area	**95.5%**	94.3%
WALE by income	**4.3 years**	4.7 years
Average incentive	**15.0%**	18.6%[5]
Average rental increase/(decrease)[6]	**0.1%**	3.1%[5]
Retention rate	**61%**	61%[5]
Total return – 1 year	**9.6%**	9.2%[5]

DEXUS improved occupancy and maximised cash flows across its office portfolio by capturing demand from diverse tenant groups and increasing the number of effective leasing deals (with no incentives). Continued positive momentum for space in core A-grade properties in Sydney and Melbourne has driven leasing volumes across the office portfolio, resulting in occupancy increasing to 95.3% and delivering on the 'above 95%' target set at the start of the year.

DEXUS signed 275 leases across 98,340 square metres for spaces less than 1,500 square metres, representing 47% of all leasing undertaken by area.

The combination of improved tenant demand and increased acceptance of effective deal structures allowed DEXUS to maintain a focus on reducing incentives, resulting in average incentives of 15.0% across all office leasing, an improvement from 18.6% at 30 June 2014.

During the year, DEXUS leased 211,071 square metres[4] of office space across 303 transactions on average lease terms of 5.5 years. Office portfolio occupancy by income improved from 94.6% at 30 June 2014 to 95.3% and portfolio WALE reduced to 4.3 years. Despite tenant retention of 61%, DEXUS successfully leased 51% of the vacated area during the year, with average downtime of only four months.

1 Return on Equity is calculated as the growth of NTA per security plus the distribution paid/payable per security divided by the opening NTA per security.
2 FY14 listed FUM uses an average rather than closing to account for the purchase of the CPA portfolio in April 2014.
3 DEXUS's MER is calculated as unallocated Group corporate and asset management expenses divided by on-balance sheet FUM.
4 Including Heads of Agreement.
5 Excluding the DEXUS Office Partnership properties.
6 Average change in face rents for leasing undertaken during the year.

5. REVIEW OF RESULTS AND OPERATIONS (CONTINUED)

REVIEW OF OPERATIONS (continued)

Operating result (continued)

PROPERTY PORTFOLIO (continued)

The DEXUS office portfolio delivered a one-year total return of 9.6% (FY14: 9.2%) driven by a strong revaluation uplift across the DEXUS Office Partnership properties, partially offset by a reduction in the valuation of 240 St Georges Terrace in Perth. Office property FFO increased by $77.9 million to $533.3 million underpinned by the additional income from the DEXUS Office Partnership properties, with office like-for-like income growth of 0.2%.

In June 2015, DEXUS and DWPF announced that they had reached a conditional agreement to jointly (50/50) acquire Waterfront Place and Eagle Street Pier located within the prime commercial precinct of the Brisbane CBD known as the 'Golden Triangle' for $635 million[1], reflecting a capitalisation rate of 6.9%. The property is an excellent long term core investment, and Eagle Street Pier offers one of the best future development sites in the Brisbane CBD. The acquisition is expected to settle on or around 1 October 2015 and increases DEXUS's weighting to the Brisbane CBD office market from 12.2% to 15.6%.

In FY16, DEXUS will continue to proactively manage and drive the performance of the office portfolio while enhancing the value of newly acquired properties. DEXUS will focus on maintaining occupancy of >95%; reducing FY17 office lease expiries to 10%; and continuing to reduce incentives and undertaking effective leasing deals. DEXUS expects flat like-for-like income growth across the DEXUS combined portfolio.

Industrial portfolio

Portfolio value:	$1.7 billion
Total area:	1,294,735 square metres
Area leased during the year:	183,062 square metres[2]

Key metrics	30 June 2015	30 June 2014
Occupancy by income	**92.4%**	93.0%
Occupancy by area	**91.7%**	93.1%
WALE by income	**4.0 years**	4.0 years
Average incentive	**10.8%**	11.0%
Average rental increase/(decrease)[3]	**(4.6)%**	(8.6)%
Retention rate	**53%**	41%
Total return – 1 year	**11.3%**	9.0%

Low interest rates are boosting business supported by housing construction and infrastructure projects which is translating into demand for industrial facilities aligned to key transport corridors. With the increasing conversion of South Sydney and Inner West industrial sites into residential and mixed uses, the central and outer western Sydney markets are benefiting from increased demand from a wide user category seeking to be centrally located and in proximity to major arterial roads.

During the year, DEXUS leased 183,062 square metres[2] of industrial space across 75 transactions including 44 leases with new tenants. Tenant retention improved to 53% from 41% during FY14. DEXUS's industrial portfolio occupancy by income reduced from 93.0% at 30 June 2014 to 92.4%, driven by an increase in vacancy at large scale facilities including Matraville, Flemington and Dandenong. DEXUS expects industrial occupancy to improve over the next six months driven by further leasing at properties such as Dandenong which secured a new 10,612 square metre tenant in FY15 and now has 10,920 square metres remaining to lease.

Industrial Portfolio WALE remained steady at 4.0 years. New rents reduced 4.6% on average compared with prior rents, driven by reversions on renewals and new leases, as the industrial portfolio remains 6.9% over-rented. Average incentives decreased slightly to 10.8% (FY14: 11.0%).

DEXUS's industrial portfolio delivered a one-year total return of 11.3% (FY14: 9.0%) driven by improved property values. Industrial property FFO of $112.3 million was down 8.6% on FY14, primarily as a result of divestments and lower occupancy at properties such as Rosebery. Like-for-like income growth was 0.7%, driven by fixed increases across the portfolio, leasing at 15-23 Whicker Road, Gillman and 30 Bellrick St, Acacia Ridge, offset by vacancy at Pound Road West, Dandenong.

DEXUS acquired Lakes Business Park, Botany, NSW for $153.5 million[1] in January 2015, investing in one of DEXUS's core industrial markets. The property has the potential for superior rental growth in the medium term due to the lack of greenfield land options, combined with strong momentum with competing land use opportunities in the area.

In FY16, DEXUS will focus on active asset management of the industrial portfolio to deliver attractive income returns; pursuing non-core divestments and/or change of use repositioning opportunities within the existing portfolio; developing core new industrial product and pursuing core plus acquisition opportunities for DEXUS and its third party partners.

1 Excluding acquisition costs.
2 Including Heads of Agreement.
3 Average change in face rents for leasing undertaken during the year.

Development

DEXUS continued to enhance future investor returns through progressing its $1.2 billion development pipeline, with key office projects nearing completion.

DEXUS utilises its development expertise and leverages its portfolio scale to deliver best-in-class office buildings and prime industrial facilities improving portfolio quality and enhancing investor returns. Development provides DEXUS with access to stock and leads to improved portfolio quality and diversification, attracts revenues through development management fees and delivers on capital partner strategies.

DEXUS allocates up to 15% of Funds Under Management (FUM) across its direct portfolio to development and trading/value-add activities. Currently representing 6.5% of FUM, these activities are focused on providing earnings accretion and enhancing total return.

The first stage of the 5 Martin Place, Sydney development reached practical completion on 30 June 2015, with Ashurst moving into levels 5 to 11 across 12,644 square metres in July 2015. The entire project is due for completion in September 2015. The office space is currently 82% committed from 42% at acquisition and the retail space is 73% committed.

Two of the three towers at Kings Square, Perth were completed, with Shell to fully occupy one of the towers as its new corporate headquarters. The remaining tower is expected to be completed in August 2015. A rental guarantee secured at time of acquisition ensures full income on the properties for a further five years from practical completion with the office space currently 55% committed.

The Premium grade 480 Queen Street, Brisbane development topped out on 16 July 2015 with the office space 81% committed prior to the development's scheduled completion in early 2016.

The three year program for the Quarrywest at Greystanes development is underway, with a pre-commitment secured for a warehouse facility.

Over the year, the Group development pipeline grew to $3.5 billion, (DEXUS portfolio of $1.2 billion; Third Party Funds portfolio of $2.3 billion).

In FY16 DEXUS will deliver key office developments in Sydney, Perth and Brisbane; progress the DEXUS Industrial Partnership developments at Quarrywest, Hemmant and Larapinta; and progress the Australian Industrial Partnership development at Laverton North.

FUNDS MANAGEMENT AND PROPERTY SERVICES

DEXUS's Third Party Funds Management business represents over half of the Group's $19.1 billion funds under management and its $2.3 billion development pipeline will drive organic growth across the platform. Third party funds under management increased to $9.6 billion, up 10% from 30 June 2014, achieved through acquisitions, developments and revaluations.

The activities undertaken by the Third Party Funds Management business include managing office, industrial and retail investments on behalf of third party partners and funds. These activities result in DEXUS earning fees for its funds management, property management, leasing and development management services.

Over the past three years, DEXUS has established partnerships with three major investors and the DEXUS Wholesale Property Fund has raised approximately $1.5 billion of capital. These results reflect third party partner recognition of DEXUS's transactional capabilities, strategic asset and development management expertise, as well as its best-practice corporate governance principles.

In FY16 DEXUS will continue to drive performance in the third party portfolios through active leasing; successfully deliver third party office, industrial and retail developments; and deliver on third party clients' transactional requirements.

TRADING

Trading is a capability that involves the identification of opportunities, repositioning or developing to enhance value with the intention to sell.

Trading properties are either acquired with the direct purpose of repositioning or development, or they are identified in DEXUS's existing portfolio as having value-add potential and acquired by DXO to be repositioned or developed, then sold.

Since 2010, DEXUS has been undertaking trading activities and recognising trading profits in its FFO. Over the past three years, DEXUS has established a robust trading portfolio that DEXUS believes will drive consistent delivery of profits from this area of the business.

Trading profits of $42.6 million[1] were realised in FY15, with more than 60% of trading profits realised from the active repositioning of office properties at 50 Carrington Street, Sydney, and 40 Market Street, Melbourne.

The initial payment for Rosebery, net of tax, contributed to FY15 trading profits and the remaining proceeds will be realised in FY16.

In July 2015, DEXUS settled on the sale of 5-13 Rothschild Avenue and 22-55 Rosebery Avenue, Rosebery and 154 O'Riordan Street, Mascot. These properties will deliver FY16 trading profits of approximately $60 million (post tax).

DEXUS continued to grow its trading pipeline, identifying a number of properties as potential opportunities for repositioning or development and trading in future years including 32 Flinders Street, Melbourne and the southern site of Lakes Business Park, Botany. In FY16, DEXUS will continue to progress these opportunities along with others in the trading pipeline.

1 Trading profits generated less FFO tax expense recognised for Rosebery in the year.

5. REVIEW OF RESULTS AND OPERATIONS (CONTINUED)

REVIEW OF OPERATIONS (continued)

Financial position (look-through)

	30 June 2015 $m	30 June 2014 $m
Office properties[1]	**7,822**	7,659
Industrial properties[1]	**1,711**	1,470
Other assets[2]	**838**	933
Total assets	**10,371**	10,062
Borrowings[3]	**2,957**	3,117
Other liabilities	**637**	892
Net assets	**6,777**	6,053
Less: intangibles	**(292)**	(292)
Net tangible assets	**6,485**	5,761
Total securities on issue	**970,806,349**	905,531,797
NTA per security ($)	**6.68**	6.36

Total look-through assets increased by $309 million primarily due to $181.1 million of acquisitions, development capital expenditures and $241.0 million of property valuation increases, partially offset by $405.9 million of divestments.

Total look-through borrowings reduced by $160 million as debt was paid down with proceeds from the equity raising (including Security Purchase Plan) and property divestments mentioned above, partially offset by funding required for the acquisitions and development capital expenditures mentioned above.

Capital management

- Cost of debt 5.2%
- Duration of debt 5.7 years
- Gearing (look through)[4] 28.5%
- S&P/Moody's credit rating: A-/A3

DEXUS maintained the strength of its balance sheet with gearing[4] at 28.5%, securing new debt at competitive margins and extending the duration of its debt to 5.7 years. DEXUS has minimal short term refinancing requirements and will continue to take advantage of its improved credit ratings to secure new debt funding.

DEXUS remains within all of its debt covenant limits and target ranges.

Equity raising

DEXUS completed an equity raising comprising a $400 million Institutional Placement in April 2015 followed by a $77.8 million Security Purchase Plan (SPP) which completed in June 2015. The equity raising was undertaken to enable DEXUS to pursue compelling acquisition opportunities, including the acquisition of Waterfront Place which was announced on 22 June 2015, while ensuring DEXUS remained lowly geared.

Security consolidation

DEXUS implemented a one-for-six security consolidation in November 2014 which reduced the total number of securities on issue.

On market securities buy-back

On 14 October 2014, DEXUS announced a new on-market securities buy-back of up to 5% of DEXUS securities on issue. The buy-back provided DEXUS with the flexibility to acquire securities on market should conditions permit, with a focus on enhancing returns for investors. The buy-back is yet to be utilised and was suspended on 21 April 2015 as a consequence of the announcement of an equity raising.

1 Includes DEXUS's share of investment properties in equity accounted investments.

2 Including intangibles.

3 Includes DEXUS's share of borrowings in equity accounted investments.

4 Adjusted for cash and for debt in equity accounted investments. Pro-forma gearing is 29.3% post the receipt of proceeds from the divestment of the Rosebery and Mascot trading properties and the acquisition of the Waterfront Place Complex which is expected to settle in October 2015.

OUTLOOK

Group

The majority (80-90%) of DEXUS's FFO is derived from rental income from its direct property portfolio, with the remainder derived from the funds management & property services and trading businesses. Key lead indicators and factors affecting the outlook of each of these areas of the business are outlined below.

Property portfolio

Office: The performance of office markets is influenced by the strength of the broader economy and business confidence, the supply and demand characteristics of particular CBD markets and the leasing characteristics of individual properties.

Lead indicators such as ANZ job advertisements continue to suggest an improvement in hiring intentions which would have a flow on effect to white collar employment growth and low interest rates are having a positive impact on business growth. With continued improvement in enquiry levels in Sydney and Melbourne, the steady economic recovery is expected to translate into increased demand for space in these markets with rental growth remaining subdued as supply comes online in the short to medium term. Brisbane and in particular Perth are expected to lag the other CBD markets in the short term.

DEXUS is in a strong position to benefit from an improvement in office markets with its high quality office portfolio 86% weighted to Prime grade properties, 61% located in Sydney and 14% located in Melbourne. DEXUS's key office developments completed at 5 Martin Place in Sydney and Kings Square in Perth are 82% and 55% committed respectively, with 480 Queen Street in Brisbane 81% leased. DEXUS has a five year and two year rental guarantee in place at Kings Square, Perth and 480 Queen Street, Brisbane respectively.

Industrial: Industrial markets are expected to benefit from low interest rates, which are boosting small to medium business activity in particular. The lower Australian dollar is expected to continue to drive Sydney port volumes and translate to demand from general merchandise retail for industrial space.

With the increasing conversion of South Sydney and Inner West industrial sites into residential and mixed uses, central and outer western Sydney markets will benefit from increased enquiry levels. The Melbourne industrial markets will continue to suffer from supply coming online and elevated incentives.

DEXUS's industrial portfolio in Sydney will benefit from tenant demand as a result of the stimulatory economic environment and stock withdrawals, and will remain challenged in Melbourne in the short term. DEXUS will undertake industrial developments on both a pre-commitment and speculative basis utilising its development capabilities to produce new product to attract quality tenants in Sydney, Melbourne and Brisbane.

Funds management & property services

DEXUS's third party funds management platform is currently 47% weighted to office, 13% to industrial and 40% to retail properties. Its office and industrial property performance will be impacted by the key lead indicators discussed above. For retail properties, sales growth is expected to improve further in FY16 in response to low interest rates, lower petrol prices, strengthening employment and the depreciation of the Australian dollar which is expected to boost domestic tourism and constrain online spending.

The weight of capital searching for Australian real estate is expected to remain strong in FY16, supported by low interest rates globally and the high yields offered by Australian property relative to global peers.

DEXUS will continue to satisfy the investment objectives of its third party clients and funds through growing existing funds via acquisitions and progressing the $2.3 billion third party development pipeline. DEXUS will maximise the performance of properties managed on their behalf to continue its recognition as a wholesale partner of choice.

Trading

The trading business is an ongoing revenue stream, with the recognition of trading profits included in FFO. DEXUS will continue to identify potential trading opportunities within its existing portfolio and seek new trading opportunities in core markets in order to replenish the future trading pipeline. DEXUS has already exchanged on the properties that comprise FY16 trading profit guidance and is progressing the high priority opportunities in the trading pipeline.

FY16 guidance

Barring unforeseen changes to operating conditions, DEXUS's guidance[1] for the 12 months ending 30 June 2016 is for FFO per security growth of 5.5-6.0%, with FFO from the underlying business (excluding trading profits net of tax) expected to grow by 3.0-3.5%.

Distributions will be paid in line with free cash flow, which is expected to deliver growth in distribution per security of 5.5-6.0% for the 12 months ending 30 June 2016.

1 Barring unforeseen circumstances guidance is supported by the following assumptions: Flat like-for-like income growth across the DEXUS combined portfolios, weighted average cost of debt of circa 4.9%, trading profits of approximately $60 million, Management Operations revenue of approximately $45-50 million (including third party development management fees), $150 million of non-core property divestments, excluding any buy-back of DEXUS securities and excluding any further transactions.

5. REVIEW OF RESULTS AND OPERATIONS (CONTINUED)

RISKS

There are various risks that could impact DEXUS's strategy and outlook. The nature and potential impact of these risks can change over time. Further information relating to DEXUS's risk management framework is detailed in the Corporate Governance statement. DEXUS actively reviews and manages risks it faces over the short, medium and long term, overseen by the Board Risk Committee. A number of the important strategic risks, their potential impact and how DEXUS manages and monitors them are outlined in the table below.

Risk	Description	Potential impact	How DEXUS is equipped to manage and monitor this risk
Market volatility – general	Volatility in equity or debt markets and GDP growth (domestically or globally) has a material adverse effect on leasing, investment demand, or financing costs	▪ Reduction in business confidence and leasing activity ▪ Reduction in ability to attract and retain tenants ▪ Increased cost of borrowing	▪ DEXUS has a high quality, diversified portfolio which is less sensitive to changes in investment demand ▪ DEXUS has a low level of gearing, with a stated target range of 30-40% ▪ Further information relating to Financial risk management is detailed in note 12 of the financial statements ▪ DEXUS has a diversified source of income with rental income being derived from 102 properties with 970 tenants. In addition, DEXUS derives income from funds management and trading activities ▪ A high proportion of DEXUS's near term income is secured via lease (contract) ▪ DEXUS adopts a conservative approach to interest rate hedging, with 69% of debt currently hedged ▪ DEXUS tracks and reports performance through monthly monitoring of budgets and expenditures ▪ DEXUS tracks economic conditions and forecasts real estate market performance
Property valuations decline	Depreciation in the value of DEXUS's property investments. This can be caused by changes in investment demand for commercial property and/or changes to the property fundamentals (e.g. property income) and/or changes to global bond rates	▪ Reduction in Net Tangible Asset backing per security ▪ Deterioration of key credit metrics ▪ Increased cost of financing and/or need to refinance ▪ Reduction in market price of DXS securities	▪ DEXUS has a high quality, diversified portfolio which is less sensitive to changes in investment demand ▪ DEXUS has a low level of gearing, with a stated target range of 30-40% ▪ Further information relating to Financial risk management is detailed in note 12 of the financial statements
Funds from Operations (FFO) decline	FFO is lower than that assumed in management forecasts	▪ Reduction in distributions to investors ▪ Reduction in market price of DXS securities	▪ DEXUS has a diversified source of income with rental income being derived from 102 properties with 970 tenants. In addition, DEXUS derives income from funds management and trading activities ▪ A high proportion of DEXUS's near term income is secured via lease/contract ▪ DEXUS adopts a conservative approach to interest rate hedging, with 69% of debt currently hedged ▪ DEXUS tracks and reports performance through monthly monitoring of budgets and expenditures
Workplace health and safety	Financial or physical impact arising from an accident or event at an asset owned or managed by DEXUS	▪ Death or serious injury ▪ Financial loss arising from an event claim ▪ Reputational damage ▪ Legal proceedings	▪ DEXUS maintains comprehensive work health and safety programs ▪ Ensures compliance by site contractors and employees ▪ Maintains ongoing independent certification by British Standards International
Talent retention	Inability to attract and retain the talent required to execute the strategy	▪ Loss of property and platform expertise ▪ Increased operating costs via staff churn and wage impacts	▪ DEXUS monitors and acts upon employee opinions received through the Employee Opinion Surveys and Culture Surveys ▪ Annually reviews remuneration framework to benchmark against market rates ▪ Maintains succession plans for senior management ▪ Implements awareness programs covering diversity, gender and health in the workplace, ensuring diversity and equality are understood and valued

6. DIRECTORS' DIRECTORSHIPS IN OTHER LISTED ENTITIES

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

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

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

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

7. 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.

8. TOTAL VALUE OF TRUST ASSETS

The total value of the assets of the Group as at 30 June 2015 was $10,099.1 million (2014: $9,750.9 million). Details of the basis of this valuation are outlined in the Notes to the Financial Statements and form part of this Directors' Report.

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 2015 were 41.04 cents per security (2014: 37.56 cents per security[1]) as outlined in note 7 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 2015 are outlined in note 22 of the Notes to the Financial Statements and form part of this Directors' Report.

1 All FY14 per security figures in this Report are restated to reflect the one-for-six security consolidation completed on 14 November 2014.

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 2015 are detailed in note 15 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 22 of the Notes to the Financial Statements and form part of this Directors' Report.

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

15. ENVIRONMENTAL REGULATION

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

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 DEXUS Holdings Pty Limited (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 19 of the Notes to the Financial Statements.

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

The reasons for the Directors being satisfied are:

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

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

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 47 and forms part of this Directors' Report.

18. CORPORATE GOVERNANCE

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

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. DIRECTORS' AUTHORISATION

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

Christopher T Beare
Chair
11 August 2015

Darren J Steinberg
Chief Executive Officer
11 August 2015

Auditor's Independence Declaration

pwc

Auditor's Independence Declaration

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

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

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

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

E A Barron
Partner
PricewaterhouseCoopers

Sydney
11 August 2015

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2015

	Note	2015 $m	2014 $m
REVENUE FROM ORDINARY ACTIVITIES			
Property revenue	2	**548.8**	572.3
Proceeds from sale of inventory	10	**220.1**	69.3
Interest revenue		**0.4**	0.2
Management fee revenue		**89.6**	58.0
Total revenue from ordinary activities		**858.9**	699.8
Net fair value gain of investment properties		**130.4**	145.7
Share of net profit of investments accounted for using the equity method	9	**252.1**	58.3
Net fair value gain of interest bearing liabilities		**–**	12.3
Reversal of previous impairment of management rights	18	**–**	7.3
Net fair value gain of derivatives		**17.4**	–
Total income		**1,258.8**	923.4
EXPENSES			
Property expenses	2	**(142.8)**	(141.4)
Cost of sale of inventory	10	**(172.2)**	(65.3)
Finance costs	4	**(192.4)**	(190.0)
Impairment of goodwill	18	**(0.1)**	(0.1)
Net fair value loss of derivatives		**–**	(2.1)
Net loss on sale of investment properties		**(3.0)**	(7.7)
Net fair value loss of interest bearing liabilities		**(15.9)**	–
Impairment of investments accounted for using the equity method	9	**–**	(3.3)
Transaction costs		**–**	(23.9)
Management operations, corporate and administration expenses	3	**(86.3)**	(71.3)
Total expenses		**(612.7)**	(505.1)
Foreign currency translation reserve transfer on disposal of foreign operations		**(2.1)**	0.8
Profit/(loss) before tax		**644.0**	419.1
Tax expense	5(a)	**(25.3)**	(12.5)
Profit/(loss) for the year		**618.7**	406.6
OTHER COMPREHENSIVE INCOME/(LOSS):			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations	16(a)	**(0.3)**	5.3
Foreign currency translation reserve transfer on disposal of foreign operations	16(a)	**2.1**	(0.8)
Changes in the fair value of cash flow hedges	16(a)	**17.9**	(9.3)
Total comprehensive income/(loss) for the year		**638.4**	401.8
Profit/(loss) for the year attributable to:			
Unitholders of the parent entity		**174.7**	141.4
Unitholders of other stapled entities (non-controlling interests)		**444.0**	265.2
Profit/(loss) for the year		**618.7**	406.6
Total comprehensive income/(loss) for the year attributable to:			
Unitholders of the parent entity		**192.6**	132.1
Unitholders of other stapled entities (non-controlling interests)		**445.8**	269.7
Total comprehensive income/(loss) for the year		**638.4**	401.8

	Note	Cents	Cents[1]
EARNINGS PER UNIT ON PROFIT/(LOSS) ATTRIBUTABLE TO UNITHOLDERS OF THE PARENT ENTITY			
Basic earnings per unit	6	**19.08**	17.24
Diluted earnings per unit	6	**19.08**	17.24
EARNINGS PER STAPLED SECURITY ON PROFIT/(LOSS) ATTRIBUTABLE TO STAPLED SECURITY HOLDERS			
Basic earnings per security	6	**67.58**	49.57
Diluted earnings per security	6	**67.58**	49.57

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

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

Consolidated Statement of Financial Position

As at 30 June 2015

	Note	2015 $m	2014 $m
CURRENT ASSETS			
Cash and cash equivalents	17(a)	**13.0**	14.1
Receivables	17(b)	**55.5**	111.6
Non-current assets classified as held for sale	11	**5.5**	139.6
Inventories	10	**110.3**	80.3
Derivative financial instruments	12(c)	**17.7**	8.7
Other	17(c)	**27.3**	8.1
Total current assets		**229.3**	362.4
NON-CURRENT ASSETS			
Investment properties	8	**6,207.3**	5,926.5
Plant and equipment		**20.5**	10.8
Inventories	10	**164.5**	235.9
Investments accounted for using the equity method	9	**2,795.9**	2,813.9
Derivative financial instruments	12(c)	**367.2**	71.5
Deferred tax assets	5(c)	**10.8**	35.9
Intangible assets	18	**292.2**	292.6
Other		**2.3**	1.4
Total non-current assets		**9,860.7**	9,388.5
Total assets		**10,090.0**	9,750.9
CURRENT LIABILITIES			
Payables	17(d)	**110.7**	111.1
Current tax liabilities	5	**4.2**	1.3
Interest bearing liabilities	13	**150.0**	149.5
Provisions	17(e)	**231.1**	197.2
Derivative financial instruments	12(c)	**10.8**	2.4
Total current liabilities		**506.8**	461.5
NON-CURRENT LIABILITIES			
Interest bearing liabilities	13	**2,624.0**	2,782.1
Loans with related parties	22	**–**	338.4
Derivative financial instruments	12(c)	**159.2**	85.7
Deferred tax liabilities	5(d)	**17.2**	21.1
Provisions		**2.1**	4.9
Other		**3.4**	3.9
Total non-current liabilities		**2,805.9**	3,236.1
Total liabilities		**3,312.7**	3,697.6
Net assets		**6,777.3**	6,053.3
EQUITY			
Equity attributable to unitholders of the parent entity			
Contributed equity	15(a)	**1,990.6**	1,833.4
Reserves	16(a)	**8.6**	(9.3)
Retained profits/(accumulated losses)	16(c)	**190.3**	193.0
Parent entity unitholders' interest		**2,189.5**	2,017.1
EQUITY ATTRIBUTABLE TO UNITHOLDERS OF OTHER STAPLED ENTITIES			
Contributed equity	15(b)	**3,939.9**	3,625.7
Reserves	16(a)	**42.8**	41.2
Retained profits/(accumulated losses)	16(c)	**605.1**	369.3
Other stapled unitholders' interest		**4,587.8**	4,036.2
Total equity		**6,777.3**	6,053.3

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2015

		Attributable to unitholders of the parent entity			
	Note	Contributed equity $m	Reserves $m	Retained profits $m	Total $m
Opening balance as at 1 July 2013		1,577.7	–	181.2	1,758.9
Net profit/(loss) for the year		–	–	141.4	141.4
Other comprehensive income/(loss) for the year		–	(9.3)	–	(9.3)
Total comprehensive income for the year		–	(9.3)	141.4	132.1
Transactions with owners in their capacity as owners					
Issue of additional equity	15	281.2	–	–	281.2
Buy-back of contributed equity, net of transaction costs	15	(25.5)	–	–	(25.5)
Purchase of securities, net of transaction costs	16	–	–	–	–
Security-based payments expense	16	–	–	–	–
Distributions paid or provided for	7	–	–	(129.6)	(129.6)
Total transactions with owners in their capacity as owners		255.7	–	(129.6)	126.1
Closing balance as at 30 June 2014		1,833.4	(9.3)	193.0	2,017.1
Opening balance as at 1 July 2014		**1,833.4**	**(9.3)**	**193.0**	**2,017.1**
Net profit for the year		**–**	**–**	**174.7**	**174.7**
Other comprehensive income for the year		**–**	**17.9**	**–**	**17.9**
Total comprehensive income for the year		**–**	**17.9**	**174.7**	**192.6**
Transactions with owners in their capacity as owners					
Issue of additional equity	15	**157.2**	**–**	**–**	**157.2**
Purchase of securities, net of transaction costs	16	**–**	**–**	**–**	**–**
Security-based payments expense	16	**–**	**–**	**–**	**–**
Distributions paid or provided for	7	**–**	**–**	**(177.4)**	**(177.4)**
Total transactions with owners in their capacity as owners		**157.2**	**–**	**(177.4)**	**(20.2)**
Closing balance as at 30 June 2015		**1,990.6**	**8.6**	**190.3**	**2,189.5**

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

Attributable to unitholders of other stapled entities				
Contributed equity $m	Reserves $m	Retained profits $m	Total $m	Total equity $m
3,106.3	36.6	289.9	3,432.8	5,191.7
–	–	265.2	265.2	406.6
–	4.5	–	4.5	(4.8)
–	4.5	265.2	269.7	401.8
569.2	–	–	569.2	850.4
(49.8)	–	–	(49.8)	(75.3)
–	(3.1)	–	(3.1)	(3.1)
–	3.2	–	3.2	3.2
–	–	(185.8)	(185.8)	(315.4)
519.4	0.1	(185.8)	333.7	459.8
3,625.7	41.2	369.3	4,036.2	6,053.3
3,625.7	**41.2**	**369.3**	**4,036.2**	**6,053.3**
–	**–**	**444.0**	**444.0**	**618.7**
–	**1.8**	**–**	**1.8**	**19.7**
–	**1.8**	**444.0**	**445.8**	**638.4**
314.2	**–**	**–**	**314.2**	**471.4**
–	**(4.0)**	**–**	**(4.0)**	**(4.0)**
–	**3.8**	**–**	**3.8**	**3.8**
–	**–**	**(208.2)**	**(208.2)**	**(385.6)**
314.2	**(0.2)**	**(208.2)**	**105.8**	**85.6**
3,939.9	**42.8**	**605.1**	**4,587.8**	**6,777.3**

Consolidated Statement of Cash Flows

For the year ended 30 June 2015

	Note	2015 $m	2014 $m
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts in the course of operations (inclusive of GST)		**706.5**	703.0
Payments in the course of operations (inclusive of GST)		**(286.4)**	(275.6)
Interest received		**0.4**	0.2
Finance costs paid to financial institutions		**(144.2)**	(134.6)
Distributions received from investments accounted for using the equity method		**217.6**	79.0
Income and withholding taxes paid		**(1.0)**	0.1
Proceeds from sale of property classified as inventory		**221.8**	69.3
Payments for property classified as inventory		**(53.3)**	(23.1)
Net cash inflow/(outflow) from operating activities	20(a)	**661.4**	418.3
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of investment properties		**144.1**	172.9
Payments for capital expenditure on investment properties		**(93.9)**	(110.0)
Payments for acquisition of investment properties		**(14.8)**	–
Payments for acquisition of subsidiaries		**(160.0)**	–
Payments for investments accounted for using the equity method		**(263.9)**	(1,103.4)
Transaction costs paid		**(7.5)**	(14.0)
Return of capital from investments accounted for using the equity method		**372.6**	–
Payments for management rights		**–**	(42.0)
Payments for plant and equipment		**(12.1)**	(4.0)
Net cash inflow/(outflow) from investing activities		**(35.5)**	(1,100.5)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		**3,003.5**	4,557.8
Repayment of borrowings		**(3,408.0)**	(3,848.3)
Repayment of loan with related party		**(338.4)**	–
Proceeds from loan with related party		**–**	338.4
Payments for buy-back of contributed equity		**–**	(75.3)
Proceeds from issue of additional equity		**471.4**	–
Purchase of securities for security-based payments plans		**(4.0)**	(3.1)
Distributions paid to security holders		**(351.5)**	(288.3)
Net cash inflow/(outflow) from financing activities		**(627.0)**	681.2
Net increase/(decrease) in cash and cash equivalents		**(1.1)**	(1.0)
Cash and cash equivalents at the beginning of the year		**14.1**	14.9
Effects of exchange rate changes on cash and cash equivalents		**–**	0.2
Cash and cash equivalents at the end of the year		**13.0**	14.1

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

About this Report

For the year ended 30 June 2015

IN THIS SECTION

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

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

(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. In accordance with Australian Accounting Standards, the entities within the Group must be consolidated for financial reporting purposes. The parent entity and deemed acquirer of DIT, DOT and DXO is DDF. These Financial Statements therefore represent the consolidated results of DDF, and include 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. The amount of non-controlling interest attributable to stapled security holders is disclosed in the Statement of Financial Position. DDF is a for-profit entity for the purpose of preparing Financial Statements.

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

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

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

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

The Group has unutilised facilities of $758.1 million (2014: $462.3 million) (refer to note 13) and sufficient working capital and cash flows in order to fund all requirements arising from the net current asset deficiency as at 30 June 2015 of $277.5 million (2014: $99.1 million).

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

Critical accounting estimates

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

Note 8	Investment properties	Page 65
Note 10	Inventories	Page 70
Note 12(b)	Interest bearing liabilities	Page 73
Note 12(c)	Derivative financial instruments	Page 78
Note 18	Intangible assets	Page 86
Note 21	Security-based payments	Page 89

(b) Principles of consolidation

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

(i) Controlled entities

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

(ii) Joint arrangements

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

Joint operations

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

Joint ventures

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

(iii) Employee share trust

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.

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(c) Foreign currency
The Financial Statements are presented in Australian dollars.

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

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

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

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

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

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

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

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

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

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

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

The notes to the Financial Statements have been reordered and rewritten in order to provide more meaningful information to the readers of the Financial Statements. The notes are organised into the following sections:

Group performance	Property portfolio assets	Capital and financial risk management and working capital	Other disclosures
1. Operating segments	8. Investment properties	12. Capital and financial risk management	18. Intangible assets
2. Property revenue and expenses	9. Investments accounted for using the equity method	13. Interest bearing liabilities	19. Audit, taxation and transaction services fees
3. Management operations, corporate and administration expenses	10. Inventories	14. Commitments and contingencies	20. Reconciliation of net profit to net cash flows from operating activities
4. Finance costs	11. Non-current assets classified as held for sale	15. Contributed equity	21. Security-based payments
5. Taxation		16. Reserves and retained profits	22. Related parties
6. Earnings per unit		17. Working capital	23. Parent entity disclosures
7. Distributions paid and payable			24. Subsequent events

Notes to the Financial Statements

Group Performance

IN THIS SECTION

This section explains the results and performance of the Group.

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

The key indicators of the Group performance are detailed in the following table:

	2015	2014	2013	2012	2011
Statutory net profit ($m)	**618.7**	406.6	514.5	182.9	555.1
FFO[1] ($m)	**544.5**	446.6	388.0	395.2	386.6
AFFO[1] ($m)	**369.8**	310.7	290.1	269.3	234.1
Distribution ($m)	**385.6**	315.4	282.1	257.4	250.7
NTA[2] ($m)	**6,485**	5,761	4,948	4,784	4,878
FFO[1] per security[3] (cents)	**59.5**	54.4	49.4	49.0	48.0
AFFO[1] per security[3] (cents)	**40.4**	37.9	36.9	33.4	29.0
Distribution per security[3] (cents)	**41.04**	37.56	36.00	32.10	31.08
NTA[2] per security[3] ($)	**6.68**	6.36	6.31	6.00	6.05
Return on equity[4]	**11.5%**	6.7%	11.2%	4.5%	11.8%
Gearing (look-through)[5]	**28.5%**	33.7%	29.0%	27.2%	28.4%

1 Funds From Operations (FFO) is defined in note 1.
FFO and AFFO have been restated for previous periods to reflect the PCA definition.
2 Net Tangible Assets (NTA) is calculated as total assets less intangible assets.
3 Restated to reflect the one-for-six security consolidation.
4 Change in NTA per security plus distribution per security divided by previous year's NTA per security.
5 Gearing calculation is detailed in note 12(a) and is adjusted for cash and for debt in equity accounted investments.

NOTE 1. OPERATING SEGMENTS

(a) Description of segments

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

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

Notes to the Financial Statements
Group Performance (continued)

NOTE 1. OPERATING SEGMENTS (CONTINUED)

(b) Segment information provided to the CODM

30 June 2015	Office $m	Industrial $m
Segment performance measures		
Property revenue and property management fees	607.4	133.1
Proceeds from sale of inventory	–	–
Management fee revenue	–	–
Total operating segment revenue	**607.4**	**133.1**
Property expenses and property management salaries	(156.0)	(25.1)
Management operations expenses	–	–
Corporate and administration expenses	(7.4)	(1.7)
Cost of sale of inventory	–	–
Interest revenue	–	–
Finance costs	–	–
Incentive amortisation and rent straight-line	73.9	6.0
Tax expense	–	–
Coupon income and other	15.4	–
Funds From Operations (FFO)	**533.3**	**112.3**
Net fair value gain/(loss) of investment properties	213.5	27.5
Net fair value gain/(loss) of derivatives	–	–
Foreign currency translation reserve transfer	–	–
Net gain/(loss) on sale of investment properties	(2.4)	(0.7)
Net fair value gain/(loss) of interest bearing liabilities	–	–
Incentive amortisation and rent straight-line	(73.9)	(6.0)
Deferred tax (expense)/benefit	–	–
Coupon income	(15.5)	–
Net profit/(loss) attributable to stapled security holders	**655.0**	**133.1**
Segment asset measures		
Investment properties	4,795.5	1,411.8
Non-current assets held for sale	–	5.5
Inventories	–	–
Equity accounted investment properties	2,983.9	61.9
Direct property portfolio	**7,779.4**	**1,479.2**

Property management $m	Funds management $m	Development and trading $m	All other segments $m	Eliminations $m	Total $m
17.2	–	–	–	(0.8)	**756.9**
–	–	220.1	–	–	**220.1**
32.5	40.5	6.4	–	–	**79.4**
49.7	**40.5**	**226.5**	**–**	**(0.8)**	**1,056.4**
(12.2)	–	–	–	–	**(193.3)**
(24.3)	(15.8)	(6.2)	–	–	**(46.3)**
–	–	–	(30.4)	0.8	**(38.7)**
–	–	(172.2)	–	–	**(172.2)**
–	–	–	1.0	–	**1.0**
–	–	–	(151.8)	–	**(151.8)**
–	–	–	–	–	**79.9**
–	–	(5.3)	(0.8)	–	**(6.1)**
–	–	–	0.2	–	**15.6**
13.2	**24.7**	**42.8**	**(181.8)**	**–**	**544.5**
–	–	–	–	–	**241.0**
–	–	–	(31.1)	–	**(31.1)**
–	–	–	(2.1)	–	**(2.1)**
–	–	–	–	–	**(3.1)**
–	–	–	(15.9)	–	**(15.9)**
–	–	–	–	–	**(79.9)**
–	–	–	(19.2)	–	**(19.2)**
–	–	–	–	–	**(15.5)**
13.2	**24.7**	**42.8**	**(250.1)**	**–**	**618.7**
–	–	–	–	–	**6,207.3**
–	–	–	–	–	**5.5**
–	–	274.8	–	–	**274.8**
–	–	–	–	–	**3,045.8**
–	**–**	**274.8**	**–**	**–**	**9,533.4**

Notes to the Financial Statements
Group Performance (continued)

NOTE 1. OPERATING SEGMENTS (CONTINUED)

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

30 June 2014	Office $m	Industrial $m
Segment performance measures		
Property revenue and property management fees	540.4	146.3
Proceeds from sale of inventory	–	–
Management fee revenue	–	–
Total operating segment revenue	**540.4**	**146.3**
Property expenses & property management salaries	(137.9)	(25.8)
Management operations expenses	–	–
Corporate and administration expenses	(7.6)	(3.2)
Cost of sale of inventory	–	–
Interest revenue	–	–
Finance costs	–	–
Incentive amortisation and rent straight-line	52.6	5.5
Tax expense	–	–
Coupon income and net CPA distribution income	7.9	–
Funds From Operations (FFO)	**455.4**	**122.8**
Net fair value gain of investment properties	155.3	10.2
Net fair value loss of derivatives	–	–
Finance costs attributable to sales transactions	–	–
CPA transaction costs	–	–
Foreign currency translation reserve transfer	–	–
Net loss on sale of investment properties	(4.2)	(4.1)
Net fair value gain of interest bearing liabilities	–	–
Incentive amortisation and rent straight-line	(52.6)	(5.5)
Reversal of impairment of management rights	–	–
Deferred tax expense	–	–
Coupon income and net CPA distribution income	(7.9)	–
Net profit/(loss) attributable to stapled security holders	**546.0**	**123.4**
Segment asset measures		
Investment properties	4,673.6	1,252.9
Non-current assets held for sale	130.1	9.5
Inventories	–	–
Equity accounted investment properties	2,717.8	29.3
Direct property portfolio	**7,521.5**	**1,291.7**

Property management $m	Funds management $m	Development and trading $m	All other segments $m	Eliminations $m	Total $m
13.6	–	–	–	(0.6)	699.7
–	–	69.3	–	–	69.3
22.5	32.0	1.4	–	–	55.9
36.1	**32.0**	**70.7**	**–**	**(0.6)**	**824.9**
(8.9)	–	–	–	–	(172.6)
(17.4)	(13.9)	(3.0)	–	–	(34.3)
–	–	–	(27.5)	0.6	(37.7)
–	–	(65.3)	–	–	(65.3)
–	–	–	0.7	–	0.7
–	–	–	(140.1)	–	(140.1)
–	–	0.3	–	–	58.4
–	–	–	(0.5)	–	(0.5)
–	–	–	5.2	–	13.1
9.8	**18.1**	**2.7**	**(162.2)**	**–**	**446.6**
–	–	–	–	–	165.5
–	–	–	(52.9)	–	(52.9)
–	–	–	(4.5)	–	(4.5)
–	–	–	(76.7)	–	(76.7)
–	–	–	0.8	–	0.8
–	–	–	–	–	(8.3)
–	–	–	12.3	–	12.3
–	–	(0.3)	–	–	(58.4)
–	–	–	7.3	–	7.3
–	–	–	(12.0)	–	(12.0)
–	–	–	(5.2)	–	(13.1)
9.8	**18.1**	**2.4**	**(293.1)**	**–**	**406.6**
–	–	–	–	–	5,926.5
–	–	–	–	–	139.6
–	–	316.2	–	–	316.2
–	–	–	–	–	2,747.1
–	**–**	**316.2**	**–**	**–**	**9,129.4**

Notes to the Financial Statements
Group Performance (continued)

NOTE 1. OPERATING SEGMENTS (CONTINUED)

(c) Other segment information

(i) Funds From Operations (FFO)

On 1 July 2014, the Group adopted the Property Council of Australia definition of FFO. Comparative information has been adjusted to reflect this change. The Directors consider FFO to be a measure that reflects the underlying performance of the Group. FFO is calculated as net profit for the year adjusted for: property revaluations, impairments, derivative and FX mark-to-market impacts, fair value movements of interest bearing liabilities, amortisation of tenant incentives, gain/loss on sale of certain assets, straight line rent adjustments, deferred tax expense/benefit, rental guarantees, coupon income and distribution income net of funding costs.

(ii) Reconciliation of segment revenue to the Statement of Comprehensive Income

	2015 $m	2014 $m
Gross operating segment revenue	**1,056.4**	824.9
Share of property revenue from joint ventures	**(208.1)**	(127.4)
Share of management fees charged to joint ventures	**10.2**	2.1
Interest revenue	**0.4**	0.2
Total revenue from ordinary activities	**858.9**	699.8

(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.

	2015 $m	2014 $m
Direct property portfolio[1]	**9,533.4**	9,129.4
Cash and cash equivalents	**13.0**	14.1
Receivables	**55.5**	111.6
Intangible assets	**292.2**	292.6
Derivative financial instruments	**384.9**	80.2
Deferred tax assets	**10.8**	35.9
Plant and equipment	**20.5**	10.8
Prepayments and other assets[2]	**(220.3)**	76.3
Total assets	**10,090.0**	9,750.9

1 Includes 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 2. PROPERTY REVENUE AND EXPENSES

Rental revenue is recognised on a straight-line basis over the lease term for leases with fixed rent review clauses.

Prospective tenants may be offered incentives as an inducement to enter into operating leases. These incentives may take various forms including cash payments, rent free periods, or a contribution to certain lessee costs such as fit-out costs or relocation costs. The costs of incentives are recognised as a reduction of rental revenue on a straight-line basis from the lease commencement date to the end of the lease term. The carrying amount of the lease incentives is reflected in the fair value of investment properties.

	2015 $m	2014 $m
Rent and recoverable outgoings	**549.3**	568.6
Incentive amortisation	**(61.9)**	(59.5)
Other revenue	**61.4**	63.2
Total property revenue	**548.8**	572.3

Property expenses of $142.8 million (2014: $141.4 million) include rates, taxes and other property outgoings incurred in relation to investment properties.

NOTE 3. MANAGEMENT OPERATIONS, CORPORATE AND ADMINISTRATION EXPENSES

	2015 $m	2014 $m
Audit, taxation, legal and other professional fees	**6.6**	3.7
Depreciation and amortisation	**2.8**	2.3
Employee benefits expense and other staff expenses	**69.2**	56.9
Administration and other expenses	**7.7**	8.4
Management operations, corporate and administration expenses	**86.3**	71.3

NOTE 4. FINANCE COSTS

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

Qualifying assets include investment properties and inventories which take more than 12 months to develop for their intended use or sale. In these circumstances, borrowing costs are capitalised to the cost of the asset during the period of time that is required to complete and develop the asset for its intended use or sale. To the extent that funds are borrowed generally to fund development, the amount of borrowing costs to be capitalised to qualifying assets must be determined by using a weighted average capitalisation rate.

	2015 $m	2014 $m
Interest paid/payable	**135.8**	135.5
Net fair value loss of interest rate swaps	**57.7**	51.3
Amount capitalised	**(6.0)**	(6.1)
Other finance costs	**4.9**	4.8
Finance costs attributable to sales transactions	**–**	4.5
Total finance costs	**192.4**	190.0

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

Notes to the Financial Statements
Group Performance (continued)

NOTE 5. TAXATION

Under current Australian income tax legislation, DDF, DIT and DOT are not liable for income tax provided they satisfy certain legislative requirements, which were met in the current and previous financial years. DXO is liable for income tax and has formed a tax consolidated group with its wholly owned and controlled Australian entities. As a consequence, these entities are taxed as a single entity.

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

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

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

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

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

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

(a) Income tax (expense)/benefit

	Note	2015 $m	2014 $m
Current tax (expense)/benefit		**(0.8)**	(0.5)
Deferred tax (expense)/benefit		**(24.5)**	(12.0)
Total tax (expense)/benefit		**(25.3)**	(12.5)
Deferred income tax expense included in income tax (expense)/benefit comprises:			
(Decrease)/increase in deferred tax assets	5(c)	**(25.1)**	(3.5)
(Increase)/decrease in deferred tax liabilities	5(d)	**0.6**	(8.5)
Total deferred tax expense		**(24.5)**	(12.0)

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

	2015 $m	2014 $m
Profit/(loss) before tax	**644.0**	419.1
Less amounts not subject to income tax	**(551.7)**	(357.7)
	92.3	61.4
Prima facie tax (expense)/benefit at the Australian tax rate of 30% (2014: 30%)	**(27.7)**	(18.4)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Depreciation and amortisation	**2.1**	2.3
Reversal of previous impairment	**–**	2.2
Movements in the carrying value and tax cost base of properties	**7.7**	0.2
Accounting loss on sale of assets	**(7.2)**	(0.1)
Reversal of prior year income tax liability	**–**	1.0
Other timing differences	**(0.2)**	0.3
	2.4	5.9
Tax (expense)/benefit	**(25.3)**	(12.5)

(c) Deferred tax assets

	2015 $m	2014 $m
The balance comprises temporary differences attributable to:		
Derivative financial instruments	–	0.1
Tax losses	**1.0**	25.2
Employee provisions	**8.3**	9.6
Other	**1.5**	1.0
Total non-current assets – deferred tax assets	**10.8**	35.9
Movements:		
Opening balance at the beginning of the year	**35.9**	39.4
(Utilisation)/recognition of tax losses	**(24.3)**	(2.3)
Movement in deferred tax asset arising from temporary differences	**(0.8)**	(1.2)
(Charged)/credited to the Statement of Comprehensive Income	**(25.1)**	(3.5)
Closing balance at the end of the year	**10.8**	35.9

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

(d) Deferred tax liabilities

	2015 $m	2014 $m
The balance comprises temporary differences attributable to:		
Derivatives financial instruments	**2.2**	2.8
Intangible assets	**1.9**	2.0
Investment properties	**12.7**	16.0
Other	**0.4**	0.3
Total non-current liabilities – deferred tax liabilities	**17.2**	21.1
Movements:		
Opening balance at the beginning of the year	**21.1**	12.1
Movement in deferred tax liability arising from temporary differences	**(0.6)**	8.5
Transfer to current tax liability	**(3.3)**	–
Foreign currency translation	–	0.5
Charged/(credited) to the Statement of Comprehensive Income	**(3.9)**	9.0
Closing balance at the end of the year	**17.2**	21.1

Notes to the Financial Statements
Group Performance (continued)

NOTE 6. EARNINGS PER UNIT

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

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

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

	2015 $m	2014 $m
Profit attributable to unitholders of the parent entity	**174.7**	141.4
Profit attributable to stapled security holders	**618.7**	406.6

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

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

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

NOTE 7. DISTRIBUTIONS PAID AND PAYABLE

Distributions are recognised when declared.

(a) Distribution to security holders

	2015 $m	2014 $m
31 December (paid 27 February 2015)	**178.2**	142.1
30 June (payable 31 August 2015)	**207.4**	173.3
Total distributions to security holders	**385.6**	315.4

(b) Distribution rate

	2015 Cents per security	2014 Cents per security[1]
31 December (paid 27 February 2015)	**19.68**	18.42
30 June (payable 31 August 2015)	**21.36**	19.14
Total distributions	**41.04**	37.56

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

(c) Franked dividends

	2015 $m	2014 $m
Opening balance at the beginning of the year	**9.8**	16.2
Franking credits utilised for payment of distribution	**–**	(6.4)
Closing balance at the end of the year	**9.8**	9.8

Notes to the Financial Statements

Property Portfolio Assets

IN THIS SECTION

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

30 June 2015	Note	Office $m	Industrial $m	Total $m
Investment properties	8	**4,795.5**	**1,411.8**	**6,207.3**
Equity accounted investments	9	**2,983.9**	**61.9**	**3,045.8**
Inventories	10	**42.9**	**231.9**	**274.8**
Assets held for sale	11	**–**	**5.5**	**5.5**
Total		**7,822.3**	**1,711.1**	**9,533.4**

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

- **Investment properties:** relates to investment properties, both stabilised and under development
- **Investments accounted for using the equity method:** provides summarised financial information on the material joint ventures and other joint ventures. The Group's joint ventures comprise interests in property portfolio assets held through investments in trusts
- **Inventories:** relates to the Group's ownership of industrial and office assets or land held for repositioning, development and sale
- **Non-current assets classified as held for sale:** relates to investment properties which are expected to be sold within 12 months of the balance sheet date and are currently being marketed for sale

The list of property portfolio assets is detailed in the Property Synopsis, available at www.dexus.com/synopsis

NOTE 8. 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.

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

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

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

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

Notes to the Financial Statements
Property Portfolio Assets (continued)

NOTE 8. INVESTMENT PROPERTIES (CONTINUED)

(a) Reconciliation

	Note	Office $m	Industrial $m	Develop-ment $m	2015 $m	2014 $m
Opening balance at the beginning of the year		**4,673.6**	**1,213.9**	**39.0**	**5,926.5**	6,085.0
Additions		**42.4**	**8.3**	**11.2**	**61.9**	71.9
Acquisitions		**–**	**114.4**	**–**	**114.4**	–
Lease incentives		**62.4**	**14.9**	**–**	**77.3**	75.4
Amortisation of lease incentives		**(53.4)**	**(7.0)**	**–**	**(60.4)**	(57.4)
Rent straightlining		**2.5**	**1.0**	**–**	**3.5**	8.4
Disposals		**(0.2)**	**(1.6)**	**(6.9)**	**(8.7)**	(172.5)
Transfers to non-current assets classified as held for sale	11	**–**	**(5.5)**	**–**	**(5.5)**	(139.6)
Transfers to inventories	10	**(30.4)**	**–**	**(1.6)**	**(32.0)**	(101.4)
Net fair value gain/(loss) of investment properties		**98.6**	**32.3**	**(0.6)**	**130.3**	145.7
Foreign exchange differences		**–**	**–**	**–**	**–**	11.0
Closing balance at the end of the year		**4,795.5**	**1,370.7**	**41.1**	**6,207.3**	5,926.5

Acquisitions

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

Disposals

- On 23 January 2015, 79A Egerton Street, Silverwater, NSW, was disposed of for gross proceeds of $1.7 million (carrying value of $1.6 million)
- During the year, three land parcels of Quarry Greystanes, NSW, were disposed of for gross proceeds of $6.3 million (carrying value of $6.9 million)

(b) Valuation process

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

The Group's investment properties are required to be internally valued at least every six months unless they have been independently valued during the current reporting period. Internal valuations are compared to the carrying value of investment properties at the reporting date. Where the Directors determine the internal valuations present a more reliable estimate of fair value the internal valuation is adopted as book value. Internal valuations are performed by the Group's internal valuers who hold recognised relevant professional qualifications and have previous experience as property valuers from major real estate valuation firms.

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

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

(c) Fair value measurement, valuation techniques and inputs

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

		Fair value			Range of unobservable inputs	
Class of property	Fair value hierarchy	2015 $'000	2014 $'000	Inputs used to measure fair value	2015	2014
Office[1]	Level 3	**4,795.5**	4,673.6	Adopted capitalisation rate	**5.83% – 8.25%**	6.05% – 8.50%
				Adopted discount rate	**7.76% – 9.50%**	8.09% – 9.50%
				Adopted terminal yield	**5.87% – 8.50%**	6.05% – 12.65%
				Current net market rental (per sqm)	**$338 – $1,141**	$334 – $1,065
				10 year average market rental growth	**2.14% – 3.84%**	2.10% – 3.87%
Industrial	Level 3	**1,370.7**	1,213.9	Adopted capitalisation rate	**6.75% – 11.00%**	7.13% – 11.00%
				Adopted discount rate	**8.25% – 11.50%**	9.00% – 11.50%
				Adopted terminal yield	**7.00% – 11.00%**	7.63% – 11.00%
				Current net market rental (per sqm)	**$40 – $305**	$43 – $300
				10 year average market rental growth	**2.45% – 3.52%**	2.52% – 3.26%
Development	Level 3	**41.1**	39.0	Adopted capitalisation rate	**6.50%**	7.13%
				Land rate (per sqm)	**$35 – $418**	$50 – $418
Total		**6,207.3**	5,926.5			

1 Excludes car parks.

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

Judgement is required in determining the following key assumptions:

- **Adopted capitalisation rate:** The rate at which net market rental revenue is capitalised to determine the value of a property. The rate is determined with regard to market evidence and the prior external valuation
- **Adopted discount rate:** The rate of return used to convert cash flows, payable or receivable in the future, into present value. It reflects the opportunity cost of capital, that is, the rate of return the cash can earn if put to other uses having similar risk. The rate is determined with regard to market evidence and the prior external valuation
- **Adopted terminal yield:** The capitalisation rate used to convert the future net market rental revenue into an indication of the anticipated value of the property at the end of the holding period when carrying out a discounted cash flow calculation. The rate is determined with regard to market evidence and the prior external valuation
- **Net market rental (per sqm):** The net market rent is the estimated amount for which a property should lease between a lessor and a lessee on appropriate lease terms in an arm's length transaction
- **10 year average market rental growth:** The expected annual rate of change in market rent over a 10 year forecast period in alignment with expected market movements. The rate is determined with reference to forecast market movements
- **Land rate (per sqm):** The land rate is the market land value per sqm

(d) Sensitivity information

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

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

Notes to the Financial Statements
Property Portfolio Assets (continued)

NOTE 8. INVESTMENT PROPERTIES (CONTINUED)

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

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

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

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

(e) Investment properties pledged as security
Refer to note 13 for information on investment properties pledged as security.

NOTE 9. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

Information relating to these entities is set out below:

	Ownership interest			
Name of entity	2015 %	2014 %	2015 $m	2014 $m
Bent Street Trust	**33.3**	33.3	**264.2**	250.2
DEXUS Creek Street Trust	**50.0**	50.0	**131.5**	131.8
DEXUS Martin Place Trust	**50.0**	50.0	**89.7**	81.5
Grosvenor Place Holding Trust[1,2]	**50.0**	50.0	**303.3**	293.5
Site 6 Homebush Bay Trust[1]	**50.0**	50.0	**37.2**	37.5
Site 7 Homebush Bay Trust[1]	**50.0**	50.0	**49.8**	50.8
DEXUS 480 Q Holding Trust	**50.0**	50.0	**149.7**	82.9
DEXUS Kings Square Trust	**50.0**	50.0	**165.7**	88.8
DEXUS Office Trust Australia	**50.0**	50.0	**1,546.3**	1,777.8
DEXUS Industrial Trust Australia	**50.0**	50.0	**57.4**	19.1
DEXUS Eagle Street Pier Trust	**50.0**	–	**1.1**	–
Total investments accounted for using the equity method			**2,795.9**	2,813.9

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

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

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

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

	DEXUS Office Trust Australia		Grosvenor Place Holding Trust		Bent Street Trust		Other joint ventures		Total	
Summarised Statement of Financial Position	**2015 $m**	**2014 $m**	**2015 $m**	**2014 $m**	**2015 $m**	**2014 $m**	**2015 $m**	**2014 $m**	**2015 $m**	**2014 $m**
Current assets										
Cash and cash equivalents	**6.6**	21.7	**0.8**	0.4	**1.3**	0.8	**3.4**	3.2	**12.1**	26.1
Other current assets	**3.9**	6.7	**0.6**	0.7	**0.4**	2.9	**5.0**	4.4	**9.9**	14.7
Total current assets	**10.5**	28.4	**1.4**	1.1	**1.7**	3.7	**8.4**	7.6	**22.0**	40.8
Non-current assets										
Investment properties	**1,567.9**	1,506.9	**304.6**	295.5	**265.6**	250.3	**711.9**	505.3	**2,850.0**	2,558.0
Investments accounted for using the equity method	**195.2**	188.2	**–**	–	**–**	–	**–**	–	**195.2**	188.2
Loan to related party[1]	**–**	338.4	**–**	–	**–**	–	**–**	–	**–**	338.4
Other non current assets	**0.4**	–	**–**	–	**–**	–	**0.1**	–	**0.5**	–
Total non-current assets	**1,763.5**	2,033.5	**304.6**	295.5	**265.6**	250.3	**712.0**	505.3	**3,045.7**	3,084.6
Current liabilities										
Provision for distribution	**11.0**	63.7	**–**	1.8	**1.8**	2.3	**0.2**	1.0	**13.0**	68.8
Interest bearing liabilities	**172.0**	73.5	**–**	–	**–**	–	**–**	–	**172.0**	73.5
Other current liabilities	**33.6**	34.7	**2.7**	1.3	**1.4**	1.5	**38.0**	19.5	**75.7**	57.0
Total current liabilities	**216.6**	171.9	**2.7**	3.1	**3.2**	3.8	**38.2**	20.5	**260.7**	199.3
Non-current liabilities										
Borrowings	**11.1**	112.2	**–**	–	**–**	–	**–**	–	**11.1**	112.2
Total non-current liabilities	**11.1**	112.2	**–**	–	**–**	–	**–**	–	**11.1**	112.2
Net assets	**1,546.3**	1,777.8	**303.3**	293.5	**264.1**	250.2	**682.2**	492.4	**2,795.9**	2,813.9
Reconciliation of carrying amounts:										
Opening balance at the beginning of the year	**1,777.8**	–	**293.5**	289.1	**250.2**	248.3	**492.4**	369.4	**2,813.9**	906.8
Additions	**56.2**	1,878.7	**8.8**	2.4	**–**	3.1	**199.3**	113.1	**264.3**	1,997.3
Share of net profit/(loss) after tax	**182.6**	(9.0)	**14.7**	18.2	**29.2**	13.7	**25.6**	35.4	**252.1**	58.3
Impairment	**–**	(3.3)	**–**	–	**–**	–	**–**	–	**–**	(3.3)
Distributions received/ receivable	**(97.7)**	(88.6)	**(13.7)**	(16.2)	**(15.3)**	(14.9)	**(35.1)**	(25.5)	**(161.8)**	(145.2)
Return of capital	**(372.6)**	–	**–**	–	**–**	–	**–**	–	**(372.6)**	–
Closing balance at the end of the year	**1,546.3**	1,777.8	**303.3**	293.5	**264.1**	250.2	**682.2**	492.4	**2,795.9**	2,813.9

1 Refer to note 12(b)(iv). Represents the Group's share of proceeds from the sale of four properties by DEXUS Office Trust Australia.

Notes to the Financial Statements
Property Portfolio Assets (continued)

NOTE 9. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

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

	DEXUS Office Trust Australia		Grosvenor Place Holding Trust		Bent Street Trust		Other joint ventures		Total	
Summarised Statement of Comprehensive Income	**2015 $m**	**2014 $m**	**2015 $m**	**2014 $m**	**2015 $m**	**2014 $m**	**2015 $m**	**2014 $m**	**2015 $m**	**2014 $m**
Property revenue	**143.8**	63.7	**20.3**	22.6	**16.3**	17.0	**27.7**	24.1	**208.1**	127.4
Property revaluations	**91.2**	3.0	**(0.7)**	–	**16.3**	–	**3.8**	16.8	**110.6**	19.8
Interest income	**0.4**	0.3	**–**	–	**–**	0.1	**0.2**	0.1	**0.6**	0.5
Finance costs	**(8.0)**	(5.4)	**–**	–	**–**	–	**–**	–	**(8.0)**	(5.4)
Other expenses	**(44.8)**	(70.6)	**(4.9)**	(4.4)	**(3.4)**	(3.4)	**(6.1)**	(5.6)	**(59.2)**	(84.0)
Net profit/(loss) for the year	**182.6**	(9.0)	**14.7**	18.2	**29.2**	13.7	**25.6**	35.4	**252.1**	58.3
Total comprehensive income/(loss) for the year	**182.6**	(9.0)	**14.7**	18.2	**29.2**	13.7	**25.6**	35.4	**252.1**	58.3

NOTE 10. INVENTORIES

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

Key estimate: net realisable value (NRV) of inventories

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

(a) Inventories – land and properties held for resale

	2015 $m	**2014 $m**
Current assets		
Land and properties held for resale	**110.3**	80.3
Total current assets – inventories	**110.3**	80.3
Non-current assets		
Land and properties held for resale	**164.5**	235.9
Total non-current assets – inventories	**164.5**	235.9
Total assets – inventories	**274.8**	316.2

(b) Reconciliation

	Note	2015 $m	2014 $m
Opening balance at the beginning of the year		**316.2**	252.9
Transfer from investment properties	8	**32.0**	101.4
Disposals		**(172.2)**	(65.3)
Acquisitions and additions		**98.8**	27.2
Closing balance at the end of the year		**274.8**	316.2

Acquisitions

- On 16 January 2015, settlement occurred on the acquisition of Lakes Business Park, 2-13 Lord Street, Botany, for $153.5 million excluding acquisition costs. This comprises $109.8 million ($114.4 million including acquisition costs) classified as investment property and $43.7 million ($45.6 million including acquisition costs) classified as inventory. Refer note 8

Disposals

- On 1 July 2014, 30 Distribution Drive, Laverton North, VIC was disposed of for gross proceeds of $19.0 million. 50% of this property was classified as non-current assets classified as held for sale at 30 June 2014 (carrying value of $8.5 million in inventory). Refer note 11
- On 1 December 2014, 50 Carrington Street, Sydney, NSW was disposed of for gross proceeds of $88.0 million (carrying value of $75.8 million)
- On 22 May 2015, 40 Market Street, Melbourne, VIC was disposed of for gross proceeds of $105.3 million (carrying value of $87.9 million)
- On 13 August 2014, the Group exchanged contracts for the sale of 5-13 Rosebery Avenue and 25-55 Rothschild Avenue, Rosebery, NSW for $190.0 million, represented by a $19.0 million option fee and $171.0 million settlement payment. The Group will recognise the option fee over the term of the option and has therefore recognised $17.3 million during the year ended 30 June 2015. The balance of $1.7 million and the settlement amount of $171.0 million will be recognised in the year ended 30 June 2016

NOTE 11. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

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

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

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

Disposals

- On 1 July 2014, 30 Distribution Drive, Laverton North, VIC was disposed of for gross proceeds of $19.0 million. 50% of this property was classified as inventory at 30 June 2014. Refer to note 10
- On 18 November 2014, Lumley Centre, 88 Shortland Street, Auckland, New Zealand, was disposed of for gross proceeds of NZ $146.0 million

Notes to the Financial Statements

Capital and Financial Risk Management and Working Capital

IN THIS SECTION

The Group's overall risk management program focuses on reducing volatility from impacts in movements of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. Note 12 *Capital and financial risk management* outlines how the Group manages its exposure to a variety of financial risks (interest rate risk, foreign currency risk, liquidity risk and credit risk) and details the various derivative financial instruments entered into by the Group.

The Board determines the appropriate capital structure of the Group, how much is borrowed from financial institutions and capital markets (debt), and how much is raised from shareholders (equity) in order to finance the Group's activities both now and in the future. This capital structure is detailed in the following notes:

- Debt: *Interest bearing liabilities* in note 13 and *Commitments and contingencies* in note 14;
- Equity: *Contributed equity* in note 15 and *Reserves and retained profits* in note 16.

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

NOTE 12. CAPITAL AND FINANCIAL RISK MANAGEMENT

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

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

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

(a) Capital risk management

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

- The cost of capital and the financial risks associated with each class of capital
- Gearing levels and other debt covenants
- Potential impacts on net tangible assets and security holders' equity
- Potential impacts on the Group's credit rating, and
- Other market factors

The Group has a stated target gearing level of 30% to 40%. The table below details the calculation of the gearing ratio in accordance with our primary financial covenant requirements:

	2015 $m	2014 $m
Total interest bearing liabilities[1]	**2,556.3**	2,919.3
Total tangible assets[2]	**9,402.1**	9,342.2
Gearing ratio	**27.2%**	31.2%
Gearing ratio (look-through)[3]	**28.5%**	33.7%

1 Total interest bearing liabilities excludes deferred borrowing costs and includes the impact of foreign currency fluctuations of cross currency swaps.

2 Total tangible assets comprise total assets less intangible assets, derivatives and deferred tax balances.

3 The look-through gearing ratio is adjusted for cash and debt in equity accounted investments and is not a financial covenant.

The Group is rated A- by Standard & Poor's (S&P) and A3 by Moody's. The Group is required to comply with certain financial covenants in respect of its interest bearing liabilities. During the 2014 and 2015 reporting periods, the Group was in compliance with all of its financial covenants.

DXFM is the Responsible Entity for the managed investment schemes (DDF, DOT, DIT and DXO) 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 maintain liquidity above specified limits. DXFM must also prepare rolling cash projections over at least the next 12 months and demonstrate it will have access to sufficient financial resources to meet its liabilities that are expected to be payable over that period. Cash projections and assumptions are approved, at least quarterly, by the Board of the Responsible Entity.

DWPL, a wholly owned entity, has been issued with an AFSL as it is the Responsible Entity for DEXUS Wholesale Property Fund (DWPF). DEXUS Wholesale Management Limited (DWML), a wholly owned entity, has been issued with an AFSL as it is the trustee of third party managed funds. These entities are subject to the capital requirements described above.

(b) Financial risk management

The 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. The Group's principal financial instruments, other than derivatives, comprise cash, bank loans and capital markets issuance. The main purpose of financial instruments is to manage liquidity and hedge the Group's exposure to financial risks namely:

- Interest rate risk
- Foreign currency risk
- Liquidity risk, and
- Credit risk

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

- Interest rate swaps
- Cross currency interest rate swaps
- Foreign exchange contracts, and
- Option contracts (interest rate)

The 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.

(i) Market risk

INTEREST RATE RISK

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

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

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

As at 30 June 2015, 95% (2014: 62%) of the interest bearing liabilities of the Group were hedged. The average hedged percentage for the financial year was 76% (2014: 60%).

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

	June 2016 $m	June 2017 $m	June 2018 $m	June 2019 $m	June 2020 $m	> June 2021 $m
Fixed rate debt[1]						
A$ fixed rate debt	515.0	462.5	275.8	84.2	45.8	–
Interest rate swaps						
A$ hedged[1]	1,700.4	1,687.5	1,569.6	1,298.3	600.8	12.1
Combined fixed debt and swaps (A$ equivalent)	**2,215.4**	**2,150.0**	**1,845.4**	**1,382.5**	**646.7**	**12.1**
Hedge rate (%)	**3.86%**	**3.79%**	**3.97%**	**4.21%**	**3.96%**	**2.69%**

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

Notes to the Financial Statements
Capital and Financial Risk Management and Working Capital (continued)

NOTE 12. CAPITAL AND FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial risk management (continued)

(i) Market risk (continued)

INTEREST RATE RISK (CONTINUED)

Sensitivity analysis on interest expense

The table below shows the impact on the Group's net interest expense of a 50 basis point increase or decrease in market interest rates. The sensitivity on cash flow arises due to the impact that a change in interest rates will have on the Group's floating rate debt and derivative cash flows on average during the financial year. Net interest expense is only sensitive to movements in market rates to the extent that floating rate debt is not hedged.

		2015 (+/-) $m	2014 (+/-) $m
+/- 0.50% (50 basis points)	A$	**3.6**	5.0
+/- 0.50% (50 basis points)	NZ$	**–**	0.6
Total A$ equivalent		**3.6**	5.6

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

Sensitivity analysis on fair value of interest rate swaps

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

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

		2015 (+/-) $m	2014 (+/-) $m
+/- 0.50% (50 basis points)	A$	**33.3**	38.0
+/- 0.50% (50 basis points)	US$	**(0.3)**	(0.7)
Total A$ equivalent		**33.0**	37.3

Sensitivity analysis on fair value of cross currency swaps

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

		2015 (+/-) $m	2014 (+/-) $m
+/- 0.50% (50 basis points)	US$ (A$ equivalent)	**9.7**	8.9
Total A$ equivalent		**9.7**	8.9

FOREIGN CURRENCY RISK

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

- Highly probable forecast transactions denominated in foreign currency, and
- Borrowings denominated in foreign currency

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. Refer to note 13 for the USD foreign currency exposures and management thereof via cross currency interest rate swaps.

Foreign currency assets and liabilities

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

(ii) Liquidity risk

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

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

REFINANCING RISK

Refinancing risk is the risk that the Group:

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

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

	2015					2014				
	Within one year $m	Between one and two years $m	Between two and five years $m	After five years $m	Total $m	Within one year $m	Between one and two years $m	Between two and five years $m	After five years $m	Total $m
Cash	**13.0**	**–**	**–**	**–**	**13.0**	14.1	–	–	–	14.1
Receivables	**55.5**	**–**	**–**	**–**	**55.5**	111.6	–	–	–	111.6
Payables	**(110.7)**	**–**	**–**	**–**	**(110.7)**	(111.1)	–	–	–	(111.1)
	(42.2)	**–**	**–**	**–**	**(42.2)**	14.6	–	–	–	14.6
Interest bearing liabilities & interest										
Fixed interest rate liabilities	**(95.1)**	**(355.4)**	**(500.2)**	**(1,550.7)**	**(2,501.4)**	(168.3)	(71.2)	(667.1)	(970.7)	(1,877.3)
Floating interest rate liabilities	**(163.0)**	**(203.1)**	**(579.7)**	**–**	**(945.8)**	(114.7)	(156.6)	(1,370.5)	(117.0)	(1,758.8)
Total interest bearing liabilities & interest[1]	**(258.1)**	**(558.5)**	**(1,079.9)**	**(1,550.7)**	**(3,447.2)**	(283.0)	(227.8)	(2,037.6)	(1,087.7)	(3,636.1)
Derivative financial instruments										
Derivative assets	**82.5**	**117.3**	**142.9**	**1,466.9**	**1,809.6**	131.3	31.3	119.8	772.5	1,054.9
Derivative liabilities	**(66.8)**	**(88.0)**	**(103.7)**	**(1,043.3)**	**(1,301.8)**	(139.6)	(51.2)	(167.9)	(661.9)	(1,020.6)
Total net derivative financial instruments[2]	**15.7**	**29.3**	**39.2**	**423.6**	**507.8**	(8.3)	(19.9)	(48.1)	110.6	34.3

1 Refer to note 13. Excludes deferred borrowing costs but includes estimated fees and interest.

2 The notional maturities on derivatives are shown for cross currency interest rate swaps (refer to interest rate risk) as they are the only instruments where a principal amount is exchanged. For interest rate swaps, only the net interest cash flows (not the notional principal) are included. Refer to note 12(c) for fair value of derivatives. Refer to note 14(b) for financial guarantees.

NOTE 12. CAPITAL AND FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial risk management (continued)

(iii) Credit risk

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

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 credit rating
- Regularly monitoring counterparty exposure within approved credit limits that are based on the lower of a S&P, Moody's and Fitch credit rating. The exposure includes the current market value of in-the-money contracts and the potential exposure, which is measured with reference to credit conversion factors as per APRA guidelines
- Entering into ISDA Master Agreements once a financial institution counterparty is approved
- Monitoring tenants exposure within approved credit limits
- For some trade receivables, obtaining collateral where necessary in the form of bank guarantees and tenant bonds, and
- Regularly monitoring loans and receivables on an ongoing basis

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

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

Financial instrument transactions are spread among a number of approved financial institutions within specified credit limits to minimise the Group's exposure to any counterparty. As a result, there is no significant concentration of credit risk for financial instruments. The maximum exposure to credit risk at 30 June 2015 is the carrying amounts of financial assets recognised on the Statement of Financial Position.

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

	2015 $m	2014 $m
0-30 days	**47.6**	106.4
31-60 days	**3.5**	3.1
61-90 days	**0.3**	0.6
Over 91 days	**4.1**	1.5
Total loans and receivables net of provisions	**55.5**	111.6

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

(iv) Fair value

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

Financial asset/liability	Classification	Valuation basis	Reference
Receivables[1]	Loans and receivables	Amortised cost	Refer to note 17(b)
Payables[1]	Financial liability at amortised cost	Amortised cost	Refer to note 17(d)
Interest bearing liabilities	Financial liability at amortised cost	Amortised cost	Refer to note 13
Non-interest bearing loans from related party	Loans and receivables	Amortised cost	Refer to note 22
Derivatives	Fair value through profit or loss	Fair value	Refer to note 12(c)

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

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

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

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

	2015 Carrying amount[1] $m	2015 Fair value[2] $m	2014 Carrying amount[1] $m	2014 Fair value[2] $m
Financial assets				
Cash and cash equivalents	**13.0**	**13.0**	14.1	14.1
Loans and receivables (current)	**55.5**	**55.5**	111.6	111.6
Derivative assets	**384.9**	**384.9**	80.2	80.2
Total financial assets	**453.4**	**453.4**	205.9	205.9
Financial liabilities				
Trade payables	**110.7**	**110.7**	111.1	111.1
Non-interest bearing loan from related party[3]	–	–	338.4	338.4
Derivative liabilities	**170.0**	**170.0**	88.1	88.1
Interest bearing liabilities				
Fixed interest bearing liabilities	**1,877.1**	**1,984.7**	1,402.4	1,491.0
Floating interest bearing liabilities	**911.0**	**911.0**	1,555.7	1,550.7
Total financial liabilities	**3,068.8**	**3,176.4**	3,495.7	3,579.3

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

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

3 Relates to the loan from DEXUS Office Trust Australia.

Key assumptions: fair value of borrowings

The fair value of interest bearing liabilities has been determined based on a discounted cash flow analysis using observable market inputs (interest rates, exchange rates and currency basis) and applying a credit or debit value adjustment based on the current credit worthiness of counterparties and the Group.

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

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

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

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

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

Notes to the Financial Statements
Capital and Financial Risk Management and Working Capital (continued)

NOTE 12. CAPITAL AND FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial risk management (continued)

(v) Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position where there is a legally enforceable right to set-off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting except in certain circumstances, such as bankruptcy or the termination of the underlying contract.

The following table presents the gross amounts of recognised financial instruments in the Statement of Financial Position as the Group does not apply the right of set-off that exists in master netting arrangements. The column 'net amount' shows the impact on the Group's Statement of Financial Position if all legal rights of set-off available under the applicable master netting arrangements were exercised at 30 June 2015 and 30 June 2014.

2015	Gross amounts $m	Gross amounts offset in the Statement of Financial Position $m	Net amounts presented in the Statement of Financial Position $m	Amounts subject to master netting arrangements $m	Financial instrument collateral $m	Net amount $m
Financial assets						
Derivative financial instruments	**384.9**	**–**	**384.9**	**(46.0)**	**–**	**338.9**
Total	**384.9**	**–**	**384.9**	**(46.0)**	**–**	**338.9**
Financial liabilities						
Derivative financial instruments	**170.0**	**–**	**170.0**	**(46.0)**	**–**	**124.0**
Total	**170.0**	**–**	**170.0**	**(46.0)**	**–**	**124.0**
2014						
Financial assets						
Derivative financial instruments	80.2	–	80.2	(6.5)	–	73.7
Total	80.2	–	80.2	(6.5)	–	73.7
Financial liabilities						
Derivative financial instruments	88.1	–	88.1	(6.5)	–	81.6
Total	88.1	–	88.1	(6.5)	–	81.6

Master netting arrangements – not currently enforceable

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

(c) Derivative financial instruments

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

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

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

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

Fair value hedge

A fair value hedge is a hedge of the exposure to changes in fair value of an asset or liability that is attributable to a particular risk and could affect the Statement of Comprehensive Income. Changes in the fair value of derivatives (hedging instruments) that are designated as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk (hedged item).

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity using a recalculated effective interest rate.

Cash flow hedge

A cash flow hedge is a hedge of the exposure to variability in cash flows attributable to a particular risk to a highly probable forecast transaction pertaining to an asset or liability. The effective portion of changes in the fair value of derivatives that are designated as cash flow hedges is recognised in other comprehensive income in equity via the cash flow hedge reserve. Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. Any gain or loss related to ineffectiveness is recognised in profit or loss immediately.

Hedge accounting is discontinued when the hedging instrument expires, is terminated, is no longer in an effective hedge relationship, is de-designated, or the forecast transaction is no longer expected to occur. The fair value gain or loss of derivatives recorded in equity is recognised in profit or loss over the period that the forecast transaction is recorded in profit or loss. If the forecast transaction is no longer expected to occur, the cumulative gain or loss in equity is recognised in profit or loss immediately.

	2015 $m	2014 $m
Current assets		
Interest rate swap contracts	**2.6**	2.3
Cross currency swap contracts	**15.1**	6.4
Total current assets – derivative financial instruments	**17.7**	8.7
Non-current assets		
Interest rate swap contracts	**17.5**	22.5
Cross currency swap contracts	**349.7**	45.1
Other	**–**	3.9
Total non-current assets – derivative financial instruments	**367.2**	71.5
Current liabilities		
Interest rate swap contracts	**8.3**	2.4
Cross currency swap contracts	**2.5**	–
Total current liabilities – derivative financial instruments	**10.8**	2.4
Non-current liabilities		
Interest rate swap contracts	**108.1**	79.3
Cross currency swap contracts	**51.1**	6.4
Total non-current liabilities – derivative financial instruments	**159.2**	85.7
Net derivative financial instruments	**214.9**	(7.9)

Key assumptions: fair value of derivatives

The fair value of derivative financial instruments has been determined based on a discounted cash flow analysis using observable market inputs (interest rates, exchange rates and currency basis) and applying a credit or debit valuation adjustment based on the current credit worthiness of counterparties and the Group.

Refer to note 12(b)(iv) *Capital and Financial Risk Management* for further detail.

NOTE 13. INTEREST BEARING LIABILITIES

Borrowings are initially recognised at fair value net of transaction costs and subsequently measured at amortised cost using the effective interest rate method. Under the effective interest rate method, any transaction fees, costs, discounts and premiums directly related to the borrowings are capitalised to borrowings and amortised in profit or loss over the expected life of the borrowings.

If there is an effective fair value hedge of borrowings, a fair value adjustment will be applied based on the mark to market movement in the benchmark component of the borrowings. This movement is recognised in the profit or loss. Refer note 12(b)(iv) Capital and financial risk management for further detail.

All borrowings with contractual maturities greater than 12 months after reporting date are classified as non-current liabilities.

	Note	2015 $m	2014 $m
Current			
Unsecured			
US senior notes	(b)	–	94.5
Bank loans	(c)	**150.0**	–
Medium term notes	(e)	–	55.0
Total unsecured		**150.0**	149.5
Total current liabilities – interest bearing liabilities		**150.0**	149.5
Non-current			
Unsecured			
US senior notes	(a), (b)	**1,359.4**	827.8
Bank loans	(c)	**761.0**	1,450.7
Commercial paper	(d)	**100.0**	100.0
Medium term notes	(e)	**417.7**	418.9
Total unsecured		**2,638.1**	2,797.4
Deferred borrowing costs		**(14.1)**	(15.3)
Total non-current liabilities – interest bearing liabilities		**2,624.0**	2,782.1
Total interest bearing liabilities		**2,774.0**	2,931.6

Financing arrangements

The following table summarises the maturity profile of the Group's financing arrangements:

Type of facility	Notes	Currency	Security	Maturity Date	2015 $m Utilised[1]	2015 $m Facility Limit
US senior notes (144A)	(a)	US$	Unsecured	Mar-21	**324.8**	**324.8**
US Senior notes (USPP)	(b)	US$	Unsecured	Dec-16 to Jul-28	**1,029.9**	**1,029.9**
Medium term notes	(e)	A$	Unsecured	Apr-17 to Sept-18	**417.7**	**417.7**
Commercial paper	(d)	A$	Unsecured	Aug-16	**100.0**	**100.0**
Multi-option revolving credit facilities	(c)	Multi currency	Unsecured	Mar-16 to Jun-20	**911.0**	**1,700.0**
Total					**2,783.4**	**3,572.4**
Bank guarantee in place					**30.9**	
Unused at balance date					**758.1**	

1 Includes drawn amounts and excludes fair value adjustments recorded in interest bearing liabilities in relation to effective fair value hedges.

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) US senior notes (144A)

This includes a total of US$250.0 million (A$324.8 million) of US senior notes with a maturity of March 2021. The USD exposure is economically hedged using cross currency interest rate swaps with a notional value of US$250.0 million.

(b) US senior notes (USPP)

This includes a total of US$791.0 million (A$1,029.9 million) of US senior notes with a weighted average maturity of December 2025. The majority of the USD balance is designated as an accounting hedge using cross currency interest rate swaps with a notional value of US$750 million. The remaining US$41 million is economically hedged using cross currency interest rate swaps with the same notional value.

(c) Multi-option revolving credit facilities

This includes 18 facilities maturing between March 2016 and June 2020 with a weighted average maturity of February 2018. A$30.9 million is utilised as bank guarantees for developments and AFSL requirements.

(d) Commercial Paper

This includes a total of A$100.0 million of Commercial Paper which is supported by a standby facility of A$100.0 million with a weighted average maturity of August 2016. The standby facility has same day availability.

(e) Medium Term Notes

This includes a total of A$415.0 million of Medium Term Notes with a weighted average maturity of December 2017.

Additional information

The Group also has commitments totaling A$100.0 million that are available for three months out of every six months.

NOTE 14. COMMITMENTS AND CONTINGENCIES

(a) Commitments

(i) Capital commitments

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

	2015 $m	2014 $m
Investment properties	**59.2**	58.2
Inventories	**17.8**	0.8
Investments accounted for using the equity method	**183.9**	284.8
Total capital commitments	**260.9**	343.8

(ii) Lease payable commitments

The future minimum lease payments payable by the Group are:

	2015 $m	2014 $m
Within one year	**4.0**	3.6
Later than one year but not later than five years	**11.6**	12.7
Later than five years	**5.9**	6.5
Total lease payable commitments	**21.5**	22.8

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

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

(iii) Lease receivable commitments

The future minimum lease payments receivable by the Group are:

	2015 $m	2014 $m
Within one year	**387.5**	383.4
Later than one year but not later than five years	**996.0**	992.9
Later than five years	**391.9**	353.4
Total lease receivable commitments	**1,775.4**	1,729.7

NOTE 14. COMMITMENTS AND CONTINGENCIES (CONTINUED)

(b) Contingencies

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

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

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

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

NOTE 15. CONTRIBUTED EQUITY

(a) Contributed equity of unitholders of the parent entity

	2015 $m	2014 $m
Opening balance at the beginning of the year	**1,833.4**	1,577.7
Issue of additional equity, net of transaction costs	**157.2**	281.2
Buy-back of contributed equity, net of transaction costs	**–**	(25.5)
Closing balance at the end of the year	**1,990.6**	1,833.4

(b) Contributed equity of unitholders of other stapled entities

	2015 $m	2014 $m
Opening balance at the beginning of the year	**3,625.7**	3,106.3
Issue of additional equity, net of transaction costs	**314.2**	569.2
Buy-back of contributed equity, net of transaction costs	**–**	(49.8)
Closing balance at the end of the year	**3,939.9**	3,625.7

(c) Number of securities on issue

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

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

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

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

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

NOTE 16. RESERVES AND RETAINED PROFITS

(a) Reserves

	2015 $m	2014 $m
Foreign currency translation reserve	–	(1.8)
Asset revaluation reserve	**42.7**	42.7
Cash flow hedge reserve	**8.6**	(9.3)
Security-based payments reserve	**8.1**	5.6
Treasury securities reserve	**(8.0)**	(5.3)
Total reserves	**51.4**	31.9
Foreign currency translation reserve		
Opening balance at the beginning of the year	**(1.8)**	(6.3)
Exchange differences on translating foreign operations	**(0.3)**	5.3
Foreign currency translation reserve transfer on disposal of foreign operations	**2.1**	(0.8)
Closing balance at the end of the year	–	(1.8)
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
Cash flow hedge reserve		
Opening balance at the beginning of the year	**(9.3)**	–
Changes in the fair value of cash flow hedges	**17.9**	(9.3)
Closing balance at the end of the year	**8.6**	(9.3)
Security-based payments reserve		
Opening balance at the beginning of the year	**5.6**	2.4
Issue of securities to employees	**(1.3)**	–
Security-based payments expense	**3.8**	3.2
Closing balance at the end of the year	**8.1**	5.6
Treasury securities reserve		
Opening balance at the beginning of the year	**(5.3)**	(2.2)
Issue of securities to employees	**1.3**	–
Purchase of securities	**(4.0)**	(3.1)
Closing balance at the end of the year	**(8.0)**	(5.3)

(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.

Cash flow hedge reserve

The cash flow hedge reserve is used to record the effective portion of changes in the fair value of derivatives that are designated as cash flow hedges.

NOTE 16. 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 Plans (DSTI) and the Long Term Incentive Plans (LTI). Refer to note 21 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 Plans (DSTI) and the Long Term Incentive Plans (LTI). As at 30 June 2015, DXS held 1,170,525 stapled securities (2014: 847,825, restated to reflect the one-for-six security consolidation).

(c) Retained profits

	2015 $m	2014 $m
Opening balance at the beginning of the year	**562.3**	471.1
Net profit/(loss) attributable to security holders	**618.7**	406.6
Distributions provided for or paid	**(385.6)**	(315.4)
Closing balance at the end of the year	**795.4**	562.3

NOTE 17. WORKING CAPITAL

(a) Cash and cash equivalents

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

(b) Receivables

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

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for doubtful debts. Trade receivables are required to be settled within 30 days and are assessed on an ongoing basis for impairment. Receivables which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for doubtful debts is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

	2015 $m	2014 $m
Rent receivable	**13.9**	13.5
Less: provision for doubtful debts	**(0.2)**	(0.1)
Total rental receivables	**13.7**	13.4
Distributions receivable	**12.9**	68.8
Fee receivable	**18.9**	13.9
Other receivables	**10.0**	15.5
Total other receivables	**41.8**	98.2
Total receivables	**55.5**	111.6

(c) Other current assets

	2015 $m	2014 $m
Prepayments	**12.5**	8.1
Deposit for the acquisition of investment property	**14.8**	–
Total other current assets	**27.3**	8.1

(d) Payables

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

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

	2015 $m	2014 $m
Trade creditors	**36.7**	37.2
Accruals	**15.7**	15.0
Accrued capital expenditure	**15.6**	10.7
Prepaid income	**10.8**	17.9
Accrued interest	**28.5**	25.6
Other payables	**3.4**	4.7
Total payables	**110.7**	111.1

(e) Provisions

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

In accordance with the Trust's Constitution, the 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.

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

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

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

The provision is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates based on turnover history and is discounted using the Australian Corporate Bond Index rates at the end of the reporting period that most closely matches the term of the maturity of the related liabilities. The provision for employee benefits also includes the employee incentives schemes which are shown separately in note 21.

	2015 $m	2014 $m
Provision for distribution	**207.4**	173.3
Provision for employee benefits	**23.7**	23.9
Total current provisions	**231.1**	197.2

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

	2015 $m	2014 $m
Provision for distribution		
Opening balance at the beginning of the year	**173.3**	146.2
Additional provisions	**385.6**	315.4
Payment of distributions	**(351.5)**	(288.3)
Closing balance at the end of the year	**207.4**	173.3

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

Notes to the Financial Statements

Other disclosures

IN THIS SECTION

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

NOTE 18. INTANGIBLE ASSETS

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 $4.8 million (2014: $5.1 million)) are measured at cost and amortised using the straight-line method over their estimated remaining useful lives of 17 years. Management rights that are deemed to have an indefinite life are held at a value of $286.0 million (2014: $286.0 million).

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition.

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

	2015 $m	2014 $m
Management rights		
Opening balance at the beginning of the year	**291.1**	242.1
Acquisition of management rights	**–**	42.0
Amortisation charge	**(0.3)**	(0.3)
Reversal of previous impairment of management rights	**–**	7.3
Closing balance at the end of the year	**290.8**	291.1
Cost	**294.4**	294.4
Accumulated amortisation	**(3.6)**	(3.3)
Total management rights	**290.8**	291.1
Goodwill		
Opening balance at the beginning of the year	**1.5**	1.6
Impairment	**(0.1)**	(0.1)
Closing balance at the end of the year	**1.4**	1.5
Cost	**3.0**	3.0
Accumulated impairment	**(1.6)**	(1.5)
Total goodwill	**1.4**	1.5
Total intangible assets	**292.2**	292.6

During the current year, management carried out a review of the recoverable amount of its management rights. There was no change in the carrying value of the management rights in the current year. In the prior year, there was a recognition of a reversal of previous impairments of $7.3 million in the Statement of Comprehensive Income.

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

Key assumptions: value in use of management rights

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

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

NOTE 19. AUDIT, TAXATION AND TRANSACTION SERVICES FEES

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

	2015 $'000	2014 $'000
Audit fees		
PwC Australia – audit and review of Financial Statements	**1,370**	1,150
PwC fees paid in relation to outgoings audits	**111**	145
PwC Australia – regulatory audit and compliance services	**216**	211
PwC Australia – audit of DOTA	**95**	213
PwC Australia – sustainability assurance	**97**	75
Audit fees paid to PwC	**1,889**	1,794
Taxation fees		
Fees paid to PwC Australia and New Zealand	**147**	33
Fees paid to PwC Australia in respect of the CPA acquisition	**–**	200
Taxation fees paid to PwC	**147**	233
Total audit and taxation fees paid to PwC	**2,036**	2,027
Transaction services fees		
Fees paid to PwC Australia in respect of the CPA acquisition	**–**	225
Fees paid to PwC Australia – other	**67**	–
Total transaction services fees paid to PwC	**67**	225
Total audit, taxation and transaction services fees paid to PwC	**2,103**	2,252

Notes to the Financial Statements
Other disclosures (continued)

NOTE 20. RECONCILIATION OF NET PROFIT TO NET CASH FLOWS FROM OPERATING ACTIVITIES

(a) Reconciliation

	2015 $m	2014 $m
Net profit/(loss) for the year	**618.7**	406.6
Capitalised interest	**(6.0)**	(6.1)
Depreciation and amortisation	**2.8**	2.3
Impairment of goodwill	**0.1**	0.1
Net fair value (gain)/loss of investment properties	**(130.4)**	(145.7)
Share of net (profit)/loss of investments accounted for using the equity method	**(252.1)**	(58.3)
Net fair value (gain)/loss of derivatives	**(17.4)**	2.1
Net fair value (gain)/loss of interest rate swaps	**48.5**	50.8
Amortisation of deferred borrowing costs	**3.6**	3.7
Net (gain)/loss on sale of investment properties	**3.0**	7.7
Net fair value (gain)/loss of interest bearing liabilities	**15.9**	(12.3)
Foreign currency translation reserve transfer on disposal of foreign operations	**2.1**	(0.8)
Reversal of previous impairment of management rights	**–**	(7.3)
Impairment of investments accounted for using the equity method	**–**	3.3
Transaction costs	**–**	23.9
Provision for doubtful debts	**0.1**	(0.5)
Distributions from investments accounted for using the equity method	**217.6**	79.0
Change in operating assets and liabilities		
(Increase)/decrease in receivables	**–**	(70.9)
(Increase)/decrease in prepaid expenses	**(4.5)**	2.8
(Increase)/decrease in inventories	**118.9**	42.2
(Increase)/decrease in other current assets	**(0.9)**	(5.6)
(Increase)/decrease in other non-current assets	**15.8**	58.6
Increase/(decrease) in payables	**5.9**	12.8
Increase/(decrease) in current liabilities	**(0.2)**	0.6
Increase/(decrease) in other non-current liabilities	**(1.3)**	16.8
(Increase)/decrease in deferred tax assets	**21.2**	12.5
Net cash inflow/(outflow) from operating activities	**661.4**	418.3

(b) Capital expenditure on investment properties
Payments for capital expenditure on investment properties include $118.3 million (2014: $94.8 million) of maintenance and incentive capital expenditure.

NOTE 21. SECURITY-BASED PAYMENTS

The DXFM Board has approved a grant of performance rights to DXS stapled securities to eligible participants. Awards, via the 2012 Transitional Performance Rights Plan, Deferred Short Term Incentive Plans (DSTI) and Long Term Incentive Plans (LTI), will be in the form of performance rights awarded to eligible participants which convert to DXS stapled securities for nil consideration subject to satisfying specific service and performance conditions.

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

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

Key assumptions: fair value of performance rights granted

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

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

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the 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.

(a) 2012 Transitional Performance Rights Plan

Subject to satisfying employment service conditions, the award has vested over a four year period ending 30 June 2015. No performance rights were granted in respect of the year ended 30 June 2015 (2014: nil). The fair value of the 2012 performance rights is $nil per performance right and the total security-based payment expense recognised during the year ended 30 June 2015 was $243,033 (2014: $457,863).

(b) Deferred Short Term Incentive Plan

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

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

The number of performance rights granted in respect of the year ended 30 June 2015 was 356,412 (2014: 374,448[1]) and the fair value of these performance rights is $7.30 (2014: $6.66[1]) per performance right. The total security-based payment expense recognised during the year ended 30 June 2015 was $1,974,287 (2014: $1,727,708).

(c) Long Term Incentive Plan

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

The number of performance rights granted in respect of the year ended 30 June 2015 was 533,328 (2014: 473,374[1]). The fair value of these performance rights is $5.43 (2014: $4.98[1]) per performance right. The total security-based payment expense recognised during the year ended 30 June 2015 was $1,302,660 (2014: $726,312).

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

Notes to the Financial Statements
Other disclosures (continued)

NOTE 22. RELATED PARTIES

Responsible Entity and Investment Manager

DXH is the parent entity of DXFM, the Responsible Entity of DDF, DIT, DOT and DXO and the Trustee of DOTA.

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

DXH is the Investment Manager of DOTA.

Management fees

Under the terms of the Constitutions of the entities within the Group, the Responsible Entity and Investment Manager are 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.

A loan of $338.4 million from DOTA was repaid during the year.

DEXUS Wholesale Property Fund

	2015 $'000	2014 $'000
Responsible Entity fee income	**28,050**	24,115
Property management fee income	**12,405**	7,397
Rent paid	**63**	7
Responsible Entity fees receivable at the end of each reporting period (included above)	**2,453**	2,150
Property management fees receivable at the end of each reporting period (included above)	**1,742**	817
Administration expenses receivable at the end of each reporting period (included above)	**89**	125

Investments accounted for using the equity method

	2015 $'000	2014 $'000
Asset management fee income	**10,214**	2,331
Property management fee income	**15,156**	2,004
Rent paid	**1,235**	–
Responsible Entity fees receivable at the end of each reporting period (included above)	**2,594**	2,558
Property management fees receivable at the end of each reporting period (included above)	**2,915**	906
Administration expenses receivable at the end of each reporting period (included above)	**511**	63

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

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

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

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

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

Key management personnel compensation

	2015 $'000	2014 $'000
Compensation		
Short-term employee benefits	**7,453**	7,428
Post employment benefits	**220**	189
Other long-term benefits	**–**	48
Security-based payments	**2,595**	1,995
	10,268	9,660

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

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

The DXFM Board has approved a grant of performance rights to DXS stapled securities to eligible participants (refer to note 21). 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 2015 and 30 June 2014.

Notes to the Financial Statements
Other disclosures (continued)

NOTE 23. PARENT ENTITY DISCLOSURES

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

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

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

(a) Summary financial information
The individual Financial Statements for the parent entity show the following aggregate amounts:

	2015 $m	2014 $m
Total current assets	**105.6**	950.1
Total assets	**3,724.6**	2,581.9
Total current liabilities	**183.4**	982.8
Total liabilities	**1,535.0**	564.8
Equity		
Contributed equity	**1,990.6**	1,833.4
Reserves	**8.6**	(9.4)
Retained profits	**190.4**	193.1
Total equity	**2,189.6**	2,017.1
Net profit/(loss) for the year	**174.7**	141.4
Total comprehensive income/(loss) for the year	**192.6**	132.1

(b) Guarantees entered into by the parent entity
Refer to note 14(b) for details of guarantees entered into by the parent entity.

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

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

	2015 $m	2014 $m
Investment properties	**3.0**	6.5
Total capital commitments	**3.0**	6.5

NOTE 24. SUBSEQUENT EVENTS

On 1 July 2015, the Group and DWPF exchanged contracts to jointly acquire Waterfront Place at 1 Eagle Street and Eagle Street Pier at 45 Eagle Street Brisbane, QLD, for $635.0 million excluding acquisition costs.

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

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

On 4 August 2015, settlement occurred on the sale of Units 10/11, 108 Silverwater Road, Silverwater, NSW for gross proceeds of $5.5 million.

Since the end of the year, other than the matters disclosed above, the Directors are not aware of any matter or circumstance not otherwise dealt within 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.

Directors' Declaration

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 48 to 92:

(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 2015 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date

In the Directors' opinion:

(a) The Financial Statements and notes are in accordance with the *Corporations Act 2001*

(b) There are reasonable grounds to believe that the 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 2015

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

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

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

Christopher T Beare
Chair

11 August 2015

Independent Auditor’s Report

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 registered scheme), which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors’ declaration for DEXUS Property Group (the consolidated entity). DEXUS Property Group comprises the registered scheme and the entities it controlled at year’s end or from time to time during the financial year as disclosed in the Basis of preparation.

Directors’ responsibility for the financial report

The directors of DEXUS Funds Management Limited (the responsible entity) are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In the Basis of preparation, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor’s responsibility

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

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

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

Independence

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

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pwc

Auditor's opinion

In our opinion:

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

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

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

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

Report on the Remuneration Report

We have audited the remuneration report included in pages 19 to 33 of the directors' report for the year ended 30 June 2015. The directors of the registered scheme 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 2015 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

E A Barron
Partner

Sydney
11 August 2015

Additional Information

TOP 20 SECURITY HOLDERS AT 31 JULY 2015

Rank	Name	No. of units	% of issued capital
1	HSBC Custody Nominees (Australia) Limited	324,048,411	33.38
2	National Nominees Limited	210,363,360	21.67
3	J P Morgan Nominees Australia Limited	170,310,454	17.54
4	Citicorp Nominees Pty Limited	88,077,526	9.07
5	BNP Paribas Nominees Pty Ltd <DRP>	28,714,822	2.96
6	Amp Life Limited	10,076,792	1.04
7	Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	8,689,040	0.90
8	RBC Investor Services Australia Nominees Pty Limited <APN A/C>	7,670,207	0.79
9	Questor Financial Services Limited <TPS RF A/C>	4,909,936	0.51
10	Bond Street Custodians Limited <ENH Property Securities A/C>	2,561,247	0.26
11	Ecapital Nominees Pty Limited <Accumulation>	1,212,916	0.12
12	BNP Paribas Nominees (NZ) Ltd <DRP>	1,151,987	0.12
13	RBC Investor Services Australia Nominees Pty Limited <BKCust A/C>	1,117,909	0.12
14	Merrill Lynch (Australia) Nominees Pty Limited <MLPRO A/C>	1,106,500	0.11
15	Navigator Australia Ltd <MLC Investment Sett A/C>	993,922	0.10
16	Bond Street Custodians Limited < Pure Indexed Equities A/C>	917,458	0.09
17	Bond Street Custodians Limited <Property Securities A/C>	853,562	0.09
18	RBC Investor Services Australia Nominees Pty Limited <PISELECT>	840,113	0.09
19	Pacific Custodians Pty Limited DXS Plans Ctrl	775,075	0.08
20	Questor Financial Services Limited <TPS PIP A/C>	722,891	0.07
	Total top 20 security holders	**865,114,128**	**89.11**
	Balance of register	**105,692,221**	**10.89**
	Total securities on issue	**970,806,349**	**100.00**

SUBSTANTIAL HOLDERS AT 31 JULY 2015

The names of substantial holders, who at 31 July 2015 have notified the Responsible Entity in accordance with Section 671B of the *Corporations Act 2001*, are:

Date	Name	Number of stapled securities	% voting
28-Jan-11	ING Group[1]	388,416,434	8.03%
17-Jan-14	The Bank of New York Mellon ATF Newton Investment Management[1]	335,701,104	7.25%
27-Feb-15	Vanguard Group	63,740,651	7.04%
24-Mar-14	Blackrock Group[1]	366,488,530	6.81%
04-Jul-13	AMP Limited[1]	237,591,500	5.05%
19-Nov-14	Commonwealth Bank of Australia	45,279,875	5.00%

1. These substantial holders lodged notices prior to DEXUS undertaking a One-for-Six Security Consolidation in October 2014. Therefore the number of securities and voting % for these substantial holders are as stated on the forms lodged with ASX at that time.

CLASS OF SECURITIES

DEXUS Property Group has one class of stapled security trading on the ASX with security holders holding stapled securities at 31 July 2015.

Spread of securities at 31 July 2015

Range	Securities	%	No. of Holders
100,001 and Over	880,535,206	90.70	73
50,001 to 100,000	2,688,412	0.28	41
10,001 to 50,000	21,654,587	2.23	1,302
5,001 to 10,000	21,704,294	2.24	3,157
1,001 to 5,000	38,296,813	3.94	16,019
1 to 1,000	5,927,037	0.61	11,741
Total	**970,806,349**	**100.00**	**32,333**

At 31 July 2015, the number of security holders holding less than a marketable parcel of 65 Securities ($500) was 379 and they hold in total 2,285 securities.

VOTING RIGHTS

At meetings of the security holders of DEXUS Diversified Trust, DEXUS Industrial Trust, DEXUS Office Trust and DEXUS Operations Trust, being the Trusts that comprise DEXUS Property Group, on a show of hands, each security holder of each Trust has one vote. On a poll, each security holder of each Trust has one vote for each dollar of the value of the total interests they have in the Trust.

SECURITIES RESTRICTED OR SUBJECT TO VOLUNTARY ESCROW

There are no stapled securities that are restricted or subject to voluntary escrow.

ON-MARKET BUY-BACK

DEXUS announced an on-market securities buy-back program on 14 October 2014 for up to 5% of securities. This buy-back program was closed on 21 April 2015 and no securities were acquired.

COST BASE APPORTIONMENT

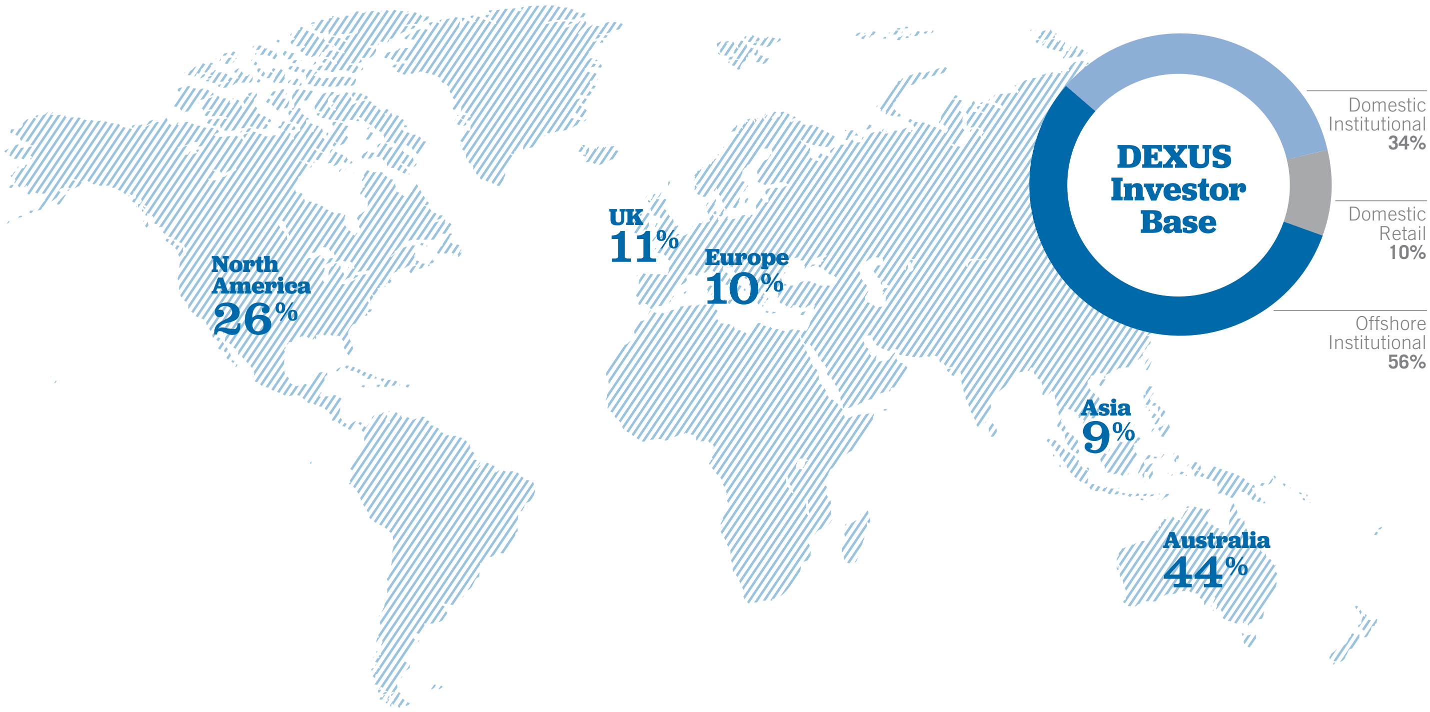
For capital gains tax purposes, the cost base apportionment details for DEXUS securities for the 12 months ended 30 June 2015 are:

Date	DEXUS Diversified Trust	DEXUS Industrial Trust	DEXUS Office Trust	DEXUS Operating Trust
1 Jul 2014 to 31 Dec 2014	33.35	14.37	49.07	3.21
1 Jan 2015 to 30 Jun 2015	33.32	14.39	48.67	3.62

Historical cost base details are available in the downloads area at www.dexus.com/dxs/tax

Investor Information

DEXUS recognises the importance of communication with existing and potential institutional investors, sell-side analysts and retail investors.



The senior management of DEXUS, maintain a strong rapport with the investment community through proactive and regular investor engagement initiatives.

DEXUS is committed to delivering high levels of transparency and disclosure by:

- Releasing accurate and relevant information to investors to ensure they can make informed investment decisions
- Providing regular access to senior management through one-on-one meetings, presentations, property tours, conferences, dedicated investor roadshows, conference calls and webcasts

DEXUS adopts strong corporate governance including a policy that ensures a minimum of two DEXUS representatives participate in any investor or sell-side analyst meeting and that a record of the meeting is maintained on an internal customer relationship management database.

During FY15, DEXUS senior management together with the Investor Relations (IR) team held 300 meetings to discuss the Group's business strategy, and operational and financial performance. DEXUS hosted its inaugural Investor Day in October 2014, highlighting the Group's capabilities and provided an update on its September 2014 quarter results and long term strategic initiatives. DEXUS also participated in investor conferences and roadshows in Australia, Singapore, Hong Kong, London, New York and Japan. These conferences and roadshows enabled access to potential new investors and assisted with strengthening existing relationships with long term investors.

The IR team arranged tours of DEXUS's properties with investors and sell-side analysts to increase awareness of the quality of the portfolio and DEXUS's active asset management approach. DEXUS also introduced a new initiative for retail investors which included a property tour of a number of its Sydney CBD office properties following its Annual General Meeting in 2014.

Twice a year, DEXUS commissions an independent investor perception study to gather feedback from the institutional investment community. The study involves an independent consultant conducting interviews with institutional investors and sell-side analysts to gauge investor thoughts on a number of attributes and report on the findings. The results help DEXUS's Board and Executive team understand the investment community's perceptions and concerns and assists in the development of DEXUS's communications and enhancing the effectiveness of the Group's Investor Relations efforts.

ANNUAL GENERAL MEETING

On Wednesday, 28 October 2015, DEXUS's Annual General Meeting (AGM) will be held at DEXUS Place, Level 5, 1 Margaret Street, Sydney commencing at 2.00pm. Investors are encouraged to attend the AGM in person to meet the Board of Directors and the Executive team. The AGM will be webcast at www.dexus.com for investors who are unable to attend in person.

DISTRIBUTION PAYMENTS

DEXUS's payout policy is to distribute in line with free cash flow. Distributions are paid for the six month period to 31 December and 30 June each year. Distribution statements are available in print and electronic formats and distributions are paid via direct credit into nominated bank accounts or by cheque. To change the method of receiving distributions, please use the investor login facility at www.dexus.com/update

UNCLAIMED DISTRIBUTION INCOME

Unpresented cheques or unclaimed distribution income can be claimed by contacting the DEXUS Infoline on +61 1800 819 675. For monies outstanding greater than seven years, please contact the NSW Office of State Revenue on +61 1300 366 016, use their search facility at osr.nsw.gov.au or email unclaimedmoney@osr.nsw.gov.au

ANNUAL TAXATION STATEMENTS

An annual taxation statement is sent to investors in August each year. The statement summarises distributions provided during the financial year and includes information required to complete your tax return. Annual taxation statements are also available online at www.dexus.com/update

2016 REPORTING CALENDAR

2015 Annual General Meeting 28 October 2015	**2016 Annual results** 17 August 2016
2016 Half year results 17 February 2016	**2016 Annual General Meeting** 26 October 2016

MAKING CONTACT

If you have any questions regarding your security holding or wish to update your personal or distribution payment details, please contact the Registry by calling the DEXUS Infoline on **+61 1800 819 675**.

This service is available from 8.30am to 5.30pm (Sydney time) on all business days.

All correspondence should be addressed to:

DEXUS Property Group
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
registrars@linkmarketservices.com.au

DEXUS is committed to delivering a high level of service to all investors. If you feel DEXUS could improve its service or you would like to make a suggestion or a complaint, your feedback is appreciated. DEXUS's contact details are:

Investor Relations
DEXUS Property Group
PO Box R1822
Royal Exchange NSW 1225
ir@dexus.com

DEXUS Funds Management Limited is a member of the Financial Ombudsman Service (FOS), an independent dispute resolution scheme. If you are not satisfied with the resolution of your complaint, you may refer your complaint to FOS.

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
Phone: 1300 780 808
Email: info@fos.org.au

2016 DISTRIBUTION CALENDAR

Period end	ASX announcement	Ex-distribution date	Record date	Payment date
31 Dec 2015	22 Dec 2015	29 Dec 2015	31 Dec 2015	29 Feb 2016
30 Jun 2016*	24 Jun 2016	29 Jun 2016	30 Jun 2016	31 Aug 2016

* On 7 March 2016, the ASX is proposing to implement a new T+2 settlement cycle, which will affect the distribution timetable for the period to 30 June 2016. The timetable is proposed to change to T+4 business days to incorporate the T+2 settlement cycle change. Dates have been quoted on the basis of the change being implemented.

Please note that these dates are indicative and are subject to change without prior notice. Any changes in our key dates will be published on our website.

GO ELECTRONIC FOR CONVENIENCE AND SPEED

Did you know you can opt to receive all or part of your security holder communication electronically. You can change your communication preferences at any time by logging into **www.dexus.com/update** or by contacting Link Market Services on **1800 819 675.**

INVESTOR COMMUNICATIONS

DEXUS is committed to ensuring all investors have equal access to information about its investment activities. In line with the Group's commitment to long term integration of sustainable business practices, investor communications are provided via various electronic methods including:

DEXUS's website
www.dexus.com provides a wide range of information, including a two minute corporate video, ASX announcements, investor information and reports. In 2015, the Group released a suite of capability profiles, strategic case studies and videos all available at www.dexus.com/news

Other investor tools available include:

- **Online enquiry** – www.dexus.com/enquire is an easy to complete online enquiry form
- **Investor login** – www.dexus.com/update enables investors to update their details and download statements
- **Subscribe to alerts** – www.dexus.com/subscribe enables investors to receive DEXUS communications immediately after release
- **Create your own property or leasing reports** – select and download information on our property portfolio and space available
- **Events calendar** – notifies investors of key events and reporting dates
- **DEXUS IR App** – provides users access to DEXUS's investor communications and security price – download for free from Apple's App Store or Google Play
- **LinkedIn** – DEXUS now engages with its followers via LinkedIn. To receive DEXUS LinkedIn communications, visit our Investor Centre at www.dexus.com/investors and click on DEXUS on LinkedIn – Follow us

Key ASX Announcements

Key ASX announcements	
12.08.15	2015 Property Synopsis and Debt Summary
12.08.15	2015 Annual Results Presentation
12.08.15	2015 Annual Results Release
12.08.15	2015 Final distribution details
12.08.15	Appendix 4E and Financial Reports as at 30 June 2015
31.07.15	Securities Trading Policy
09.07.15	Appendix 3Y – Darren Steinberg
09.07.15	Appendix 3Y – Craig Mitchell
23.06.15	Distribution details for six months to 30 June 2015
23.06.15	Appendix 3A.1 Notification of Distribution
22.06.15	DEXUS and DWPF acquire Waterfront Place & Eagle Street Pier
19.06.15	Issue and allotment under Security Purchase Plan
11.06.15	DEXUS announces successful completion of Security Purchase Plan
11.05.15	Despatch of DEXUS Security Purchase Plan
06.05.15	Macquarie Australia Conference presentation
05.05.15	March 2015 quarter portfolio update
05.05.15	DEXUS Security Purchase Plan
28.04.15	DEXUS announces issue and allotment under institutional placement and announces final timetable for security purchase plan
22.04.15	DEXUS announces successful completion of institutional placement
21.04.15	Appendix 3F – final share buy-back notice
21.04.15	DEXUS announces equity raising
27.02.15	31 December 2014 distribution
18.02.15	Appendix 4D and Financial Accounts at 31 December 2014
18.02.15	HY15 Results Release and Review
18.02.15	HY15 Results Presentation
18.02.15	HY15 Property Synopsis
16.01.15	DEXUS settles on the acquisition of Lakes Business Park, Botany
29.12.14	Acquisition of strategic industrial property
19.12.14	December 2014 distribution details
19.12.14	Appendix 3A.1 Notification of Distribution
19.12.14	Challenger secured at 5 Martin Place, Sydney
01.12.14	DEXUS settles on sale of 50 Carrington Street, Sydney
18.11.14	DEXUS settles on the sale of remaining offshore property
14.11.14	Completion of one-for-six DEXUS Security Consolidation
05.11.14	Appendix 3Y – change of directors interest notice
05.11.14	Appendix 3Y – change of directors interest notice
04.11.14	Appendix 3D – change relating to buy-back
31.10.14	General Counsel and Company Secretary appointment
29.10.14	One-for-six Security Consolidation
29.10.14	2014 Annual General Meeting
29.10.14	2014 Annual General Meeting results
29.10.14	Consolidated Constitutions
21.10.14	September 2014 quarterly update
21.10.14	2014 Investor Day presentation
16.10.14	DEXUS presentation to ASX Investor Series
14.10.14	DEXUS on-market securities buy-back
15.09.14	Notice of AGM
11.09.14	Appendix 3Y – Penny Bingham-Hall
29.08.14	30 June 2014 distribution details
29.08.14	2014 Annual reporting suite
29.08.14	2014 DEXUS Annual Report
25.08.14	New tenant secured for Brisbane development
22.08.14	Appendix 3Y – change of directors interest notice

Directory

DEXUS DIVERSIFIED TRUST
ARSN 089 324 541

DEXUS INDUSTRIAL TRUST
ARSN 090 879 137

DEXUS OFFICE TRUST
ARSN 090 768 531

DEXUS OPERATIONS TRUST
ARSN 110 521 223

RESPONSIBLE ENTITY
DEXUS Funds Management Limited
ABN 24 060 920 783
AFSL 238163

DIRECTORS OF THE RESPONSIBLE ENTITY
Christopher T Beare, Chair
Elizabeth A Alexander AM
Penny Bingham-Hall
John C Conde AO
Tonianne Dwyer
Craig D Mitchell, COO
W Richard Sheppard
Darren J Steinberg, CEO
Peter B St George

SECRETARIES OF THE RESPONSIBLE ENTITY
Brett Cameron
Scott Mahony

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SECURITY REGISTRY
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Level 12, 680 George Street
Sydney NSW 2000

Locked Bag A14
Sydney South NSW 1235

Registry Infoline: +61 1800 819 675
Fax: +61 2 9287 0303
Email: registrars@linkmarketservices.com.au
www.linkmarketservices.com.au

Open Monday to Friday between 8.30am and 5.30pm (Sydney time).

For enquiries regarding security holdings, contact the security registry, or access security holding details at www.dexus.com/update

AUSTRALIAN SECURITIES EXCHANGE
ASX Code: DXS

IR APP
Download the DEXUS IR App to gain instant access to the latest DEXUS stock price, ASX announcements, presentations, reports, webcasts and more.

LINKEDIN
DEXUS now engages with its followers via LinkedIn – www.dexus.com/investors and click on DEXUS on LinkedIn – Follow us.

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Institutional rigour.
Entrepreneurial spirit.

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