

29 September 2009

The Manager
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Sydney NSW 2000

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Dear Sir/Madam

DEXUS Property Group (ASX: DXS)
Security Holder Review and Annual Report for the year ending 30 June 2009

DEXUS Funds Management Limited, as responsible entity for DEXUS Property Group (DXS), provides the following:

- A letter to DEXUS security holders who have elected not to receive printed communications
- DEXUS Property Group 2009 Security Holder Review; and
- DEXUS Property Group 2009 Annual Report

The Security Holder Review and the Annual Report are available as online reports on our website at www.dexus.com

For further information, please contact:

Investor Relations:	Karol O'Reilly	(03) 8611 2930
Media Relations:	Emma Parry	(02) 9017 1133

Yours sincerely



Tanya Cox
Company Secretary



DEXUS
PROPERTY GROUP

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Dear Investor

We are pleased to advise you that the DEXUS Property Group 2009 Annual Report is now available on our website at www.dexus.com

This year we have changed the way in which we are reporting to security holders, and have produced a Security Holder Review which contains an overview of the Group's operations for the year ending 30 June 2009.

Please find attached a copy of the DEXUS Property Group 2009 Security Holder Review.

If you wish to download a copy of the DEXUS Property Group 2009 Annual Report please go to our website at www.dexus.com and follow the links to the Investor Centre, DEXUS Property Group and then to Reports, or alternatively the direct address is www.dexus.com/Investor-Centre/DXS/Reports

If you have any questions concerning DEXUS Property Group please contact Investor Relations on 02 9017 1134. For queries regarding your holding, please contact Link Market Services on 1800 819 675 or access your holding details via our website at www.dexus.com in the login box.

I would like to thank you for your support during the year.

Yours sincerely

Victor P. Hoog Antink
Chief Executive Officer

2009

DEXUS Property Group
SECURITY HOLDER REVIEW



**WELCOME TO DEXUS
PROPERTY GROUP'S
SECURITY HOLDER
REVIEW FOR 2009.**

Cover: Australia Square Complex, 264-278 George Street, Sydney, NSW

This page: Artist's impression of 1 Bligh Street, Sydney, NSW

OUR VISION

To be the leading owner, manager, developer of superior quality office and industrial properties in Australia and select international markets, providing world class property solutions and optimal outcomes for our stakeholders.

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This year we are reporting to our investors and other stakeholders in a more concise format.

This report, the DEXUS Property Group 2009 Security Holder Review contains an overview of the Group's operations for the year ending 30 June 2009. To review the Group's Consolidated Financial Statements, corporate governance statement and information about DEXUS's Board of Directors, please refer to the DEXUS Property Group 2009 Annual Report. The DEXUS Property Group 2009 Combined Financial Statements provide separate financial statements of DEXUS Industrial Trust, DEXUS Office Trust and DEXUS Operations Trust.

The Corporate Responsibility and Sustainability (CR&S) section contained in this Review is an extract from the full CR&S Report which will be available online or as a printed report from October 2009. These reports may be viewed or downloaded online at www.dexus.com

All amounts are A\$ unless otherwise specified.

OUR STRATEGY

OWN

- > WORLD CLASS QUALITY PORTFOLIO
- > STRATEGIC LOCATIONS IN AUSTRALIA AND SELECT MARKETS
- > MARKET LEADER IN OFFICE AND INDUSTRIAL
- > FINANCIAL STRENGTH
- > ACTIVE CAPITAL MANAGEMENT

STRATEGIC FOCUS IN 2008/09

- Maintain leadership positions:
No.1 in office and No.3 in industrial in Australia
- Progress selected non-core property sales
- Commence the repositioning of our international portfolio to concentrate on fewer markets
- Strengthen our balance sheet and further diversify funding sources

MANAGE

- > FULLY INTEGRATED PROPERTY MANAGEMENT MODEL
- > DELIVERING SERVICE EXCELLENCE TO OUR TENANTS AND INVESTORS
- > MAXIMISING RETURNS

- Progress the integration of our property management model across our portfolios
- Continue our active property management focus, delivering strong operating results
- Maintain our leadership position in Corporate Responsibility and Sustainability

DEVELOP

- > SELECTIVE DEVELOPMENTS CREATING VALUE
- > SUSTAINABLE DESIGN
- > HIGH QUALITY WORKSPACES

- Progress the next generation of quality office and industrial workspaces with our 6 star office developments at 1 Bligh Street and 123 Albert Street and our industrial development land banks strategically located at Laverton North and Greystanes

DEXUS Industrial Estate, Boundary Road, Laverton North, VIC

DELIVERING ON STRATEGY

KEY INITIATIVES AND ACHIEVEMENTS

OCTOBER 08



- › Secured major tenant – Clayton Utz – at 1 Bligh Street

NOVEMBER 08

- › Secured US\$90 million facility to refinance a US\$74 million debt facility and provide additional working capital
- › Secured refinancing of A\$500 million CMBS

DECEMBER 08

\$313m

- › Completed institutional placement raising \$301.6 million
- › Completed security holder purchase plan of \$11.6 million

FEBRUARY 09

- › Created a joint venture partnership with Cbus Property who acquired a one-third interest in 1 Bligh Street
- › Recognised as one of the Global 100 Most Sustainable Corporations at Davos, Switzerland

APRIL 09

- › Commenced selected property sale program in Australia, North America and Europe consistent with our strategy to focus primarily on core office and industrial properties in select markets

APRIL 09

\$658m

- › Completed an institutional placement and an institutional entitlement offer raising \$658 million

MAY 09

- › Completed internalisation of property management in office portfolio
- › Closed retail entitlement offer raising \$91 million
- › 5 Star NABERS agreement executed for 123 Albert Street

MAY 09



- › Major milestone reached in the construction at 1 Bligh Street with the completion of development excavation and commencement of construction

JUNE–JULY 09

\$96m

- › Agreed 12 industrial properties for sale and one office property raising \$96 million in the property sales program
- › 123 Albert Street development reached ground level with the three level basement completed

DEXUS
TIMELINE



DEXUS Diversified Trust (DDF) listed on the Australian Securities Exchange (ASX)

Established funds management platform appointed to manage State Super of NSW (STC) unlisted property fund

DEXUS Industrial Trust (DIT) listed on ASX

1984

1996

1997

OUR PORTFOLIO

AUSTRALIA

DEXUS owns 67 properties in Australia and New Zealand with a total book value of \$5.8 billion and a total net lettable area of more than 1.9 million square metres in strategic locations primarily in Sydney and Melbourne as well as Brisbane and Perth. DEXUS's Australian portfolio, by value, comprises office 52%, industrial 19% and retail 4%, which generates net property income of \$372 million or 70.7% of our total operating earnings.

Our strategy is to build on our leadership positions in office and industrial in established markets, where we can achieve greater scale, deliver sustainable returns and implement our property management model.

- OFFICE PROPERTIES
- INDUSTRIAL PROPERTIES
- RETAIL PROPERTIES

DEXUS Office Trust (DOT) listed on ASX

Expanded third party funds management platform with the appointment as manager of the DEXUS Wholesale Property Fund (DWPF) and AXA Wholesale Property Fund (WAPF)

DDF, DIT, DOT, DXO are stapled to form DB RREEF Trust (DRT)
Acquired \$1 billion US industrial portfolio
Created \$1.6 billion retail JV with Westfield

First issue into the US private market
Issued \$204 million of RENTS securities
Completed 30 The Bond Sydney, Australia's first 5 star ABGR office building

Completed a \$250 million Medium Term Note (MTN) issue into Australian debt capital market
Achieved Standard & Poor's long-term corporate credit rating of BBB+

1998

2001

2004

2005

2006

NORTH AMERICA

DEXUS owns 117 industrial properties in the USA and Canada with a total book value of approximately \$1.7 billion and a total net lettable area of more than 2.3 million square metres in 21 markets across North America. The portfolio generated net property income of \$133 million or 25% of our total operating earnings.

Our strategy is to reposition the US portfolio to concentrate on four primary markets on the west coast over the next few years, so we can achieve greater scale in fewer markets and implement our property management model to deliver sustained performance and create maximum value over the long-term.

EUROPE

DEXUS owns 20 industrial properties in Europe with a total book value of approximately \$241 million and a total net lettable area of more than 376,000 square metres in France and Germany. The portfolio generated net property income of \$23 million or 4% of total operating earnings.

The European properties are being sold over the next two years.

Entered Europe following industrial acquisitions in France and Germany

Secured Whirlpool investment program in North America

Achieved listing on FTSE4Good Index

Completed a \$200 million MTN issue into Australian debt capital market

Sold five retail properties to DWPF to focus on office and industrial

Acquired Calwest 20% interest in US industrial JV, facilitating the future repositioning of the portfolio

DB RREEF acquired Deutsche Bank's 50% interest and rebranded to DEXUS Property Group

Achieved listing on Australian SAM Sustainability Index

Commenced development of our 6 star Green Star office buildings at 123 Albert Street, Brisbane and 1 Bligh Street, Sydney

2006

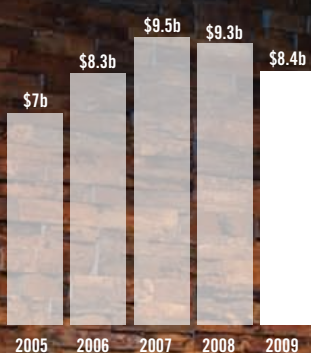
2007

2008

2008

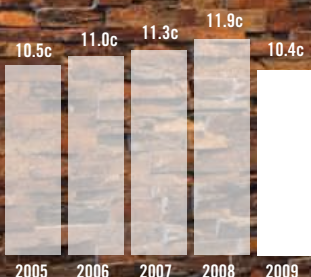
FINANCIAL HIGHLIGHTS

TOTAL ASSETS
\$8.4 billion



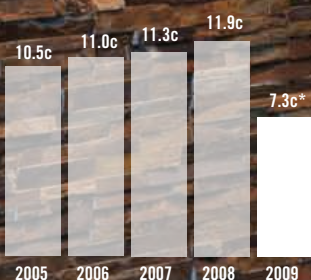
FUNDS FROM OPERATIONS PER SECURITY

10.4c



DISTRIBUTIONS PER SECURITY

7.3c

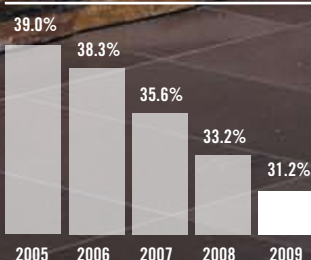


* Reflects change in distribution policy

GEARING

31.2 percent

Target gearing less than 40%



FUNDS UNDER MANAGEMENT

\$13.5 bn

OPERATING EARNINGS

\$526.3 m

FIVE YEAR FINANCIAL SUMMARY

	2005 \$'000	2006 \$'000	2007 \$'000	2008 \$'000	2009 \$'000
Profit and loss					
Property revenue	508,795	659,749	693,430	664,831	708,506
Contribution from equity accounted investments	12,544	26,911	52,715	2,467	31
Management fees	–	–	–	26,760	63,663
Property revaluations	256,607	686,490	831,330	184,444	–
Interest revenue and other income	31,941	90,083	19,168	12,829	5,739
Total income	809,887	1,463,233	1,596,643	891,331	777,939
Property expenses	(126,485)	(160,651)	(170,120)	(159,565)	(174,485)
Finance costs	(117,265)	(166,116)	(133,055)	(213,233)	(384,241)
Employee benefit expense	–	–	–	(23,340)	(59,282)
Impairments and property devaluations	–	(3,287)	–	(61)	(1,685,733)
Other expenses	(72,628)	(37,671)	(50,204)	(41,969)	(49,850)
Total expenses	(316,378)	(367,725)	(353,379)	(438,168)	(2,353,591)
(Loss)/profit before tax	493,509	1,095,508	1,243,264	453,163	(1,575,652)
Income and withholding tax benefit/(expense)	(26,576)	(29,123)	(32,473)	(7,902)	120,236
Net (loss)/profit	466,933	1,066,385	1,210,791	445,261	(1,455,416)
Minority interests (including RENTS)	(70,902)	(56,043)	(41,972)	(6,984)	(3,695)
Net profit/(loss) to stapled security holders	396,031	1,010,342	1,168,819	438,277	(1,459,111)
Operating earnings	–	–	513.3	498.0	526.3
Funds from operations (cents per security)	10.5	11.0	11.3	11.9	10.43
Distributions (cents per security)	10.5	11.0	11.3	11.9	7.3
Balance sheet					
Cash and receivables	98,818	141,682	95,992	135,671	120,661
Property assets	6,740,398	7,975,744	9,151,993	8,737,874	7,741,549
Other (including derivative financial instruments and intangibles)	145,787	170,112	238,851	475,442	488,900
Total assets	6,985,003	8,287,538	9,486,836	9,348,987	8,351,110
Payables and provisions	263,279	256,424	289,501	322,528	289,561
Interest bearing liabilities	2,791,564	3,195,047	3,353,327	3,006,919	2,509,012
Other (including financial instruments)	64,448	120,554	139,065	184,487	406,320
Total liabilities	3,119,291	3,572,025	3,781,893	3,513,934	3,204,893
Net assets	3,865,712	4,715,513	5,704,943	5,835,053	5,146,217
Minority interest	365,358	427,851	438,173	205,998	206,772
Net assets (after minority interest)	3,500,354	4,287,662	5,266,770	5,629,055	4,939,445
NTA per security (\$)	1.29	1.53	1.82	1.77	1.01
Gearing ratio (%)	39.0	38.3	35.6	33.2	31.2
Statements of changes in equity					
Total equity at the beginning of the year	1,192,652	3,865,712	4,715,513	5,704,943	5,835,053
Net income expense recognised directly in equity	(1,250)	4,744	1,951	48,808	(53,814)
Net profit/(loss)	466,933	1,066,385	1,210,791	445,261	(1,455,416)
Contributions of equity, net of transaction costs	143,033	94,776	145,328	243,524	1,129,971
Distributions provided for or paid	(281,303)	(306,259)	(324,638)	(355,380)	(296,648)
Other transactions with equity holders	2,051,191	–	–	402	–
Minority interest movements during the year	294,456	(9,845)	(44,002)	(252,505)	(12,929)
Total equity at the end of the year	3,865,712	4,715,513	5,704,943	5,835,053	5,146,217
Cash flow statements					
Net cash inflow from operating activities	241,249	328,025	319,735	374,445	359,577
Net cash (outflow)/inflow from investing activities	(424,363)	(455,225)	(537,912)	11,065	(212,459)
Net cash (outflow)/inflow from financing activities	251,023	163,476	174,366	(342,514)	(170,190)
Net (decrease)/increase in cash and cash equivalents	67,909	36,276	(43,811)	42,996	(23,072)
Cash and cash equivalents at the beginning of the period	2,487	68,959	106,428	59,603	99,214
Effects of exchange rate changes on cash and cash equivalents	(1,437)	1,193	(3,014)	(3,385)	8,703
Cash and cash equivalents at the end of the period	68,959	106,428	59,603	99,214	84,845

LETTER FROM THE CHAIR



L to R: Chair Christopher Beare and CEO Victor Hoog Antink

Dear Investor

I am pleased to present this Security Holder Review which forms part of my fifth annual report for DEXUS Property Group. As reported last year, the economic downturn continues to impact the Group's performance and during the year we have seen declining property values worldwide and reducing tenant demand.

Despite these challenging conditions, the quality of our portfolio, together with the underlying stability of operating earnings, derived principally from rental income, and our proactive and prudent approach to managing our balance sheet continues to deliver strong financial results.

The financial performance of the Group for the year was solid with operating earnings up 5.7% to \$526.3 million. The Australian portfolio delivered a relatively strong result, while the North American and European portfolios declined in line with their weaker economies. The impact of the economic downturn was largely felt in unrealised property devaluations and impairments, which totalled \$1.6 billion and contributed to a net loss of \$1.5 billion.

In volatile economic conditions, it is more important than ever to concentrate on the fundamentals and DEXUS has remained focused on our strategy to be Australia's leading owner, manager and developer of superior quality office and industrial properties in select markets.

We remain the No.1 owner of office and No.3 owner of industrial properties in Australia.

Highlights for the year include:

- Strengthening the balance sheet, with significant new equity and new and replacement debt facilities
- Revising our distribution policy to pay out 70% of Funds From Operations (FFO), retaining 30% to fund operating and leasing capital expenditure
- Commencing a selected property sales program, to achieve our strategic objectives and our capital management plans
- Completing the internalisation of our property management model within our office portfolio and commencing implementation in the Australian industrial portfolio
- Continuing to build on our market leadership position in sustainability, with external recognition achieved at Davos, Switzerland and more recently with our listing on the Dow Jones Sustainability World Index

As a result of all these initiatives, DEXUS continues to maintain one of the strongest balance sheets of any Australian listed REIT.

Getting the best from both our property portfolio and our balance sheet is only possible with a very capable and committed team. For the third year running we have conducted an employee opinion survey which pleasingly shows continued strong results in areas such as engagement, communications and leadership. This year we benchmarked our results against Australian and global indices so we can continue to improve our performance in line with best practice standards.

In April 2009, we expanded the Board with two new directors, John Conde AO and Peter St George. John and Peter bring a wealth of knowledge and experience, which will further strengthen the expertise of the Board. In April 2009, Charles Leitner III resigned from the Board, consequently his alternate Andrew Fay also left the Board. I would like to take this opportunity to thank Chuck and Andy for their contribution. Following these changes, the Board now comprises eight Directors, seven of whom are independent Directors.

In May 2009, the Board Committees were reviewed and memberships refreshed, with Committee Chairs being rotated in August 2009. The Board and Board Committee Terms of Reference and the Corporate Governance Statement are revised at least annually and are located on our website at www.dexus.com/Corporate-Governance

Looking ahead, the outlook for the market is for continued challenging times. We expect, however, that the quality of our portfolio and a continued focus on managing the property fundamentals will see DEXUS continue to be strongly positioned within each of our key markets.

On behalf of the Board, I would like to thank you for your support over the past 12 months. I look forward to reporting to you next year.

Yours sincerely,

Christopher T Beare
Chair
30 September 2009

CHIEF EXECUTIVE OFFICER'S REPORT

Strong performance in a tough climate

In challenging market conditions, the active management focus of our experienced team continues to deliver good results. Operating earnings for the year ending 30 June 2009 were up 5.7% to \$526.3 million. This result reflects the underlying quality of our Australian office and industrial portfolios, which delivered solid like for like growth of 4.5% and 4.1% respectively.

The economic downturn has resulted in a slight decline in overall occupancy levels to 91.5% (2008: 93.8%), with average lease duration remaining steady overall at 4.8 years (2008: 4.8 years). Despite weaker tenant demand we have achieved solid leasing activity, a reflection of our proactive management approach and strong relationships with our tenants.

Adverse market conditions were reflected in a softening of capitalisation rates and weaker underlying property fundamentals, causing a decline in property valuations worldwide.

At 30 June 2009 we revalued the entire property portfolio with 59.8% externally valued. The deterioration of property fundamentals in the US and Europe resulted in devaluations and impairments in our international industrial portfolio.

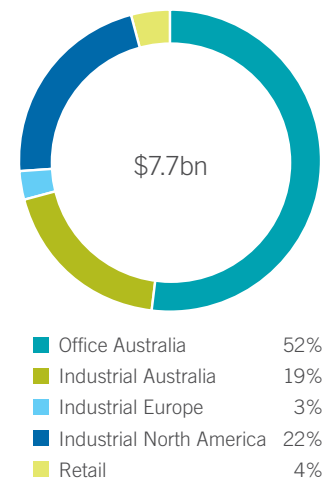
While property fundamentals held up in Australia in the first half, during the second half of the year we experienced lower levels of market confidence and decreased demand for office and industrial property, which ultimately resulted in unrealised devaluations and impairments across the portfolio totalling \$1.6 billion.

The devaluations together with unrealised mark to market derivative losses of \$244 million were offset by a \$130 million deferred tax benefit (primarily arising from the tax effect of the US property devaluations), resulted in a net loss attributable to security holders of \$1.5 billion.

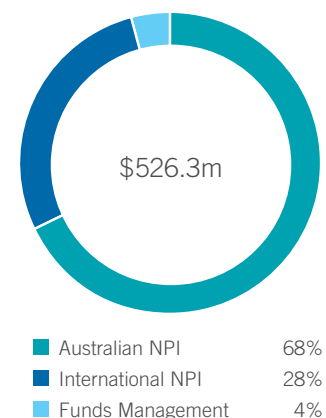
Fluctuations in our property valuations, can lead to significant unrealised gains or losses, depending on the change in fair market value of our properties from period to period. Overall, since the valuation peak in December 2007, we have seen a decline in book value of 19%. However, looking ahead we expect that property devaluations and impairments are nearing the bottom of the cycle. We expect to see a return to underlying property fundamentals, such as rental growth rates, tenant retention and assumptions on time required to lease the space, being the primary drivers in valuations.

As at 30 June 2009 total assets stood at \$8.4 billion of which 92%, or \$7.7 billion, are direct properties.

DIRECT PROPERTY PORTFOLIO AS AT 30 JUNE 2009



OPERATING INCOME AS AT 30 JUNE 2009



Property type	Value 2008 ¹	Value 2009 ¹	Occupancy 2008	Occupancy 2009	Average lease term 2008 (years)	Average lease term 2009 (years)
	\$m	\$m	%	%		
Office/Carparks – Australia/New Zealand	4,601	4,047	97.7	97.6	5.7	5.4
Retail – Australia	280	270	99.9	99.9	4.5	4.5
Industrial – Australia	1,636	1,505	98.6	96.9	4.4	4.3
Industrial – North America	1,904	1,674	91.8	88.0	3.9	4.3
Industrial – Europe	314	241	85.1	87.8	3.6	3.1
Total	8,735	7,737	93.8	91.5	4.8	4.8

¹ Excludes cash and other assets.



Sydney Harbour view with Governor Phillip Tower, Australia Square and Gateway (the latter owned by DWPF) in foreground.

Vision, strategy and implementation

The DEXUS Group has two core activities:

- The management of a direct domestic and international property portfolio
- A third party property funds management business

Our strategy is to be the leading owner, manager and developer of high quality office and industrial properties in select locations in Australia and the United States.

We are focused on growing our business by achieving scale and operational excellence through active property management, asset management, portfolio management and development management in select markets to deliver low risk sustainable returns.

At DEXUS, property revenue, mainly derived from rental income, represents 91% of our total revenue for the year ended 30 June 2009. We have limited reliance on development income or third party funds management fees.

Reflecting the relative underlying stability of the portfolio, our revenue composition is only minimally exposed to lease expiries in coming years. We actively manage our tenant profile to ensure diversity of income by tenant and industry, with no single tenant currently contributing more than 3% of our total Group rental income.

Domestically, we are building on our leadership position in office – where we are the largest owner/manager of office properties in Australia; and

industrial – where we are one of the top three providers of premium industrial facilities.

Internationally, our strategy is to focus on fewer, select markets where we can achieve scale and implement our property management model. By concentrating our portfolio in a smaller number of select locations we believe we will be able to deliver a superior value proposition to our tenants and consequently our investors. We believe scale will allow us to ultimately own and manage larger, higher quality properties, which typically have higher barriers to entry.

Consequently, we are progressively concentrating our North American portfolio in a number of key industrial markets on the west coast. Reducing our exposure from the current 21 markets to 17 markets in the current property sale program and ultimately four primary markets (Seattle, San Francisco, Los Angeles region, including Riverside).

We are also in the process of internalising our investment and asset management capabilities in the United States. Ultimately we will assume responsibility on a phased basis for property and development management. This strategy will be progressed in stages and is expected to take a number of years to complete.

In Europe, we will be selling our portfolio over the next two years and have commenced marketing our German properties for sale.

Our strategy for our third party property funds management business is to continue to leverage our business model to provide third party investors with superior total returns over the medium to long-term in office, industrial and retail. Our funds management business complements our business strategy by providing additional scale to leverage our operational and leasing capabilities.

Implementing our property management strategy

During the year we have progressed initiatives to implement our internal property management model, which we believe will give us greater connectivity with our tenants and the ability to create greater value:

- We completed the integration of our full service property management model in the Australian office portfolio in May 2009, offering our tenants a market leading service capability. In our Australian industrial portfolio we are progressing the implementation of the model, which is due to complete this financial year
- We commenced a \$600 million sales program of select non-core properties in Australia, North America and Europe consistent with our concentrated portfolio strategy to reposition the international portfolio and enable the implementation of our property management model. Twelve properties have been sold in Australia, and one property has been contracted for sale in Germany for a total of \$96 million

Implementing our capital management strategy

DEXUS continued to apply an active and prudent approach to capital management during the year undertaking the following initiatives:

- Refinanced and secured new debt facilities totalling \$860 million, resulting in no debt maturing until February 2010
- Revised our distribution policy to adopt a payout ratio of 70% of FFO, with the balance retained for operational and leasing capex

- Successfully completed two equity raisings totalling over \$1 billion in December 2008 and April 2009, each receiving good investor support
- Created a joint venture with Cbus Property who acquired a one-third interest in 1 Bligh Street, realising \$60 million and reducing the Group's future development exposure by \$210 million
- Commenced a \$600 million select property sale program, the proceeds of which will be used to repay debt, improve liquidity, reduce gearing and further strengthen the balance sheet

At 30 June our undrawn debt facilities exceeded \$1.4 billion. Subsequent to the reporting period, in July 2009 we issued \$160 million of five year medium-term notes, which further improved DEXUS's liquidity position, diversified funding sources and lengthened debt duration.

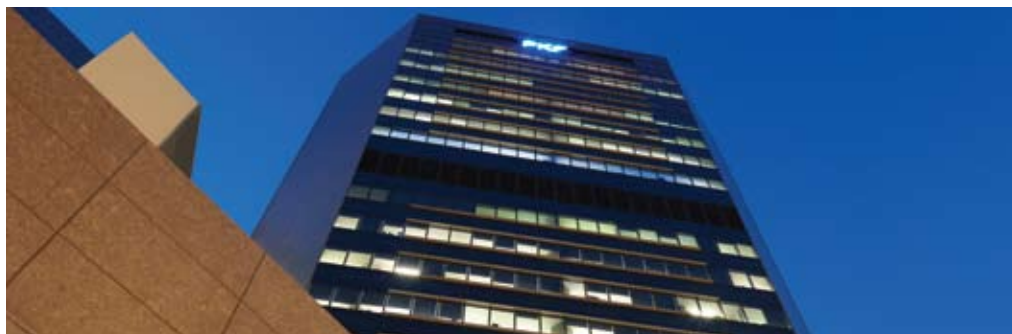
DEXUS continues to maintain a prudent financial risk management profile, with 90% of interest rate risk hedged as at 30 June 2009, with the weighted average duration of these hedges averaging over six years. Foreign earnings are conservatively hedged for periods up to five years.

In addition, where practical, we continued to match a material proportion of the currency of our debt with the currency of our investments (90% as at 30 June 2009). This policy provides substantial protection to security holders from adverse movements in net tangible assets due to currency fluctuations.

Together these initiatives have enabled DEXUS to maintain a prudent gearing level of 31.2%, well within our target of below 40%. We continue to maintain a strong credit rating from Standard & Poor's (S&P) of BBB+ with a stable outlook.

Developments

During the year we continued to progress the next generation of office space with two major developments underway at 1 Bligh Street, Sydney and 123 Albert Street, Brisbane and one completed at 60 Miller Street, North Sydney, which was fully leased on completion. We have



One Margaret Street, Sydney, NSW

progressed planning works in our industrial development pipeline at Laverton North and Greystanes. We continued to apply a prudent development approach, only commencing developments that are fully funded, meet our investment criteria and have secured appropriate tenant pre-commitment.

Third party funds

The Group's third party funds under management declined by \$800 million to \$5.6 billion, principally due to declining property values. While the investment performance of our third party funds has been impacted by the current economic environment, active portfolio management has seen it continue to deliver strong investment performance with a combined total return over five years of 9.3% per annum.

Corporate responsibility and sustainability

DEXUS continued to drive corporate responsibility and sustainability performance, focusing on resource efficiency projects, community engagement and sustainable developments. In January 2009, DEXUS was named in the fifth annual "Global 100 Most Sustainable Corporations" list, announced at the Davos World Economic Forum in Switzerland. In addition, we are pleased to report the achievement of our first listing on the Dow Jones Sustainability World Index in September. An extract from the 2009 CR&S Report is on pages 20 to 23.

2010 strategic focus and outlook

Our quality portfolio, experienced management team and focused strategy mean we are well positioned to respond to the current market conditions and deliver sustainable returns for our investors.

We expect conditions to continue to be challenging in the coming year and our focus will remain on:

- Actively managing our property portfolio to create value and deliver sustainable income
- Driving a high performance culture and delivering service excellence for our tenants
- Actively managing our capital structure and balance sheet and continuing to diversify funding sources

Guidance

Barring adverse changes to operating conditions, the Group is positioned to deliver earnings (FFO) of 7.3 cents per security and distributions of approximately 5.1 cents per security – being 70% of FFO – for the year ending 30 June 2010.

Victor P Hoog Antink
Chief Executive Officer
30 September 2009

OUR PORTFOLIO

OFFICE – AUSTRALIA AND NEW ZEALAND

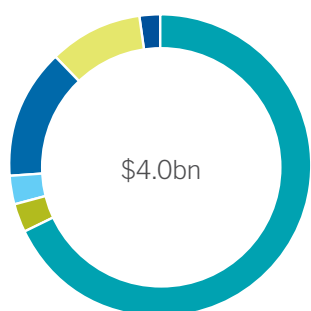


OFFICE SECTOR HIGHLIGHTS – AUSTRALIA AND NEW ZEALAND

Portfolio value \$4 billion (2008: \$4.6 billion) **Like for like income growth** 4.5% (2008: 4.4%)

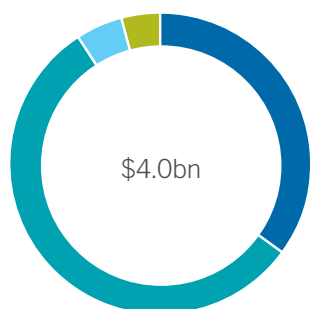
Occupancy (by area) 97.6% (2008: 97.7%) **Lease duration (by income)** 5.4 years (2008: 5.7 years)

GEOGRAPHICAL DIVERSIFICATION
(BY VALUE)



Sydney	68%
Auckland	3%
Brisbane	3%
Melbourne	14%
Perth	10%
Canberra	2%

PROPERTY TYPE (BY VALUE)



Premium Office	35%
A Grade Office	56%
B Grade Office	5%
Office/Business Park	4%

Office strategy

DEXUS is the largest listed owner/manager of office property in Australia. Our strategy is to deliver strong performance by actively managing the property fundamentals through the implementation of our fully integrated property management model. It is our internal model that allows us to create value by providing optimal property solutions to our tenants. Our office portfolio is strategically weighted to the core Australian office markets of Sydney and Melbourne (representing 82% of our portfolio), as well as Brisbane and Perth.

Results

Our high quality portfolio continued to perform well across all key operating metrics. Driven by our experienced team, our proactive leasing and property management approach resulted in high occupancy of 97.6% and high retention rates of 75%. These results are a testament to the quality of our tenant relationships and focus on de-risking income in our portfolio. Office net property income (NPI) increased by 1.7% over the year to \$246.8 million, representing 47% of the Group's NPI.

Revaluations

In the year to 30 June 2009, the Australian office portfolio was revalued, with 53.9% by book value being externally revalued, resulting in a total devaluation including impairments of \$605 million or a decline of 13% to \$4.0 billion. The office portfolio weighted average capitalisation rate over the year increased by 1.3% to 7.7% (2008: 6.4%).

Property sales

On 3 July 2009 DEXUS entered into a contract to sell 343 George Street, Sydney, as part the Group's selected property sale program. 343 George Street

was sold for approximately \$55 million, which represents a 0.7% discount to the 30 June 2009 book value of \$55.4 million, reflecting a passing yield of 7.1%. Settlement is expected to occur in October 2009 and DEXUS will continue to occupy 343 George Street as our head office on a five year lease term.

No further office sales are anticipated as part of the property sale program.

Developments

During the year, substantial progress was made with the construction and leasing of our three office developments. The office redevelopment at 60 Miller Street, North Sydney was completed and fully leased prior to practical completion in March 2009.

Construction of 123 Albert Street, Brisbane and 1 Bligh Street, Sydney are on budget and on schedule for completion in December 2010 and May 2011 respectively. Having secured major tenant pre-commitments at both these developments, we are actively marketing the remaining space in these premium grade office towers, which are designed to deliver world's best practice sustainability and provide the highest levels of tenant amenity and workspace quality.

In February 2009, Cbus Property acquired a 33% interest and will partner with us in the development of Australia's premier 6 Star office tower at 1 Bligh Street, Sydney. This partnership reduces DEXUS's committed development exposure by approximately \$210 million over the next three years.

Leasing

The high quality of the DEXUS portfolio, strategic weighting to key markets and proactive management approach delivered another strong result.

Occupancy remains strong at 97.6% (2008: 97.7%), average lease duration (by income) is 5.4 years and tenant retention rates have increased to 75% (2008: 72%).

New leases and renewals including heads of agreement were negotiated on more than 52,000 square metres of the portfolio, with major deals being negotiated with NSW Police, Carnival Australia and IPA Personnel. This includes 15,000 square metres that was leased in our developments at 1 Bligh Street, Sydney and Victoria Cross, 60 Miller Street, North Sydney.

Leasing is becoming more challenging with market supply increasing and tenant enquiry remaining subdued. Higher quality portfolios are more resilient.

Of the 3.3% vacancy currently available within the DEXUS portfolio, only approximately 2% of the total portfolio's net lettable area, or 13,000 square metres, is sub-lease space.

Overall face rents remain relatively stable, although some markets are experiencing falls such as Brisbane and Perth – where DEXUS has minimal exposure. Proactive leasing and tenant retention remains a key management focus.

Rent reviews

86% of the office portfolio's property income was subject to rent reviews which achieved an average rental increase of 6.4%. While tenant incentives are trending upwards in the market, at DEXUS, tenant



Victoria Cross, 60 Miller Street, North Sydney, NSW, showing the newly developed building

incentives on new leases and renewals were offered on 65% of the 106 deals completed during the year. The average tenant incentive provided was 12.6%.

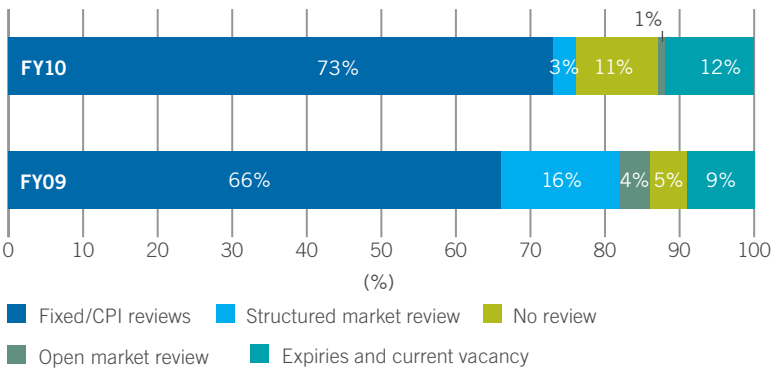
A significant proportion of the portfolio is subject to long-term leases, with an average duration across the office portfolio of 5.4 years, providing regular and stable cash flows. In the year ending 30 June 2009, 82% of income was subject to structured, fixed or CPI increases, 5% did not change, and only 4% was subject to an open market review with the remaining 9% either vacant or expiries released.

OFFICE PORTFOLIO AUSTRALIA AND NEW ZEALAND

OFFICE PROPERTIES 29
SQUARE METRES 699,700

SYDNEY 18 properties \$2,768 million	PERTH 1 property \$400 million
MELBOURNE 6 properties \$566 million	CANBERRA 2 properties \$89 million
BRISBANE 1 property \$120 million	AUCKLAND 1 property \$105 million

RENT REVIEW PROFILE





DEXUS Industrial Estate, Boundary Road, Laverton North, VIC

INDUSTRIAL SECTOR HIGHLIGHTS – AUSTRALIA

Portfolio value \$1.5 billion (2008: \$1.6 billion)

Like for like income growth 4.1% (2008: 2.3%)

Occupancy (by area) 96.9% (2008: 98.6%)

Lease duration (by income) 4.3 years (2008: 4.4 years)

Industrial strategy

Our Australian industrial portfolio is the third largest in the country and comprises high quality institutional grade industrial properties.

Our strategy is to deliver strong performance by actively managing the property fundamentals through the implementation of our fully integrated internalised property management model, where we create value by providing optimal property solutions to our tenants.

Our portfolio is strategically weighted to key growth markets in Sydney and Melbourne, which together represent 95% of our portfolio by book value. These strategic locations, include prime locations on outer metropolitan nodes/ major arterial roads or proximity to airports and/or ports to accommodate our target industrial tenants' business needs.

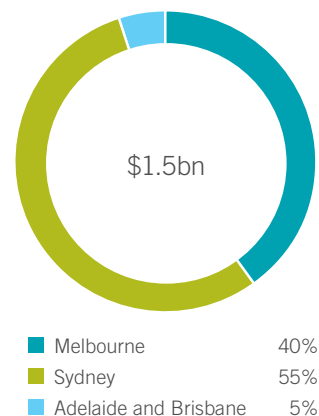
In these markets we believe we can achieve greater scale and increase our product offer of quality industrial estates, business parks, logistics and distribution facilities, via the acquisition of land banks and the development of new industrial properties to continue to attract and retain major corporate tenants.

Results

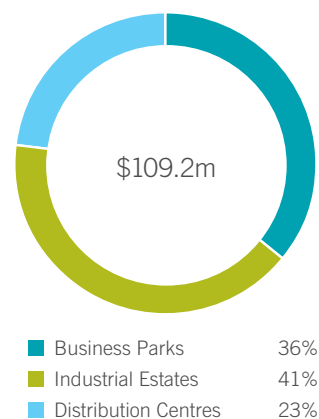
The portfolio continued to perform well during the period, driven by the quality and diversification and a proactive approach to leasing and property management. Specifically, the diversity of our tenant profile across key sectors of the economy, strong covenants and long tenure continued to deliver solid results.

At 30 June 2009, the portfolio was valued at \$1.5 billion and net property income increased by 3.3% to \$109.2 million, representing 21% of the Group's NPI.

GEOGRAPHICAL SPREAD (BY VALUE)



PROPERTY TYPE (BY INCOME)



INDUSTRIAL PORTFOLIO AUSTRALIA

INDUSTRIAL PROPERTIES **37**
SQUARE METRES **1,103,000**

SYDNEY
23 properties
\$818 million

MELBOURNE
10 properties
\$597 million

BRISBANE
2 properties
\$52 million

PERTH
1 property
\$11 million

ADELAIDE
1 property
\$26 million

Revaluations

In the year to 30 June 2009 the Australian industrial portfolio was revalued, with 35.1% by book value being externally revalued, resulting in a total devaluation including impairments of \$226 million or 13% to \$1.5 billion. The weighted average capitalisation rate over the year increased by 1.3% to 8.8% (2008: 7.5%).

Property sales

As part of the Group's property sale program, three industrial properties have been sold and contracts have been exchanged on an additional eight non-core industrial properties, totalling \$39 million. These properties include eight units at Redwood Gardens, Dingley, VIC for \$13 million, 3-7 Bessemer Street, Blacktown, NSW for \$9 million, 245 Woodpark Road Smithfield, NSW for \$6 million and 68 Hasler Road, Herdsman, WA for \$11 million. Settlement for these properties is expected to be completed by December 2009.

Further non-core sales are anticipated as part of the property sale program.

Developments

During the year we have been building infrastructure, securing new planning approvals, and negotiating with tenants to secure pre-commitment for our current developments at Laverton North, VIC and Greystanes, NSW.

We have completed developments at Laverton North and Redwood Gardens, Dingley in Victoria, as scheduled.

Leasing

Our active management approach saw new leases, renewals and heads of agreement negotiated on 19% of the portfolio (203,000 square metres). Occupancy remained strong at 96.9% and the average lease duration (by income) was 4.3 years.

Despite the tough economic conditions impacting tenant demand in the sector, average rents in the DEXUS portfolio declined only marginally by 1%. The average tenant incentive was 3% and tenant retention reduced slightly to 75% (2008: 78%).

Major leasing deals were completed with Toll Australia Group, DHL Australia, Atlas Copco, Hagemeyer, Overstocked Outlet, BOC Australia, Getronics Australia, and Tyco International. In the coming year the industrial portfolio has no individual expiries greater than 1% of portfolio income.

Rent review

A significant proportion of the industrial portfolio's income is subject to long-term leases, providing regular and stable cash flows. In the year ending 30 June 2009, 70% of income was subject to fixed or CPI increases, 4% did not change, 11% was subject to a market review, with the remaining 15% subject to vacancy or expiry.



Westfield Whitford City Shopping Centre, Whitford Avenue & Lot 6 Endeavour Road, Hilarys, WA

RETAIL HIGHLIGHTS

Portfolio value

\$270 million (2008: \$280 million)

Like for like income growth

4.5% (2008: 7.4%)

Occupancy (by area)

99.9% (2008: 99.2%)

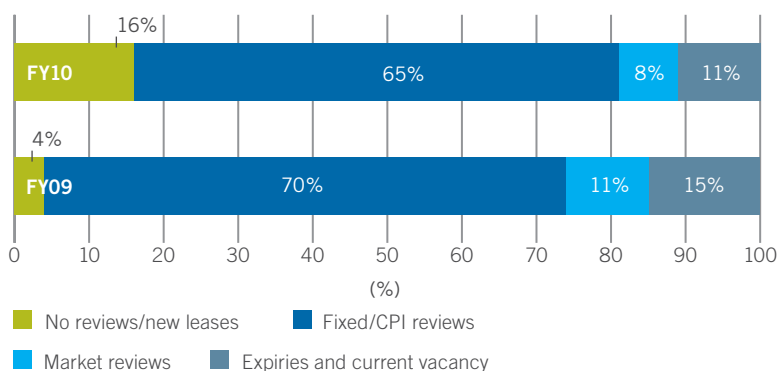
Lease duration (by income)

4.5 years (2008: 4.5 years)

Following the sale of the retail portfolio in October 2007, DEXUS retained a 50% interest in Westfield Whitford City in WA. The Centre continued to deliver strong performance in the period, recording nearly eight million visits through the year, providing a moving annual turnover of \$7,373 per square metre and an average spend per visit of \$58.20.

The Centre represents 3% of the Group's NPI and will ultimately be sold, consistent with our strategy to concentrate on the office and industrial sectors.

RENT REVIEW PROFILE





North Perris Boulevard, Perris, California

INDUSTRIAL SECTOR HIGHLIGHTS – NORTH AMERICA

Portfolio value \$1.7 billion (2008: \$1.9 billion)

Like for like earnings (4.6%) (2008: 7.2%)

Occupancy (by area) 88.0% (2008: 91.8%)

Lease duration (by income) 4.3 years (2008: 3.9 years)

Results

The North American portfolio is valued at \$1.7 billion and contributed 25% of the Group's net property income or \$132.8 million (2008: \$110 million). The key contributing factors to this increase in income were income from the Whirlpool properties acquired last year in California, USA and Toronto, Canada and changes in foreign currency rates.

The portfolio consists of 117 properties, covering more than 24,944,000 square feet (2,317,373 square metres) and providing space for 567 tenants.

The portfolio consists of 45.4% warehouses/distribution centres, 19.4% business parks, 30.8% industrial estates, 2.4% office parks and 2% land by market value.

Revaluations

2009 was a particularly challenging year for the North American property markets with operating conditions and investor sentiment deteriorating significantly, resulting in sharp declines in property valuations.

In the year to 30 June 2009, the entire North American industrial portfolio was revalued externally, resulting in a decline of \$698 million or 27% to \$1.7 billion.

In the first six months to December 2008 devaluations reflected the change in outlook. Valuers were quick to adjust capitalisation rates aggressively, and assume increased vacancy downtime, capital expenditure and tenant credit risk.

Valuations for the six months to 30 June 2009 took into account falling market rents and a negative outlook for real rent growth.

The portfolio's weighted average capitalisation rate over the year increased by 1.3% to 8.2% (2008: 6.9%).

Developments and acquisitions

During the year we completed several developments in San Antonio. No future developments will be commenced unless they are fully funded with tenant pre-commitment and meet our investment criteria.

Subsequent to year end, in July 2009 we acquired the fourth Whirlpool property in Columbus, Ohio for \$79.5 million, as part of the Whirlpool investment program. The final two properties to be acquired will be in Atlanta, GA and Seattle, WA. These are due to settle by December 2009 for a total estimated cost of \$196 million.

Property sales

As part of our regular review of the investment portfolio, in October 2008, 3765 Atlanta Industrial Drive NW, Atlanta, GA was sold for \$7 million.

In April 2009, the Group announced the property sales program, and appointed CBRE to manage the sale of approximately US\$200 million of properties in the US. When completed, these sales will reduce the Group's overall footprint in the US, and is the commencement of our strategy to reposition the US portfolio to concentrate ultimately on four primary markets on the west coast.



Summit Oaks, Vanderbilt Way, Santa Clarita, California

Leasing

Declining economic conditions have led to decreasing tenant demand, downsizing and some bankruptcies, which caused tenant retention to decline by 6% to 68%. Overall occupancy is also down by 4% to 88%, while the average lease duration increased to 4.3 years (2008: 3.9 years).

Our focus remains on actively managing our portfolio, demonstrated by strong leasing activity during the year with 343,300 square metres leased, representing 15% of the North American portfolio. Some of the larger leasing deals completed included:

- Fully leasing Summit Oaks, Santa Clarita, California, 13,563 square metres for 10 years to Advanced Bionics, who will take occupation in two phases – 33% in September 2009 and the remaining 67% in September 2010
- Renewing the US Greenfibre lease of 9,290 square metres in 601 South 55th Avenue, Mesa Scottsdale, Phoenix, Arizona for five years
- The forward renewal by Columbus Showcase of 13,935 square metres in Unit 1 4401 Equity Drive, Columbus, Ohio for four years

Rent reviews

A significant proportion of the US industrial portfolio's income is subject to long-term leases, with an average duration across the portfolio of 4.3 years, providing regular and stable cash flows.

The majority of reviews are fixed in the range of 2-3% per annum with the balance linked to the inflation index, with market reviews only occurring at lease expiry.

An 8.5% drop in average market rents during the year resulted in the portfolio becoming over-rented by 8.2% as at 30 June 2009.

INDUSTRIAL PORTFOLIO NORTH AMERICA

INDUSTRIAL PROPERTIES 117
SQUARE METRES 2,317,373

UNITED STATES

ATLANTA

4 properties
US\$31 million

BALTIMORE

9 properties
US\$107 million

BOSTON

1 property
US\$8 million

CHARLOTTE

3 properties
US\$28 million

CHICAGO

1 property
US\$18 million

CINCINNATI

10 properties
US\$81 million

COLUMBUS

4 properties
US\$48 million

DALLAS

18 properties
US\$101 million

HARRISBURG

3 properties
US\$40 million

LOS ANGELES

5 properties
US\$113 million

MEMPHIS

1 property
US\$5 million

MINNEAPOLIS

8 properties
US\$54 million

NTH VIRGINIA

8 properties
US\$173 million

ORLANDO

3 properties
US\$85 million

PHOENIX

11 properties
US\$91 million

RIVERSIDE

7 properties
US\$169 million

SAN ANTONIO

12 properties
US\$69 million

SAN DIEGO

3 properties
US\$29 million

SEATTLE

3 properties
US\$33 million

SOUTH FLORIDA

2 properties
US\$32 million

CANADA

TORONTO

1 property
C\$52 million



INDUSTRIAL SECTOR HIGHLIGHTS – EUROPE

Portfolio value

\$241 million (2008: \$314 million)

Like for like earnings (6.4%)

Occupancy (by area)

87.8% (2008: 85.1%)

Lease duration (by income)

3.1 years (2008: 3.6 years)



Liverpool Street, Kopenhagener Straße, Osloer Straße, Friemersheim, Duisburg

The European portfolio is valued at \$241 million and contributed \$23.1 million or 4% of the Group's net property income in the year to 30 June 2009.

Following a continued focus on leasing and tenant retention, occupancy and lease durations are at 87.8% and 3.1 years respectively. The European industrial portfolio comprises 20 industrial properties located in France and Germany, accommodating 31 tenants across more than 376,000 square metres.

Revaluations

In the year to 30 June 2009 the entire European industrial portfolio was revalued externally, resulting in a devaluation of \$104 million to \$241 million. The European portfolio weighted average capitalisation rate over the year increased by 1.7% to 8.1% (2008: 6.4%).

Leasing

Leasing enquiries in France and Germany remains weak with resulting downward pressure on rental levels. In the year to 30 June 2009 we leased 8,700 square metres in France and 30,300 square metres in Germany, including a 15,000 square metre renewal to Schenker in Friedewald.

Rent reviews

In France and Germany, leases covering 63% and 33% of the industrial portfolio's property income were subject to index reviews respectively. The average rental increases were approximately 1%.

Property sales

As part of the property sale program we are seeking to sell the whole of our French and German portfolios over the next two years. Agents have been appointed and marketing has commenced with initial focus on the German properties. In July 2009 we had exchanged contracts to sell one property in Löbau, Germany for \$2 million (€960,000).

INDUSTRIAL PORTFOLIO EUROPE

INDUSTRIAL PROPERTIES 20
SQUARE METRES 376,700

FRANCE

LYON

1 property
€6 million

PARIS

5 properties
€26 million

GERMANY

BERLIN

1 property
€8 million

DUISBURG

1 property
€15 million

DÜSSELDORF

1 property
€12 million

ELLHOFEN

3 properties
€27 million

FRIEDEWALD

1 property
€3 million

KNETZGAU

1 property
€8 million

LANGENFELD

2 properties
€12 million

LANGENWEDDINGEN

1 property
€5 million

LÖBAU

1 property
€1 million

UNNA

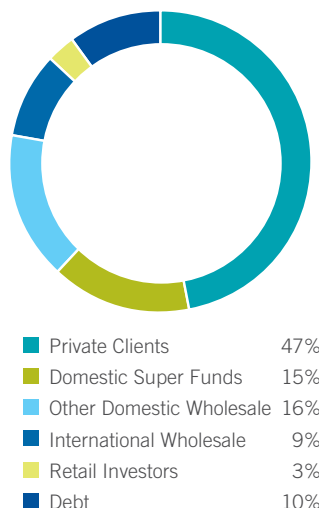
1 property
€13 million

WORMS

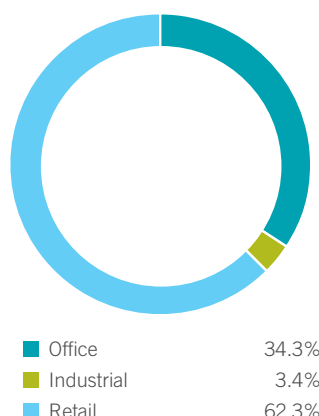
1 property
€4 million

THIRD PARTY PROPERTY FUNDS MANAGEMENT

SOURCE OF FUNDS AT 30 JUNE 2009



DWPF SECTOR ALLOCATION BY BOOK VALUE AT 30 JUNE 2009



At 30 June 2009, DEXUS Property Group's third party property funds under management totalled \$5.6 billion, down 12.5%. This business comprises the DEXUS Wholesale Property Fund, two direct property mandates and two property syndicates.

DEXUS Wholesale Property Fund

DEXUS Wholesale Property Fund (DWPF) is an open ended unlisted property fund with total gross assets of \$2.9 billion at 30 June 2009 (2008: \$3.2 billion). DWPF has a high quality portfolio with approximately 82% of the portfolio comprising premium office buildings and regional retail centres.

There are 63 institutional wholesale investors in DWPF with the top 10 unitholders representing approximately 57% of the register.

DWPF's development pipeline is currently estimated at approximately \$635 million over the next five years, which will improve the portfolio quality and diversity and enable enhanced returns through the creation of higher quality properties without acquisition costs.

Direct mandates

Our two direct mandates comprise approximately \$2.6 billion or 38 direct properties as at 30 June 2009, (2008: \$3.0 billion). These mandates are managed by DEXUS on behalf of SAS Trustee Corporation and AXA Group.

DEXUS property syndicates

The Group manages two unlisted property syndicates valued at \$160 million as at 30 June 2009 (2008: \$180 million). The syndicates are closed ended fixed term funds and have over 800 unitholders.

Gordon Property Syndicate

This syndicate which matures in 2010, owns one retail complex, comprising the Gordon Centre and the Gordon Village Arcade, located in Gordon NSW. At 30 June 2009, total assets of the syndicate were approximately \$80.4 million (2008: \$87.6 million).

Northgate Property Syndicate

This syndicate owns the Northgate Shopping Centre at Glenorchy in Hobart, TAS. The syndicate matured in August 2009 and the property has been sold for \$70.1 million, representing a total return to investors of approximately 18% per annum over its 12 year life.



Gateway, 1 Macquarie Place, Sydney, NSW

CEO AND CHAIRMAN STATEMENT

At DEXUS, we strive to be a market leader in corporate responsibility and sustainability (“CR&S”) and employ a holistic approach to identify and address the governance, environmental, social and economic aspects of our operations. We are committed to ensuring that CR&S is a constant and visible consideration in all aspects of our business by embedding it into our culture and strategy.

We are pleased to report that the 2008/09 financial year has seen further progress in our CR&S programs. Despite challenging market conditions, we have continued our ongoing commitment to improving the performance of our existing portfolio and delivering sustainable developments. In these uncertain economic times, we believe it is even more critical to ensure we are actively positioning our portfolio for the future, integrating sustainability as part of maintaining the quality of our properties.

Property operations

The office sector offers the greatest opportunities for improving resource efficiency and reducing carbon emissions. This is primarily as a result of higher tenant expectations for sustainable buildings, established benchmarking tools like NABERS Energy and the easier comparability of office buildings. As the largest owner and manager of office properties in Australia we feel it is appropriate that we concentrate our efforts here. In the year to March 2009, we are pleased to report that we reduced our energy consumption by 6%, water consumption by 13% and greenhouse gas emissions by 5% in the office sector.

Thanks to a long-term focus on risk management, a prudent development approach and proactive leasing efforts, our two major office developments have continued on track with substantial tenant pre-commitments secured with major Australian companies who share our vision to deliver the next generation of sustainable office space.

In Sydney, 1 Bligh Street is due to be completed in May 2011 and 123 Albert Street in Brisbane is due for completion in December 2010. Both developments offer world-class sustainable design features and significant tenant amenity.

During the year we also sought to expand our sustainability efforts in retail and we have made real progress in this area with reductions in energy consumption of 21%, water consumption by 31% and greenhouse gas emissions by 23%.

In our industrial portfolios, where much of the operational control lies with our tenants, we have continued to focus on initiatives where we can influence or control sustainability performance such as water efficient landscape management.

Our dedication to sustainability is part of our commitment to maintaining and growing the underlying value of our portfolio, and to continue to be a leader in the property sector.

Benchmarking our performance

We continued to benchmark our CR&S performance and during the year took part in our fourth Carbon Disclosure Project, responded to the Dow Jones Sustainability Index and maintained our listing in the Australia SAM Sustainability Index and the FTSE4Good Index.

In January 2009, we were named in the fifth annual “Global 100 Most Sustainable Corporations” list, announced at the Davos World Economic Forum in Switzerland.

At the time of writing this report we had also achieved further recognition for our efforts with inclusion into the Dow Jones Sustainability World Index (DJSI World) – in September 2009. DJSI World rates the performance of companies globally on economic, environmental and social criteria.

A holistic approach

We continue to align our CR&S programs to efficiently manage our statutory and voluntary reporting obligations aligned with the expectations of key stakeholders, including the community and investors.

During the year we completed a resource consumption database and collated over two years of consumption data for over 100 properties, including all properties within our operational control.

We have implemented a more tailored approach to consider the strategic positioning of every property under our operational control from an economic, environmental and social performance perspective.

As part of our commitment to continually improving the quality and transparency of our reporting, this year we have expanded our CR&S Report to include a section on governance and enhanced the financial information. This further aligns our report with the Global Reporting Initiative, which we are reporting against for the third year. Each section of the report highlights our management approach and provides detail on our achievements over the past year.

This year we have sought external verification of our 2009 CR&S Report for the first time with a view to undertaking full external assurance next year.

Social – our people and our communities

We successfully launched our first employee volunteering program and we exceeded our 2007/08 contributions to registered charities and not for profit community groups (financial and in-kind) by 61% to \$540,000 – primarily as a result of our new volunteering activity and the increased property space provided free of charge to community groups.

CR&S is integrated into our business model



In December 2008, we completed our third annual employee opinion survey, achieving improved results which we also benchmarked for the first time against Australian and global corporate performance standards.

Looking forward

While we expect the next year will continue to be challenging for the property sector and economy as a whole, DEXUS is well positioned to maintain our position as one of Australia's largest property groups and a market leader in office and industrial.

Our commitment to sustainability is a long-term strategy, and one we believe at DEXUS sets us apart from our peers.

We continue to apply both active portfolio management and prudent capital management strategies to maximise value for our stakeholders and minimise the environmental impact of our operations.

We continue to seek ways to improve our relationship with our community and to instil within our people the importance of operating with the highest levels of ethics, integrity and social responsibility.

We firmly believe that our commitment to corporate responsibility and sustainability will increase the value of our portfolio and position us to meet future tenant and market demands ahead of our peers.

We look forward to reporting back to you on our progress in next year's CR&S Report. For any queries or feedback on our CR&S activities, please email us at crs@dexus.com

Christopher T Beare
Chair

Victor P Hoog Antink
Chief Executive Officer

CR&S

OUR KEY ACHIEVEMENTS

GOVERNANCE

- › Strengthened our commitment to CR&S by instituting Board oversight with the Board Risk Committee overseeing all aspects of CR&S (effective August 2009)
- › Developed an internal audit function accountable to the Board Risk Committee
- › Implemented a Continuous Disclosure Committee comprising executive managers

CORPORATE REPORTING

- › Maintained our commitment to voluntary reporting and performance benchmarking:
 - responding to the Carbon Disclosure Project for the fourth year
 - maintaining our listing in the FTSE4Good Index
 - submitting our first application to the Dow Jones Sustainability Index (inclusion in the DJSI World Index achieved in September 2009)
- › Recognised at the World Economic Forum in Davos as one of the Global 100 most sustainable companies

ENVIRONMENT

- › Completed NABERS Energy and Water ratings for the office portfolio
- › Achieved significant efficiency gains in our office and retail sectors

	Office	Retail
Energy	↓6%	↓21%
Water	↓13%	↓31%
GHG	↓5%	↓23%

- › Established a comprehensive resource consumption database for all properties
- › Continued our sustainable developments at 1 Bligh Street, Sydney and 123 Albert Street, Brisbane



SOCIAL

OUR PEOPLE

- › Benchmarked our Employee Opinion Survey results against Australian and global benchmark standards
- › Completed 360 Degree Reviews for all managers
- › Developed a DEXUS leadership program for managers in conjunction with the Australian School of Business (AGSM)

OUR COMMUNITY

- › Launched a new employee volunteering program, so that each employee can take one day's additional leave to participate in volunteering activity aligned with DEXUS's business strategy and values
- › Increased the measurability of our community engagement programs by rolling out new reporting methods to more effectively track all financial and in-kind contributions to charities and not for profit community groups
- › Exceeded our 2007/08 contributions to registered charities and not for profit community groups (financial and in-kind) by 61% to \$540,000



Members of the DEXUS team at Australia Square, Sydney, NSW



L to R: Patricia Daniels – Head of Human Resources, John Easy – General Counsel, Tanya Cox – Chief Operating Officer, Mark Turner – Head of Funds Management, Craig Mitchell – Chief Financial Officer, Victor Hoog Antink – Chief Executive Officer, Louise Martin – Head of Office, Andrew Whiteside – Head of Industrial, Jane Lloyd – Head of Retail, Paul Say – Head of Corporate Development

DEXUS is one of Australia's leading diversified property groups specialising in world-class office, industrial and retail properties with total assets under management of \$13.5 billion in Australia, New Zealand, North America and Europe. In Australia, DEXUS is the largest owner, manager of office, the third largest in industrial and a leading manager and developer of shopping centres.

The Group has two areas of operation:

- Our A\$7.9 billion¹ direct property portfolio – DEXUS Property Group, one of the largest listed Australian REITs, which owns, manages and develops high quality office and industrial properties in Australia and select international markets
- Our A\$5.6 billion third party property funds management business manages and develops Australian office, industrial and retail properties on behalf of third party investors. This includes DEXUS Wholesale Property Fund, two blue-chip private client mandates and two property syndicates, which collectively make up one of the largest third party property funds management businesses in Australia

DEXUS is committed to being a market leader in Corporate Responsibility and Sustainability and was recently recognised as one of the “Global 100 Most Sustainable Corporations” at the World Economic Forum in Davos, Switzerland.

For further information visit www.dexus.com

¹ Includes cash and other assets.

BOARD OF DIRECTORS



Christopher T Beare

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

Chair and Independent Director Age 59

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

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



Elizabeth A Alexander AM

BComm, FCA, FAICD, CPA

Independent Director Age 66

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

Elizabeth brings to the Board extensive experience in accounting, finance, corporate governance and risk management and was formerly a partner with PricewaterhouseCoopers.



Barry R Brownjohn

BComm

Independent Director Age 58

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

Barry has over 20 years experience in Australia, Asia and North America in international banking.



John C Conde AO

BSc, BE (Hons), MBA

Independent Director Age 61

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

John brings to the Board extensive experience across diverse sectors including commerce, industry and government.



Stewart F Ewen OAM

Independent Director Age 60

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

Stewart has extensive property sector experience and started his property career with the Hooker Corporation in 1966.



Victor P Hoog Antink

BComm, MBA, FCA, FAPI, FRICS, MAICD

Chief Executive Officer and Executive Director Age 56

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

Victor has over 25 years of experience in property and finance.



Brian E Scullin

BEC

Independent Director Age 58

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

Brian brings to the Board extensive domestic and international funds management knowledge as well as finance, corporate governance and risk management experience.



Peter B St George

CA(SA), MBA

Independent Director Age 63

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

Peter has more than 20 years experience in senior corporate advisory and finance roles within NatWest Markets and Hill Samuel & Co in London.

INVESTOR INFORMATION

DIRECTOR AND EXECUTIVE REMUNERATION

A summary of Directors attendance at Board meetings, Board Committee meetings and Security Holder meetings are set out in the table below. Specific details of each Directors attendance at each Board or Committee meeting is outlined in the Director's Report that accompanies the Financial Statements dated 30 June 2009 contained in the Annual Report.

Board Meetings

Directors	Board meetings held	Board meetings attended ²	Board Committee Held	Board Committee ⁴ Attended	Security Holder General Meetings Held ⁵	Security Holder General Meetings Attended
Christopher T Beare	18	17	13	13	2	2
Elizabeth A Alexander AM	18	18	17	17	2	2
Barry R Brownjohn	18	16	15	14	2	1
John C Conde AO ¹	2	2	2	2	–	–
Stewart F Ewen OAM	18	17	9	9	2	2
Victor P Hoog Antink	18	18	–	–	2	2
Charles B Leitner III ³	17	17	–	–	2	2
Brian E Scullin	18	18	22	22	2	2
Peter B St George ¹	2	2	3	3	–	–

1 Appointed 29 April 2009.

2 Indicates where a Director attended either personally or an Alternate was in attendance.

3 Based in New York, USA and resigned 29 April 2009.

4 Board committees are the Board Audit Committee, Board Risk Committee, Board Compliance Committee, Board Nomination and Remuneration Committee, Board Finance Committee.

5 General meeting were the Annual General Meeting on 29 October 2008 and the Special General Meeting on 6 February 2009. Mr Brownjohn was unable to attend the special general meeting.

Non-Executive Director board and committee fees

Board and Committee fees paid to Non-Executive Directors for the years ended 30 June 2008 and 30 June 2009 are set out in the table below.

Name		Board Directors' fees \$	Committee fees \$	Total fees \$
Christopher T Beare	2009	300,000	–	300,000
	2008	300,000	–	300,000
Elizabeth A Alexander ¹	2009	130,000	42,500	172,500
	2008	130,000	43,750	173,750
Barry R Brownjohn ²	2009	130,000	30,000	160,000
	2008	130,000	30,000	160,000
John C Conde ³	2009	22,652	2,500	25,152
	2008	–	–	–
Stewart F Ewen	2009	130,000	7,500	137,500
	2008	130,000	7,500	137,500
Charles B Leitner III ⁴	2009	–	–	–
	2008	–	–	–
Brian E Scullin	2009	130,000	65,000	195,000
	2008	130,000	68,750	198,750
Peter B St George ⁵	2009	22,652	3,750	26,402
	2008	–	–	–
Total	2009	865,304	151,250	1,016,554
	2008	820,000	150,000	970,000

1 Elizabeth A Alexander ceased to be a member of the Board Compliance Committee and a member of the Board Finance Committee on 30 April 2009.

2 Barry R Brownjohn ceased to be the chair of the Board Finance Committee on 30 April 2009 and became chair of the Board Compliance Committee on 1 May 2009.

3 John C Conde became a Non-Executive Director on 29 April 2009. He was appointed to the Board Compliance Committee and the Board Nomination and Remuneration Committee on 1 May 2009.

4 As an employee of the Deutsche Bank group, Mr Leitner waived his right to receive Director's fees. Accordingly, Mr Leitner's Alternate Director, Mr Fay did not receive Director's fees when acting as his alternate. Mr Leitner ceased to be a Non-Executive Director on 29 April 2009. Accordingly, Mr Fay ceased to be Mr Leitner's Alternate Director on 29 April 2009.

5 Peter B St George became a Non-Executive Director on 29 April 2009. He was appointed to the Board Audit and Risk Committee and the Board Finance Committee on 1 May 2009.

Remuneration of key management personnel

Details of the structure and quantum of each component of remuneration for DEXUS Executives for the years ended 30 June 2008 and 30 June 2009 are set out in the Remuneration Report section of the Director's Report that accompanies the Financial Statements dated 30 June 2009. The following tables are a summary of that information, and include details of the five highest paid Directors or Executives.

Name		Short-term employee benefits		Other long-term benefits		Other benefits	Total
		Cash salary and fees Pension and super benefits \$	Short-term performance payments \$	Long-term performance payment allocations ⁶ \$	Movement in prior year long-term performance payment allocation values ⁷ \$		
Victor P Hoog Antink	2009	1,300,000	785,000	915,000	(416,600)	–	2,583,400
	2008	1,200,000	900,000	900,000	(106,947)	–	2,893,053
Tanya L Cox	2009	400,000	150,000	150,000	(80,773)	–	619,227
	2008	350,000	200,000	175,000	(16,495)	–	708,505
Patricia A Daniels ¹	2009	261,334	90,000	90,000	(24,250)	–	417,084
	2008	108,941	60,000	100,000	–	–	268,941
John C Easy	2009	375,000	163,000	162,000	(57,688)	–	642,312
	2008	335,000	150,000	120,000	(13,250)	–	591,750
Ben J Lehmann ²	2009	–	–	–	–	–	–
	2008	356,191	–	–	–	1,105,000 ⁸	1,461,191
Jane Lloyd ³	2009	375,000	113,000	112,000	–	–	600,000
	2008	–	–	–	–	–	–
Louise J Martin ⁴	2009	500,000	175,000	175,000	(60,625)	–	789,375
	2008	117,857	225,000	250,000	–	–	592,857
Craig D Mitchell	2009	550,000	325,000	325,000	(60,625)	–	1,139,375
	2008	316,667	250,000	250,000	–	162,592	979,259
Paul G Say	2009	500,000	200,000	200,000	(60,625)	–	839,375
	2008	480,000	225,000	250,000	–	–	955,000
Mark F Turner	2009	450,000	135,000	135,000	(103,635)	–	616,365
	2008	420,000	200,000	200,000	(22,669)	–	797,331
Andrew P Whiteside ⁵	2009	475,000	135,000	135,000	(24,250)	–	720,750
	2008	64,510	200,000	100,000	–	–	364,510
Total	2009	5,186,334	2,271,000	2,399,000	(889,071)	–	8,967,263
	2008	3,749,166	2,410,000	2,345,000	(159,362)	1,267,592	9,612,396

1 Patricia A Daniels qualified as a KMP on 14 January 2008. Actual remuneration received is for a four day week.

2 Ben J Lehmann ceased to qualify as a KMP on 27 March 2008.

3 Jane Lloyd qualified as a KMP on 14 July 2008.

4 Louise J Martin qualified as a KMP on 27 March 2008.

5 Andrew P Whiteside qualified as a KMP on 28 April 2008.

6 This is the LTPP allocation for the current year which is deferred for three years as described on pages 16 to 17 in the DEXUS Property Group 2009 Annual Report.

7 This is the notional change in value of all unvested LTPP allocations from prior year.

8 Termination payment.

Top 20 security holders as at 25 August 2009

Rank	Name	Current balance	% of issued capital
1	HSBC Custody Nominees (Australia) Limited	1,348,664,333	28.69
2	National Nominees Limited	764,009,308	16.25
3	J P Morgan Nominees Australia Limited	701,581,886	14.92
4	Citicorp Nominees Pty Limited	357,688,834	7.61
5	Cogent Nominees Pty Limited	149,477,113	3.18
6	Citicorp Nominees Pty Limited	105,477,329	2.24
7	RBC Dexia Investor Services Australia Nominees Pty Limited	96,724,196	2.06
8	AMP Life Limited	92,033,983	1.96
9	ANZ Nominees Limited	89,682,142	1.91
10	Queensland Investment Corporation	58,591,729	1.25
11	Cogent Nominees Pty Limited	49,400,670	1.05
12	Questor Financial Services Limited	29,945,435	0.64
13	Citicorp Nominees Pty Limited	29,795,469	0.63
14	Bond Street Custodians Limited	28,989,398	0.62
15	HSBC Custody Nominees (Australia) Limited – A/C 3	28,966,182	0.62
16	UBS Nominees Pty Ltd	26,815,245	0.57
17	Bond Street Custodians Limited	25,118,455	0.53
18	Citicorp Nominees Pty Limited	17,381,769	0.37
19	Australian Reward Investment Alliance	15,571,470	0.33
20	RBC Dexia Investor Services Australia Nominees Pty Ltd	15,491,202	0.33
Total top 20		4,031,406,148	85.76
	Other	669,435,518	14.24
Total securities		4,700,841,666	100.00

Substantial holders as at 9 September 2009

The names of substantial holders who, at 9 September 2009, have notified the Responsible Entity in accordance with Section 671B of the *Corporations Act 2001* are:

Date	Name	Number of stapled securities	% voting
22 Jun 09	Vanguard Investments Australia Ltd	235,372,669	5.01
21 Aug 09	Commonwealth Bank of Australia	365,689,410	7.78
24 Dec 08	ING and related entities	300,730,999	8.72
06 Oct 08	Barclays Global Investors and related entities	211,785,846	7.20

INVESTOR RELATIONS

DEXUS Property Group is listed on the Australian Securities Exchange (ASX). The ASX code is DXS. Security holders will need to use the services of a stockbroker or online broking facility to invest in DEXUS Property Group securities.

The stapled security is included in the top 100 listed entities in Australia in terms of market capitalisation and currently forms part of the following indices:

- All Ordinaries
- All Industrials
- The S&P/ASX100
- DJSI World Index
- FTSE4Good Index

Website

Information relating to the DEXUS Property Group can be found at www.dexus.com

The website contains information on our property portfolio and corporate information. The site also provides access to your investment details and other Group information including:

- ASX announcements
- Periodic reports
- Presentations
- Distributions
- Tax information
- Corporate responsibility and sustainability
- Corporate governance
- Research

Distribution policy and payments

The DEXUS Property Group's distribution policy is to distribute 70% of Funds From Operations.

Distributions are paid for the six months to December and June each year. Security holders will receive their distribution by direct credit into a nominated bank account or can elect to receive additional DEXUS securities via the distribution reinvestment plan (DRP). If you wish to change your method of payment or your DRP participation, you should contact the DEXUS Infoline on 1800 819 675.

Distribution reinvestment plan

DEXUS Property Group has a distribution reinvestment plan available to Australian and New Zealand security holders. The amount to be reinvested will be applied to acquire stapled securities in DEXUS Property Group. Where the amount to be realised does not equal a whole multiple of the issue price, the residual amount will be carried forward and added to the next reinvestment amount.

For further information on the DRP please go to our website at www.dexus.com/Investor-Centre/DXS/Investor-Information/Distributions.aspx

Unclaimed funds

If you believe you have unrepresented or unclaimed distributions, please contact the DEXUS Infoline on 1800 819 675. For monies outstanding more than seven years, you should contact the NSW Office of State Revenue on 1300 366 016 or go to their website at www.osr.nsw.gov.au and use their search facility for unclaimed monies.

Tax file number

You are not required by law to provide your tax file number, Australian Business Number (ABN) or Exemption. However if you do not provide your TFN, ABN or Exemption, withholding tax at the highest marginal rate, currently 46.5%, may be deducted from your distributions. If you have not supplied this information and wish to do so, please contact the DEXUS Infoline on 1800 819 675 or your sponsoring broker.

Annual tax statement

Following each financial year security holders will receive a tax statement. This statement summarises the distributions paid to you during the year and includes information required to complete your tax return.

Distribution history and timetable

DEXUS Property Group provides historical distribution information on our website at www.dexus.com/Investor-Centre/DXS/Investor-Information/Distributions.

Below is the anticipated 2009/10 distribution timetable. These dates are indicative and are subject to change without prior notice.

Distribution period end	Announcement date	Ex-distribution date	Record date	Payment date
31 December 2009	18 December 2009	23 December 2009	31 December 2009	26 February 2010
30 June 2010	21 June 2010	24 June 2010	30 June 2010	27 August 2010

Non-resident tax information

Estimates that make up the DEXUS Property Group's distributions are published on our website in the Investor Centre at www.dexus.com/dxs/tax

These estimates are updated for each distribution period prior to the distribution payment and are for non-resident security holders and custodians of non-resident security holders.

Apportionment percentages

Apportionment percentages for DEXUS Property Group stapled securities since stapling can be found on our website at www.dexus.com/dxs/tax or by contacting the DEXUS Infoline on 1800 819 675.

Capital gains taxation cost base information

Capital gains tax information is available on our website at www.dexus.com/dxs/tax

Complaints handling

Any security holder wishing to lodge a complaint should do so in writing and forward it to DEXUS Funds Management Limited at the address shown in the Directory.

DEXUS Funds Management Limited is a member of Financial Ombudsman Service (FOS), an independent dispute resolution scheme which may be contacted at:

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
Phone: 1300 780 808
Fax: +61 3 9613 6399
Email: info@fos.org.au
Website: www.fos.org.au

KEY DATES

2009 Annual Report released	30 September 2009
2009 CR&S Report released	23 October 2009
Annual General Meeting	26 October 2009
Half year results announcement	17 February 2010
Half year distribution payment	26 February 2010
Full year results announcement	18 August 2010
Full year distribution payment	27 August 2010

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

Registered office of Responsible Entity

Level 9, 343 George Street
Sydney NSW 2000
PO Box R1822
Royal Exchange
Sydney NSW 1225
Phone: +61 2 9017 1100
Fax: +61 2 9017 1101
Email: ir@dexus.com
Website: www.dexus.com

Directors of the Responsible Entity

Christopher T Beare, Chair
Elizabeth A Alexander AM
Barry R Brownjohn
John C Conde AO
Stewart F Ewen OAM
Victor P Hoog Antink
Brian E Scullin
Peter B St George

Secretaries of the Responsible Entity

Tanya L Cox
John C Easy

Auditors

PricewaterhouseCoopers
Chartered Accountants
201 Sussex Street
Sydney NSW 2000

Investor enquiries

Infoline: 1800 819 675
or +61 2 8280 7126
Investor Relations: +61 2 9017 1330
Email: ir@dexus.com
Website: www.dexus.com

Security registry

Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000
Locked Bag A14
Sydney South NSW 1235
Registry Infoline: 1800 819 675
or +61 2 8280 7126
Fax: +61 2 9287 0303
Email: registrars@linkmarketservices.com.au
Website: www.linkmarketservices.com.au

Monday to Friday between 8.30am
and 5.30pm (Sydney time).

For enquiries regarding your holding
you can either contact the Security
Registry, or access your holding details
via the Investor Centre on our website
www.dexus.com and look for the
Login box.

Australian Stock Exchange

ASX Code: DXS



Consistent with DEXUS's commitment to sustainability, this report is printed on an FSC Mixed Sources Certified paper, which ensures that all virgin pulp is derived from well-managed forests and controlled sources. It contains elemental chlorine free (ECF) bleached pulp and is manufactured by an ISO 14001 certified mill. The mill operates a three step, waste water and recycling treatment system. These steps involve chemical treatment; micro-organism treatment; and penton treatment. The mill utilises steam for energy sourced from its own cogeneration plant and has recently concluded a Voluntary Agreement for energy conservation. The printer of this report has Forest Stewardship Council (FSC), Chain of Custody Certification.

www.dexus.com

2009

DEXUS Property Group
ANNUAL REPORT



DEXUS
PROPERTY GROUP

DEXUS DIVERSIFIED TRUST

(ARSN 089 324 541)

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This year we are reporting to our investors and other stakeholders in a more concise format.

This report, the DEXUS Property Group 2009 Annual Report contains the Group's Consolidated Financial Statements, corporate governance statement and information about DEXUS's Board of Directors. To read more on the Group's operations for the year, please refer to the DEXUS Property Group 2009 Security Holder Review. The DEXUS Property Group 2009 Combined Financial Statements provide separate financial statements of DEXUS Industrial Trust, DEXUS Office Trust and DEXUS Operations Trust.

The Corporate Responsibility and Sustainability (CR&S) section contained in the Security Holder Review is an extract from the full CR&S Report which will be available online or as a printed report from October 2009. These reports may be viewed or downloaded online at www.dexus.com

All amounts are A\$ unless otherwise specified.

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

Under Australian equivalents to International Financial Reporting Standards (AIFRS), DDF has been deemed the parent entity for accounting purposes. Therefore the DDF Consolidated Financial Statements include all entities forming part of DXS.

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

Front cover: Australia Square Complex, 264-278 George Street, Sydney, NSW

LETTER FROM THE CHAIR



Dear Investor

I am pleased to present this my fifth annual report for DEXUS Property Group. As reported last year, the economic downturn continues to impact the Group's performance and during the year we have seen declining property values worldwide and reducing tenant demand.

Despite these challenging conditions, the quality of our portfolio, together with the underlying stability of operating earnings, derived principally from rental income, and our proactive and prudent approach to managing our balance sheet continues to deliver strong financial results.

The financial performance of the Group for the year was solid with operating earnings up 5.7% to \$526.3 million. The Australian portfolio delivered a relatively strong result, while the North American and European portfolios declined in line with their weaker economies. The impact of the economic downturn was largely felt in unrealised property devaluations and impairments, which totalled \$1.6 billion and contributed to a net loss of \$1.5 billion.

In volatile economic conditions, it is more important than ever to concentrate on the fundamentals and DEXUS has remained focused on our strategy to be Australia's leading owner, manager and developer of superior quality office and industrial properties in select markets. We remain the No.1 owner of office and No.3 owner of industrial properties in Australia.

Highlights for the year include:

- Strengthening the balance sheet, with significant new equity and new and replacement debt facilities
- Revising our distribution policy to pay out 70% of Funds From Operations (FFO), retaining 30% to fund operating and leasing capital expenditure
- Commencing a selected property sales program, to achieve our strategic objectives and our capital management plans
- Completing the internalisation of our property management model within our office portfolio and commencing implementation in the Australian industrial portfolio
- Continuing to build on our market leadership position in sustainability, with external recognition achieved at Davos, Switzerland and more recently with our listing on the Dow Jones Sustainability World Index

As a result of all these initiatives, DEXUS continues to maintain one of the strongest balance sheets of any Australian listed REIT.

Getting the best from both our property portfolio and our balance sheet is only possible with a very capable and committed team.

For the third year running we have conducted an employee opinion survey which pleasingly shows continued strong results in areas such as engagement, communications and leadership. This year we benchmarked our results against Australian and global indices so we can continue to improve our performance in line with best practice standards.

In April 2009, we expanded the Board with two new directors, John Conde AO and Peter St George. John and Peter bring a wealth of knowledge and experience, which will further strengthen the expertise of the Board.

In April 2009, Charles Leitner III resigned from the Board, consequently his alternate Andrew Fay also left the Board. I would like to take this opportunity to thank Chuck and Andy for their contribution. Following these changes, the Board now comprises eight Directors, seven of whom are independent Directors.

In May 2009, the Board Committees were reviewed and memberships refreshed, with Committee Chairs being rotated in August 2009. The Board and Board Committee Terms of Reference and the Corporate Governance Statement are revised at least annually and are located on our website at www.dexus.com/Corporate-Governance

Looking ahead, the outlook for the market is for continued challenging times. We expect, however, that the quality of our portfolio and a continued focus on managing the property fundamentals will see DEXUS continue to be strongly positioned within each of our key markets.

On behalf of the Board, I would like to thank you for your support over the past 12 months. I look forward to reporting to you next year.

Yours sincerely,

Christopher T Beare
Chair
30 September 2009

BOARD OF DIRECTORS



Christopher T Beare

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

**Chair and Independent Director
Age 59**

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

Chris has significant experience in international business, technology, strategy, finance and management. Previously Chris was Executive Director of the Melbourne based Advent Management venture capital firm prior to joining investment bank Hambros Australia in 1991. Chris became Head of Corporate Finance in 1994 and joint Chief Executive in 1995, until Hambros was acquired by Société Générale in 1998. Chris remained a Director of SG Australia until 2002. From 1998 onwards, Chris formed Radiata – a technology start-up in Sydney and Silicon Valley – where, as Chair and Chief Executive Officer, Chris steered it to a successful sale to Cisco Systems in 2001 and continued 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

BComm, FCA, FAICD, CPA

**Independent Director
Age 66**

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

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

Elizabeth is currently Chair of CSL Limited and a director of Medibank Private.



Barry R Brownjohn

BComm

**Independent Director
Age 58**

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

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

Barry is an Independent Director of Citigroup Pty Limited, an Advisory Board Member of the South Australian Financing Authority, a Director of Bakers Delight Holdings Pty Limited and a member of the Board of Governors of the Heart Research Institute.



John C Conde AO

BSc, BE (Hons), MBA

**Independent Director
Age 61**

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

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

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



Stewart F Ewen OAM

**Independent Director
Age 60**

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

Stewart has extensive property sector experience and started his property career with the Hooker Corporation in 1966. In 1983, Stewart established Byvan Limited which, by 2000, managed \$8 billion in shopping centres in Australia, Asia and North America. In 2000, Stewart sold his interest in Byvan to the Savills Group in London and remained Chair until 2001. In 1990 he started NavyB Pty Ltd, which has completed several major residential and commercial property projects in Australia and New Zealand. Stewart was previously Managing Director of Enacon Ltd, a Director of the Abigroup and Chairman of Tuscan Pty Ltd, which developed and operated the Sydney University Village. Stewart was also a Director of CapitaCommercial Trust Management Limited from 2004 to 2008. Stewart was previously President of the Property Council of NSW, member of the NSW Heritage Council and Chair of the Cure Cancer Australia Foundation.



Victor P Hoog Antink

**BComm, MBA, FCA, FAPI,
FRICS, MAICD**

**Chief Executive Officer and
Executive Director Age 56**

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

Victor has over 25 years of experience in property and finance. Prior to joining DEXUS in November 2003, Victor held executive positions at Westfield Holdings where he was the Director of Funds Management, responsible for both the Westfield Trust and the Westfield America Trust. Prior to joining Westfield in 1995, Victor held executive management positions in a number of property companies in Australia. Victor has an MBA from the Harvard Business School, is a fellow of the Institute of Chartered Accountants in Australia, a fellow of the Australian Property Institute, a fellow of the Royal Institute of Chartered Surveyors, a licensed Real Estate Agent and a member of the Australian Institute of Company Directors.

Victor is the immediate Past President and a current Board Member of the Property Council of Australia. He is also a Director of the Property Industry Foundation.



Brian E Scullin

BEC

**Independent Director
Age 58**

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

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

Brian was appointed Chair of BT Investment Management Limited in 2007 and is currently the acting CEO.



Peter B St George

CA(SA), MBA

**Independent Director
Age 63**

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

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

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

CORPORATE GOVERNANCE STATEMENT

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 the management of a number of third party funds and mandates.

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

To achieve this objective, DXFM has implemented a corporate governance framework that meets the requirements of *ASX Corporate Governance Principles and Recommendations* (2nd edition) and addresses additional aspects of governance that the Board considers appropriate. A reconciliation of the ASX Principles against DXFM's governance framework can be found on the web page www.dexus.com/Corporate-Governance

The Board

Roles and responsibilities

As DEXUS comprises four real estate investment trusts, its corporate governance practices satisfy the requirements relevant to unit trusts. However, as the Group conducts itself as if it were a public company, the Board has determined that its governance framework will also satisfy the highest standards of a publicly listed company. These additional governance aspects include the conduct of an annual general meeting, the appointment of Directors by DEXUS security holders and additional disclosure, such as the remuneration report. The governance framework enables the Board to provide strategic guidance, while exercising effective oversight of management. The framework also defines the roles and responsibilities of the Board and executive management in order to clearly communicate accountability and ensure a balance of authority.

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

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

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

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

Composition

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

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

At 30 June 2009, the Board comprises eight members, seven of whom are independent and the eighth member is the DEXUS CEO. Six Directors held office for the full financial year. On 29 April 2009, Peter St George and John Conde AO were appointed Independent Directors. Charles B Leitner III and Andrew Fay (Alternate Director) resigned from the Board in April 2009.

Specific skills the incumbent Directors bring to the Board include strategy, property management, funds management, capital markets and financial management. Independent Directors are independent of management and free of any business or other relationship that could materially interfere with the exercise of their unfettered and independent judgement. Independent Directors are active in areas which enable them to relate to the strategies of DEXUS and to make a meaningful contribution to the Board's deliberations.

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

The Chair is an Independent Director, and is responsible for the leadership of the Board, for the efficient organisation and conduct of the Board's functions, and for the briefing of Directors in relation to issues arising pertinent to the Board. The Board has clearly defined the responsibilities and performance of the CEO. The performance of the CEO is monitored by the Chair.

CVs outlining the skills and experience of each Director are set out in this Annual Report. Please refer to www.dexus.com/Corporate-Governance for a description of the procedure followed to select and appoint new Directors to the Board of DXFM, which includes specific criteria applied to determine Director independence.

Performance

To ensure that new Directors are able to meet their responsibilities effectively, Directors receive an information pack and induction briefing, which addresses the corporate governance framework, committee structures and their terms of reference, governing documents and background reports. New Directors also attend specific briefings by DEXUS management on business strategy and operations. In addition, Directors undertake training, through regular presentations by management and external advisers on sector, fund and industry specific trends and conditions throughout the year. Directors are also encouraged to:

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

The Board Nomination and Remuneration Committee oversees the Board performance evaluation program which extends over a two year period. The process is designed to identify opportunities for performance improvement. In 2008, the evaluation process looked at the performance of the whole Board and its Committees. In 2009, individual Director performance will be evaluated later than scheduled, to enable new Directors to become familiar with the strategy and structures that guide the Group. In each alternate year the Board also reviews the progress of findings of the previous year's evaluation. The evaluation is undertaken through the use of questionnaires and face to face interviews on a broad range of issues.

Governance

The Board has established a number of committees to assist it in the fulfilment of its responsibilities. Following the appointment of two new Directors, Board Committees were reviewed and memberships refreshed in May 2009. Committee Chairs were also rotated in August 2009. The Board and Board Committee Terms of Reference are revised at least annually.

Board Nomination and Remuneration Committee

A Board Nomination and Remuneration Committee has been established to oversee all aspects of Director and Executive remuneration, Board renewal, Director, CEO and management succession planning, Board and Committee performance evaluation, training and Director nominations. It comprises three Independent Directors.

The members of the Board Nomination and Remuneration Committee are:

- John C Conde AO, Independent Director (appointed a member on 1 May 2009 and Chair on 1 September 2009)
- Christopher T Beare, Independent Director
- Stewart F Ewen OAM, Independent Director

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

Remuneration and incentive payments for employees are considered by the Compensation Committee following guidance from the Board Nomination and Remuneration Committee. Recommendations to the Board Nomination and Remuneration Committee are based on the achievement of approved performance objectives and market comparable data. Details of the Group's remuneration framework for Executive, Non-Executive Directors and employees are set out in the Remuneration Report that forms part of the Directors' Report contained in this Annual Report. In 2009 there were no base salary increases for DEXUS senior management and no fee increases for Directors. There are no schemes for retirement benefits (other than superannuation) for Non-Executive Directors.

Governance (continued)

Board Audit Committee

To ensure the factual presentation of each Trust's financial position, DXFM has put in place a structure of review and authorisation for each of the Trust's financial records and reports. This structure includes:

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

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

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

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

The members of the Board Audit Committee are:

- Barry R Brownjohn, Independent Director
(appointed Chair on 1 September 2009)
- Elizabeth A Alexander AM, Independent Director
- Peter B St George, Independent Director
(appointed a member on 1 May 2009)

In order to ensure the independence of the external auditor, the Board Audit Committee has responsibility for approving the engagement of the auditor for any non-audit service of greater than \$100,000. Both the Chief Financial Officer and the Chief Executive Officer, on a semi annual basis, make representations to the Board Audit Committee regarding the veracity of the financial statements and the financial risk management systems. The Chief Executive Officer makes a representation in relation to risk management at least quarterly to the Head of Risk and Compliance, regarding conformance with compliance policies and procedures. Any significant exceptions are reported by Compliance to the Board Compliance Committee. Furthermore, on a quarterly basis, the Chief Financial Officer provides certification to the Board Compliance Committee as to the continued adequacy of financial risk management systems.

During 2009 the Board Audit Committee approved an Auditor Independence Charter which imposes limits on the Auditor undertaking engagements of non-audit services. DEXUS has subsequently appointed a leading accounting firm to provide non-audit services and a specialist independent firm to provide Australian taxation services.

Board Compliance Committee

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

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

The Committee includes only members who are familiar with the requirements of Managed Investments Schemes and have extensive risk and compliance experience. The Committee is also encouraged to obtain independent professional advice in the satisfaction of its duties at the cost of the Group and independent of management.

As at 30 June 2009, the Committee comprised five members, three of whom are external members (i.e. members who satisfy the requirements of Section 601JB(2) of the *Corporations Act 2001*), and two of whom are executives of the Group.

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

The members of the Board Compliance Committee are:

- Brian E Scullin (Chair), Independent Member
- John C Conde AO, Independent Member
(appointed a member on 1 May 2009)
- Andrew P Esteban, Independent Member
- Tanya L Cox, Executive Member
- John C Easy, Executive Member

The skills, experience and qualifications of Mr Scullin, Mr Conde AO, Ms Cox and Mr Easy are contained in this Annual Report.

Mr Esteban holds a Bachelor of Business majoring in Accounting. He is an Associate of the Australian Society of CPAs and a member of the Australian Institute of Company Directors. He has 30 years experience in the financial services industry, 21 years of which were with Perpetual Trustees. In December 1999 he established FP Esteban and Associates, a private company specialising in implementing and monitoring risk management and compliance frameworks in the financial services industry. Andrew has provided compliance consulting services to organisations including UBS Global Asset Management in Australia, Hong Kong, Singapore, Taiwan and China. He currently sits as an independent member of compliance committees or risk and audit committees for a range of managed investment schemes, superannuation, insurance and infrastructure products (retail and wholesale) including Macquarie Airports, Credit Suisse Asset Management, Suncorp, IAG, Schroders Investment Management, Deutsche Asset Management, Aberdeen Funds Management and SPARK Infrastructure.

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

Board Risk Committee

To oversee risk management at DEXUS, the Board has established a Board Risk Committee responsible for reviewing the Group's operational risk management, environmental management, and internal audit practices and to review any incidents of fraud. The Committee oversees the effectiveness of the Group's Risk Management Framework and issues relating to Occupational Health & Safety. During 2009, to ensure continued focus on the Corporate Responsibility and Sustainability initiatives of the Group, the Board Risk Committee also assumed oversight of these initiatives. The Board Risk Committee and Board Audit Committee share common membership to ensure that a comprehensive understanding of control systems is maintained by both Committees.

The members of the Board Risk Committee are:

- Barry R Brownjohn, Independent Director
(appointed Chair on 1 September 2009)
- Elizabeth A Alexander AM, Independent Director
- Peter B St George, Independent Director
(appointed a member on 1 May 2009)

The Group is subject to those risks inherent in the business of property funds management. These risks include:

- Investment Risk – risks relating to the determination of price supporting the acquisition or divestment of property.
- Construction Risk – risks relating to the construction and development of properties within the portfolio.
- Operational Risk – risks relating to the ongoing operations of the organisation and each property including human resources, ethical conduct, disaster recovery and business continuity.
- Environmental Risk – the risk of damage to the environment emanating from a property owned by the Group or caused by a tenant of the Group.
- Safety Risk – the risk of accidents or injury of employees or visitors at properties owned or managed by the Group.
- Compliance Risk – risks relating to the failure to comply with applicable laws and regulations.
- Market Risk – risks relating to the adverse affect of changing economic conditions.
- Finance Risk – risks relating to the availability of funds for the operation of the business in both a timely manner and at an appropriate cost.

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

The Risk and Compliance team's responsibility is to promote an effective risk and compliance culture including the provision of advice, the drafting and updating of relevant risk and compliance policies and procedures, conducting training, monitoring and reporting adherence to key policies and procedures. Frameworks have been developed and implemented in accordance with Australian Standards AS 4360:2004 (Risk Management) and AS 3806:2006 (Compliance Programs).

The Group has developed and implemented a range of policies supporting our risk and compliance framework including:

- Anti-money Laundering and Counter Terrorism Financing
- Workplace safety – OHS&L
- Environmental Management
- Fraud Control and Awareness

Further information is available at www.dexus.com/Corporate-Governance

While Internal Audit is resourced internally, DEXUS has recently adopted a co-sourcing arrangement. The appointment of an external firm as co-source service provider has the advantage of ensuring DXFM is informed of broader industry trends and experience.

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

The Board Risk Committee is free to engage consultants, advisers or other experts independently of management.

Governance (continued)

Board Finance Committee

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

Members of the Board Finance Committee are:

- Peter B St George, Independent Director
(appointed a member on 1 May 2009 and Chair on 1 September 2009)
- Barry R Brownjohn, Independent Director
- Christopher T Beare, Independent Director

Management

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

The management committees in place in 2009 are:

- Executive Committee
- Investment Committee
- Trust Planning Committee
- Internal Risk Committee
- Internal Audit Committee
- Internal Compliance Committee
- Capital Markets Committee
- Corporate Responsibility and Sustainability Committee
- Project Steering Committee
- Compensation Committee
- Continuous Disclosure Committee

A summary of the responsibilities of these management committees is available at www.dexus.com/Corporate-Governance

Ethical behaviour

Code of Conduct

To ensure the satisfaction of statutory and fiduciary obligations to each of its investor groups and to maintain confidence in its integrity, the Board has implemented a series of clearly articulated compliance policies and procedures by which it requires all employees to abide. In addition, the Board considers it important that its employees meet the highest ethical and professional standards and consequently has established both an Employee Code of Conduct, for all employees, and a Directors' Code of Conduct. Please refer to www.dexus.com/Corporate-Governance for a copy of the Group's Codes of Conduct.

The Group is committed to and strongly supports disclosure being made of corrupt conduct, illegality or substantial waste of company assets. The Group aims to provide protection to employees who make such disclosures from any detrimental action or reprisal.

Management has adopted a policy of not contributing donations to any political party.

Please refer to www.dexus.com/Corporate-Governance for a copy of the whistle-blowing policy.

Insider trading and trading in DEXUS securities

The Group has implemented a trading policy that sets out the guidelines that apply to Directors and employees who wish to invest in any of the Group's financial products for their personal account or on behalf of an associate. The policy requires any Director or employee who wishes to trade in any security issued or managed by DXFM to obtain written approval before entering into a trade. Generally, approval will not be granted during defined blackout periods. These periods commence at the end of the financial half-year and full-year reporting periods and end on the day DEXUS Group results are released. In addition, if Compliance or the Chief Executive Officer considers that there is the potential that inside information may be held or that a significant conflict of interest may arise, additional blackout periods will be imposed.

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

With regard to aligning Senior Executives' interests with the interests of DEXUS's investors, the Board has put in place a long-term incentive scheme that it considers ensures an alignment of Senior Executives' interests with all investors. A description of the Senior Executives' long-term incentive scheme is contained in the Remuneration Report on page 16.

All employees are required to provide a quarterly declaration confirming their understanding and compliance with the Employee Trading Policy. Risk and Compliance undertakes regular monitoring of the share register. Please refer to www.dexus.com/Corporate-Governance for a copy of the Employee Trading Policy.

Conflicts of interest and related party dealings

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

- Employee trading
- Receipt and provision of gifts, benefits and entertainment
- Allocating property transactions
- Tenant conflicts
- Related party dealings

Where a conflict of interest has been identified, Compliance liaises with the party concerned to ensure the effective and timely management of the conflict. Where a related party dealing has been identified, the following process is adopted:

- at management level, the interests of both parties are represented by dedicated teams, each headed by a DEXUS executive;
 - when required, at Board level the interests of both parties are represented by dedicated Board members;
- Note: In the event of a related party transaction involving a Director, only disinterested Directors may preside over and approve the transaction.
- information barriers are established with dedicated team members operating on either side of the “wall”;
 - team members are briefed by Compliance regarding their obligations and responsibilities while working on the transaction;
 - a clean desk policy applies while the transaction is in progress;
 - documentation resulting from the transaction is maintained on a restricted access database; and
 - ongoing training is conducted for dedicated employees in relation to management of conflicts of interest during the life of the transaction.

On a monthly basis, the General Counsel reports to the Board on related party transactions that have been managed in the previous period. On a quarterly basis, the Head of Risk and Compliance reports related party transactions to the Board Compliance Committee.

During the last financial year, related party transactions have included:

- the sale of an additional 1.5% interest in the Bligh Street Trust to the DEXUS Wholesale Property Fund; and
- the execution of a property management agreement between DEXUS and the DEXUS Wholesale Property Fund.

Continuous disclosure

DXFM has established a Committee to ensure timely and balanced continuous disclosure for all material matters that impact the Group. The Committee meets regularly to consider the activities of the Group and whether any disclosure obligation is likely to arise as a result of those activities. This Committee was established to ensure that:

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

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

Training

Newly appointed members of the Senior Executive team undertake induction training soon after commencing employment. Induction training in relation to the operations of DEXUS takes the form of a half day, interactive training session presented by the heads of various business units. The Head of Risk and Compliance conducts a one-to-one Compliance Induction session with each newly appointed Senior Executive outlining DEXUS's approach to risk management and compliance.

Annual General Meeting

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

Each annual general meeting is designed to:

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

The Group has adopted a policy which requires Directors to attend its AGM. In October 2008 all Directors, other than Mr Leitner who resides in the US, attended the AGM.

The external auditor of the Trust also attends each Annual General Meeting and is available to answer investor questions about the conduct of the audits of both the Trusts' financial records and their Compliance Plans and the preparation and content of the Auditor's Report. In addition to conducting an Annual General Meeting, the Group has a communications and investor relations strategy that promotes an informed market and encourages participation with its investors.

This strategy includes the use of the Group's website to enable ready access to DEXUS announcements, annual and half-year reports, presentations and analyst support material. The website also has available significant historical information on announcements, distributions and other related information on its website at www.dexus.com/Investor-Centre/DXS

DEXUS Property Group engages Link Market Services to independently conduct any vote undertaken at the Annual General Meeting of security holders.

FINANCIAL REPORTS

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2009

The Directors of DEXUS Funds Management Limited (DXFM) as Responsible Entity of DEXUS Diversified Trust (the Trust) and its consolidated entities, DEXUS Property Group (DXS), present their Directors' Report together with the Consolidated Financial Statements for the year ended 30 June 2009.

The Trust together with DEXUS Industrial Trust, DEXUS Office Trust and DEXUS Operations Trust form the DEXUS Property Group stapled security.

1. Directors and Secretaries

1.1 Directors

The following persons were Directors or Alternate Directors of DXFM at any time during or since the end of the year to the date of this Directors' report, unless otherwise stated:

Directors	Appointed	Resigned
Christopher T Beare	4 August 2004	
Elizabeth A Alexander AM	1 January 2005	
Barry R Brownjohn	1 January 2005	
John C Conde AO	29 April 2009	
Stewart F Ewen OAM	4 August 2004	
Victor P Hoog Antink	1 October 2004	
Charles B Leitner III	10 March 2005	29 April 2009
Brian E Scullin	1 January 2005	
Peter B St George	29 April 2009	
Alternate Director		
Andrew J Fay for Charles B Leitner III	30 January 2006	29 April 2009

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

1.2 Company Secretaries

The names and details of the Company Secretaries of DXFM as at 30 June 2009 are as follows:

Tanya L Cox MBA MAICD FCIS (Company Secretary) **Appointed: 1 October 2004**

Tanya is the Chief Operating Officer and Company Secretary of DXFM and is responsible for the delivery of company secretarial, operational, information technology, communications and administration services, as well as operational risk management systems and practices across the group. Prior to joining DEXUS in July 2003, Tanya held various general management positions over the past 15 years, including Director and Chief Operating Officer of NM Rothschild & Sons (Australia) Ltd and General Manager – Finance, Operations and IT for Bank of New Zealand (Australia). Tanya is Chair of the Property Council of Australia National Risk Committee and the Australian Athletes with a Disability. Tanya is a director of the Music and Opera Singers Trust and the AGSM Alumni Advisory Board. Tanya is a member of the Australian Institute of Company Directors and is a fellow of the Institute of Chartered Secretaries and Administrators (ICSA) and Chartered Secretaries Australia (CSA). Tanya has an MBA from the Australian Graduate School of Management and a Diploma in Applied Corporate Governance.

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

John C Easy B Comm LLB ACIS (Company Secretary) **Appointed: 1 July 2005**

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

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

2. Attendance of Directors at Board meetings and Board Committee meetings

The number of Directors' meetings held during the year and each Director's attendance at those meetings is set out in the table below.

The Directors met 18 times during the year. Nine Board meetings were main meetings and nine meetings were held to consider specific business. While the Board continuously considers strategy, in March 2009 it met with the executive and senior management over two days to consider DXS's strategic plans.

Board Meetings				
Directors	Main meeting held	Main meetings attended²	Specific meetings held	Specific meetings attended²
Christopher T Beare	9	9	9	8
Elizabeth A Alexander AM	9	9	9	9
Barry R Brownjohn	9	9	9	7
John C Conde AO ¹	2	2	–	–
Stewart F Ewen OAM	9	8	9	9
Victor P Hoog Antink	9	9	9	9
Charles B Leitner III ³	8	8	9	9
Brian E Scullin	9	9	9	9
Peter B St George ¹	2	2	–	–

1 Appointed 29 April 2009.

2 Indicates where a Director attended either personally or an Alternate was in attendance.

3 Based in New York, USA and resigned 29 April 2009.

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 the year the Board reviewed its Board Committee structure and following the appointment of Messrs Conde and St George in April 2009 amended its Committee membership effective 1 May 2009.

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

	Board Audit Committee		Board Risk Committee		Board Compliance Committee		Board Nomination and Remuneration Committee		Board Finance Committee	
	held	attended	held	attended	held	attended	held	attended	held	attended
Christopher T Beare	–	–	–	–	–	–	9	9	4	4
Elizabeth A Alexander AM	7	7	4	4	3	3	–	–	3	3
Barry R Brownjohn	7	6	4	4	–	–	–	–	4	4
John C Conde AO ¹	–	–	–	–	1	1	1	1	–	–
Stewart F Ewen OAM	–	–	–	–	–	–	9	9	–	–
Victor P Hoog Antink	–	–	–	–	–	–	–	–	–	–
Charles B Leitner III ²	–	–	–	–	–	–	–	–	–	–
Brian E Scullin	6	6	3	3	4	4	9	9	–	–
Peter B St George ¹	1	1	1	1	–	–	–	–	1	1

1 Appointed 29 April 2009.

2 Resigned 29 April 2009.

3. Remuneration Report

1. Introduction

This Remuneration Report has been prepared in accordance with AASB 124 Related Party Disclosures and section 300A of the *Corporations Act 2001* for the year ended 30 June 2009. The information provided in this Report has been audited in accordance with the provisions of section 308 (3C) of the *Corporations Act 2001*.

Key management personnel

In this report, Key Management Personnel ("KMP") are those people having the authority and responsibility for planning, directing and controlling the activities of DEXUS either directly or indirectly. They comprise Non-Executive Directors, the CEO and other members of the Executive Committee. Within this report the term 'Executive' encompasses the CEO and other members of the Executive Committee.

KMP (including the five highest paid Executives) of DEXUS for the year ended 30 June 2009 are set out below:

Name	Title	Date of qualification as a KMP
Non-Executive Directors		
Christopher T Beare	Non-Executive Chair	Appointed 4 August 2004
Elizabeth A Alexander AM	Non-Executive Director	Appointed 1 January 2005
Barry R Brownjohn	Non-Executive Director	Appointed 1 January 2005
John C Conde AO	Non-Executive Director	Appointed 29 April 2009
Stewart F Ewen OAM	Non-Executive Director	Appointed 4 August 2004
Charles B Leitner III ¹	Non-Executive Director	Resigned 29 April 2009
Brian E Scullin	Non-Executive Director	Appointed 1 January 2005
Peter B St George	Non-Executive Director	Appointed 29 April 2009

1 Mr Leitner was appointed on 10 March 2005. Simultaneous with Mr Leitner's resignation, Mr Fay resigned as Mr Leitner's alternate.

Name	Title	Date of qualification as a KMP
Executives		
Victor P Hoog Antink	Chief Executive Officer	Appointed 1 October 2004
Tanya L Cox	Chief Operating Officer	Appointed 1 October 2004
Patricia A Daniels	Head of Human Resources	Appointed 14 January 2008
John C Easy	General Counsel	Appointed 1 October 2004
Jane Lloyd	Head of Retail	Appointed 14 July 2008
Louise J Martin	Head of Office	Appointed 27 March 2008
Craig D Mitchell	Chief Financial Officer	Appointed 17 September 2007
Paul G Say	Head of Corporate Development	Appointed 19 March 2007
Mark F Turner	Head of Funds Management	Appointed 1 October 2004
Andrew P Whiteside	Head of Industrial	Appointed 28 April 2008

2. Board oversight of remuneration

The Board Nomination and Remuneration Committee ("Committee") oversees the remuneration of Directors and Executives. The Committee is responsible for reviewing, and recommending to the Board, Executive remuneration policies and structures.

The Committee assesses the appropriateness of the structure and quantum of Director and Executive remuneration on an annual basis by reference to relevant regulatory and market conditions, and engages external consultants as required to provide independent advice.

The role and membership of the Committee is set out in the Corporate Governance Statement, which may be found at www.dexus.com/Corporate-Governance

During the reporting period Nomination and Remuneration Committee members were Messrs Beare (Chair), Ewen, Scullin and Conde (commencing 1 May 2009). Further to his appointment to the Board in April 2009 the Board resolved that Mr Conde be appointed Chair of the Nomination and Remuneration Committee effective 31 August 2009.

3. Non-Executive Directors' remuneration framework

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

Non-Executive Directors, other than the Chair, receive a base fee plus additional fees for membership of Board Committees. The table below outlines the fee structure for the reporting period.

Committee	Chair \$	Member \$
Non-Executive Director	300,000	130,000
Board Audit and Risk	30,000	15,000
Board Finance	30,000	15,000
Board Compliance	15,000	7,500
Board Nomination & Remuneration	–	7,500

Mr Leitner was an employee of RREEF America Inc., a Deutsche Bank group company, during the year ended 30 June 2009, and was not paid fees or any other remuneration by DEXUS. Mr Fay, the Alternate Director to Mr Leitner, received a consulting fee equivalent to the base fee earned by Non-Executive Directors.

During the year the Board considered the establishment of a Committee to oversee property acquisitions, disposals and developments. However, whilst the Board concluded that a formal Committee was not appropriate, it determined that Mr Ewen be paid a fixed fee of \$30,000 per annum for assuming additional responsibilities involved in attending meetings and reviewing property investment proposals on its behalf.

Recognising the greater responsibility and time commitment required, the Chair receives a higher fee than other Non-Executive Directors, which is benchmarked to the market median of comparably sized ASX listed entities. The Chair receives no Board Committee fees, nor is the Chair present during any discussion relating to the determination of the Chair's fees.

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

Fees paid to Non-Executive Directors are paid from a remuneration pool of \$1,750,000 per annum, which was approved by DEXUS security holders at its Annual General Meeting held in October 2008. Non-Executive Directors' fees were last adjusted in July 2007. Non-Executive Directors have received no increase in fees since that time. The next review of fees will be in respect of the year commencing 1 July 2010.

3. Remuneration Report (continued)

4. Approach to Executive remuneration

Philosophy underlying Executive remuneration

The Directors expect that superior execution and delivery of the DEXUS business model will create superior security holder value, through the delivery of consistent returns, generated with relatively moderate risk. The Directors consider that an appropriately skilled and qualified Executive team is essential to achieve this objective. DEXUS's approach to the structure and quantum of Executive remuneration is therefore designed to attract, motivate and retain such an Executive team.

In setting the remuneration structure, the Directors are conscious that the business of DEXUS involves longer term property investments and customer relationships. In addition, property market returns have tended to be cyclical, particularly when coupled with financial structures that act to enhance returns.

Taking these considerations into account, the Executive remuneration structure and quantum is based on the following criteria:

- (a) market competitiveness and reasonableness;
- (b) alignment of Executive performance payments with achievement of the Group's objectives within its risk framework, and reinforcement of DEXUS's values-based culture; and
- (c) an appropriate target mix of remuneration, including performance payments linked to security holder returns over the longer term, and the avoidance of incentives that encourage short-term decision taking.

DEXUS's Executive remuneration structure may be summarised as follows:

- fixed remuneration, targeted at the median of fixed remuneration of entities in the comparison group, with reference to each Executive's skills and depth of experience;
- total remuneration, targeted at the market median, and awarded on a variable scale for each Executive which could result in a total remuneration range from lower quartile to upper quartile, reflecting differing levels of experience, role structure and individual contribution; and
- a single pool of funds available to meet performance payments, which is divided between short-term and long-term elements.

(a) Market competitiveness and reasonableness

DEXUS has determined a comparison group, for remuneration benchmarking purposes, from:

1. constituents of the S&P/ASX 100 index;
2. constituents of the listed Australian Real Estate Investment Trust ("A-REIT") sector; and
3. other property industry entities.

As noted above, a single pool of funds is made available to meet all performance payments. The pool of funds available is sufficient to ensure that DEXUS can achieve its total remuneration positioning target, relative to the market. The Board exercises its discretion to vary the size of the available pool by reference to such factors as:

- three year absolute total security holder return;
- management costs and revenue of DEXUS Holdings; and
- performance against budgeted earnings per security and distribution per security, recognising capital adjustments.

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

The key performance measures that determine performance payments are typically a combination of financial and non-financial objectives which reflect each Executive's role, responsibility, accountability and delivery.

These objectives can include:

- financial performance objectives
 - earnings per security
 - distributions per security (in line with its Distribution Policy)
 - third party funds performance
 - total security holder return, relative to peers
- property performance objectives
 - operating earnings
 - percentage of vacant space per property
 - expenses against budget
- non-financial performance objectives
 - tenant satisfaction
 - employee engagement
 - executive succession and talent management
 - delivery of strategic projects to meet time and budget requirements
- behaviour that reinforces DEXUS's cultural values

These objectives have been selected as the Directors consider them to be the key drivers to achieve superior security holder returns over time.

The Committee reviews and approves CEO and other Executive key performance indicators (KPIs) against Group objectives at the start of each financial year and reviews achievement against KPIs at the end of each year.

(c) Target mix of remuneration

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

	2009			2008		
	CEO	CFO	Other Executives	CEO	Property Executives	Other Executives
Remuneration component						
Total fixed	35%	40%	50%	40%	45%	50%
Short-Term Performance Payment (STPP)	30%	30%	25%	30%	30%	25%
Long-Term Performance Payment (LTPP)	35%	30%	25%	30%	25%	25%

The Directors consider that allocating performance payments evenly between immediate short-term payments and deferred long-term payments is appropriate for Executives other than the CEO, whose performance payment is weighted to the longer term to provide relatively greater alignment with long-term returns to security holders.

3. Remuneration Report (continued)

4. Approach to Executive remuneration (continued)

Executive remuneration structure

The table below outlines the structure of DEXUS's Executive remuneration.

Component	Remuneration framework
Total Fixed Remuneration (TFR)	
Salary	■ consists of cash salary and salary sacrificed fringe benefits, such as motor vehicles. ■ reviewed annually by the Board. Draws on relevant external and internal comparative remuneration information and advice on market practice as required.
Superannuation	■ prescribed and salary sacrifice superannuation contributions, including insurance premiums (if required).
Performance payments – STPP & LTPP	
	■ the aim of performance payments is to link the achievement of the Group's objectives with the remuneration received by the Executives responsible for meeting those objectives.
	■ the objectives consist of financial and non-financial measures of performance at the Group, business unit and individual level.
	■ the objectives represent the key drivers for the success of the business and for delivering long-term value to security holders.
	■ performance payments made to each Executive depend on the extent to which specific KPIs, set at the beginning of the financial year, are met. Payments are only made for performance at or above required performance levels.
	■ performance payments are delivered in cash. The ratio of STPP to LTPP is set out in the target remuneration mix table above.
	■ delivery of LTPP is deferred for three years, as described below.

Performance payments

Annual performance payments have two elements, being immediate short-term and deferred long-term cash payments. As noted above, an award of a performance payment is dependent on the extent of achievement of objectives reflected in specific KPIs.

Should an Executive be awarded a performance payment, the payment is split between STPP and LTPP using the ratio set out in the target remuneration mix table above.

Short-Term Performance Payment (STPP)

The STPP is delivered in cash in September each year, following the end of the financial year.

Long-Term Performance Payment (LTPP)

The LTPP is delivered in cash in accordance with the vesting schedule as set out in the Long-Term Incentive Plan rules.

The actual cash payment is based upon the subsequent three year returns of a combination of the returns received by DEXUS security holders and the returns received by its unlisted funds and mandates. Returns exceeding the benchmark are recognised by a greater long-term performance payment.

The Long-Term Incentive Plan operates as follows:

- following allocation into the plan, payments are subject to a three year vesting period from allocation date;
- the LTPP allocation value is notionally invested during the vesting period in DEXUS securities (50% of LTPP value) and its unlisted funds and mandates (50% of LTPP value);
- during the vesting period, LTPP allocation values fluctuate in line with changes in the “Composite Total Return” (simulating the notional investment exposure), comprising 50% of the total return of DEXUS securities and 50% of the combined asset weighted total return of its unlisted funds and mandates; and
- at the conclusion of the three year vesting period, if the Composite Total Return meets or exceeds 100% of the Composite Performance Benchmark, the Board may approve the application of a performance factor to the final LTPP allocation value:
 - the “Composite Performance Benchmark” is 50% of the S&P/ASX 200 Property Accumulation Index and 50% of the Mercer Unlisted Property Fund Index over the three year vesting period;
 - for performance up to 100% of the Composite Performance Benchmark, executives receive an LTPP allocation reflecting the Composite Total Return of the preceding three year vesting period; and
 - for performance between 100% and 130% of the Composite Performance Benchmark a performance factor may be applied, ranging from 1.1 to a maximum of 1.5 times.

Provisions regarding the vesting of LTPP in the event of termination of service agreements are outlined in section 7.

Equity options scheme

DEXUS does not operate an equity option scheme as part of its Executive remuneration structure. The Committee has considered the introduction of such a scheme, but has determined that it would not be, at the present time, an appropriate component of the remuneration structure in light of DEXUS's business model.

Equity and loan schemes

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

The long-term element of DEXUS's performance payment is designed to simulate an equity plan, but does not provide Executives with direct equity exposure.

Hedging policy

DEXUS does not permit Executives to hedge their LTPP allocation during the vesting period.

5. Executive remuneration arrangements for the year ended 30 June 2009

This section outlines how the remuneration approach described above has been implemented in the 2008/09 financial year.

Changes made during the year ended 30 June 2009

Remuneration structure

As part of the Committee's annual review of the Executive remuneration structure, a number of changes were made during the year ended 30 June 2009. These included:

- (a) evaluation and revision of the target remuneration mix for Executives;
- (b) allocation of performance payments between STPP and LTPP in accordance with the target remuneration mix;
- (c) increased focus on the review of appropriate and challenging KPIs for CEO and other Executives by the Committee;
- (d) additional entities incorporated in the comparison group used to benchmark Executive remuneration.

Long-Term Incentive Plan review

The DEXUS Long-Term Incentive Plan was reviewed, incorporating advice from external consultants. The Committee confirmed key objectives to:

- achieve alignment with the long-term interest of security holders;
- ensure Executives are exposed to equity;
- assist in creating a competitive total remuneration package that encourages the attraction and retention of executives;
- have performance criteria consistent with DEXUS's long-term focus;
- be simple and transparent;
- be flexible and long-term in nature;
- be valued and understood by Executives; and
- be cognisant of contemporary market practice.

The Committee reaffirmed that the design of the plan, including that LTPP allocations are notionally invested in both DEXUS securities and the securities of its unlisted funds, was consistent with the DEXUS business model and long-term strategy, although a number of operational enhancements were implemented as follows:

- eligibility restricted to Executives and senior management team;
- accelerated vesting on termination was discontinued; and
- automatic application of the performance multiplier was removed.

Termination provisions

During the year the Committee also reviewed Executive termination arrangements. The Group's previous practice provided for uncapped termination benefits for Executives, related to years of service. The Board has now approved amended arrangements for Executives. These termination arrangements are outlined in section 7.

The Committee anticipates that potential regulatory changes, including the recommendations of the Productivity Commission's review of executive remuneration, could necessitate further changes in the coming year.

3. Remuneration Report (continued)

5. Executive remuneration arrangements for the year ended 30 June 2009 (continued)

Total fixed remuneration

Executives are given the opportunity to receive their TFR as cash, superannuation or salary sacrificed fringe benefits, such as motor vehicles.

There are no guaranteed TFR increases in Executives' contracts of employment. In the 2010 financial year, there will be no TFR increases for Executives.

Performance payments

As outlined under the Executive remuneration structure above, STPP and LTPP allocations are drawn from a single performance pool, with the size of the pool determined according to reasonableness and market competitiveness.

All Executive performance payments were dependent on the achievement of performance against agreed objectives, including performance of their business unit and the overall performance of DEXUS. The Board exercised its discretion regarding the final determination of performance payments and, reflecting DEXUS's performance in 2008/09, performance payments to Executives were scaled down.

As outlined above, a portion of the performance payment for each Executive is delivered as a cash-based payment in September 2009, for performance to 30 June 2009. The remaining portion of the performance payment is allocated to the Long-Term Incentive Plan, to be delivered as a cash-based payment in September 2012, for performance to 30 June 2009.

6. Group performance and the link to remuneration

Total return analysis

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

	1 year (% per annum)	2 years (% per annum)	3 years (% per annum)	Since 1 October 2004 ¹ (% per annum)
Period to 30 June 2009				
DEXUS Property Group	-37.3%	-31.1%	-12.1%	-2.5%
S&P/ASX 200 Property Accumulation Index	-42.3%	-39.4%	-22.7%	-10.3%
DEXUS Composite Total Return	-24.2%	-16.1%	-4.0%	3.4%
Composite Performance Benchmark	-27.3%	-19.6%	-8.2%	0.3%

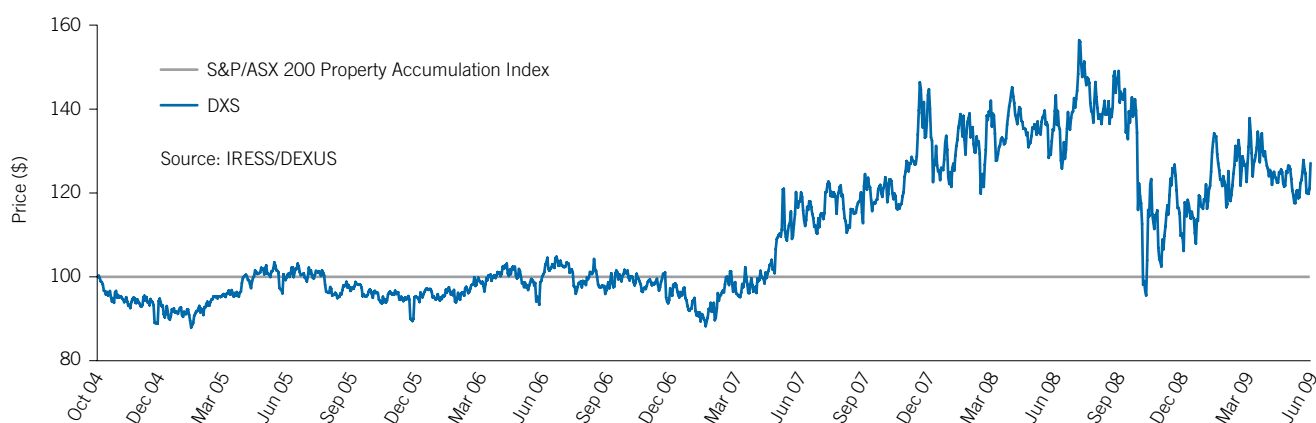
¹ DEXUS's inception date is 1 October 2004.

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

Total return of DEXUS securities

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

6/10/2004 = 100



* 6 October 2004 to 30 June 2009

DEXUS has outperformed the S&P/ASX 200 Property Accumulation Index in the most recent year and in each period since inception in October 2004. In addition, the DEXUS Composite Total Return has likewise outperformed the Composite Performance Benchmark in the most recent year and in each period since inception in October 2004.

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

7. Service agreements

The employment arrangements for the CEO and other Executives are set out below.

CEO – Victor P Hoog Antink

The current employment contract commenced on 1 October 2004.

The principal terms of the employment contract are as follows:

- the CEO is employed under a rolling contract.
- the CEO receives fixed remuneration of \$1,300,000 per annum.
- the CEO may resign from his position and thus terminate this contract by giving six months written notice. On resignation any unvested LTPP will be forfeited subject to the discretion of the Board.
- the Group may terminate the CEO's employment agreement by providing six months written notice or payment in lieu of the notice period (based on the fixed component of CEO's remuneration). Additionally, the Group may provide a performance payment for the period of the last review date (being 1 July) until the last day of the notice period.
- in the event that the Group initiates termination for reasons outside the control of the CEO, a severance payment equal to 100% of fixed remuneration is payable.
- on termination by the Group, any LTPP awards will vest in accordance with the vesting schedule of the Long-Term Incentive Plan, subject to the discretion of the Board.
- the Group may terminate the contract of the CEO at any time without notice if serious misconduct has occurred. In the event of termination for cause the CEO is only entitled to that portion of remuneration that is fixed, and only up to the date of termination. On termination for cause any unvested LTPP awards will immediately be forfeited.

Executives (other than the CEO)

The principal terms of Executive employment contracts are as follows:

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

3. Remuneration Report (continued)

8. Remuneration of key management personnel

Details of the structure and quantum of each component of remuneration for DEXUS Executives for the years ended 30 June 2008 and 30 June 2009 are set out in the following table. This table includes details of the five highest paid Directors or Executives.

	Short-term employee benefits			Post employment benefits	Other long-term benefits		Total	
	Cash salary and fees	Short-term performance payments	Other short-term benefits	Pension and super benefits	Long-term performance payment allocations ⁶	Movement in prior year long-term performance payment allocation values ⁷	Other long-term benefits	
	\$	\$	\$	\$	\$	\$	\$	\$
Name								
Victor P Hoog Antink								
2009	1,200,000	785,000	–	100,000	915,000	(416,600)	–	2,583,400
2008	1,100,000	900,000	–	100,000	900,000	(106,947)	–	2,893,053
Tanya L Cox								
2009	352,086	150,000	–	47,914	150,000	(80,773)	–	619,227
2008	339,059	200,000	–	10,941	175,000	(16,495)	–	708,505
Patricia A Daniels¹								
2009	247,589	90,000	–	13,745	90,000	(24,250)	–	417,084
2008	103,470	60,000	–	5,471	100,000	–	–	268,941
John C Easy								
2009	343,255	163,000	–	31,745	162,000	(57,688)	–	642,312
2008	297,871	150,000	–	37,129	120,000	(13,250)	–	591,750
Ben J Lehmann²								
2009	–	–	–	–	–	–	–	–
2008	346,344	–	–	9,847	–	–	1,105,000 ⁸	1,461,191
Jane Lloyd³								
2009	361,255	113,000	–	13,745	112,000	–	–	600,000
2008	–	–	–	–	–	–	–	–

	Short-term employee benefits			Post employment benefits	Other long-term benefits			Total
	Cash salary and fees	Short-term performance payments	Other short-term benefits	Pension and super benefits	Long-term performance payment allocations ⁶	Movement in prior year long-term performance payment allocation values ⁷	Other long-term benefits	
	\$	\$	\$	\$	\$	\$	\$	\$
Name								
Louise J Martin⁴								
2009	405,000	175,000	–	95,000	175,000	(60,625)	–	789,375
2008	116,607	225,000	–	1,250	250,000	–	–	592,857
Craig D Mitchell								
2009	500,000	325,000	–	50,000	325,000	(60,625)	–	1,139,375
2008	273,768	250,000	162,592	42,899	250,000	–	–	979,259
Paul G Say								
2009	486,255	200,000	–	13,745	200,000	(60,625)	–	839,375
2008	466,871	225,000	–	13,129	250,000	–	–	955,000
Mark F Turner								
2009	400,015	135,000	–	49,985	135,000	(103,635)	–	616,365
2008	377,172	200,000	–	42,828	200,000	(22,669)	–	797,331
Andrew P Whiteside⁵								
2009	461,255	135,000	–	13,745	135,000	(24,250)	–	720,750
2008	61,228	200,000	–	3,282	100,000	–	–	364,510
Total								
2009	4,756,710	2,271,000	–	429,624	2,399,000	(889,071)	–	8,967,263
2008	3,482,390	2,410,000	162,592	266,776	2,345,000	(159,362)	1,105,000	9,612,396

1 Patricia A Daniels qualified as a KMP on 14 January 2008. Actual remuneration received is for a four day week.

2 Ben J Lehmann ceased to qualify as a KMP on 27 March 2008.

3 Jane Lloyd qualified as a KMP on 14 July 2008.

4 Louise J Martin qualified as a KMP on 27 March 2008.

5 Andrew P Whiteside qualified as a KMP on 28 April 2008.

6 This is the LTPP allocation for the current year which is deferred for three years as described on pages 16 to 17.

7 This is the notional change in value of all unvested LTPP allocations from prior year.

8 Termination payment.

3. Remuneration Report (continued)

8. Remuneration of key management personnel (continued)

Long-Term Performance Payments

The table below sets out details of previous LTPP allocations and current valuations.

	Year of grant	LTPP allocation value	Movement in LTPP allocation value (since grant date)	Closing LTPP allocation value as at 30 June 2009	Movement in LTPP allocation value at vesting date (due to performance multiplier)	Vested LTPP as at 30 June 2009	Year that LTPP will vest
	\$	\$	\$	\$	\$	\$	\$
Name							
Victor P Hoog Antink	2009	915,000	–	–	–	–	2012
	2008	900,000	(218,250)	681,750	–	–	2011
	2007	650,000	(177,580)	472,420	–	–	2010
	2006	250,000	(23,750)	226,250	113,125	339,375	2009
Tanya L Cox	2009	150,000	–	–	–	–	2012
	2008	175,000	(42,438)	132,563	–	–	2011
	2007	110,000	(30,052)	79,948	–	–	2010
	2006	60,000	(5,700)	54,300	27,150	81,450	2009
Patricia A Daniels¹	2009	90,000	–	–	–	–	2012
	2008	100,000	(24,250)	75,750	–	–	2011
John C Easy	2009	162,000	–	–	–	–	2012
	2008	120,000	(29,100)	90,900	–	–	2011
	2007	75,000	(20,490)	54,510	–	–	2010
	2006	50,000	(4,750)	45,250	22,625	67,875	2009
Jane Lloyd²	2009	112,000	–	–	–	–	2012
Louise J Martin³	2009	175,000	–	–	–	–	2012
	2008	250,000	(60,625)	189,375	–	–	2011
Craig D Mitchell	2009	325,000	–	–	–	–	2012
	2008	250,000	(60,625)	189,375	–	–	2011
Paul G Say	2009	200,000	–	–	–	–	2012
	2008	250,000	(60,625)	189,375	–	–	2011
Mark F Turner	2009	135,000	–	–	–	–	2012
	2008	200,000	(48,500)	151,500	–	–	2011
	2007	180,000	(49,176)	130,824	–	–	2010
	2006	70,000	(6,650)	63,350	31,675	95,025	2009
Andrew P Whiteside⁴	2009	135,000	–	–	–	–	2012
	2008	100,000	(24,250)	75,750	–	–	2011

1 Patricia A Daniels qualified as a KMP on 14 January 2008.

2 Jane Lloyd qualified as a KMP on 14 July 2008.

3 Louise J Martin qualified as a KMP on 27 March 2008.

4 Andrew P Whiteside qualified as a KMP on 28 April 2008.

Non-Executive Director board and committee fees

Board and Committee fees paid to Non-Executive Directors for the years ended 30 June 2008 and 30 June 2009 are set out in the table below.

	Directors Fees		Committee Fees					Total cash salary and fees	
	Board	Chair DWPL	Board Audit	Board Risk	Board Compliance	Board Nom & Rem	Board Treasury Policy	Board Finance	
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Name									
Christopher T Beare									
2009	300,000	–	–	–	–	–	–	–	300,000
2008	300,000	–	–	–	–	–	–	–	300,000
Elizabeth A Alexander¹									
2009	130,000	–	15,000	15,000	6,250	–	–	6,250	172,500
2008	130,000	–	15,000	15,000	8,125	–	–	5,625	173,750
Barry R Brownjohn²									
2009	130,000	–	7,500	7,500	–	–	–	15,000	160,000
2008	130,000	–	7,500	7,500	–	–	–	15,000	160,000
John C Conde³									
2009	22,652	–	–	–	1,250	1,250	–	–	25,152
2008	–	–	–	–	–	–	–	–	–
Stewart F Ewen									
2009	130,000	–	–	–	–	7,500	–	–	137,500
2008	130,000	–	–	–	–	7,500	–	–	137,500
Charles B Leitner III⁴									
2009	–	–	–	–	–	–	–	–	–
2008	–	–	–	–	–	–	–	–	–
Brian E Scullin									
2009	130,000	30,000	6,250	6,250	15,000	7,500	–	–	195,000
2008	130,000	30,000	7,500	7,500	16,250	7,500	–	–	198,750
Peter B St George⁵									
2009	22,652	–	1,250	1,250	–	–	–	1,250	26,402
2008	–	–	–	–	–	–	–	–	–
Total									
2009	865,304	30,000	30,000	30,000	22,500	16,250	–	22,500	1,016,554
2008	820,000	30,000	30,000	30,000	24,375	15,000	–	20,625	970,000

1 Elizabeth A Alexander ceased to be a member of the Board Compliance Committee and a member of the Board Finance Committee on 30 April 2009.

2 Barry R Brownjohn ceased to be the chair of the Board Finance Committee on 30 April 2009 and became chair of the Board Compliance Committee on 1 May 2009.

3 John C Conde became a Non-Executive Director on 29 April 2009. He was appointed to the Board Compliance Committee and the Board Nomination and Remuneration Committee on 1 May 2009.

4 As an employee of the Deutsche Bank group, Mr Leitner waived his right to receive Director's fees. Accordingly, Mr Leitner's Alternate Director, Mr Fay did not receive Director's fees when acting as his alternate. Mr Leitner ceased to be a Non-Executive Director on 29 April 2009. Accordingly, Mr Fay ceased to be Mr Leitner's Alternate Director on 29 April 2009.

5 Peter B St George became a Non-Executive Director on 29 April 2009. He was appointed to the Board Audit and Risk Committee and the Board Finance Committee on 1 May 2009.

3. Remuneration Report (continued)

8. Remuneration of key management personnel (continued)

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

During the year ended 30 June 2009, Charles B Leitner, Non-Executive Director, was an employee of RREEF America Inc., a Deutsche Bank group company, and was not paid fees or any other remuneration by DEXUS or any of its subsidiaries.

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

Commencing 1 April 2009 Mr Ewen earned a fee equivalent to a Committee Chair fee, in addition to his Director's fee, as compensation for the added responsibilities assumed in attending meetings and reviewing property investment proposals on behalf of the Board.

During the year, Mr Fay received a consulting fee of \$108,300 from 1 July 2008 to 29 April 2009.

Non-Executive Director Remuneration

Details of the structure and quantum of each component of remuneration for each Non-Executive Director for the years ended 30 June 2008 and 30 June 2009 are set out in the following table.

	Short-term employee benefits \$	Post employment benefits ¹ \$	Other long-term benefits \$	Total \$
Name				
Christopher T Beare				
2009	286,255	13,745	–	300,000
2008	286,871	13,129	–	300,000
Elizabeth A Alexander AM				
2009	157,844	14,656	–	172,500
2008	160,621	13,129	–	173,750
Barry R Brownjohn				
2009	146,789	13,211	–	160,000
2008	123,379	36,621	–	160,000
John C Conde AO				
2009	23,075	2,077	–	25,152
2008	–	–	–	–
Stewart F Ewen OAM				
2009	63,073	74,427	–	137,500
2008	126,147	11,353	–	137,500
Brian E Scullin				
2009	181,255	13,745	–	195,000
2008	139,605	59,145	–	198,750
Peter B St George				
2009	24,222	2,180	–	26,402
2008	–	–	–	–
Total				
2009	882,513	134,041	–	1,016,554
2008	836,623	133,377	–	970,000

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

4. Directors' interests

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

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

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

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

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

5. Directors' directorships in other listed entities

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

Directors	Company	Date appointed	Date resigned or ceased being a Director of a listed security
Elizabeth A Alexander AM	CSL Limited	12 July 1991	
	Boral Limited	15 December 1999	24 October 2008
John C Conde AO	Whitehaven Coal Limited	3 May 2007	
Brian E Scullin	Deutsche Asset Management (Australia) Limited ¹	24 October 2000	17 October 2006
	IYS Instalment Receipt Limited ¹	24 October 2000	17 October 2006
	SPARK Infrastructure RE Limited ²	1 November 2005	24 August 2007
	BT Investment Management Limited	17 September 2007	
Peter B St George	Boart Longyear Limited	21 February 2007	
	SPARK Infrastructure RE Limited ²	8 November 2005	31 December 2008
	First Quantum Minerals Limited ³	20 October 2003	
Alternate Director			
Andrew J Fay (alternate to Charles B Leitner III)	Deutsche Asset Management (Australia) Limited ¹	20 October 2004	17 October 2006
	IYS Instalment Receipt Limited ¹	20 October 2004	17 October 2006
	SPARK Infrastructure RE Limited ²	7 December 2006	12 December 2007

1 IYS Instalment Receipt Limited had until 29 November 2006 issued ASX listed instalment receipts over units in the Deutsche Retail Infrastructure Trust, a managed investment scheme that was until 17 October 2006 listed but not quoted on the ASX and whose responsible entity was Deutsche Asset Management (Australia) Limited. Deutsche Asset Management (Australia) Limited ceased to be the Responsible Entity of IYS Instalment Receipt Limited on 17 October 2006.

2 SPARK Infrastructure RE Limited has issued ASX listed stapled securities trading as SPARK Infrastructure Group (ASX: SKI).

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

6. Principal activities

During the year the principal activity of DEXUS Property Group was to own and manage 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 DEXUS Property Group's activities during the year. The number of employees of DXS at the end of the reporting period being 30 June 2009 was 284 (2008: 270).

7. Total value of trust assets

The total value of the assets of the DEXUS Property Group as at 30 June 2009 was \$8,351.1 million (2008: \$9,349.0 million). Details of the basis of this valuation are outlined in note 1 of the Notes to the Financial Statements and form part of this Directors' Report.

8. Review and results of operations

A review of the results, financial position, operations including business strategies and the expected results of operations of the DEXUS Property Group, are set out in the Chief Executive Officer's Report of the DEXUS Property Group 2009 Security Holder Review and forms 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 the future developments or results of the DEXUS Property 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 DEXUS Property 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 DEXUS Property Group, the results of those operations, or the state of the DEXUS Property Group's affairs in future financial years.

11. Matters subsequent to the end of the financial year

Since the end of the year the Directors of DXFM 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 DEXUS Property Group, the results of those operations, or the state of DXS's affairs in future financial years.

12. Distributions

Distributions paid or payable by the DEXUS Property Group for the year ended 30 June 2009 were 7.3 cents per security (2008: 11.9 cents per security) as outlined in note 29 of the Notes to the Financial Statements.

13. DXFM's fees and associate interests

Details of fees paid or payable by the DEXUS Property Group to DXFM for the year ended 30 June 2009 are outlined in note 33 of the Notes to the Financial Statements and form part of this Directors' Report.

The number of interests in the DEXUS Property Group held by DXFM or its associates as at the end of the financial year are nil (2008: nil).

14. Interests in DXS securities

The movement in securities on issue in the DEXUS Property Group during the year and the number of securities on issue as at 30 June 2009 are detailed in note 26 of the Notes to the Financial Statements and form part of this Directors' Report.

The DEXUS Property Group did not have any options on issue as at 30 June 2009 (2008: nil).

15. Environmental regulation

DEXUS Property Group 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 breaches of these requirements and to the best of its knowledge all activities have been undertaken in compliance with environmental requirements.

16. Indemnification and insurance

The insurance premium for a policy of insurance indemnifying Directors, officers and others (as defined in the relevant policy of insurance) is paid by DXH. The auditors are in no way indemnified out of the assets of DXS.

17. Audit

17.1 Auditor

PricewaterhouseCoopers (PwC or the Auditor) continues in office in accordance with section 327 of the *Corporations Act 2001*.

17.2 Non-audit services

The Trusts may decide to employ the Auditor on assignments additional to their statutory audit duties where the Auditors expertise and experience with the Trusts and/or DEXUS Property Group are important.

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

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

- Board Audit Committee has determined that the Auditor will not provide services that have the potential to impair the independence of its audit role, including:
 - participating in activities that are normally undertaken by management; and
 - being remunerated on a “success fee” basis.
- Board Audit Committee has determined that the Auditor will not provide services where the Auditor may be required to review or audit its own work, including:
 - the preparation of accounting records;
 - the design and implementation of information technology systems;
 - conducting valuation, actuarial or legal services;
 - promoting, dealing in or underwriting securities; or
 - providing internal audit services.
- Board Audit Committee regularly reviews the performance and independence of the Auditor and whether the independence of this function has been maintained having regard to the provision of non-audit services. The Auditor has provided a written declaration to the Board regarding its independence at each reporting period and Board Audit Committee approval is required before the engagement of the Auditor to perform any non-audit service for a fee in excess of \$100,000.

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

17.3 Auditor's independence declaration

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

18. Corporate governance

DXFM's Corporate Governance Statement is set out in a separate section of this Annual Report.

19. Rounding of amounts and currency

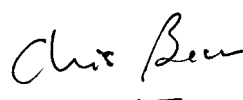
The DEXUS Property Group is a registered scheme of the kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the “rounding off” of amounts in this Directors' Report and the Financial Statements. Amounts in this Directors' Report and Financial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

20. Management representation

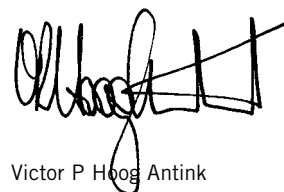
The Chief Executive Officer and Chief Financial Officer have reviewed the Trust's Financial Reporting processes, policies and procedures together with its risk management, internal control and compliance policies and procedures. Following that review it is their opinion that the Trust's financial records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

21. Directors' authorisation

The Directors' Report is made in accordance with a resolution of the Directors. The Financial Report was authorised for issue by the Directors on 17 August 2009. The Directors have the power to amend and reissue the Financial Report.



Christopher T Beare
Chair
17 August 2009



Victor P Hoog Antink
Chief Executive Officer
17 August 2009



Auditor's Independence Declaration

PricewaterhouseCoopers
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As lead auditor for the audit of DEXUS Diversified Trust for the year ended 30 June 2009, I declare that to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in black ink, appearing to read 'JA Dunning'.

JA Dunning
Partner
PricewaterhouseCoopers

17 August 2009

		Consolidated		Parent entity	
	Notes	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Revenue from ordinary activities					
Property revenue	2	708,506	664,831	139,506	142,190
Distribution revenue		–	–	24,636	36,810
Interest revenue		3,225	8,134	3,431	715
Management fee revenue		63,663	26,760	–	–
Total revenue from ordinary activities		775,394	699,725	167,573	179,715
Share of net profits of associates accounted for using the equity method	16	31	2,467	–	–
Net foreign exchange gain/(loss)		2,179	3,442	(153,701)	48,314
Other income		335	1,253	112	478
Total income		777,939	706,887	13,984	228,507
Expenses					
Property expenses		(174,485)	(159,565)	(32,678)	(34,803)
Responsible Entity fees	33	–	(21,869)	(6,358)	(9,397)
Finance costs	3	(384, 241)	(213,233)	14,022	(23,560)
Net fair value (loss)/gain of investment properties		(1,517,564)	184,444	(164,539)	30,733
Net (loss)/gain on sale of investment properties		(1,880)	2,297	(1,330)	(5,743)
Net loss on sale of investment		(534)	–	–	–
Net fair value loss of investments		–	–	(176,712)	(96,517)
Net fair value loss of derivatives		(21,209)	(3,503)	(5,753)	(2,203)
Depreciation and amortisation		(4,742)	(3,002)	–	–
Impairment		(168,169)	(61)	–	–
Employee benefits expense		(59,282)	(23,340)	–	–
Other expenses	5	(21,485)	(15,892)	(1,622)	(1,213)
Total expenses		(2,353,591)	(253,724)	(374,970)	(142,703)
(Loss)/profit before tax		(1,575,652)	453,163	(360,986)	85,804
Tax benefit/(expense)					
Income tax (expense)/benefit	4 (a)	(12,537)	1,542	–	–
Withholding tax benefit/(expense)	4 (c)	132,773	(9,444)	–	–
Total tax benefit/(expense)		120,236	(7,902)	–	–
(Loss)/profit after tax		(1,455,416)	445,261	(360,986)	85,804
(Loss)/profit attributable to:					
Equity holders of the parent entity		(300,486)	83,470	(360,986)	85,804
Equity holders of other stapled entities (minority interest)		(1,158,625)	354,807	–	–
Stapled security holders		(1,459,111)	438,277	(360,986)	85,804
Net profit attributable to other minority interests		3,695	6,984	–	–
Net (loss)/profit		(1,455,416)	445,261	(360,986)	85,804

Earnings per unit		Cents	Cents	Cents	Cents
Basic earnings per unit on (loss)/profit attributable to equity holders of the parent entity	39	(8.11)	2.64	(9.74)	2.72
Diluted earnings per unit on (loss)/profit attributable to equity holders of the parent entity	39	(8.11)	2.64	(9.74)	2.72

The above Income Statements should be read in conjunction with the accompanying notes.

Earnings per stapled security					
Basic earnings per unit on (loss)/profit attributable to stapled security holders	39	(39.38)	13.88		
Diluted earnings per unit on (loss)/profit attributable to stapled security holders	39	(39.38)	13.88		

FINANCIAL REPORTS
BALANCE SHEETS
AS AT 30 JUNE 2009

		Consolidated		Parent entity	
	Notes	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Current assets					
Cash and cash equivalents	7	84,845	99,214	27,268	31,004
Receivables	8	35,816	36,457	17,752	8,419
Non-current assets classified as held for sale	9	98,054	–	20,800	–
Derivative financial instruments	11	205,491	191,162	97,805	70,059
Current tax assets		1,423	124	–	–
Other	12	13,618	9,372	2,731	1,307
Total current assets		439,247	336,329	166,356	110,789
Non-current assets					
Investment properties	13	7,120,710	8,182,295	1,397,596	1,589,089
Property, plant and equipment	14	438,620	443,633	129,718	62,644
Investments accounted for using the equity method	16	84,165	111,946	–	–
Investments in associates	16	–	–	138,276	314,989
Loans with related parties	10	–	–	408,583	119,533
Deferred tax assets	17	49,136	14,882	–	–
Intangible assets	18	213,267	255,113	–	–
Other	19	5,965	4,789	895	566
Total non-current assets		7,911,863	9,012,658	2,075,068	2,086,821
Total assets		8,351,110	9,348,987	2,241,424	2,197,610
Current liabilities					
Payables	20	98,410	118,396	19,503	13,968
Interest bearing liabilities	21	381,673	577,780	–	–
Loans with related parties	10	–	–	34,332	34,332
Current tax liabilities		1,051	1,019	–	–
Provisions	22	177,618	194,314	90,389	102,300
Derivative financial instruments	11	386,224	97,078	149,545	43,429
Other	23	281	1,799	–	–
Total current liabilities		1,045,257	990,386	293,769	194,029
Non-current liabilities					
Interest bearing liabilities	21	2,127,339	2,429,139	–	–
Deferred tax liabilities	24	9,975	76,543	–	–
Provisions	22	13,533	9,818	–	–
Other	25	8,789	8,048	877	959
Total non-current liabilities		2,159,636	2,523,548	877	959
Total liabilities		3,204,893	3,513,934	294,646	194,988
Net assets		5,146,217	5,835,053	1,946,778	2,002,622
Equity					
Equity attributable to equity holders of the parent entity					
Contributed equity	26	1,741,211	1,297,831	1,741,211	1,297,831
Reserves	27	(59,252)	1,248	–	–
Undistributed income	27	264,819	705,510	205,567	704,791
Parent entity security holders' interest		1,946,778	2,004,589	1,946,778	2,002,622
Equity attributable to equity holders of other stapled entities (minority interest)					
Contributed equity	26	2,966,643	2,280,052	–	–
Reserves	27	35,820	49,689	–	–
Undistributed income	27	(9,796)	1,294,725	–	–
Other stapled security holders' interest		2,992,667	3,624,466	–	–
Stapled security holders' interest		4,939,445	5,629,055	1,946,778	2,002,622
Other minority interest	28	206,772	205,998	–	–
Total equity		5,146,217	5,835,053	1,946,778	2,002,622

The above Balance Sheets should be read in conjunction with the accompanying notes.

FINANCIAL REPORTS
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2009

	Notes	Consolidated		Parent entity	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Total equity at the beginning of the year		5,835,053	5,704,943	2,002,622	1,989,688
Exchange differences on translation of foreign operations	27	(53,814)	(14,486)	–	–
Revaluation (decrement)/increment on investment	27	–	63,294	–	–
Net (expense)/income recognised directly in equity		(53,814)	48,808	–	–
Net (loss)/profit for the year		(1,455,416)	445,261	(360,986)	85,804
Total recognised income and expense for the year		(1,509,230)	494,069	(360,986)	85,804
Transactions with equity holders in their capacity as equity holders:					
Contributions of equity, net of transaction costs	26	1,129,971	243,524	443,380	146,305
Distributions provided for or paid	29	(296,648)	(355,380)	(138,238)	(219,175)
Acquisition of investment		–	402	–	–
Transactions with other minority interest:					
Contributions of equity, net of transaction costs		484	1,899	–	–
Distributions provided for or paid	29	(13,749)	(17,536)	–	–
Disposal of minority interest		–	(265,989)	–	–
Foreign currency translation reserve		336	29,121	–	–
Total transactions with equity holders		820,394	(363,959)	305,142	(72,870)
Total equity at the end of the year		5,146,217	5,835,053	1,946,778	2,002,622
Total recognised income and expense for the year is attributable to:					
Equity holders of the parent entity – DDF unitholders		(421,486)	85,643	(360,986)	85,804
Equity holders of other stapled entities (minority interest)		(1,091,439)	401,442	–	–
Security holders of DEXUS Diversified Trust		(1,512,925)	487,085	(360,986)	85,804
Other minority interest		3,695	6,984	–	–
Total recognised income and expense for the year		(1,509,230)	494,069	(360,986)	85,804

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

FINANCIAL REPORTS
CASH FLOW STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

		Consolidated		Parent entity	
	Notes	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Cash flows from operating activities					
Receipts in the course of operations (inclusive of GST)		912,632	783,742	157,263	179,091
Payments in the course of operations (inclusive of GST)		(345,517)	(252,212)	(54,403)	(74,314)
Interest received		3,021	10,149	3,432	606
Finance costs (paid to)/received from financial institutions		(200,156)	(174,204)	18,592	8,189
Distributions received		–	9,862	24,636	36,810
Dividends received		–	3,250	–	–
Income and withholding taxes paid		(10,403)	(6,142)	–	–
Net cash inflow from operating activities	37 (a)	359,577	374,445	149,520	150,382
Cash flows from investing activities					
Proceeds from sale of investment properties		19,833	793,200	7,540	446,799
Payments for capital expenditure on investment properties	37 (b)	(105,433)	(167,642)	(14,365)	(58,198)
Payments for investment properties		–	(321,327)	–	(2,800)
Proceeds from sale of investments		60,178	215,200	–	503,601
Payments for acquisition of investments net of cash		–	(321,191)	–	(96)
Payments for investments accounted for using the equity method		(25,995)	(18,630)	–	(141,178)
Wind up of investment		–	67	–	–
Payments for property, plant and equipment		(27,165)	(80,661)	–	–
Payments for capital expenditure on property, plant and equipment		(133,877)	(87,951)	(50,741)	(15,605)
Net cash inflow/(outflow) from investing activities		(212,459)	11,065	(57,566)	732,523
Cash flows from financing activities					
Issue of units		1,062,228	–	406,497	–
Establishment expenses and unit issue cost		(32,677)	(154)	(11,029)	–
Increase in other minority interest		484	1,651	–	–
Borrowings provided to entities within DXS		–	–	(841,743)	(606,896)
Borrowings provided by entities within DXS		–	–	525,511	104,348
Proceeds from borrowings		2,600,334	2,487,200	(72,689)	264,620
Repayment of borrowings		(3,570,336)	(2,662,111)	–	(584,032)
Repayment of loan notes		–	(51,936)	–	–
Distributions paid to security holders		(214,087)	(94,306)	(102,237)	(39,037)
Dividends paid to related parties		–	(5,974)	–	–
Distributions paid to other minority interests		(16,136)	(16,884)	–	–
Net cash outflow from financing activities		(170,190)	(342,514)	(95,690)	(860,997)
Net (decrease)/increase in cash and cash equivalents		(23,072)	42,996	(3,736)	21,908
Cash and cash equivalents at the beginning of the year		99,214	59,603	31,004	9,096
Effects of exchange rate changes on cash and cash equivalents		8,703	(3,385)	–	–
Cash and cash equivalents at the end of the year	7	84,845	99,214	27,268	31,004

The above Cash Flow Statements should be read in conjunction with the accompanying notes.

Note 1. Summary of significant accounting policies

(a) Basis of preparation

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

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

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

This general purpose Financial Report for the year ended 30 June 2009 has been prepared in accordance with the requirements of the Trusts' Constitutions, the *Corporations Act 2001*, Australian Equivalents to International Financial Reporting Standards (AIFRS) and Interpretations. Compliance with AIFRS ensures that the consolidated and parent Financial Statements and Notes comply with International Financial Reporting Standards (IFRS).

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

As at 30 June 2009, DXS had a current net asset deficiency of \$607.9 million. This Financial Report is prepared on a going concern basis as DXS has sufficient working capital and cash flow due to the existence of unutilised facilities of \$1,450.4 million as set out in note 21.

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

Critical accounting estimates

The preparation of Financial Statements in conformity with AIFRS may require the use of certain critical accounting estimates and management to exercise its judgement in the process of applying the Trusts' accounting policies. Other than the estimations described in notes 1(e), 1(n), 1(p), and 1(v), no key assumptions concerning the future or other estimation of uncertainty at the reporting date have a significant risk of causing material adjustments to the Financial Statements in the next annual reporting period.

Uncertainty around property valuations

The global market for many types of real estate has been severely affected by the recent volatility in global financial markets. The lower levels of liquidity and volatility in the banking sector have translated into a general weakening of market sentiment towards real estate and the number of real estate transactions has significantly reduced.

Fair value of investment property is the price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. A "willing seller" is not a forced seller prepared to sell at any price. The best evidence of fair value is given by current prices in an active market for similar property in a comparable location and condition.

The current lack of comparable market evidence relating to pricing assumptions and market drivers means that there is less certainty in regard to valuations and the assumptions applied to valuation inputs. The period of time needed to negotiate a sale in this environment may also be significantly prolonged.

The fair value of investment property has been adjusted to reflect market conditions at the end of the reporting period. While this represents the best estimates of fair value as at the balance sheet date, the current market uncertainty means that if investment property is sold in future the price achieved may be higher or lower than the most recent valuation, or higher or lower than the fair value recorded in the Financial Statements.

(b) Principles of consolidation

(i) Controlled entities

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

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

(ii) Partnerships and joint ventures

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

Note 1. Summary of significant accounting policies (continued)

(c) Revenue recognition

(i) Rent

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

(ii) Management fee revenue

Management fees are brought to account on an accruals basis, and if not received at the balance date, are reflected in the Balance Sheets as a receivable.

(iii) Interest revenue

Interest income is brought to account on an accruals basis using the effective interest rate method and, if not received at balance date, is reflected in the Balance Sheets as a receivable.

(iv) Dividends and distribution revenue

Income from dividends and distributions are recognised when declared. Amounts not received at balance date are included as a receivable in the Balance Sheets.

(d) Expenses

Expenses are brought to account on an accruals basis and, if not paid at balance date, are reflected in the Balance Sheets as a payable.

(i) Property expenses

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

(ii) Borrowing costs

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

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

(e) Derivatives and other financial instruments

(i) Derivatives

The Trusts' activities expose it to a variety of financial risks including foreign exchange risk and interest rate risk. Accordingly, the Trust enters into various derivative financial instruments such as interest rate swaps, cross currency swaps and foreign exchange contracts to manage its exposure to certain risks. Written policies and limits are approved by the Board of Directors of the Responsible Entity, in relation to the use of financial instruments to manage financial risks.

The Responsible Entity continually reviews the Trusts' exposures and updates its treasury policies and procedures. The Trust does not trade in derivative instruments for speculative purposes. Even though derivative financial instruments are entered into for the purpose of providing the Trust with an economic hedge, the Trusts' have elected not to apply hedge accounting under AASB 139: *Financial Instruments: Recognition and Measurement* for interest rate swaps and foreign exchange contracts. Accordingly, derivatives including interest rate swaps, interest rate component of cross currency swaps and foreign exchange contracts, are measured at fair value with any changes in fair value recognised in the Income Statements.

(ii) Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not measured at fair value with changes in fair value recognised in the Income Statements.

(iii) Debt and equity instruments issued by the Trusts

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

Interest and distributions are classified as expenses or as distributions of profit consistent with the Balance Sheet classification of the related debt or equity instruments.

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

(iv) Financial guarantee contracts

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

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

(v) Other financial assets

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

(f) Goods and services tax/value added tax

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

In these circumstances the GST/VAT is recognised as part of the cost of acquisition of the asset or as part of the expense.

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

(g) Taxation

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

DXO is a trading trust and is subject to Australian income tax as follows:

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

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

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

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

DIT France Logistique SAS (DIT France), a wholly owned sub-trust of DIT, is liable for French corporation tax on its taxable income at the rate of 34.43%. In addition, a deferred tax liability or asset and its related

deferred tax expense/benefit is recognised on differences between the tax cost base of the French real estate assets and their accounting carrying value at balance date.

DEXUS GLOG Trust, a wholly owned Australian sub-trust of DIT, is liable for German income tax on its German taxable income at the rate of 15.82% from 1 January 2008 (this rate was 26.37% prior to 1 January 2008). In addition, a deferred tax liability or asset and its related deferred tax expense/benefit is recognised on differences between the tax cost base of the German real estate assets and their accounting carrying value at balance date.

DOT NZ Sub-Trust No. 1, a wholly owned Australian sub-trust of DOT, is liable for New Zealand corporate tax on its New Zealand taxable income at the rate of 30%. In addition, a deferred tax liability or asset and its related deferred tax expense/benefit is recognised on differences between the tax cost base of the New Zealand real estate asset and the accounting carrying value at balance date.

DEXUS Canada Trust, a wholly owned Australian sub-trust of DIT, is liable for Canadian income tax on its Canadian taxable income at the rate of 25%. In addition, a deferred tax liability or asset and its related deferred tax expense/benefit is recognised on differences between the tax cost base of the Canadian real estate asset and the accounting carrying value at balance date.

Tax consolidation

DXH is the head entity in the DXH tax consolidated group comprising DEXUS Funds Management Limited, DEXUS Property Services Pty Limited, DEXUS Financial Services Pty Limited and DEXUS Wholesale Property Limited. The implementation date for the tax consolidated group was 1 October 2004. During the year DEXUS CMBS Issuer Pty Limited was formed and joined the tax consolidated group. The entities within the DXH tax consolidated group entered into a Tax Sharing Deed and Tax Funding Deed on 29 June 2007 (effective 1 July 2006).

During the year, newly incorporated entities, DEXUS Finance No.2 Pty Limited and DEXUS Finance No.3 Pty Limited together with DEXUS Finance Pty Limited (DXF) formed the DXF tax consolidated group on 18 December 2008. DXF is the head entity of this tax consolidated group. The entities in the DXF tax consolidated group entered into a Tax Sharing Deed and Tax Funding Deed on 29 June 2009 (effective 18 December 2008).

In the opinion of the Directors, the Tax Sharing Deeds limit the joint and several liability of the wholly-owned entities in the case of a default by the head entity.

For each of the consolidated tax groups, the head entity and the controlled entities continue to account for their own current and deferred tax amounts. These notional tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right pursuant to the Tax Funding Deed.

Under the Tax Funding Deed, the wholly owned entities fully compensate the head entity for any current tax payable assumed and are compensated by the head entity for any current tax receivable. The funding amounts are determined by reference to the amounts recognised in the wholly owned entities' Financial Statements and are recognised as current intercompany receivables or payables.

Note 1. Summary of significant accounting policies (continued)

(h) Distributions

In accordance with the Trusts' Constitutions, the Trusts distribute their distributable income to unitholders by cash or reinvestment. Distributions are provided for when they are approved by the Board of Directors and declared.

(i) Repairs and maintenance

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

(j) Cash and cash equivalents

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

(k) Receivables

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

(l) Non-current assets (or disposal groups) held for sale and discontinued operations

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

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

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

(n) Property, plant and equipment

Property under development is carried at historical cost until the development is complete. All costs of development are capitalised against the property and are not depreciated. Upon completion of development, the assets are classified as investment property.

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

Property under development and all other property, plant and equipment are tested for impairment whenever events or changes in circumstances indicate that the carrying amounts exceed their recoverable amounts (refer note 1 (u)).

(o) Depreciation of property, plant and equipment

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

Buildings (including fitout)	5-50 years
IT equipment	3-5 years

(p) Investment properties

Investment properties consist of properties held for long-term rental yields, capital appreciation or both. Investment properties are initially recognised at cost including transaction costs. Investment properties are subsequently recognised at fair value in the Financial Statements. Each valuation firm and its signatory valuer are appointed on the basis that they are engaged for no more than three consecutive valuations.

The basis of valuations of investment properties is fair value being the amounts for which the assets could be exchanged between knowledgeable willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases. In addition, an appropriate valuation method is used, which may include the discounted cash flow and the capitalisation method. Discount rates and capitalisation rates are determined based on industry expertise and knowledge, and where possible a direct comparison to third party rates for similar assets in a comparable location. Rental income from current leases and assumptions about future leases, as well as any expected operational cash outflows in relation to the property, are also reflected in fair value.

External valuations of the individual investments are carried out in accordance with the Trusts' Constitutions, or may be earlier where the Responsible Entity believes there is a potential for a material change in the fair value of the property.

Changes in fair values are recorded in the Income Statements. 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 Income Statements 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. Repairs and maintenance are accounted for in accordance with 1(i).

(q) Leasing fees

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

(r) Lease incentives

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

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

(s) Investments accounted for using the equity method

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

Under this method, the entity's share of the post-acquisition profits of associates is recognised in the consolidated Income Statements. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends or distributions receivable from associates are recognised in the parent entity's Income Statements, while in the Consolidated Financial Statements they reduce the carrying amount of the investment.

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

(t) Business combinations

The purchase method of accounting is used for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at acquisition date. The excess of the acquisition cost over the fair value of the Trusts' share of identifiable net assets acquired is recorded as goodwill (refer note 1(v)). If the cost is less than the fair value of the Trusts' share of the identifiable net assets acquired, the difference is recognised directly in the Income Statements.

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

(u) Impairment of assets

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

(v) Intangible assets

(i) Goodwill

As part of a business combination, the identifiable net assets acquired are measured at fair value. The excess of the acquisition costs over the fair value of the identifiable net assets is brought to account as goodwill in the Balance Sheets. The carrying value of the goodwill is tested for impairment at each reporting date with any decrement in value taken to the Income Statements as an expense.

(ii) Management rights

Management rights represent the asset management rights owned by the Trust which entitle it to management fee revenue from both finite and indefinite life trusts. Those rights that are deemed to have a finite useful life, are measured at cost and amortised using the straight-line method over their estimated useful lives which vary from six to 22 years.

Note 1. Summary of significant accounting policies (continued)

(w) Financial assets and liabilities

(i) Classification

DXS has classified its financial assets and liabilities as follows:

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

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

(ii) Fair value estimation of financial assets and liabilities

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

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

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

(x) Payables

These amounts represent liabilities for amounts owing at balance date. The amounts are unsecured and are usually paid within 30 days of recognition.

(y) Interest bearing liabilities

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

(z) Employee benefits

(i) Wages, salaries and annual leave

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

(ii) Long service leave

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

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

(aa) Earnings per unit

Earnings per unit are determined by dividing the net profit attributable to equity holders of the parent entity by the weighted average number of ordinary units outstanding during the year, adjusted for bonus elements in units issued during the year.

(ab) Foreign currency

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

(i) Foreign currency transactions

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

(ii) Foreign operations

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

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

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

(ac) Segment reporting

A business segment is a group of assets and operations engaged in providing services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing services within a particular geographic environment and is subject to risks and returns that are different from those of segments operating in other geographic environments.

(ad) Rounding of amounts

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

(ae) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2009 reporting period. Our assessment of the impact of these new standards and interpretations is set out below:

(i) AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 are effective for annual reporting periods commencing on or after 1 January 2009.

AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a "management approach" to reporting on financial performance. The information being reported will be based on what the key decision-makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Trusts intend to apply the revised standard from 1 July 2009. Application of AASB 8 may result in different segments, segment results and different type of information being reported in the segment note of the financial report. However, it will not affect any of the amounts recognised in the Financial Statements.

(ii) Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101.

The revised AASB 101 that was issued in September 2007 is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the Statements of Changes in Equity but will not affect any of the amounts recognised in the Financial Statements. If an entity has made a prior period adjustment or a reclassification of items in the Financial Statements, it will also need to disclose a third balance sheet (Statement of Financial Position), this one being as at the beginning of the comparative period. The Trusts intend to apply the revised standard from 1 July 2009.

(iii) Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12].

The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and – when adopted – will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the Financial Reports of the Trusts, as the Trusts already capitalise borrowing costs relating to qualifying assets.

(iv) Revised AASB 3 Business Combinations, AASB 127 Consolidated and Separate Financial Statements and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127.

Revised accounting standards for business combinations and Consolidated Financial Statements were issued in March 2008 and are operative for annual reporting periods beginning on or after 1 July 2009, but may apply earlier. The Trusts will apply the revised standards from 1 July 2009. However, the new rules generally apply only prospectively to transactions that occur after the application date of the standard. Their impact will therefore depend on whether the Trusts will enter into any business combinations or other transactions that affect the level of ownership held in the controlled entities in the year of initial application.

The revised AASB 3 continues to apply the acquisition method to business combinations, but with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs must be expensed. This is different to the Trusts' current policy which is set out in note 1(t) above. For example, under the new rules:

The revised AASB 127 requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss.

Note 1. Summary of significant accounting policies (continued)

(ae) New accounting standards and interpretations (continued)

(v) AASB 2008-7 Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective 1 July 2009).

In July 2008, the AASB approved amendments to AASB 1 *First-time Adoption of International Financial Reporting Standards* and AASB 127 *Consolidated and Separate Financial Statements*. The Trusts will apply the revised rules prospectively from 1 July 2009. After that date, all dividends received from investments in subsidiaries, jointly controlled entities or associates will be recognised as revenue, even if they are paid out of pre-acquisition profits, but the investments may need to be tested for impairment as a result of the dividend payment. Under the entity's current policy, these dividends are deducted from the cost of the investment. Furthermore, when a new intermediate parent entity is created in internal reorganisations it will measure its investment in subsidiaries at the carrying amounts of the net assets of the subsidiary rather than the subsidiary's fair value.

(vi) AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project .

In July 2008, AASB 2008-5 was issued comprising amendments to various standards arising from the annual improvements project. The amendments are effective for reporting periods beginning on or after 1 January 2009. The following amendments are considered relevant to the Trusts:

AASB 101 (Amendment) Presentation of Financial Statements.

The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with AASB 139 *Financial Instruments: Recognition and Measurement* are examples of current assets and liabilities respectively. The Trusts will apply the AASB 139 (Amendment) from 1 July 2009. This clarification will enable the Trusts to distinguish between current and non-current derivative balances.

AASB 119 (Amendment) Employee Benefits (effective from 1 January 2009).

The amendments relevant to the Trusts includes:

- The distinction between short-term and long-term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.
- AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* requires contingent liabilities to be disclosed, not recognised. AASB 119 has been amended to be consistent.

The Trusts will apply the AASB 119 (Amendment) from 1 July 2009. There will be no impact on the amounts recognised in the Financial Statements.

AASB 123 (Amendment) Borrowing Costs.

The definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in AASB 139 *Financial Instruments: Recognition and Measurement*. This eliminates the inconsistency of terms between AASB 139 and AASB 123. The Trusts will apply the AASB 123 (Amendment) prospectively to the capitalisation of borrowing costs on qualifying

assets from 1 July 2009. This is not expected to have any impact on the amounts recognised in the entity's Financial Statements.

AASB 127 (Amendment) Consolidated and Separate Financial Statements (effective from 1 January 2009).

Where an investment in a subsidiary that is accounted for under AASB 139 *Financial Instruments: Recognition and Measurement* is classified as held for sale under AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*, AASB 139 would continue to be applied. The amendment will not have an impact on the Trusts' operations because it is the Trusts' policy for an investment in subsidiary to be recorded at fair value through profit or loss in the standalone accounts of each entity.

AASB 128 (Amendment) Investments in Associates (and consequential amendments to AASB 132 Financial Instruments: Presentation and AASB 7 Financial Instruments: Disclosures) (effective from 1 January 2009).

An investment in associate is treated as a single asset for the purposes of impairment testing and any impairment loss is not allocated to specific assets included within the investment, for example, goodwill. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. The Trusts will apply the AASB 128 (Amendment) to impairment tests related to investment in associates and any related impairment losses from 1 July 2009. Due to the prospective application this will not affect any of the amounts recognised at 30 June 2009.

AASB 131 (Amendment) Interests in Joint Ventures (and consequential amendments to AASB 132 and AASB 7) (effective from 1 January 2009).

Where an investment in a joint venture is accounted for in accordance with AASB 139, only certain, rather than all, disclosure requirements in AASB 131 need to be made in addition to disclosures required by AASB 132 and AASB 7. This amendment will not have an impact on the Trusts' operations.

AASB 136 (Amendment) Impairment of Assets.

Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for a value-in-use calculation should be made. The Trusts will apply the AASB 136 (Amendment) and provide the required disclosure where applicable for impairment tests from 1 July 2009. This is not expected to have an impact on the amounts recognised in the Trusts' Financial Statements.

AASB 138 (Amendment) Intangible Assets (effective from 1 January 2009).

A prepayment may only be recognised in the event that payment has been made in advance of obtaining a right of access to goods or a receipt of services. Therefore to the extent that the expenditure is incurred to provide future economic benefits to an entity, but no intangible asset or other asset is acquired or created that can be recognised, the entity recognises such expenditure as an expense when it has a right to access the goods or when it receives the services. The Trusts will apply the AASB 138 (Amendment) from 1 July 2009, however this is not expected to have an impact on the amounts recognised in the Trusts' Financial Statements.

AASB 140 (Amendment) *Investment Property* (and consequential amendments to AASB 116).

Under this amendment, property that is under construction or development for future use as investment property falls within the scope of AASB 140. Where the fair value model is applied, such property is, therefore, measured at fair value. However, where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable. The Trusts will apply the AASB 140 (Amendment) from 1 July 2009.

AASB 2008-6 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* (effective 1 July 2009).

The amendments to AASB 5 *Discontinued Operations* and AASB 1 *First-Time Adoption of Australian-Equivalents to International Financial Reporting Standards* are part of the IASB's annual improvements project published in May 2008. They clarify that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosures should be made for this subsidiary if the definition of a discontinued operation is met. The Trusts will apply the amendments prospectively to all partial disposals of subsidiaries from 1 July 2009.

(vii) AASB 2009-2 *Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments* (effective for annual periods beginning on or after 1 January 2009).

In April 2009, the AASB published amendments to AASB 7 *Financial Instruments: Disclosure* to improve the information that entities report about their liquidity risk and the fair value of their financial instruments. The amendments require fair value measurement disclosures to be classified into a new three-level hierarchy and additional disclosures for items whose fair value is determined by valuation techniques rather than observable market values. The AASB also clarified and enhanced the existing requirements for the disclosure of liquidity risk of derivatives. The Trusts will apply the amendments from 1 January 2009. They will not affect any of the amounts recognised in the Financial Statements.

(viii) AASB 2009-3 *Amendments to Australian Accounting Standards – Embedded Derivatives* (effective for annual periods ending on or after 30 June 2009).

The amendments made by the AASB to Interpretation 9 and AASB 139 clarify that where a financial asset is reclassified out of the 'at fair value through profit or loss' category, all derivatives embedded in that asset have to be assessed and, if necessary, separately accounted for in financial statements. The Trusts will apply the amendments retrospectively for the financial half-year ending 31 December 2009. There will be no impact on the Trusts' financial statements as at 31 December 2009 as it has not reclassified any financial assets out of the "at fair value through profit or loss" category.

Note 2. Property revenue

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Rent and recoverable outgoings	733,800	682,038	143,019	146,070
Incentive amortisation	(47,242)	(42,034)	(5,811)	(5,822)
Other revenue	21,948	24,827	2,298	1,942
Total property revenue	708,506	664,831	139,506	142,190

Note 3. Finance costs

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Interest paid/payable	164,053	183,164	(9,224)	–
Interest (received)/paid to related parties	–	–	(3,567)	10,429
Amount capitalised	(35,050)	(17,949)	(8,020)	(6,141)
Other finance costs	5,647	3,281	122	237
Net fair value loss of interest rate swaps	249,591	44,737	6,667	19,035
Total finance costs	384,241	213,233	(14,022)	23,560

The average capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 6.60% (2008: 6.40%).

Note 4. Income tax

(a) Income tax expense/(benefit)

	Consolidated	
	2009 \$'000	2008 \$'000
Current tax	7,079	4,256
Deferred tax	5,458	(5,798)
Income tax expense/(benefit)	12,537	(1,542)
Deferred income tax expense included in income tax expense comprises:		
(Increase) in deferred tax assets	(298)	(6,135)
Increase in deferred tax liabilities	5,756	337
	5,458	(5,798)

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

	Consolidated	
	2009 \$'000	2008 \$'000
(Loss)/profit before tax	(1,575,652)	453,163
Loss/(profit) not subject to income tax (note 1(g))	1,489,557	(492,953)
	(86,095)	(39,790)
Prima facie tax benefit at the Australian tax rate of 30% (2008: 30%)	(25,829)	(11,937)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Depreciation and amortisation	(1,816)	(1,640)
Impairment	22,371	–
Share of net profits of associates	–	700
Revaluation of investment properties	16,125	13,445
Previously unrecognised tax losses now recognised	(1,802)	(641)
Reversal of recognised tax loss	3,470	–
Tax offsets from franked dividends	–	(1,567)
Sundry items	18	25
	38,366	10,322
Over provision in prior year	–	73
Income tax expense/(benefit)	12,537	(1,542)

(c) Withholding tax expense

Withholding tax benefit of \$132,773,000 (2008: \$9,444,000 expense) includes \$135,183,000 (2008: \$7,236,000 expense) of deferred tax benefit which is recognised on differences between the tax cost base of the US assets and liabilities and their accounting carrying value at balance date. The majority of the deferred tax benefit arises due to the tax depreciation and revaluation of US investment properties as well as mark-to-market of derivatives.

Note 5. Other expenses

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Audit and other fees	3,096	3,232	591	504
Custodian fees	532	489	124	136
Legal and other professional fees	1,305	1,295	80	260
Registry costs and listing fees	755	511	206	161
Occupancy expenses	267	463	–	–
Administration expenses	4,557	1,716	–	–
Other staff expenses	1,881	1,015	–	–
RREEF management fees	3,792	2,828	–	–
Other expenses	5,300	4,343	621	152
Total other expenses	21,485	15,892	1,622	1,213

Note 6. Audit and advisory fees

During the year the auditor of the parent entity and its related practices and non-related audit firms earned the following remuneration:

(a) Assurance services

	Consolidated		Parent entity	
	2009 \$	2008 \$	2009 \$	2008 \$
PwC audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>	1,353,129	1,262,986	355,252	385,980
PwC fees paid in relation to outgoing audit ¹	61,675	171,118	42,277	24,206
Remuneration for audit services to PwC	1,414,804	1,434,104	397,529	410,186
Fees paid to non-PwC audit firms	820,195	885,981	–	–
Total remuneration for assurance services	2,234,999	2,320,085	397,529	410,186

(b) Taxation services

Fees paid to PwC Australia	376,970	518,070	185,900	117,359
Fees paid to PwC US	330,022	269,105	–	–
Remuneration for taxation services to PwC	706,992	787,175	185,900	117,359
Fees paid to non-PwC taxation firms	216,113	295,648	50,613	370
Total remuneration for taxation services²	923,105	1,082,823	236,513	117,729
Total audit and taxation fees¹	3,158,104	3,402,908	634,042	527,915

(c) Fees paid to PwC for transaction services

PwC assurance services in respect of capital raisings	575,000	–	211,916	–
PwC taxation services	195,990	–	74,840	–
PwC other transaction and advisory fees	262,100	–	57,071	–
Total transaction service fees	1,033,090	–	343,827	–
Total audit, taxation and transaction service fees	4,191,194	3,402,908	977,869	527,915

¹ Fees paid in relation to outgoing audits are included in property expenses. Therefore total audit and taxation fees included in other expenses is \$3,096,000.

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

Note 7. Current assets – cash and cash equivalents

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Cash at bank	74,159	88,516	27,268	31,004
Short-term deposits	10,686	10,698	–	–
Total current assets – cash and cash equivalents	84,845	99,214	27,268	31,004

Note 8. Current assets – receivables

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Rent receivable	20,815	12,254	2,232	1,802
Less: provision for doubtful debts	(4,487)	(1,487)	(397)	(377)
Total rental receivables	16,328	10,767	1,835	1,425
Fee receivable	8,324	11,907	–	–
Other receivables from related parties	–	–	13,107	4,700
GST receivables	–	–	1,229	–
Interest receivable	67	290	–	–
Other receivables	11,097	13,463	1,581	2,294
Total other receivables	19,488	25,660	15,917	6,994
Total current assets – receivables	35,816	36,427	17,752	8,419

Note 9. Non-current assets classified as held for sale

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Investment property held for sale	43,054	–	20,800	–
Property, plant and equipment held for sale	55,000	–	–	–
Total non-current assets classified as held for sale	98,054	–	20,800	–

As part of the asset sale program announced on 21 April 2009, certain assets have been classified as non-current assets held for sale and are carried at fair value less cost to sell.

The investment properties classified as held for sale comprise 3-7 Bessemer Street, Blacktown, NSW (\$9.1 million); 68 Hasler Road, Herdsman, WA (\$11.3 million), Redwood Gardens Industrial Estate, Dingley, VIC (\$20.8 million) and Nordstraße 1, Lobau (\$1.9 million).

The property, plant and equipment held for sale comprises of 343 George Street, Sydney (\$55 million).

Refer note 35 for further discussion regarding these forthcoming disposals.

Note 10. Loans with related parties

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Non-current assets – loan with related parties				
Intercompany loans ¹	–	–	248,366	119,533
Intercompany loans with entities within DXS ²	–	–	160,217	–
Total non-current assets – loan with related parties	–	–	408,583	119,533
Current liabilities – loan with related parties				
Non-interest bearing loans with the Trusts ³	–	–	34,332	34,332
Total current liabilities – loan with related parties	–	–	34,332	34,332

1 The intercompany loans represent interest-bearing loans with DEXUS Finance Pty Limited (DXF) to or from the Trusts. These loan balances eliminate on consolidation.

2 Interest bearing loan with entities within DXS.

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

Note 11. Derivative financial instruments

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Current assets				
Interest rate swap contracts	122,293	138,359	68,455	34,470
Cross currency swap contracts	79,786	42,141	27,605	30,567
Forward foreign exchange contracts	3,412	10,662	1,745	5,022
Total current assets – derivative financial instruments	205,491	191,162	97,805	70,059
Current liabilities				
Interest rate swap contracts	301,203	95,602	91,397	42,539
Cross currency swap contracts	84,709	–	57,896	–
Forward foreign exchange contracts	312	1,476	252	890
Total current liabilities – derivative financial instruments	386,224	97,078	149,545	43,429
Net current derivative financial instruments	(180,733)	94,084	(51,740)	26,630

Refer note 30 for further discussion regarding derivative financial instruments.

Note 12. Current assets – other

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Prepayments	13,618	9,372	2,731	1,307
Total current assets – other	13,618	9,372	2,731	1,307

Note 13. Non-current assets – investment properties

(a) Properties

	Ownership	Acquisition date
Held by parent entity		
Kings Park Industrial Estate, Bowmans Road, Marayong, NSW	100%	May 1990
Target Distribution Centre, Lot 1, Tara Avenue, Altona North, VIC	100%	Oct 1995
Axxess Corporate Park, 164-180 Forster Road, 11 & 21-45 Gilby Road, 307-355 Ferntree Gully Road, Mount Waverley, VIC	100%	Oct 1996
Knoxfield Industrial Estate, 20 Henderson Road, Knoxfield, VIC	100%	Aug 1996
12 Frederick Street, St Leonards, NSW	100%	Jul 2000
40 Talavera Road, North Ryde, NSW	100%	Oct 2002
2 Alspec Place, Eastern Creek, NSW	100%	Mar 2004
Redwood Gardens Industrial Estate Stages 3, 5, 6 & 7 and Lot 4, Dingley, Vic ³	100%	Dec 1994
44 Market Street, Sydney, NSW	100%	Sep 1987
8 Nicholson Street, Melbourne, VIC	100%	Nov 1993
130 George Street, Parramatta, NSW	100%	May 1997
Flinders Gate Complex, 172 Flinders Street & 189 Flinders Lane, Melbourne, VIC	100%	Mar 1999
383-395 Kent Street, Sydney, NSW	100%	Sep 1987
14 Moore Street, Canberra, ACT**	100%	May 2002
Sydney CBD Floor Space ¹	100%	Jul 2000
Westfield Whitford City Shopping Centre Marmion & Whitfords Avenue, Hillarys, WA ²	50%	Oct 1984
Westfield Whitfords Avenue Lot 6 Endeavour Road, Hillarys, WA ²	50%	Dec 1992
34-60 Little Collins Street, Melbourne, VIC**	100%	Nov 1984
32-44 Flinders Street, Melbourne, VIC	100%	Jun 1998
Flinders Gate Carpark, 172-189 Flinders Street, Melbourne, VIC	100%	Mar 1999
383-395 Kent Street, Sydney, NSW	100%	Sep 1987
John Martin's Carpark & Retail Plaza Joint Venture	1%	Sep 1994
Total parent entity		

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

2 The valuation reflects 50% of the independent valuation amount.

3 This asset has been transferred to non-current assets classified as held for sale (refer note 9) as its carrying amount will be recovered principally through an expected sale transaction rather than through continuing use.

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

Cost including all additions \$'000	Independent valuation date	Independent valuation amount \$'000	Independent valuer	Consolidated book value 30 Jun 2009 \$'000	Consolidated book value 30 Jun 2008 \$'000
81,060	Jun 2008	99,000	(e)	91,200	104,000
25,555	Dec 2007	37,500	(a)	30,000	34,200
158,320	Jun 2008	192,650	(i)	180,600	192,650
31,081	Jun 2009	33,000	(a)	33,000	35,300
25,710	Jun 2009	33,100	(e)	33,100	37,000
33,112	Jun 2009	29,200	(f)	29,200	33,910
23,634	Dec 2008	24,800	(a)	23,300	24,800
21,177	Jun 2008	30,000	(e)	–	30,250
181,679	Jun 2008	225,000	(e)	190,000	225,000
70,347	Jun 2009	85,000	(i)	85,000	99,000
81,921	Dec 2008	90,000	(a)	72,000	92,000
16,413	Dec 2008	25,150	(i)	22,000	21,350
106,282	Jun 2008	153,000	(f)	120,000	153,000
38,277	Dec 2007	49,500	(a)	41,000	46,500
215	n/a	–	–	196	2,174
132,180	Jun 2007	252,350	(f)	245,350	255,350
5,506	Jun 2007	24,650	(f)	24,650	24,650
16,845	Dec 2008	40,900	(i)	36,000	41,000
21,773	Dec 2008	38,800	(i)	34,000	32,592
47,741	Dec 2008	54,600	(i)	49,000	39,263
30,745	Jun 2008	65,000	(f)	58,000	65,000
–	n/a	–	–	–	100
1,149,573		1,583,200		1,397,596	1,589,089

Note 13. Non-current assets – investment properties (continued)

(a) Properties (continued)

	Ownership	Acquisition date
Held by other stapled entities		
79-99 St Hilliers Road, Auburn, NSW	100%	Sep 1997
3 Brookhollow Avenue, Baulkham Hills, NSW	100%	Dec 2002
1 Garigal Road, Belrose, NSW	100%	Dec 1998
2 Minna Close, Belrose, NSW	100%	Dec 1998
114-120 Old Pittwater Road, Brookvale, NSW	100%	Sep 1997
145-151 Arthur Street, Flemington, NSW	100%	Sep 1997
436-484 Victoria Road, Gladesville, NSW	100%	Sep 1997
1 Foundation Place, Greystanes, NSW	100%	Dec 2002
5-15 Rosebery Avenue & 25-55 Rothschild Avenue, Rosebery, NSW	100%	Apr 1998 & Oct 2001
10-16 South Street, Rydalmere, NSW	100%	Sep 1997
19 Chifley Street, Smithfield, NSW	100%	Dec 1998
Pound Road West, Dandenong, VIC	100%	Jan 2004
352 Macaulay Road, Kensington, VIC	100%	Oct 1998
DEXUS Industrial Estate, Boundary Road, Laverton North, VIC	100%	Jul 2002
250 Forest Road, South Lara, VIC	100%	Dec 2002
15-23 Whicker Road, Gillman, SA	100%	Dec 2002
25 Donkin Street, Brisbane, QLD	100%	Dec 1998
52 Holbeche Road, Arndell Park, NSW	100%	Jul 1998
3-7 Bessemer Street, Blacktown, NSW ¹	100%	Jun 1997
30-32 Bessemer Street, Blacktown, NSW	100%	May 1997
27-29 Liberty Road, Huntingwood, NSW	100%	Jul 1998
154 O'Riordan Street, Mascot, NSW	100%	Jun 1997
11 Talavera Road, North Ryde, NSW	100%	Jun 2002
DEXUS Industrial Estate, Egerton Street, Silverwater, NSW	100%	May 1997
239-251 Woodpark Road, Smithfield, NSW	100%	May 1997
40 Biloela Street, Villawood, NSW	100%	Jul 1997
114 Fairbank Road, Clayton, VIC	100%	Jul 1997
30 Bellrick Street, Acacia Ridge, QLD	100%	Jun 1997
68 Hasler Road, Herdsman, WA ¹	100%	Jul 1998
Zone Industrial Epone II, Epone	100%	Jul 2006
32 avenue de l'Océanie, Villejust	100%	Jul 2006
21 rue du Chemin Blanc, Champlan	100%	Jul 2006

¹ This asset has been transferred to non-current assets classified as held for sale (refer note 9) as its carrying amount will be recovered principally through an expected sale transaction rather than through continuing use.

Cost including all additions \$'000	Independent valuation date	Independent valuation amount \$'000	Independent valuer	Consolidated book value 30 Jun 2009 \$'000	Consolidated book value 30 Jun 2008 \$'000
40,659	Jun 2009	40,000	(e)	40,000	47,281
36,739	Jun 2008	44,800	(f)	41,000	44,800
23,693	Jun 2009	24,000	(f)	24,000	28,800
36,316	Jun 2009	27,600	(f)	27,600	33,000
34,995	Dec 2008	48,000	(f)	44,000	51,500
25,146	Jun 2009	30,750	(g)	30,750	35,000
28,778	Jun 2009	46,000	(a)	46,000	55,000
39,287	Jun 2008	48,000	(a)	41,000	48,000
74,996	Jun 2008	102,700	(d)	88,000	102,700
37,311	Dec 2008	44,000	(e)	41,000	48,000
12,277	Jun 2008	18,350	(i)	16,300	18,350
73,847	Dec 2007	81,550	(g)	77,000	91,486
7,696	Dec 2007	10,000	(a)	8,205	9,100
103,063	Jun 2009	102,400	(g)	102,400	81,400
37,816	Jun 2008	44,750	(a)	48,758	44,750
20,283	Dec 2008	26,800	(e)	25,700	25,800
19,567	Dec 2007	35,600	(e)	32,000	35,800
11,392	Jun 2008	13,500	(f)	11,300	13,500
11,208	Dec 2008	9,850	(a)	–	11,100
12,479	Dec 2008	16,300	(e)	14,900	19,044
8,112	Jun 2008	9,650	(a)	8,000	9,650
11,202	Dec 2008	15,000	(i)	13,500	15,000
136,004	Jun 2008	160,000	(f)	130,000	160,000
37,517	Dec 2007	50,000	(i)	40,000	48,200
–	Dec 2008	6,200	(a)	–	6,800
6,889	Dec 2008	7,000	(d)	6,500	8,100
15,878	Dec 2008	15,600	(g)	14,000	16,200
13,291	Jun 2008	22,700	(e)	20,000	22,700
9,743	Jun 2008	17,500	(i)	–	17,500
12,893	Jun 2009	5,990	(i)	5,990	10,417
20,535	Jun 2009	9,598	(i)	9,598	13,533
24,320	Jun 2009	8,851	(i)	8,851	16,913

Note 13. Non-current assets – investment properties (continued)

(a) Properties (continued)

	Ownership	Acquisition date
Held by other stapled entities (continued)		
19 rue de Bretagne, Saint-Quentin Fallavier	100%	Jul 2006
RN 19 ZAC de L'Ormes Road, Servon 1	100%	Jul 2006
RN 19 ZAC de L'Ormes Road, Servon 2	100%	Jul 2006
Im Holderbusch 3, Industriestraße, Sulmstraße, Ellhofen – Weinsberg	100%	Dec 2006
Schillerstraße 51 Ellhofen	100%	Dec 2006
Schillerstraße 42, 42a, Bahnhofstraße 44, 50 Ellhofen	100%	Dec 2006
Im Gewerbegebiet 18 Friedewald	100%	Dec 2006
Im Steinbruch 4, 6, Knetzgau	100%	Dec 2006
Carl-Leverkus-Straße 3-5, Winkelsweg 182-184, Langenfeld	100%	Dec 2006
Schneiderstraße 82, Langenfeld	100%	Dec 2006
Über der Dingelstelle, Langenweddingen	100%	Dec 2006
Nordstraße 1, Lobau	100%	Dec 2006
Former Straße 6, Unna	100%	Dec 2006
Niedesheimer Straße 24, Worms	100%	Dec 2006
Liverpooler-/ Kopenhagener-/ Osloer Straße, Duisburg	100%	Dec 2006
Theodorstraße, Düsseldorf	100%	Dec 2006
Bremer Ring, Hansestraße, Berlin-Wustermark	100%	Dec 2006
13201 South Orange Avenue, Orlando	100%	Jun 2007
8574 Boston Church Road, Milton, Ontario, Canada	100%	Dec 2007
Governor Phillip Tower & Governor Macquarie Tower, 1 Farrer Place, Sydney, NSW ¹	50%	Dec 1998
45 Clarence Street, Sydney, NSW	100%	Dec 1998
309-321 Kent Street, Sydney, NSW ¹	50%	Dec 1998
1 Margaret Street, Sydney, NSW	100%	Dec 1998
Victoria Cross 60 Miller Street, North Sydney, NSW	100%	Dec 1998
The Zenith, 821-843 Pacific Highway, Chatswood, NSW ¹	50%	Dec 1998
Woodside Plaza, 240 St Georges Terrace, Perth, WA	100%	Jan 2001
30 The Bond, 30-34 Hickson Road, Sydney, NSW	100%	May 2002
Southgate Complex, 3 Southgate Avenue, Southgate, VIC	100%	Aug 2000
201-217 Elizabeth Street, Sydney, NSW ¹	50%	Aug 2000

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

Cost including all additions \$'000	Independent valuation date	Independent valuation amount \$'000	Independent valuer	Consolidated book value 30 Jun 2009 \$'000	Consolidated book value 30 Jun 2008 \$'000
24,308	Jun 2009	9,755	(i)	9,755	18,389
31,821	Jun 2009	15,528	(i)	15,528	21,867
10,872	Jun 2009	5,286	(i)	5,286	7,923
25,319	Jun 2009	21,753	(i)	21,753	23,376
20,972	Jun 2009	16,554	(i)	16,554	19,537
13,168	Jun 2009	9,120	(i)	9,120	12,156
8,606	Jun 2009	5,869	(i)	5,869	6,611
16,752	Jun 2009	13,737	(i)	13,737	17,520
16,774	Jun 2009	12,285	(i)	12,285	15,059
9,634	Jun 2009	8,016	(i)	8,016	8,809
12,144	Jun 2009	7,833	(i)	7,833	10,728
2,045	Jun 2009	1,904	(i)	–	1,427
27,708	Jun 2009	22,953	(i)	22,953	27,297
6,644	Jun 2009	6,129	(i)	6,129	6,578
32,840	Jun 2009	25,535	(i)	25,535	33,153
27,152	Jun 2009	20,544	(i)	20,544	25,509
17,747	Jun 2009	13,893	(i)	13,893	17,142
23,635	Jun 2009	30,441	(i)	30,441	30,646
75,962	Jun 2009	55,017	(i)	55,017	70,304
493,817	Dec 2008	680,000	(a)	615,000	744,993
222,062	Jun 2009	250,000	(d)	250,000	290,163
171,222	Dec 2008	199,250	(d)	177,000	210,483
144,899	Dec 2007	200,000	(a)	170,000	194,000
111,984	Dec 2008	124,800	(f)	120,000	110,068
110,436	Jun 2007	130,000	(a)	110,000	130,000
240,094	Jun 2008	446,500	(i)	400,000	446,500
117,986	Dec 2008	170,000	(f)	150,000	179,036
368,453	Jun 2009	340,000	(i)	340,000	370,000
120,259	Jun 2009	140,000	(f)	140,000	164,130

Note 13. Non-current assets – investment properties (continued)

(a) Properties (continued)

	Ownership	Acquisition date
Held by other stapled entities (continued)		
Garema Court, 140-180 City Walk, Civic, ACT**	100%	Aug 2000
Australia Square Complex, 264-278 George Street, Sydney, NSW ¹	50%	Aug 2000
Lumley Centre, 88 Shortland Street, Auckland, New Zealand ²	100%	Sep 2005
3765 Atlanta Industrial Drive, Atlanta	100%	Sep 2004
7100 Highlands Parkway, Atlanta	100%	Sep 2004
Town Park Drive, Atlanta	100%	Sep 2004
Williams Drive, Atlanta	100%	Sep 2004
Stone Mountain, Atlanta	100%	Sep 2004
MD Food Park, Baltimore	100%	Sep 2004
West Nursery, Baltimore	100%	Sep 2004
Cabot Techs, Baltimore	100%	Sep 2004
9112 Guildford Road, Baltimore	100%	Sep 2004
8155 Stayton Drive, Baltimore	100%	Sep 2004
Patuxent Range Road, Baltimore	100%	Sep 2004
Bristol Court, Baltimore	100%	Sep 2004
NE Baltimore, Baltimore	100%	Sep 2004
1181 Portal, 1831 Portal and 6615 Tributary, Baltimore	100%	Jun 2005
10 Kenwood Circle, Boston	100%	Sep 2004
Commerce Park, Charlotte	100%	Sep 2004
9900 Brookford Street, Charlotte	100%	Sep 2004
Westinghouse, Charlotte	100%	Sep 2004
Airport Exchange, Cincinnati	100%	Sep 2004
Empire Drive, Cincinnati	100%	Sep 2004
International Way, Cincinnati	100%	Sep 2004
Kentucky Drive, Cincinnati	100%	Sep 2004
Spiral Drive, Cincinnati	100%	Sep 2004
Turfway Road, Cincinnati	100%	Sep 2004
124 Commerce, Cincinnati	100%	Sep 2004
Kenwood Road, Cincinnati	100%	Sep 2004

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

2 The property was externally valued at NZ\$155 million at 30 June 2008. The independent valuation amount of the property as at 30 June 2009 has been translated at the period end spot rate.

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

Cost including all additions \$'000	Independent valuation date	Independent valuation amount \$'000	Independent valuer	Consolidated book value 30 Jun 2009 \$'000	Consolidated book value 30 Jun 2008 \$'000
44,095	Mar 2009	50,600	(i)	48,000	60,000
211,049	Dec 2007	312,500	(e)	267,000	303,000
91,155	Jun 2008	124,718	(i)	104,603	122,928
–	Jun 2008	4,571	(c)	–	4,571
15,300	Jun 2009	13,680	(c)	13,680	13,401
6,848	Jun 2009	8,257	(c)	8,257	8,934
10,445	Jun 2009	8,874	(c)	8,874	10,285
7,601	Jun 2009	6,778	(c)	6,778	6,233
20,569	Jun 2009	23,170	(c)	23,170	24,102
8,308	Jun 2009	8,997	(c)	8,997	9,038
21,769	Jun 2009	30,811	(c)	30,811	30,646
8,502	Jun 2009	9,860	(c)	9,860	9,557
7,282	Jun 2009	9,613	(c)	9,613	9,038
12,477	Jun 2009	14,050	(c)	14,050	13,609
11,345	Jun 2009	12,817	(c)	12,817	12,466
7,786	Jun 2009	8,874	(c)	8,874	9,038
11,016	Jun 2009	13,064	(c)	13,064	12,258
11,156	Jun 2009	10,352	(c)	10,352	10,596
7,892	Jun 2009	8,011	(c)	8,011	9,246
4,266	Jun 2009	4,190	(c)	4,190	4,571
21,668	Jun 2009	22,184	(c)	22,184	25,660
4,569	Jun 2009	3,328	(c)	3,328	3,532
6,573	Jun 2009	6,902	(c)	6,902	6,960
10,846	Jun 2009	12,571	(c)	12,571	12,258
11,749	Jun 2009	18,487	(c)	18,487	15,791
6,294	Jun 2009	5,792	(c)	5,792	6,233
5,614	Jun 2009	4,930	(c)	4,930	5,298
2,454	Jun 2009	2,588	(c)	2,588	2,597
19,844	Jun 2009	21,044	(c)	21,044	21,816

Note 13. Non-current assets – investment properties (continued)

(a) Properties (continued)

	Ownership	Acquisition date
Held by other stapled entities (continued)		
Lake Forest Drive, Cincinnati	100%	Sep 2004
World Park, Cincinnati	100%	Sep 2004
Equity/Westbelt/Dividend, Columbus	100%	Sep 2004
2700 International Street, Columbus	100%	Sep 2004
3800 Twin Creeks Drive, Columbus	100%	Sep 2004
SE Columbus, Columbus	100%	Sep 2004
Arlington, Dallas	100%	Sep 2004
1900 Diplomat Drive, Dallas	100%	Sep 2004
2055 Diplomat Drive, Dallas	100%	Sep 2004
1413 Bradley Lane, Dallas	100%	Sep 2004
North Lake, Dallas	100%	Sep 2004
555 Airline Drive, Dallas	100%	Sep 2004
455 Airline Drive, Dallas	100%	Sep 2004
Hillguard, Dallas	100%	Sep 2004
11011 Regency Crest Drive, Dallas	100%	Sep 2004
East Collins, Dallas	100%	Sep 2004
3601 East Plano/1000 Shiloh, Dallas	100%	Sep 2004
East Plano Parkway, Dallas	100%	Sep 2004
820-860 Avenue F, Dallas	100%	Sep 2004
10th Street, Dallas	100%	Sep 2004
Capital Avenue Dallas	100%	Sep 2004
CTC @ Valwood, Dallas	100%	Sep 2004
Brackbill, Harrisburg	100%	Sep 2004
Mechanicsburg, Harrisburg	100%	Sep 2004
181 Fulling Mill Road, Harrisburg	100%	Sep 2004
Glendale, Los Angeles	100%	Sep 2004
14489 Industry Circle, Los Angeles	100%	Sep 2004
14555 Alondra/6530 Altura, Los Angeles	100%	Sep 2004
San Fernando Valley, Los Angeles	100%	Sep 2004
Memphis Industrial, Memphis	100%	Sep 2004
2950 Lexington Avenue S, Minneapolis	100%	Sep 2004
Mounds View, Minneapolis	100%	Sep 2004
6105 Trenton Lane, Minneapolis	100%	Sep 2004
8575 Monticello Lane, Minneapolis	100%	Sep 2004
7401 Cahill Road, Minneapolis	100%	Sep 2004
CTC @ Dulles, Northern Virginia	100%	Sep 2004

Cost including all additions \$'000	Independent valuation date	Independent valuation amount \$'000	Independent valuer	Consolidated book value 30 Jun 2009 \$'000	Consolidated book value 30 Jun 2008 \$'000
12,700	Jun 2009	12,848	(c)	12,848	14,648
13,232	Jun 2009	10,722	(c)	10,722	13,245
39,542	Jun 2009	36,973	(c)	36,973	41,554
4,762	Jun 2009	4,314	(c)	4,314	5,194
4,917	Jun 2009	5,792	(c)	5,792	5,714
14,270	Jun 2009	11,708	(c)	11,708	12,155
9,096	Jun 2009	8,504	(c)	8,504	9,350
4,778	Jun 2009	3,697	(c)	3,697	4,259
3,820	Jun 2009	2,650	(c)	2,650	3,013
3,216	Jun 2009	2,526	(c)	2,526	2,805
10,129	Jun 2009	10,476	(c)	10,476	12,466
6,743	Jun 2009	6,285	(c)	6,285	6,649
3,241	Jun 2009	3,451	(c)	3,451	3,532
9,125	Jun 2009	9,736	(c)	9,736	10,077
7,498	Jun 2009	7,271	(c)	7,271	8,207
3,707	Jun 2009	2,835	(c)	2,835	3,740
13,593	Jun 2009	11,585	(c)	11,585	18,439
22,146	Jun 2009	23,663	(c)	23,663	25,452
7,240	Jun 2009	5,854	(c)	5,854	6,233
10,141	Jun 2009	10,722	(c)	10,722	11,116
6,532	Jun 2009	5,916	(c)	5,916	6,545
3,557	Jun 2009	3,821	(c)	3,821	4,155
23,240	Jun 2009	16,039	(c)	16,039	21,623
18,896	Jun 2009	21,937	(c)	21,937	19,946
9,414	Jun 2009	10,969	(c)	10,969	10,103
53,509	Jun 2009	63,717	(c)	63,717	73,759
7,514	Jun 2009	9,490	(c)	9,490	12,523
18,171	Jun 2009	20,705	(c)	20,705	24,413
15,168	Jun 2009	24,156	(c)	24,156	25,971
9,741	Jun 2009	6,409	(c)	6,409	6,441
9,386	Jun 2009	8,689	(c)	8,689	9,360
23,135	Jun 2009	19,534	(c)	19,534	22,024
8,153	Jun 2009	8,504	(c)	8,504	8,207
1,823	Jun 2009	2,095	(c)	2,095	2,182
3,562	Jun 2009	2,896	(c)	2,896	3,272
25,554	Jun 2009	29,579	(c)	29,579	30,646

Note 13. Non-current assets – investment properties (continued)

(a) Properties (continued)

	Ownership	Acquisition date
Held by other stapled entities (continued)		
Alexandria, Northern Virginia	100%	Sep 2004
Nokes Boulevard, Northern Virginia	100%	Sep 2004
Guildford, Northern Virginia	100%	Sep 2004
Beaumeade Telecom, Northern Virginia	100%	Sep 2004
Orlando Central Park, Orlando	100%	Sep 2004
7500 Exchange Drive, Orlando	100%	Sep 2004
105-107 South 41st Avenue, Phoenix	100%	Sep 2004
1429-1439 South 40th Avenue, Phoenix	100%	Sep 2004
10397 West Van Buren Street, Phoenix	100%	Sep 2004
844 44th Avenue, Phoenix	100%	Sep 2004
220 South 9th Street, Phoenix	100%	Sep 2004
431 North 47th Avenue, Phoenix	100%	Sep 2004
601 South 55th Avenue, Phoenix	100%	Sep 2004
1000 South Priest Drive, Phoenix	100%	Sep 2004
1120-1150 W. Alameda Drive, Phoenix	100%	Sep 2004
1858 East Encanto Drive, Phoenix	100%	Sep 2004
3802-3922 East University Drive, Phoenix	100%	Sep 2004
Chino, Riverside	100%	Sep 2004
Mira Loma, Riverside	100%	Sep 2004
Ontario, Riverside	100%	Sep 2004
4190 East Santa Ana Street, Riverside	100%	Sep 2004
Rancho Cucamonga, Riverside	100%	Sep 2004
12000 Jersey Court, Riverside	100%	Sep 2004
Airway Road, San Diego	100%	Sep 2004
5823 Newton Drive, San Diego	100%	Sep 2004
2210 Oak Ridge Way, San Diego	100%	Sep 2004
Kent West, Seattle	100%	Sep 2004
26507 79th Avenue South, Seattle	100%	Sep 2004
8005 South 266th Street, Seattle	100%	Sep 2004
West Palm Beach, South Florida	100%	Sep 2004
Calvert/Murray's, Northern Virginia	100%	Sep 2004
Turnpike Distribution Center	100%	Sep 2004
7700 68th Avenue, Brooklyn Park	100%	Nov 2005
7500 West 78th Street, Bloomington	100%	Nov 2005
1285 & 1301 Corporate Center Drive, 1230 & 1270 Eagan Industrial Road, Eagan	100%	Nov 2005
850 E Devon Avenue, 1260 N Ellis Street, 371 Meyer Road Bensenville, Chicago (O'Hare)	100%	Dec 2007

Cost including all additions \$'000	Independent valuation date	Independent valuation amount \$'000	Independent valuer	Consolidated book value 30 Jun 2009 \$'000	Consolidated book value 30 Jun 2008 \$'000
47,388	Jun 2009	48,522	(c)	48,522	54,153
22,143	Jun 2009	52,379	(c)	52,379	48,203
18,218	Jun 2009	13,680	(c)	13,680	22,231
33,682	Jun 2009	43,135	(c)	43,135	45,710
63,461	Jun 2009	67,802	(c)	67,802	76,252
5,669	Jun 2009	5,916	(c)	5,916	7,376
14,559	Jun 2009	19,596	(c)	19,596	22,173
10,346	Jun 2009	14,296	(c)	14,296	15,063
8,853	Jun 2009	13,557	(c)	13,557	15,375
6,623	Jun 2009	8,504	(c)	8,504	8,415
7,338	Jun 2009	10,254	(c)	10,254	10,492
6,255	Jun 2009	9,182	(c)	9,182	9,246
4,781	Jun 2009	7,025	(c)	7,025	5,921
5,174	Jun 2009	4,215	(c)	4,215	6,233
8,234	Jun 2009	9,243	(c)	9,243	10,389
4,481	Jun 2009	6,162	(c)	6,162	6,649
10,550	Jun 2009	9,453	(c)	9,453	11,947
6,563	Jun 2009	8,011	(c)	8,011	9,661
10,843	Jun 2009	16,145	(c)	16,145	20,777
30,046	Jun 2009	35,741	(c)	35,741	50,384
5,053	Jun 2009	6,778	(c)	6,778	9,350
22,442	Jun 2009	27,730	(c)	27,730	37,918
4,345	Jun 2009	5,792	(c)	5,792	7,688
9,686	Jun 2009	9,860	(c)	9,860	10,389
17,065	Jun 2009	18,487	(c)	18,487	23,998
5,185	Jun 2009	6,902	(c)	6,902	6,732
29,789	Jun 2009	29,579	(c)	29,579	36,360
2,745	Jun 2009	3,389	(c)	3,389	3,740
7,243	Jun 2009	8,011	(c)	8,011	9,038
22,049	Jun 2009	15,282	(c)	15,282	21,296
5,494	Jun 2009	4,794	(c)	4,794	5,090
22,840	Jun 2009	23,786	(c)	23,786	29,919
5,791	Jun 2009	3,574	(c)	3,574	4,467
5,477	Jun 2009	5,299	(c)	5,299	5,402
19,720	Jun 2009	16,391	(c)	16,391	16,102
31,864	Jun 2009	22,184	(c)	22,184	30,646

Note 13. Non-current assets – investment properties (continued)

(a) Properties (continued)

	Ownership	Acquisition date
Held by other stapled entities (continued)		
3722 Redlands Avenue, Perris, Riverside County	100%	Jan 2008
8151 & 8161 Interchange Parkway, San Antonio	100%	Jul 2007
Cornerstone I and II, 5411 Interstate 10 East and 1228 Cornerway Boulevard, San Antonio	100%	Aug 2007
302 and 402 Tayman Road, Port of San Antonio	100%	Oct 2007
1803 Grandstand Avenue, Alamo Downs, San Antonio	100%	Aug 2007

Total other stapled entities investment properties

Total investment properties

- (a) Colliers International
- (b) Landmark White
- (c) Cushman & Wakefield
- (d) Jones Lang LaSalle
- (e) Knight Frank Valuations
- (f) FPD Savills
- (g) M3 Property
- (h) Weiser Realty Advisors (USA)
- (i) CB Richard Ellis

Valuation basis

The basis of valuation of investment properties is fair value, being the amounts for which the assets could be exchanged between knowledgeable willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases. Properties independently valued in the last 12 months were based on independent assessments by a member of the Australian Property Institute, the New Zealand Institute of Valuers, the Appraisal Institute in the United States of America, the French Real Estate Valuation Institution, the Society of Property Researchers, Germany or the Appraisal Institute in Canada.

Key valuation assumptions

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

	Australian office	Australian industrial	Australian retail	North America industrial	Europe industrial
2009					
Weighted average capitalisation rate (%)	7.7	8.8	6.8	8.2	8.1
Weighted average lease expiry by income (years)	5.4	4.3	4.5	4.3	3.1
Vacancy by income (%)	2.4	3.6	0.7	13.3	9.7
2008					
Weighted average capitalisation rate (%)	6.4	7.5	5.8	6.9	6.4
Weighted average lease expiry by income (Years)	5.7	4.4	4.5	3.9	3.6
Vacancy by income (%)	2.1	1.5	0.4	10.5	11.3

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

Cost including all additions \$'000	Independent valuation date	Independent valuation amount \$'000	Independent valuer	Consolidated book value 30 Jun 2009 \$'000	Consolidated book value 30 Jun 2008 \$'000
134,836	Jun 2009	108,578	(c)	108,578	131,934
16,857	Jun 2009	14,788	(c)	14,788	16,102
14,420	Jun 2009	14,787	(c)	14,787	13,920
17,775	Jun 2009	20,950	(c)	20,950	19,842
11,191	Jun 2009	9,860	(c)	9,860	11,115
5,276,044		6,133,041		5,723,114	6,593,206
6,425,617		7,716,241		7,120,710	8,182,295

Disposals

3765 Atlanta Industrial Drive, Atlanta

On 30 October 2008, the Atlanta Industrial property located on 3765 Atlanta Industrial Drive, Atlanta, GA was disposed of for \$6.8 million (US\$4.7 million).

Redwood Gardens (two lots), Dingley, VIC

Two strata lots within the Redwood Gardens Estate were disposed of on 29 June 2009; 358-360 Boundary Road for \$2.8 million and 43 Garden Boulevard for \$3.4 million.

Woodpark Road, Smithfield, NSW

On 26 June 2009, 239-251 Woodpark Road, Smithfield was disposed of for \$5.6 million.

Developments

60 Miller Street, North Sydney, NSW

The development of a new 4,532 square metres annex building at 60 Miller Street, North Sydney achieved practical completion on 31 March 2009, with 100% pre-committed office area. Total construction costs are approximately \$26.1 million.

(b) Reconciliation

Notes	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Opening balance as at 1 July 2008	8,182,295	8,585,703	1,589,089	1,987,034
Additions	65,623	112,923	15,040	44,594
Acquisitions	–	317,765	–	2,800
Transfer from/(to) property, plant and equipment	14	23,118	(2,376)	(10,000)
Lease incentives	50,822	49,962	3,487	4,023
Amortisation of lease incentives	(47,242)	(42,034)	(5,811)	(5,822)
Rent straightlining	3,668	3,536	–	–
Disposals	(20,740)	(737,457)	(8,870)	(429,857)
Transfer to non-current assets classified as held for sale	9	(43,054)	–	(20,800)
Transfer to equity accounted investment ¹	–	(54,478)	–	–
Net (loss)/gain from fair value adjustments	(1,517,564)	184,444	(164,539)	30,733
Foreign exchange differences on foreign currency translation	423,784	(235,693)	–	–
Carrying amount as at 30 June 2009	7,120,710	8,182,295	1,397,596	1,589,089

1 On 15 October 2007, the Bent Street Trust was transferred to equity accounted investments due to the sale of 31.8% to DEXUS Wholesale Property Fund (DWPF).

Note 14. Non-current assets – property, plant and equipment

(a) Property, plant and equipment

	Consolidated				Parent entity			
30 June 2009	Construction in progress	Land and freehold buildings	IT and office	Total	Construction in progress	Land and freehold buildings	IT and office	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance as at 1 July 2008	220,062	217,470	6,101	443,633	21,344	41,300	–	62,644
Additions	148,386	29,616	1,459	179,461	57,074	–	–	57,074
Foreign exchange differences on foreign currency translation	24,709	–	–	24,709	–	–	–	–
Depreciation charge	–	(2,375)	(1,801)	(4,176)	–	–	–	–
Impairment	(111,215)	(15,674)	–	(126,889)	–	–	–	–
Transfer to non-current assets classified as held for sale	–	(55,000)	–	(55,000)	–	–	–	–
Transfer to IT and office	–	(970)	970	–	–	–	–	–
Transfer (to)/from investment properties	(33,118)	10,000	–	(23,118)	–	10,000	–	10,000
Closing balance as at 30 June 2009	248,824	183,067	6,729	438,620	78,418	51,300	–	129,718
Cost	360,039	206,838	9,115	575,992	78,418	51,300	–	129,718
Accumulated depreciation and impairment	–	(8,097)	(2,386)	(10,483)	–	–	–	–
Impairment	(111,215)	(15,674)	–	(126,889)	–	–	–	–
Net book value as at 30 June 2009	248,824	183,067	6,729	438,620	78,418	51,300	–	129,718

	Consolidated				Parent entity			
30 June 2008	Construction in progress	Land and freehold buildings	IT and office	Total	Construction in progress	Land and freehold buildings	IT and office	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance as at 1 July 2007	181,919	132,102	–	314,021	–	–	–	–
Additions	141,436	43,177	6,686	191,299	18,228	–	–	18,228
Foreign exchange differences on foreign currency translation	(9,227)	–	–	(9,227)	–	–	–	–
Depreciation charge	–	(2,211)	(585)	(2,796)	–	–	–	–
Disposal of interest	(49,222)	(2,818)	–	(52,040)	–	–	–	–
Transfer (to)/from investment properties	(44,844)	47,220	–	2,376	3,116	41,300	–	44,416
Closing balance as at 30 June 2008	220,062	217,470	6,101	443,633	21,344	41,300	–	62,644
Cost	220,062	223,192	6,686	449,940	21,344	41,300	–	62,644
Accumulated depreciation	–	(5,722)	(585)	(6,307)	–	–	–	–
Net book value as at 30 June 2008	220,062	217,470	6,101	443,633	21,344	41,300	–	62,644

(b) Non-current assets pledged as security

Refer to note 21 for information on non-current assets pledged as security by the parent entity and its controlled entities.

(c) Impairment

During the period, DXS carried out a review of the recoverable amount of its development properties resulting in the recognition of an impairment loss of \$126.9 million that has been recognised in the Income Statements.

The value in use has been determined using management forecasts in a 10 year discounted cash flow model. Forecasts were based on projected returns of the project in light of current market conditions which include estimates of operating cash flows, sales values and total project costs. Year 10 earnings have been used to determine terminal value. The cash flows have been discounted at the cost of capital for each project.

The total impairment comprises \$15.3 million for Wicks Road; \$33.5 million for Greystanes; \$0.4 million for 343 George Street; \$31.7 million for Atlantic Corporate Park; \$35.3 million for Summit Oaks; \$6.4 million for the San Antonio development properties and \$4.3 million in relation to other US developments.

(d) Acquisitions and developments

Development

123 Albert Street, Brisbane, QLD

On 11 February 2008 demolition of the asset previously known as the Albert and Charlotte Streets Carpark commenced. Laing O'Rourke Constructions were the appointed contractor and completion is expected in December 2010. Rio Tinto have pre-committed to approximately 64% of the 38,245 square metres of commercial office area. Marketing of the balance of the office space plus the 320 square metres of retail space continues. Total development costs including land are estimated to be \$350.0 million. Total amount paid to date is \$119.4 million.

105 Phillip Street, Parramatta, NSW

Development approval has been received to construct a 13 level office tower with approximately 20,380 square metres of floor space at 105 Phillip Street Parramatta, a site at the rear of the existing building at 130 George Street Parramatta. No decision has been made to proceed with the development at this stage. This asset has been transferred from investment properties in June 2009.

144 Wicks Road, North Ryde, NSW

In November 2006, DOT (through its sub-trust Wicks Road Trust), acquired a 50% ownership interest in 144 Wicks Road, North Ryde, NSW for a consideration of \$25.9 million. The DA for stage 1 (estimated 26,000 square metres net lettable area) is expected to be approved by October 2009. Demolition of the former high school building was completed by December 2008.

Boundary Road, Laverton North, VIC

In October 2007, DIT entered into an agreement to lease and build an office warehouse facility for Best Bar (VIC) Pty Ltd. This project was completed in August 2008. The total costs for the project is \$11.9 million.

In August 2006, DIT entered into an agreement to lease and build a distribution centre for Fosters Limited. Practical completion was achieved on 6 July 2007 with a development cost of \$33.1 million. This property was transferred to investment properties at 31 December 2008.

The site includes 19.3 hectare of serviced land, 24.5 hectare of unserviced land with conditional subdivision approval and 48.6 hectare of "englobo" land undergoing rezoning from rural to industrial use.

Norwest Estate, Baulkham Hills, NSW

On 13 March 2009, subdivision approval was received for 2.1 hectare of vacant land accommodating 23,083 square metres of lettable area. No decision has been made to proceed with the development at this stage.

Southern Employment Lands, Greystanes, NSW

The Greystanes site has a gross land area of 47.62 hectares acquired from Boral in 4 stages. Acquisition of Stage 2 and 3 occurred during the year with a total cost of \$27.2 million. The final stage is expected to be acquired in financial year 2010. Total development costs excluding land acquisition to 30 June 2009 are \$81.1 million.

Summit Oaks, Valencia, California

The development of this land consists of a five-story office building comprising 146,385 square feet in Santa Clarita, California. The total budgeted cost for the project is estimated to be US\$44.6 million (A\$55.0 million). In June 2009, a 10-year lease with a two 5-year extension options at fair market value was signed for the entire building. The tenant will occupy the building in two phases. The tenant will occupy one-third of the building in October 2009 and the other two-thirds of the building will be occupied in October 2010.

Atlantic Corporate Park, Virginia

The development of this land parcel consists of two four-story office buildings comprising 220,000 square feet in Virginia. The total budgeted cost for the project is US\$47.6 million (A\$58.7 million), including the initial cost of the land. This project shell was considered substantially completed on 31 July 2008.

San Antonio, Texas

The development of the San Antonio properties acquired in the initial phase consisted of eight warehouse and office buildings comprising 660,875 square feet in San Antonio, Texas. Total budgeted cost for this project is US\$44.7 million (A\$55.1 million). The project shell was considered substantially completed on 10 July 2008 for Tri County 5 (35,700 square feet) and Tri County 6 (57,800 square feet) properties and on 19 January 2009 for Interchange North (88,875 square feet) property. Shell construction is nearing completion for Port of San Antonio III (275,000 square feet) property with the rail installation remaining to be completed. Currently, development on Interchange 8171, Interchange 8181, Interchange 8191 and Tri County 2 properties (203,500 square feet) is on hold and it will not commence until majority of the space on the other completed buildings is leased.

Note 15. Non-current assets – other financial assets at fair value through profit or loss

Investments are adjusted to their fair value through the Income Statements.

Name of entity	Principal activity	Ownership Interest		Parent entity	
		2009 %	2008 %	2009 \$'000	2008 \$'000
Controlled Entities					
DEXUS Industrial Trust ¹	Industrial property investment	100.0	100.0	–	–
DEXUS Office Trust ¹	Commercial property investment	100.0	100.0	–	–
DEXUS Operations Trust ¹	Financial services	100.0	100.0	–	–
DEXUS Finance Pty Limited	Financial services	25.0	25.0	–	–
Total non-current assets – other financial assets at fair value through profit or loss				–	–

1 In accordance with AASB Interpretation 1002, DDF is the deemed acquirer of DIT, DOT and DXO and therefore they are reflected in the Financial Statements as controlled entities of DDF.

	Parent entity	
	2009 \$'000	2008 \$'000
Reconciliation		
Opening balance as at 1 July 2008	–	294,901
Acquisitions	–	96
Fair value loss	–	(6,596)
Disposal	–	(288,401)
Closing balance as at 30 June 2009	–	–

All controlled entities are wholly owned by the Trust with the exception of DEXUS Finance Pty Limited. Both the parent entity and the controlled entities were formed in Australia.

Note 16. Non-current assets – investments accounted for using the equity method

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

Information relating to these entities is set out below.

Name of entity	Principal activity	Ownership Interest		Consolidated		Parent entity	
		2009 %	2008 %	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Held by parent entity							
DEXUS Industrial Properties, Inc. ¹	Industrial property investment	50.0	50.0	–	–	138,276	314,989
Held by controlled entities							
Bent Street Trust ²	Commercial property investment	34.9	68.2	84,165	111,946	–	–
Total non-current assets – investments accounted for using the equity method				84,165	111,946	138,276	314,989

These entities were formed in Australia with the exception of DEXUS Industrial Properties, Inc. which was formed in the United States.

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

2 On 15 October 2007, the Bent Street Trust was transferred from investment properties due to the sale of 31.8% to DWPF. On 5 February 2009, a further 33.3% of the Bent Street Trust was sold to CBUS Property.

Movements in carrying amounts of investments accounted for using the equity method	Consolidated	
	2009 \$'000	2008 \$'000
Opening balance as at 1 July 2008	111,946	270,155
Interest acquired and additions	32,916	67,070
Transfer from investment properties	–	54,478
Share of net profits after tax	31	2,467
Distributions/dividends received	(16)	(12,587)
Transfer to other financial assets	–	(18,054)
Disposal of investment	(60,712)	(210,768)
Wind up of investment	–	(40,815)
Closing balance as at 30 June 2009	84,165	111,946
Results attributable to associates		
Operating profits before income tax	31	3,744
Income tax expense	–	(1,277)
Operating profits after income tax	31	2,467
Less: Distributions/dividends received	(16)	(12,587)
	15	(10,120)
Undistributed income attributable to associates as at 1 July 2008	(6,367)	3,129
Undistributed income attributable to associates as at 30 June 2009	(6,352)	(6,367)

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

The Trusts' share of aggregate profits, assets and liabilities of investments accounted for using the equity method are:

	Consolidated	
	2009 \$'000	2008 \$'000
Profits from ordinary activities after income tax expense	31	2,467
Assets	86,075	117,024
Liabilities	1,910	9,296
Share of associates' expenditure commitments		
Capital commitments	96,318	191,742

Note 17. Non-current assets – deferred tax assets

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
The balance comprises temporary differences attributable to:				
Investment property	24,462	–	–	–
Derivative financial instruments	10,759	4,103	–	–
Tax losses	4,494	2,552	–	–
Employee provision	8,390	6,849	–	–
Other	1,031	1,378	–	–
Total non-current assets – deferred tax assets	49,136	14,882	–	–
Movements				
Opening balance at 1 July 2008	14,882	3,921	–	–
Acquisition	–	4,811	–	–
Credited to the Income Statements	34,254	6,150	–	–
Closing balance at 30 June 2009	49,136	14,882	–	–

Note 18. Intangible assets

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Management rights				
Opening balance as at 1 July 2008	252,176	–	–	–
Additions	–	252,382	–	–
Amortisation charge	(566)	(206)	–	–
Impairment	(41,110)	–	–	–
Closing balance as at 30 June 2009	210,500	252,176	–	–
Cost	252,382	252,382	–	–
Accumulated amortisation	(772)	(206)	–	–
Impairment	(41,110)	–	–	–
Total management rights	210,500	252,176	–	–

Management rights represent the asset management rights owned by DXH which entitle it to management fee revenue from both finite life trusts (\$9,223,164) and indefinite life trusts (\$201,276,836). Those rights that are deemed to have a finite useful life are measured at cost and amortised using the straight-line method over their estimated useful lives which vary from six to 22 years.

Impairment of Management Rights

During the period, DXS carried out a review of the recoverable amount of its intangible assets resulting in the recognition through the Income Statements of an impairment loss of \$41.1 million in relation to management rights.

The value in use has been determined using management forecasts in a 5 year discounted cash flow model. Forecasts were based on projected returns of the business in light of current market conditions. The performance in year 5 has been used as a terminal value. The cash flows have been discounted at 8.2%.

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Goodwill				
Opening balance as at 1 July 2008	2,937	–	–	–
Additions	–	2,998	–	–
Impairment	(170)	(61)	–	–
Closing balance as at 30 June 2009	2,767	2,937	–	–
Cost	2,998	2,998	–	–
Accumulated impairment	(231)	(61)	–	–
Total goodwill	2,767	2,937	–	–
Total intangibles	213,267	255,113	–	–

Note 19. Non-current assets – other

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Tenant and other bonds	883	1,240	481	566
Other	5,082	3,549	414	–
Total non-current assets – other	5,965	4,789	895	566

Note 20. Current liabilities – payables

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Trade creditors	41,576	51,383	12,539	7,015
Accruals	8,609	8,052	2,053	1,840
Amount payable to other minority interest	2,244	4,631	–	–
Accrued capital expenditure	8,764	13,419	1,673	500
Prepaid income	11,153	7,218	2,717	2,118
Responsible Entity fee payable	–	–	521	505
GST payable	766	1,554	–	158
Accrued interest	25,298	32,139	–	1,832
Total current liabilities – payables	98,410	118,396	19,503	13,968

Note 21. Interest bearing liabilities

		Consolidated		Parent entity	
	Notes	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Current					
Secured					
Commercial mortgage backed securities	(a)	–	500,000	–	–
Bank loans	(d)	724	79,208	–	–
Total secured		724	579,208	–	–
Unsecured					
Medium-term notes		250,000	–	–	–
Bank loans	(c)	131,161	–	–	–
Total unsecured		381,161	–	–	–
Deferred borrowing costs		(212)	(1,428)	–	–
Total current liabilities – interest bearing liabilities		381,673	577,780	–	–
Non-current					
Secured					
Bank loans	(d), (e), (f)	639,897	235,725	–	–
Total secured		639,897	235,725	–	–
Unsecured					
US senior notes		492,976	415,541	–	–
Bank loans	(b), (c)	798,102	1,328,060	–	–
Medium-term notes		206,436	455,425	–	–
Preference shares	(g)	114	96	–	–
Total unsecured		1,497,628	2,199,122	–	–
Deferred borrowing costs		(10,186)	(5,708)	–	–
Total non-current liabilities – interest bearing liabilities		2,127,339	2,429,139	–	–
Total interest bearing liabilities		2,509,012	3,006,919	–	–

Financing arrangements					Consolidated	
					2009 \$'000	2009 \$'000
Type of Facility	Notes	Currency	Security	Maturity Date	Utilised	Facility Limit
US senior notes		US\$	Unsecured	Feb 11 to Mar 17	492,976	492,976
Medium-term notes		A\$	Unsecured	Feb 10 to Feb 11	450,000	450,000
Medium-term notes		US\$	Unsecured	Sep 10	6,436	6,436
Multi-option revolving credit facilities	(b)	Multi Currency	Unsecured	Dec 10 to Dec 13	539,290	1,330,393
Syndicated revolving credit facility	(c)	Multi Currency	Unsecured	Mar 10 to Sep 10	389,973	558,812
Bank debt – secured	(d)	US\$	Secured	Oct 11 to Jan 15	113,323	113,323
Bank debt – secured	(e)	US\$	Secured	Sep 11	277,298	277,298
Bank debt – secured	(f)	A\$	Secured	Jul 11 to Dec 12	250,000	750,000
Total					2,519,296	3,979,238
Bank guarantee utilised					9,545	
Unused at balance date					1,450,397	

Each of the Trusts' unsecured borrowing facilities are supported by the Trusts' guarantee arrangements, and have negative pledge provisions which limit the amount and type of encumbrances that the Trusts can have over their assets and ensures that all senior unsecured debt ranks pari passu. The current debt facilities will be refinanced as at/or prior to their maturity.

(a) Commercial mortgage backed securities and commercial paper

During the period, \$500.0 million of commercial mortgage backed securities (CMBS) were repaid and associated mortgages discharged.

(b) Multi-option revolving credit facilities

This includes 12 facilities maturing between December 2010 and December 2013 with a weighted average maturity of July 2012. The total facility limit comprises US\$120.0 million (A\$147.9 million) and A\$1,182.5 million of the total facility limit, A\$6.3 million and US\$2.6 million (A\$3.2 million) are utilised as bank guarantees for developments.

(c) Syndicated revolving credit facility

Consists of a A\$300 million facility and a US\$210 million (A\$258.8 million) facility, maturing in March 2010 and September 2010 respectively.

(d) Bank loans – secured

This includes a total of US\$92.0 million (A\$113.4 million) of secured bank debt facilities that amortise through monthly principal and interest payments with a weighted average maturity date of January 2014. The facilities are secured by mortgages over investment properties totalling US\$157.1 million (A\$193.6 million) as at 30 June 2009.

(e) Bank loans – secured

A US\$225.0 million (A\$277.3 million) secured interest only bank loan maturing in September 2011. This facility is secured by mortgages over investment properties totalling US\$425.5 million (A\$524.4 million) as at 30 June 2009.

(f) Bank loans – secured

This includes three facilities of A\$250 million each comprising a:

- A\$250.0 million secured bank loan maturing in October 2011. This loan is secured by mortgages over one DDF investment property and two DOT investment properties totalling A\$825.0 million as at 30 June 2009.
- A\$250.0 million secured facility maturing in July 2011. When utilised, the facility will be secured over investment properties to the value no more than A\$625 million, to be finalised prior to first utilisation. The facility ceases to be available if it is not drawn by February 2010.
- A\$250.0 million secured facility maturing in December 2012. When utilised, the facility will be secured over investment properties, to be finalised prior to first utilisation. This facility ceases to be available if it is not drawn by December 2009.

(g) Preferred shares

US REIT has issued US\$92,550 (A\$114,062) of preferred shares as part of the requirement to be classified as a Real Estate Investment Trust (REIT) under US tax legislation. These preferred shares will remain on issue until such time that the Board decides that it is no longer in DXS's interest to qualify as a REIT.

Note 22. Provisions

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Current				
Provision for distribution	164,529	182,388	90,389	102,300
Provision for employee benefits	13,089	11,926	–	–
Total current liabilities – provisions	177,618	194,314	90,389	102,300

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

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Provision for distribution				
Opening balance as at 1 July 2008	182,388	164,992	102,300	68,470
Additional provisions	296,648	355,380	138,238	219,175
Payments and reinvestment of distributions	(314,507)	(337,984)	(150,149)	(185,345)
Closing balance as at 30 June 2009	164,529	182,388	90,389	102,300

Provision for distribution

Provision is made for distributions to be paid for the period ended 30 June 2009 payable on 28 August 2009.

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Non-current				
Provision for employee benefits	13,533	9,818	–	–
Total non-current liabilities – provisions	13,533	9,818	–	–

Note 23. Current liabilities – other

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Other borrowing costs	281	1,799	–	–
Total current liabilities – other	281	1,799	–	–

Note 24. Non-current liabilities – deferred tax liabilities

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
The balance comprises temporary differences attributable to:				
Derivative financial instruments	3,615	352	–	–
Goodwill	2,767	2,937	–	–
Investment properties	–	72,326	–	–
Property, plant and equipment	2,670	–	–	–
Other	923	928	–	–
Total non-current liabilities – deferred tax liabilities	9,975	76,543	–	–
Movements				
Opening balance at 1 July 2008	76,543	73,809	–	–
Acquisition	–	3,390	–	–
(Debited)/credited to Income Statements	(66,568)	(656)	–	–
Closing balance at 30 June 2009	9,975	76,543	–	–

Note 25. Non-current liabilities – other

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Tenant bonds	8,471	7,543	877	959
Other borrowing costs	242	441	–	–
Other	76	64	–	–
Total non-current liabilities – other	8,789	8,048	877	959

Note 26. Contributed equity

(a) Contributed equity of equity holders of the parent entity

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Opening balance as at 1 July 2008	1,297,831	1,151,526	1,297,831	1,151,526
Issue of units	406,496	–	406,496	–
Distributions reinvested	47,912	146,305	47,912	146,305
Cost of issuing equity	(11,028)	–	(11,028)	–
Closing balance as at 30 June 2009	1,741,211	1,297,831	1,741,211	1,297,831

Note 26. Contributed equity (continued)

(b) Contributed equity of equity holders of other stapled entities

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Opening balance as at 1 July 2008	2,280,052	2,182,833	–	–
Issue of units	655,732	–	–	–
Distributions reinvested	52,508	97,373	–	–
Cost of issuing units	(21,649)	(154)	–	–
Closing balance as at 30 June 2009	2,966,643	2,280,052	–	–

(c) Number of securities on issue

	Consolidated		Parent entity	
	2009 No. of securities	2008 No. of securities	2009 No. of units	2008 No. of units
Opening balance as at 1 July 2008	3,040,019,487	2,894,600,006	3,040,019,487	2,894,600,006
Issue of units	1,560,453,600	–	1,560,453,600	–
Distributions reinvested	100,368,579	145,419,481	100,368,579	145,419,481
Closing balance as at 30 June 2009	4,700,841,666	3,040,019,487	4,700,841,666	3,040,019,487

Terms and conditions

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

Each stapled security entitles the holder to one vote, either in person or by proxy, at a meeting of each of the Trusts.

(d) Issue of securities

During the current year DXS carried out two separate security issue programs issuing a total of 1,560.5 million securities to raise \$1,062.2 million excluding equity raising costs of \$32.7 million. This comprised of the following:

December 2008 Institutional placement and share purchase plan

On 10 December 2008 pursuant to an institutional placement 391.7 million securities were issued at a price of 77.0 cents per security.

On 6 February 2009 pursuant to a security purchase plan 16.4 million securities were issued at a price of 70.7 cents per security.

May 2009 Institutional placement, institutional entitlement offer and the retail entitlement offer

On 6 May 2009 pursuant to an institutional placement, institutional entitlement offer and the retail entitlement offer for which valid applications were received, a total of 1025.1 million securities were issued at a price of 65.0 cents per security.

On 28 May 2009 pursuant to a retail entitlement offer 127.2 million securities were issued at a price of 65.0 cents per security.

(e) Distribution reinvestment plan

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

On 29 August 2008, 45,087,887 units were issued at a unit price of 128.8 cents in relation to the June 2008 distribution period.

On 27 February 2009, 55,280,692 units were issued at a unit price of 76.6 cents in relation to the December 2008 distribution period.

Approval of issues of Stapled Securities to an underwriter in connection with issues under a Distribution Reinvestment Plan

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

Such an issue will not be counted for the purposes of the calculation of the Trusts' annual placement limit of 15% under the ASX Listing Rules.

Note 27. Reserves and undistributed income

(a) Reserves

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Foreign currency translation reserve	(66,171)	(12,357)	–	–
Asset revaluation reserve	42,739	63,294	–	–
Total reserves	(23,432)	50,937	–	–
Movements:				
Foreign currency translation reserve				
Opening balance as at 1 July 2008	(12,357)	2,129	–	–
Exchange difference arising from the translation of the financial statements of foreign operations	(53,814)	(14,486)	–	–
Total movement in foreign currency translation reserve	(53,814)	(14,486)	–	–
Closing balance as at 30 June 2009	(66,171)	(12,357)	–	–
Asset revaluation reserve				
Opening balance as at 1 July 2008	63,294	–	–	–
Transfer to undistributed income	(20,555)	–	–	–
Revaluation increment on investment	–	63,294	–	–
Total movement in asset revaluation reserve	(20,555)	63,294	–	–
Closing balance as at 30 June 2009	42,739	63,294	–	–

(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 (refer note 34)

(c) Undistributed income

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Undistributed income as at 1 July 2008	2,000,235	1,930,282	704,791	838,162
Net profit attributable to security holders	(1,459,111)	438,277	(360,986)	85,804
Transfer from revaluation reserves	20,555	–	–	–
Transfer of capital reserve of minority interest	(10,008)	(13,346)	–	–
Acquisition of investment	–	402	–	–
Distributions provided for or paid	(296,648)	(355,380)	(138,238)	(219,175)
Undistributed income as at 30 June 2009	255,023	2,000,235	205,567	704,791

Note 28. Other minority interests

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Interest in				
Contributed equity	200,503	200,019	–	–
Reserves	51,696	41,352	–	–
Undistributed income	(45,427)	(35,373)	–	–
Total other minority interests	206,772	205,998	–	–

Note 29. Distributions paid and payable

(a) Distribution to security holders

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
31 December (paid 27 February 2009)	132,119	172,992	47,849	116,875
30 June (payable 28 August 2009)	164,529	182,388	90,389	102,300
	296,648	355,380	138,238	219,175

(b) Distribution to other minority interests

DEXUS Industrial Holdings, LLC (paid)	–	421	–	–
DEXUS RENTS Trust (paid 16 October 2008)	4,651	3,978	–	–
DEXUS RENTS Trust (paid 16 January 2009)	4,243	4,202	–	–
DEXUS RENTS Trust (paid 17 April 2009)	2,611	4,304	–	–
DEXUS RENTS Trust (payable 15 July 2009)	2,244	4,631	–	–
	13,749	17,536	–	–
Total distributions	310,397	372,916	138,238	219,175

(c) Distribution rate

	Consolidated		Parent entity	
	2009 Cents per security	2008 Cents per security	2009 Cents per unit	2008 Cents per unit
31 December (paid 27 February 2009)	3.80	5.90	1.38	3.99
30 June (payable 28 August 2009)	3.50	6.00	1.92	3.37
Total distributions	7.30	11.90	3.30	7.36

(d) Franked dividends

The franked portions of the final dividends recommended after 30 June 2009 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ended 30 June 2009.

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Franking credits				
Opening balance as at 1 July 2008	14,139	3,512	–	–
Franking credits arising during the year on payment of tax at 30%	7,240	4,694	–	–
Franking debits arising from payment of interim dividend	–	(5,296)	–	–
Franking credits arising on receipt of dividend	–	5,024	–	–
Franking credits on acquisition	–	6,205	–	–
Closing balance as at 30 June 2009	21,379	14,139	–	–

Note 30. Financial Risk Management

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

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

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

(1) Capital risk management

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

The capital structure of the Trust consists of debt (see note 21), cash and cash equivalents, and equity attributable to security holders (including hybrid securities). The capital structure is monitored and managed in consideration of a range of factors including:

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

To minimise the potential impacts of foreign exchange risk on the Trust's capital structure, the Trust's policy is to hedge the majority of its foreign asset and liability exposures. Consequently the size of the assets and liabilities on the Balance Sheets (translated into Australian Dollars) and gearing ratios will rise and fall as exchange rates fluctuate. This policy ensures that net tangible assets are not materially affected by currency movements (refer foreign exchange risk on page 77).

The Trust has a stated target gearing level of below 40% (2008: stated target gearing range was 40% to 45%). The gearing ratio calculated in accordance with our covenant requirements at 30 June 2009 was 32.0% (as detailed below).

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Gearing ratio				
Total interest bearing liabilities ¹	2,519,410	3,014,055	–	–
Total tangible assets ²	7,881,793	8,887,706	2,143,619	2,127,551
Gearing ratio	32.0%	33.9%	0.0%	0.0%

¹ Total interest bearing liabilities excludes deferred borrowing costs as reported internally to management.

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

Note 30. Financial Risk Management (continued)

(1) Capital risk management (continued)

The Trust is rated BBB+ by Standard and Poor's (affirmed in April 2009). The Trust considers potential impacts upon the rating when assessing the strategy and activities of the Trust and regards those impacts as an important consideration in its management of the Trust's capital structure.

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

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

During the period, both the Responsible Entities complied with the AFSL requirements.

(2) Financial risk management

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

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

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

(a) Liquidity risk

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

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

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

Refinancing risk

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

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

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

	Consolidated 30 June 2009				Consolidated 30 June 2008			
	Expiring within one year \$'000	Expiring between one and two years \$'000	Expiring between two and five years \$'000	Expiring after five years \$'000	Expiring within one year \$'000	Expiring between one and two years \$'000	Expiring between two and five years \$'000	Expiring after five years \$'000
Receivables	35,816	–	–	–	36,457	–	–	–
Payables	98,410	–	–	–	118,396	–	–	–
	(62,594)	–	–	–	(81,939)	–	–	–
Interest bearing liabilities								
Fixed interest rate liabilities	250,724	336,517	496,351	225,629	234,208	250,000	650,215	190,893
Floating interest bearing liabilities	131,161	481,214	597,699	–	345,000	251,497	776,874	315,272
Total interest bearing liabilities¹	381,885	817,731	1,094,051	225,629	579,208	501,497	1,427,089	506,165
Derivative financial instruments								
Derivative assets	739,625	456,059	559,433	31,656	606,517	96,307	126,715	22,976
Derivative liabilities	767,637	543,917	804,598	225,981	557,309	84,510	75,801	11,178
Total net derivative financial instruments²	(28,012)	(87,858)	(245,165)	(194,325)	49,208	11,797	50,914	11,798

1 Refer to note 21 (interest bearing liabilities). Excludes deferred borrowing costs and preference shares.

2 The notional maturities on derivatives is only shown for cross currency interest rate swaps (refer foreign exchange rate risk) and forward foreign exchange contracts as they are the only instruments where a principal amount is exchanged. For interest rate swaps, only the net interest cash flows (not the notional principal) are included. For derivative assets and liabilities that have floating rate interest cash flows, future cash flows have been calculated using static interest rates prevailing at 30 June 2009. Refer to note 11 Derivative Financial Instruments for fair value of derivatives.

	Parent entity 30 June 2009				Parent entity 30 June 2008			
	Expiring within one year \$'000	Expiring between one and two years \$'000	Expiring between two and five years \$'000	Expiring after five years \$'000	Expiring within one year \$'000	Expiring between one and two years \$'000	Expiring between two and five years \$'000	Expiring after five years \$'000
Receivables	17,752	–	–	–	8,419	–	–	–
Payables	19,503	–	–	–	13,968	–	–	–
	(1,751)	–	–	–	(5,549)	–	–	–
Loans with related parties	–	–	–	408,583	–	–	–	119,533
Derivative financial instruments								
Derivative assets	400,156	282,016	295,380	18,072	520,595	16,914	38,978	4,313
Derivative liabilities	385,775	282,679	311,257	43,402	478,687	20,101	40,186	4,567
Total net derivative financial instruments¹	14,381	(663)	(15,877)	(25,330)	41,908	(3,187)	(1,208)	(254)

1 The notional maturities on derivatives is only shown for cross currency interest rate swaps (refer foreign exchange rate risk) and forward foreign exchange contracts as they are the only instruments where a principal amount is exchanged. For interest rate swaps, only the net interest cash flows (not the notional principal) are included. For derivative assets and liabilities that have floating rate interest cash flows, future cash flows have been calculated using static interest rates prevailing at 30 June 2009. Refer to note 11 Derivative Financial Instruments for fair value of derivatives.

Note 30. Financial Risk Management (continued)

(2) Financial risk management (continued)

(b) Market risk

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

(i) Interest rate risk

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

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

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

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

As at 30 June 2009, 92% (2008: 85%) of the financial assets and liabilities (including DEXUS RENTS Trust) of the Trust have an effective fixed interest rate.

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

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

Consolidated 30 June 2009	June 2010 \$'000	June 2011 \$'000	June 2012 \$'000	June 2013 \$'000	June 2014 \$'000	> June 2015 \$'000
Fixed rate debt						
A\$ fixed rate debt ¹	345,833	116,667	–	–	–	–
US\$ fixed rate debt ¹	475,654	372,205	271,870	246,219	219,508	119,260
Interest rate swaps						
A\$ hedged ¹	429,967	674,467	643,200	499,167	485,000	230,667
A\$ hedge rate (%) ²	5.02%	5.32%	4.97%	5.25%	5.74%	6.19%
US\$ hedged ¹	693,700	710,533	775,867	884,033	835,700	427,622
US\$ hedge rate (%) ²	5.91%	5.95%	6.16%	5.74%	5.64%	4.71%
€ hedged ¹	140,000	137,500	127,500	105,000	70,000	27,667
€ hedge rate (%) ²	5.20%	5.16%	5.24%	5.54%	6.27%	5.21%
C\$ hedged ¹	70,000	70,000	70,000	70,000	70,000	47,833
C\$ hedge rate (%) ²	4.77%	4.77%	4.77%	4.77%	4.77%	4.77%
Combined fixed debt and swaps (A\$ equivalent)	2,535,026	2,439,264	2,230,805	2,149,345	1,981,831	1,003,773
Hedge rate (%)	5.53%	5.63%	5.68%	5.58%	5.67%	5.67%

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

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

Sensitivity on interest expense

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

		Consolidated		Parent entity	
		2009 (+/-) \$'000	2008 (+/-) \$'000	2009 (+/-) \$'000	2008 (+/-) \$'000
+/- 0.50% (50 basis points)	A\$	613	474	1,567	510
+/- 0.50% (50 basis points)	US\$	180	804	(1,146)	(616)
+/- 0.50% (50 basis points)	€	13	52	–	–
+/- 0.50% (50 basis points)	C\$	–	–	–	–
Total A\$ equivalent		856	1,395	154	(132)

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

Sensitivity on fair value of interest rate swaps

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

		Consolidated		Parent entity	
		2009 (+/-) \$'000	2008 (+/-) \$'000	2009 (+/-) \$'000	2008 (+/-) \$'000
+/- 0.50% (50 basis points)	A\$	15,026	8,306	(8,665)	(9,010)
+/- 0.50% (50 basis points)	US\$	27,651	32,896	5,082	8,430
+/- 0.50% (50 basis points)	€	2,651	4,594	–	–
+/- 0.50% (50 basis points)	C\$	2,714	2,704	–	–
Total A\$ equivalent		56,607	52,798	(2,402)	(252)

(ii) Foreign exchange risk

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

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

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

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

Note 30. Financial Risk Management (continued)

(2) Financial risk management (continued)

(b) Market risk (continued)

(ii) Foreign exchange risk (continued)

Foreign currency assets and liabilities

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

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

The Trust's net foreign currency exposures for net investments in foreign operations and hedging instruments are as follows:

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
US\$ assets ¹	1,311,445	1,765,567	374,110	312,905
US\$ net borrowings ²	(966,477)	(1,293,606)	–	86,926
US\$ cross currency swaps ³	(251,700)	(420,000)	(221,700)	(420,000)
US\$ denominated net investment	93,268	51,961	152,410	(20,169)
% hedged	93%	97%	59%	103%
€ assets ¹	138,675	198,400	–	–
€ net borrowings ²	(39,305)	(200,500)	–	–
€ cross currency swaps ³	(100,000)	–	–	–
€ denominated net investment	(630)	(2,100)	–	–
% hedged	100%	101%	–	–
C\$ assets ¹	51,600	68,300	–	–
C\$ net borrowings ²	–	–	–	–
C\$ cross currency swaps ³	(70,000)	(70,000)	–	–
C\$ denominated net investment	(18,400)	(1,700)	–	–
% hedged	136%	102%	–	–
NZ\$ assets ¹	130,000	157,509	–	–
NZ\$ net borrowings ²	–	–	–	–
NZ\$ cross currency swaps ³	–	–	–	–
NZ\$ denominated net investment	130,000	157,509	–	–
% hedged	0%	0%	–	–
Total foreign net investment (A\$ equivalent)	198,835	173,702	187,839	(20,953)
Total % hedged	90%	93%	59%	103%

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

2 Net borrowings is equal to interest bearing liabilities less cash. Where there are no interest bearing liabilities, cash is excluded.

3 Cross currency swap amounts comprise the foreign currency denominated leg of the cross currency swaps.

Sensitivity on equity (foreign currency translation reserve)

The table below shows the impact on the foreign currency translation reserve for changes in the translated value of foreign currency assets and liabilities for an increase and decrease in foreign exchange rates per currency. The increase and decrease in cents per currency has been based on the historical movements of the Australian dollar relative to each currency¹. The cents per currency has been applied to the spot rates prevailing at 30 June 2009 (see footnote below). The impact on the foreign currency translation reserve arises as the translation of the Trust's foreign currency assets and liabilities are recorded (in Australian Dollars) directly in the foreign currency translation reserve.

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
+ 15.7 cents (19%) (2008: 9.6 cents) US\$ (A\$ equivalent)	18,636	4,895	–	–
– 15.7 cents (19%) (2008: 9.6 cents) US\$ (A\$ equivalent)	(27,577)	(5,980)	–	–
+ 6.4 cents (11%) (2008: 6.1 cents) € (A\$ equivalent)	(110)	(313)	–	–
– 6.4 cents (11%) (2008: 6.1 cents) € (A\$ equivalent)	137	383	–	–
+ 10.0 cents (8%) (2008: 12.6 cents) NZ\$ (A\$ equivalent)	7,615	11,349	–	–
– 10.0 cents (8%) (2008: 12.6 cents) NZ\$ (A\$ equivalent)	(8,931)	(13,869)	–	–
+ 7.3 cents (8%) (2008: 12.6 cents) C\$ (A\$ equivalent)	(1,417)	(159)	–	–
– 7.3 cents (8%) (2008: 12.6 cents) C\$ (A\$ equivalent)	1,656	194	–	–

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

2 Exchange rates at 30 June 2009: A\$/US\$ 0.8114 (2008: 0.9626), A\$/€ 0.5751 (2008: 0.6096), A\$/NZ\$ 1.2428 (2008: 1.2609), A\$/C\$ 0.9379 (2008: 0.9715)

Sensitivity on fair value of cross currency swaps

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

	Consolidated		Parent entity	
	2009 (+/-) \$'000	2008 (+/-) \$'000	2009 (+/-) \$'000	2008 (+/-) \$'000
+/- 0.50% (50 basis points) US\$ (A\$ equivalent)	45	98	42	98
+/- 0.50% (50 basis points) € (A\$ equivalent)	2	–	–	–
+/- 0.50% (50 basis points) C\$ (A\$ equivalent)	91	87	–	–
Total A\$ equivalent	138	184	42	98

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

Note 30. Financial Risk Management (continued)

(2) Financial risk management (continued)

(b) Market risk (continued)

(ii) Foreign exchange risk (continued)

Net foreign currency denominated cash flows

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

Forward foreign exchange contracts outstanding at 30 June 2009 are as follows:

	2009	2009	2009	2008	2008	2008
	To pay US\$ million	To receive A\$ million	Weighted average exchange rate	To pay US\$ million	To receive A\$ million	Weighted average exchange rate
1 year or less	7.3	10.6	0.6848	9.5	13.9	0.6844
Over 1 and less than 2 years	5.6	7.9	0.7084	5.2	7.7	0.6725
More than 2 years	9.6	13.9	0.6892	17.2	25.0	0.6868

	2009	2009	2009	2008	2008	2008
	To pay NZ\$ million	To receive A\$ million	Weighted average exchange rate	To pay NZ\$ million	To receive A\$ million	Weighted average exchange rate
1 year or less	4.0	3.4	1.1780	7.5	6.6	1.1311
Over 1 and less than 2 years	2.0	1.7	1.1847	4.0	3.4	1.1780
More than 2 years	–	–	–	2.0	1.7	1.1847

Sensitivity on fair value of foreign exchange contracts

The table below shows the impact on the Income Statements for changes in the fair value of forward foreign exchange contracts for an increase and decrease in market rates. The increase and decrease in cents per currency has been based on the historical movements of the Australian dollar relative to each currency¹. The cents per currency has been applied to the spot rates prevailing at 30 June 2009 (see foot note below). The sensitivity on the fair value arises from the impact that changes in market rates will have on the mark-to-market valuation of the forward foreign exchange contracts.

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

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
+ 15.7 cents (19%) (2008:9.6 cents) US\$ (A\$ Equivalent)	4,277	2,720	2,100	1,333
– 15.7 cents (19%) (2008:9.6 cents) US\$ (A\$ Equivalent)	(6,329)	(3,327)	(3,108)	(1,630)
+ 10.0 cents (8%) (2008:12.6 cents) NZ\$ (A\$ Equivalent)	347	(883)	–	–
– 10.0 cents (8%) (2008:12.6 cents) NZ\$ (A\$ Equivalent)	(408)	(1,080)	–	–

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

2 Exchange rates at 30 June 2009: A\$/US\$ 0.8114 (2008: 0.9626), A\$/€ 0.5751 (2008: 0.6096), A\$/NZ\$ 1.2428 (2008: 1.2609), A\$/C\$ 0.9379 (2008: 0.9715).

(iii) Price risk

The Trust is exposed to equity securities price risk from equity securities and derivative financial instruments that the Trust transacts. Equity securities price risk is subject to a number of risks. The key risk variable is the quoted market price of equity securities which are affected by a number of factors largely out of the control of the Trust. The Trust does not use financial instruments to hedge the price risk.

As at 30 June 2009, the Trust does not have a material exposure to price risk.

(c) Credit risk

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

The Trust manages this risk by:

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

A minimum S&P rating of A- (or Moody's or Fitch equivalent) is required to become or remain an approved counterparty. As at 30 June 2009, the lowest rating of counterparties the Trust is exposed to was A (S&P).

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

The maximum exposure to credit risk at 30 June 2009 is the carrying amount of financial assets recognised on the Balance Sheets of the Trust and parent entity.

As at 30 June 2009, the Trust and the parent entity have no significant concentrations of credit risk for trade receivables. Trade receivable balances and the credit quality of trade debtors are consistently monitored on an ongoing basis. As a result, the Trust and parent entity's exposure to bad debts is not significant.

For the Consolidated Entity, the ageing analysis of loans and receivables net of provisions at 30 June 2009 is (\$'000): 31,479.1 (0-30 days), 1,897.2 (31-60 days), 979.5 (61-90 days), 1,460.4 (91+ days). The ageing analysis of loans and receivables net of provisions at 30 June 2008 is (\$'000): 32,014.9 (0-30 days), 1,313.1 (31-60 days), 702.6 (61-90 days), 2,456.4 (91+ days)). Amounts over 31 days are past due, however, no receivables are impaired.

For the parent entity, the ageing analysis for loans and receivables net of provisions at 30 June 2009 is (\$'000): 17,343.9 (0-30 days), 39.2 (31-60 days), 25.1 (61-90 days), 344.0 (91+ days). The ageing analysis of loans and receivables net of provisions for the parent entity at 30 June 2008 is (\$'000): 8,124.3 (0-30 days), 123.7 (31-60 days), 37.6 (61-90 days), 133.4 (91+ days). Amounts over 31 days are past due, however, no receivables are impaired.

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

Note 30. Financial Risk Management (continued)

(2) Financial risk management (continued)

(d) Fair value of financial instruments

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

At 30 June 2009, the carrying amounts and fair value of financial assets and liabilities are shown as follows:

	Consolidated		Consolidated	
	2009	2009	2008	2008
	Carrying amount ¹ \$'000	Fair value ² \$'000	Carrying amount ¹ \$'000	Fair value ² \$'000
Financial assets				
Cash and cash equivalents	84,845	84,845	99,214	99,214
Loans and receivables (current)	35,816	35,816	36,457	36,457
Derivative assets	205,491	205,491	191,162	191,162
Total financial assets	326,152	326,152	326,833	326,833
Financial liabilities				
Trade payables	98,410	98,410	118,396	118,396
Derivative liabilities	386,224	386,224	97,078	97,078
Interest bearing liabilities				
Multi-option facilities	539,290	539,290	861,521	861,521
Multi-option syndicated facilities	389,973	389,973	466,539	466,539
Secured term facilities	250,000	250,000	–	–
US senior notes	492,975	530,175	415,542	438,050
Commercial mortgage backed securities	–	–	500,000	494,108
Medium-term notes	456,436	482,797	455,425	445,510
Other	390,622	411,735	314,933	318,913
Preference shares	114	114	96	96
Total financial liabilities	3,004,044	3,088,718	3,229,530	3,240,211

	Parent entity		Parent entity	
	2009	2009	2008	2008
	Carrying amount ¹ \$'000	Fair value ² \$'000	Carrying amount ¹ \$'000	Fair value ² \$'000
Financial assets				
Cash and cash equivalents	27,268	27,268	31,004	31,004
Loans and receivables (current)	17,752	17,752	8,419	8,419
Derivative assets	97,805	97,805	70,059	70,059
Intercompany loans	408,583	408,583	119,533	119,533
Total financial assets	551,408	551,408	229,015	229,015
Financial liabilities				
Trade payables	19,503	19,503	13,968	13,968
Derivative liabilities	149,545	149,545	43,429	43,429
Intercompany loans	–	–	34,332	34,332
Total financial liabilities	169,048	169,048	91,729	91,729

1 Carrying value is equal to the value of the financial instruments on the Balance Sheets.

2 Fair value is the amount for which the financial instrument could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction, however, not recognised on the Balance Sheets.

The fair value of fixed rate interest bearing liabilities have been determined by discounting the expected future cash flows by the relevant market rates. The discount rates applied range from 0.60% to 4.71% for US\$ and 3.08% to 4.78% for A\$. Refer note 1(w) for fair value methodology for financial assets and liabilities.

Note 31. Contingent liabilities

Details and estimates of maximum amounts of contingent liabilities are as follows:	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Bank guarantees by the Trusts in respect of variations and other financial risks associated with the development of:				
60 Miller Street, North Sydney, NSW	497	496	–	–
Atlantic Corporate Park, Sterling, Virginia, USA	1,359	1,596	–	–
San Antonio properties	841	709	–	–
Bligh Street, Sydney, NSW ¹	3,820	3,820	–	–
Albert Street, Brisbane, QLD	2,000	–	2,000	–
Beaumeade, Ashburn, Norther Virginia, USA	1,028	–	–	–
Total contingent liabilities	9,545	6,621	2,000	–

1 Bank guarantee held in relation to an equity accounted investment (refer note 16).

The Trust together with DIT, DOT and DXO is also a guarantor of a A\$300.0 million and US\$210.0 million syndicated bank debt facility and a total of A\$1,182.5 million and US\$120.0 million (A\$147.9 million) of bank bi-lateral facilities, a total of A\$450.0 million of medium-term notes and a total of US\$400.0 million (A\$493.0 million) of privately placed notes, which have all been negotiated to finance the Trust and other entities within DXS. The guarantees have been given in support of debt outstanding and drawn against these facilities.

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

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

Note 32. Commitments

(a) Capital commitments

The following amounts represent capital expenditure on investment properties contracted at the reporting date but not recognised as liabilities payable:

Capital expenditure commitments in relation to development works:	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Not longer than one year				
3 Brookhollow Avenue, Baulkham Hills, NSW	421	227	–	–
10-16 South Street, Rydalmere, NSW	–	189	–	–
5-13 Rosebery Avenue, Rosebery, NSW	–	200	–	–
Egerton Street, Silverwater, NSW	–	475	–	–
Boundary Road, Laverton North, VIC	–	6,890	–	–
Pound Road West, Dandenong, VIC	–	1,257	–	–
Governor Phillip Tower & Governor Macquarie Tower 1 Farrer Place, Sydney, NSW	3,310	39	–	–
309-321 Kent Street, Sydney, NSW	–	163	–	–
Southgate Complex, 3 Southgate Avenue, Southgate, VIC	74	203	–	–
Westinghouse Boulevard, Charlotte	–	87	–	–
O'Hare, Chicago	–	347	–	–
Kenwood Road, Cincinnati	276	203	–	–
Turfway Road, Cincinnati	–	141	–	–
SE, Columbus	–	460	–	–
Capital Avenue, Dallas	193	31	–	–
Regency Crest Drive, Dallas	–	26	–	–
Summit Avenue, Dallas	100	–	–	–
10th Street, Dallas	63	–	–	–
Avenue F, Dallas	–	222	–	–
CTC @ Valwood, Dallas	26	–	–	–
Glendale, Los Angeles	–	264	–	–
Lexington Avenue, Minneapolis	28	126	–	–
Mounds View, Minneapolis	12	856	–	–
Trenton Lane, Minneapolis	25	557	–	–
Braemar Ridge, Minneapolis	–	17	–	–
Eagandale Business Campus, Minneapolis	179	114	–	–
Alexandria, North Virginia	–	838	–	–
Nokes Boulevard, Northern Virginia	1,232	–	–	–
West Alameda Drive, Phoenix	59	96	–	–
44th Avenue, Phoenix	–	73	–	–
South Priest Drive, Phoenix	–	105	–	–
East University, Phoenix	308	348	–	–
South 41st Avenue, Phoenix	211	205	–	–
South 40th Avenue, Phoenix	–	208	–	–
South 55th Avenue, Phoenix	468	–	–	–
South 9th Street, Phoenix	136	–	–	–
Chino, Riverside	48	–	–	–
Interchange South, San Antonio	128	–	–	–

Capital expenditure commitments in relation to development works:	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Not longer than one year				
5823 Newton Drive, San Diego	338	–	–	–
Kent West, Seattle	–	277	–	–
Southern Employment Lands, Greystanes	27,174	63,848	–	–
Australia Square Complex, 264-278 George Street, Sydney, NSW	68	–	–	–
180 Flinders Lane, Melbourne, VIC	752	–	752	–
189 Flinders Lane, Melbourne, VIC	169	340	169	340
8 Nicholson Street, Melbourne, VIC	–	255	–	255
The Zenith, 821-843 Pacific Highway, Chatswood, NSW	197	1,191	–	–
60 Miller Street, North Sydney, NSW	195	10,921	–	–
144 Wicks Road, North Ryde, NSW	–	325	–	–
14 Moore Street, Canberra, ACT	441	–	441	–
44 Market Street, Sydney, NSW	830	–	830	–
123 Albert Street, Brisbane QLD	122,565	57,293	108,110	57,293
	160,026	149,417	110,302	57,888
Later than one year but no later than five years				
Governor Phillip Tower & Governor Macquarie Tower 1 Farrer Place, Sydney, NSW	1,532	7,664	–	–
Southgate Complex, 3 Southgate Avenue, Southgate, VIC	1,066	–	–	–
Southern Employment Lands, Greystanes	–	27,174	–	–
44 Market Street, Sydney, NSW	1,160	–	1,160	–
123 Albert Street, Brisbane, QLD	50,657	148,767	65,112	148,767
	54,415	183,605	66,272	148,767
Total capital commitments	214,441	333,023	176,574	206,655

(b) Lease payable commitments

Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities payable:	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Within one year	290	290	290	290
Later than one year but not later than five years	1,162	1,162	1,162	1,162
Later than five years	6,680	6,970	6,680	6,970
Total lease payable commitments	8,132	8,422	8,132	8,422

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

The Trust has a commitment for ground rent payable in respect of a leasehold property included in property investments. An amount of \$290,356 was paid in respect of the year ended 30 June 2009 (2008: \$290,356). This commitment was reviewed in 2003 and annual lease payments were increased by a CPI factor as per the lease agreement. This commitment is next subject for review in 2012 and expires in 2037.

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

Note 32. Commitments (continued)

(c) Lease receivable commitments

The future minimum lease payments receivable by the Trusts are:	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Within one year	526,791	457,594	91,732	90,728
Later than one year but not later than five years	1,725,306	1,447,477	287,312	291,568
Later than five years	794,480	666,413	163,684	187,665
Total lease receivable commitments	3,046,577	2,571,484	542,728	569,961

Note 33. Related parties

Responsible Entity

DXFM is the Responsible Entity of the Trusts.

DXFM is also the Responsible Entity of Abbotsford Property Trust, Abbotsford Property Investment Trust, Gordon Property Trust, Gordon Property Investment Trust, Northgate Property Trust and Northgate Property Investment Trust (collectively known as "the Syndicates"). On 29 June 2008, Abbotsford Property Trust and Abbotsford Property Investment Trust were wound up.

DXH is the parent entity of DEXUS Wholesale Property Limited (DWPL), the Responsible Entity for DWPF.

Responsible Entity fees

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

Investments

On 21 February 2008, DXO purchased the remaining 50% interest in DXH from FAP. Deutsche Bank and RREEF ceased to be a related party on this date. As a result amounts shown in the current period are nil and amounts shown in the prior period reflect transactions from 1 July 2007 to 20 February 2008.

Related party transactions

Prior to DXO's acquisition of the remaining 50% interest in DXH on 21 February 2008, all related party transactions were conducted on normal commercial terms and conditions unless otherwise stated. Following the acquisition, Responsible Entity fees in relation to DXS assets moved to cost recovery as reflected in the parent entity's transactions with DXFM. All agreements with third party funds remain unchanged.

DEXUS Funds Management Limited and its related entities

On 21 February 2008 DXO purchased the remaining 50% interest in DXH (DXFM's parent entity) from FAP. As a result DXH became a wholly owned entity of DXS with all inter company related party transactions being eliminated on consolidation in the current period. Amounts shown in the prior period reflect transactions from 1 July 2007 to 20 February 2008.

	Consolidated		Parent entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Responsible Entity fees paid and payable	–	21,869,324	6,358,061	9,397,076
Loan note interest earned from DXH	–	3,693,880	–	–
Property management fees to DXPS	–	8,400,054	2,409,931	736,069
Recovery of administration expenses paid to DXH	–	4,952,925	4,269,966	1,188,892
Aggregate amounts payable to the Responsible Entity at reporting date	–	–	520,758	504,613
Property management fees payable at reporting date	–	–	667,500	581,988
Administration expenses payable at reporting date	–	–	381,051	–

DEXUS Wholesale Property Fund¹

	Consolidated		Parent entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Responsible Entity fee income	16,164,383	6,200,512	–	–
Property management fee income	5,800,897	993,255	–	–
Recovery of administration expenses	674,901	797,068	–	–
Aggregate amount receivable at reporting date	1,324,213	1,853,954	–	–
Property management fees receivable at reporting date	527,970	193,673	–	–
Administration expenses receivable at reporting date	191,249	56,428	–	–

The Syndicates¹

	Consolidated		Parent entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Responsible Entity fee income	1,722,262	742,994	–	–
Property management fee income	1,830,192	235,080	–	–
Recovery of administration expenses	196,541	300,100	–	–
Aggregate amount receivable at reporting date	609,967	329,230	–	–
Property management fees receivable at reporting date	91,106	98,885	–	–
Administration expenses receivable at reporting date	58,371	–	–	–

Bent Street Trust¹

	Consolidated		Parent entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Property management fee income	5,418,913	6,400,740	–	–
Recovery of administration expenses	17,928	18,286	–	–
Aggregate amount receivable at reporting date	–	3,446,957	–	–
Administration expenses receivable at reporting date	–	16,685	–	–

1 Amounts in 2008 reflect transactions between 21 February 2008 and 30 June 2008.

Note 33. Related parties (continued)

RREEF

On 21 February 2008, DXO purchased the remaining 50% interest in DXH from FAP. RREEF (a subsidiary of Deutsche Bank and fund manager of DEXUS Industrial Properties, Inc.) ceased to be a related party on this date. As a result amounts shown in the current period are nil and amounts shown in the prior period reflect transactions from 1 July 2007 to 20 February 2008.

	Consolidated		Parent entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Investment management fee	–	2,174,822	–	–
Asset management fee	–	229,230	–	–
Acquisition fee	–	3,245,899	–	–
Property management fees	–	3,081,512	–	–
Construction supervision fee	–	622,598	–	–
Development fees	–	1,444,421	–	–
Leasing commissions	–	1,772,242	–	–
Performance fees	–	64,411	–	–

Deutsche Bank AG

Dealings with the bank include, not only transactions in its capacity as part owner of the Responsible Entity, but also in the provision of financial services. On 21 February 2008, DXO purchased the remaining 50% interest in DXH from FAP, a subsidiary of Deutsche Bank. Deutsche Bank ceased to be a related party on this date. As a result amounts shown in the current period are nil and amounts shown in the prior period reflect transactions from 1 July 2007 to 20 February 2008.

	Consolidated		Parent entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Deutsche Bank AG in its capacity as a financier:				
Interest paid on swaps for whom the counterparty was Deutsche Bank AG	–	9,955,000	–	226,271
Interest and financing fees on borrowings to Deutsche Bank AG	–	431,000	–	–
Proceeds from Borrowings from Deutsche Bank AG	–	7,033,000	–	–
Loan repayment to Deutsche Bank AG	–	10,650,755	–	–
Interest received on swaps for whom the counterparty was Deutsche Bank AG	–	10,315,000	–	870,762
Other transactions with Deutsche Bank AG:				
Interest paid and payable to FAP	–	814,000	–	–
Purchase of DXH shares	–	79,829,700	–	–
Redemption of loan notes	–	51,936,300	–	–
Dividends paid	–	5,974,000	–	–

The following persons were Directors or Alternate Directors of DXFM during the whole of the financial year and up to the date of this report, unless otherwise stated:

Directors

C T Beare, BSc, BE (Hons), MBA, PhD, FAICD^{1,4,5}
 E A Alexander AM, BComm, FCA, FAICD, CPA^{1,2,6,8,9}
 B R Brownjohn, BComm^{1,2,5,6}
 S F Ewen OAM^{1,4}
 V P Hoog Antink, BComm, MBA, FCA, FAPI, FRICS, MAICD
 C B Leitner III, BA¹⁷
 B E Scullin, BEC^{1,3,4,7,10}
 A J Fay, BA, Ag. Ec (Hons), ASIA (Alternate to C B Leitner III)¹⁷
 P B St George, CA(SA), MBA^{11,14,15,16}
 J C Conde AO, BSc, BE (Hons), MBA^{12,13,16}

- 1 Independent Director
- 2 Audit Committee Member
- 3 Compliance Committee Member
- 4 Nomination and Remuneration Committee Member
- 5 Finance Committee Member
- 6 Risk Committee Member
- 7 Audit Committee Member from 1 July 2008 to 1 May 2009
- 8 Compliance Committee Member from 1 July 2008 to 1 May 2009
- 9 Finance Committee Member from 1 July 2008 to 1 May 2009
- 10 Risk Committee Member from 1 July 2008 to 1 May 2009
- 11 Audit Committee Member from 1 May 2009 to 30 June 2009
- 12 Compliance Committee Member from 1 May 2009 to 30 June 2009
- 13 Nomination and Remuneration Committee Member from 1 May 2009 to 30 June 2009
- 14 Finance Committee Member from 1 May 2009 to 30 June 2009
- 15 Risk Committee Member from 1 May 2009 to 30 June 2009
- 16 Appointed Independent Director 29 April 2009
- 17 Resigned 29 April 2009

No Directors held an interest in the Trust as at 30 June 2009 or at the date of this report.

Other key management personnel

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

Name	Position	Qualification date of other key management personnel during the 12 months ended 30 June 2009
Victor P Hoog Antink	Chief Executive Officer	
Tanya L Cox	Chief Operating Officer	
Patricia A Daniels	Head of Human Resources	
John C Easy	General Counsel	
Jane Lloyd	Head of Retail	Appointed 14 July 2008
Louise J Martin	Head of Office	
Craig D Mitchell	Chief Financial Officer	
Paul G Say	Head of Corporate Development	
Mark F Turner	Head of Funds Management	
Andrew P Whiteside	Head of Industrial	

No key management personnel or their related parties held an interest in the Trust for the years ended 30 June 2008 and 30 June 2009 or at the date of this report.

There were no loans or other transactions with key management personnel or their related parties during the years ended 30 June 2008 and 30 June 2009 or at the date of this report.

	2009 \$	2008 \$
Compensation		
Short-term employee benefits	7,910,223	6,891,605
Post-employment benefits	563,665	400,153
Other long-term benefits	1,509,929	3,290,638
	9,983,817	10,582,396

The Trust has shown the detailed remuneration disclosures in the Directors' Report. The relevant information can be found in section 3 of the Directors' Report on pages 12 to 24.

Note 34. Business Combinations

(a) Summary of acquisition

There were no transactions or events resulting in a business combination in the current period to 30 June 2009.

During the prior period, on 21 February 2008, DXO acquired the remaining 50% interest in DXH. Prior to this acquisition DXO held a 50% share in DXH and accounted for DXH on an equity accounting basis. The acquisition of the remaining 50% has resulted in DXO effectively controlling DXH and thus this acquisition was accounted for as a 'business combination achieved in stages' as described in *AASB 3 Business Combinations*. The acquisition resulted in goodwill of \$2.998 million.

The acquired business contributed revenues of \$37.428 million and net profit of \$2.278 million to the Trusts for the period from 21 February 2008 to 30 June 2008. If the acquisition had occurred on 1 July 2007, consolidated revenue and consolidated profit for the year ended 30 June 2008 would have been \$943.197 million and \$441.169 million respectively. These amounts have been calculated using the Trusts' accounting policies.

	2008
	\$'000
Purchase consideration (refer to (b) below):	
Cash paid ¹	79,830
Direct costs related to acquisition	768
Total purchase price	80,598
Fair value of net identifiable assets acquired (refer below)	77,600
Goodwill	2,998

1 Represents consideration for the remaining 50% of DXH shares. In addition to this \$51,936,300 of loan notes were repaid resulting in total cash outlay of \$131,766,000.

(b) Purchase consideration

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Outflow of cash to acquire subsidiary, net of cash acquired				
Cash consideration	–	79,830	–	–
Less: Cash balances acquired	–	12,486	–	–
Outflow of cash	–	67,344	–	–

(c) Assets and liabilities acquired

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount \$'000	Fair value \$'000
Property, plant and equipment	4,529	4,529
Deferred tax assets	1,467	1,467
Intangible assets – management rights	125,796	252,382
Other non-current assets	40	40
Cash and cash equivalents	12,486	12,486
Receivables	22,688	22,688
Other current assets	877	877
Provisions	(14,556)	(14,556)
Payables	(13,360)	(13,360)
Interest bearing liabilities	(111,353)	(111,353)
Net assets	28,614	155,200
Identifiable net assets acquired		77,600

Note 35. Events occurring after reporting date

On 31 July 2009, DWPF purchased a further 1.53% of Bent Street Trust from DCT for \$3.3 million.

Subsequent to the reporting date, DXF issued \$160.0 million of medium-term notes with a maturity of July 2014.

Subsequent to the reporting date, DDF exchanged sales contracts on six separate lots at Redwood Gardens Industrial Estate, Dingley for total consideration of \$6.6 million. The settlement of these property sales will occur between August and November 2009.

On 8 July 2009, 68 Hasler Road, Herdsman was settled for consideration of \$11.3 million.

On 3 July 2009, DIT US Whirlpool Trust acquired 6241 Shook Road, Columbus, Ohio for a consideration of US\$64.5 million (A\$79.5 million).

On 23 July 2009, 3-7 Bessemer Street, Blacktown was settled for consideration of \$9.1 million.

On 27 July 2009, DIT GLOG Trust disposed of Nordstrasse 102708, Löbau, Germany for a consideration of €1.0 million (A\$1.7 million).

In July 2009, DXO entered into an unconditional contract to sell 343 George Street, Sydney for \$55.0 million. Settlement is to occur in October 2009. The property has been reclassified as held for sale at 30 June 2009.

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

Note 36. Segment information

Business segments

The Trusts operate in the following segments: Retail – investment in the retail property sector; Office and car park – investment in the office and car park property sectors; and Industrial – investment in the industrial property sector.

2009	Retail \$'000	Office & Car Park \$'000	Industrial \$'000	Eliminations/ unallocated \$'000	Consolidated \$'000
Property revenue	23,312	332,950	353,626	(1,382)	708,506
Interest revenue	159	855	577	1,634	3,225
Management fees	–	–	–	63,663	63,663
	23,471	333,805	354,203	63,915	775,394
Share of net profits of associates accounted for using the equity method	–	31	–	–	31
Net foreign exchange gain	–	355	1,824	–	2,179
Other income	–	195	19	121	335
Total segment revenue/income	23,471	334,386	356,046	64,036	777,939
Segment result	4,962	(409,536)	(772,545)	(281,992)	(1,459,111)
Segment assets	271,302	4,079,395	3,539,815	460,599	8,351,110
Segment liabilities	4,430	1,071,691	1,696,101	432,672	3,204,893
Non-current assets classified as held for sale	–	55,000	41,150	–	96,150
Investment accounted for using the equity method	–	84,165	–	–	84,165
Additions to property, plant and equipment	–	61,514	116,487	1,460	179,461
Net loss on sale of investment properties	–	(541)	(1,289)	(50)	(1,880)
Net loss on sale of investment	–	(534)	–	–	(534)
Net fair value loss of investment properties	(11,282)	(588,649)	(917,349)	(284)	(1,517,564)
Impairment	–	(15,675)	(111,214)	(41,280)	(168,169)
Net fair value loss of derivatives	–	–	–	(21,209)	(21,209)
Incentive amortisation expense	392	30,529	16,321	–	47,242
Other non-cash expenses	–	(4,176)	–	(566)	(4,742)

Note 36. Segment information (continued)

Business segments (continued)

2008	Retail \$'000	Office & Car Park \$'000	Industrial \$'000	Eliminations/ unallocated \$'000	Consolidated \$'000
Property revenue	35,673	323,501	306,304	(647)	664,831
Interest revenue	136	1,034	4,634	2,330	8,134
Management fees	–	–	–	26,760	26,760
Share of net profits/(losses) of associates accounted for using the equity method	3,629	(4,055)	–	2,893	2,467
	39,438	320,480	310,938	31,336	702,192
Net (loss)/gain on sale of investment properties	(3,114)	(476)	5,887	–	2,297
Net fair value gain/(loss) of investment properties	3,058	268,356	(86,695)	(275)	184,444
Net fair value loss of derivatives	–	–	–	(3,503)	(3,503)
Net foreign exchange gain	–	–	–	3,442	3,442
Other income	–	4	129	1,120	1,253
Total segment revenue/income	39,382	588,364	230,259	32,120	890,125
Segment result	24,013	509,152	46,933	(141,821)	438,277
Segment assets	281,958	4,736,899	4,096,314	233,816	9,348,987
Segment liabilities	2,295	1,249,601	2,424,004	(161,966)	3,513,934
Investment accounted for using the equity method	–	111,946	–	–	111,946
Acquisition of investment properties	–	2,800	314,965	–	317,765
Additions to property, plant and equipment	–	22,368	162,245	6,686	191,299
Incentive amortisation expense	952	29,404	11,678	–	42,034
Other non-cash expenses	–	2,796	–	267	3,063

Geographical segments

The Trusts' investments are located in Australia, New Zealand, the United States, France, Germany and Canada.

2009	Australia \$'000	New Zealand \$'000	United States \$'000	France \$'000	Germany \$'000	Canada \$'000	Consolidated \$'000
Rental and other property income	480,090	10,047	183,337	8,093	21,586	5,353	708,506
Segment assets	6,250,592	105,507	1,639,215	62,197	213,029	80,571	8,351,110
Additions to property, plant and equipment	151,153	–	28,308	–	–	–	179,461

2008	Australia \$'000	New Zealand \$'000	United States \$'000	France \$'000	Germany \$'000	Canada \$'000	Consolidated \$'000
Rental and other property income	478,574	9,807	146,570	9,396	17,887	2,597	664,831
Segment assets	6,844,831	124,484	1,968,077	99,390	231,065	81,140	9,348,987
Acquisitions of investment properties	–	–	241,175	–	–	76,590	317,765
Additions to property, plant and equipment	120,813	–	70,486	–	–	–	191,299

Note 37. Reconciliation of net (loss)/profit to net cash inflow from operating activities

(a) Reconciliation

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Net (loss)/profit	(1,455,416)	445,261	(360,986)	85,804
Capitalised interest	(35,050)	(17,949)	(8,020)	(6,141)
Depreciation and amortisation	4,743	3,002	–	–
Impairment	168,168	61	–	–
Net decrement/(increment) on revaluation of investment properties	1,517,564	(184,444)	341,251	65,784
Share of net profits of associates accounted for using the equity method	(31)	(2,467)	–	–
Net fair value loss of derivatives	21,209	3,503	5,753	2,203
Net fair value loss of interest rate swaps	222,468	69,561	9,138	31,869
Net loss/(gain) on sale of investment properties	1,880	(2,297)	1,330	5,743
Net loss on sale of investment	534	–	–	–
Net foreign exchange loss/(gain)	(2,179)	30,597	153,701	(9,515)
Provision for doubtful debts	3,000	(290)	20	–
Change in operating assets and liabilities				
Decrease/(increase) in receivables	(2,389)	460	(9,353)	11,078
Decrease/(increase) in prepaid expenses	(4,246)	(3,554)	(1,424)	1,132
Decrease/(increase) in other non-current assets – investments	35,794	78,375	4,509	(45,562)
Decrease/(increase) in other current assets	(5,631)	23,758	9,650	–
Decrease/(increase) in other non-current assets	(1,176)	(85,989)	(329)	237
(Decrease)/increase in payables	(12,944)	1,282	4,362	2,544
(Decrease)/increase in current liabilities	(355)	(21,785)	–	(3,569)
(Decrease)/increase in other non-current liabilities	4,456	31,624	(82)	8,775
(Decrease)/increase in deferred tax liabilities	(100,822)	5,736	–	–
Net cash inflow from operating activities	359,577	374,445	149,520	150,382

(b) Capital expenditure on investment properties

Payments for capital expenditure on investment properties includes \$86.9 million (2008: \$90.8 million) of maintenance and incentive capital expenditure.

Note 38. Non-cash financing and investing activities

	Note	Consolidated		Parent entity	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Distributions reinvested	26	100,420	243,678	47,912	146,305

Note 39. Earnings per unit

Earnings per unit are determined by dividing the net profit attributable to equity holders by the weighted average number of ordinary units outstanding during the year. The weighted average number of units has been adjusted for the bonus elements in units issued during the year and comparatives have been appropriately restated.

(a) Basic earnings per unit on (loss)/profit attributable to equity holders of the parent entity

	Consolidated		Parent entity	
	2009 cents	2008 restated cents	2009 cents	2008 restated cents
	(8.11)	2.64	(9.74)	2.72

(b) Diluted earnings per unit on (loss)/profit attributable to equity holders of the parent entity

	Consolidated		Parent entity	
	2009 cents	2008 restated cents	2009 cents	2008 restated cents
	(8.11)	2.64	(9.74)	2.72

(c) Basic earnings per unit on (loss)/profit attributable to stapled security holders

	Consolidated	
	2009 cents	2008 restated cents
	(39.38)	13.88

(d) Diluted earnings per unit on (loss)/profit attributable to stapled security holders

	Consolidated	
	2009 cents	2008 restated cents
	(39.38)	13.88

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

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Net (loss)/profit	(1,455,416)	445,261	(360,986)	85,804
Net loss/(profit) attributable to equity holders of other stapled entities (minority interests)	1,158,625	(354,807)	–	–
Net profit attributable to other minority interests	(3,695)	(6,984)	–	–
Net (loss)/profit attributable to the unitholders of the Trust used in calculating basic and diluted earnings per unit	(300,486)	83,470	(360,986)	85,804

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

	Consolidated		Parent entity	
	2009 securities	2008 restated securities	2009 units	2008 restated units
Weighted average number of units outstanding used in calculation of basic and diluted earnings per unit	3,705,637,381	3,156,757,941	3,705,637,381	3,156,757,941

**FINANCIAL REPORTS
DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2009**

The Directors of DEXUS Funds Management Limited as Responsible Entity of DEXUS Diversified Trust (the Trust) declare that the Financial Statements and notes set out on pages 29 to 95:

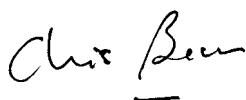
- (i) comply with applicable Australian Equivalents to International Financial Reporting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- (ii) give a true and fair view of the consolidated entity's financial position as at 30 June 2009 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date.

In the Directors' opinion:

- (a) the Financial Statements and notes are in accordance with the *Corporations Act 2001*;
- (b) there are reasonable grounds to believe that the Trust and its consolidated entities will be able to pay their debts as and when they become due and payable; and
- (c) the Trust has operated in accordance with the provisions of the Constitution dated 15 August 1984 (as amended) during the year ended 30 June 2009.

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
17 August 2009



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

Report on the financial report

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We have audited the accompanying financial report of DEXUS Diversified Trust (the Trust), which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both DEXUS Diversified Trust and the DEXUS Diversified Trust Group (the consolidated entity). The consolidated entity comprises the Trust and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of DEXUS Funds Management Limited, as responsible entity of the Trust, are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

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

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

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

Liability limited by a scheme approved under Professional Standards Legislation



Independence

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

Auditor's opinion

In our opinion:

- (a) the financial report of DEXUS Diversified Trust is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Trust's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 3 to 17 of the directors' report for the year ended 30 June 2009. The directors of the responsible entity are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the Remuneration Report of DEXUS Diversified Trust for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

JA Dunning

JA Dunning
Partner

17 August 2009

Top 20 security holders as at 25 August 2009

Rank	Name	Current balance	% of issued capital
1	HSBC Custody Nominees (Australia) Limited	1,348,664,333	28.69
2	National Nominees Limited	764,009,308	16.25
3	J P Morgan Nominees Australia Limited	701,581,886	14.92
4	Citicorp Nominees Pty Limited	357,688,834	7.61
5	Cogent Nominees Pty Limited	149,477,113	3.18
6	Citicorp Nominees Pty Limited	105,477,329	2.24
7	RBC Dexia Investor Services Australia Nominees Pty Limited	96,724,196	2.06
8	AMP Life Limited	92,033,983	1.96
9	ANZ Nominees Limited	89,682,142	1.91
10	Queensland Investment Corporation	58,591,729	1.25
11	Cogent Nominees Pty Limited	49,400,670	1.05
12	Questor Financial Services Limited	29,945,435	0.64
13	Citicorp Nominees Pty Limited	29,795,469	0.63
14	Bond Street Custodians Limited	28,989,398	0.62
15	HSBC Custody Nominees (Australia) Limited – A/C 3	28,966,182	0.62
16	UBS Nominees Pty Ltd	26,815,245	0.57
17	Bond Street Custodians Limited	25,118,455	0.53
18	Citicorp Nominees Pty Limited	17,381,769	0.37
19	Australian Reward Investment Alliance	15,571,470	0.33
20	RBC Dexia Investor Services Australia Nominees Pty Ltd	15,491,202	0.33
Total top 20		4,031,406,148	85.76
Balance of register		669,435,518	14.24
Total securities		4,700,841,666	100.00

Substantial holders as at 9 September 2009

The names of substantial holders, who at 9 September 2009, have notified the Responsible Entity in accordance with Section 671B of the *Corporations Act 2001* are:

Date	Name	Number of stapled securities	% voting
22 Jun 09	Vanguard Investments Australia Ltd	235,372,669	5.01
21 Aug 09	Commonwealth Bank of Australia	365,689,410	7.78
24 Dec 08	ING and related entities	300,730,999	8.72
06 Oct 08	Barclays Global Investors and related entities	211,785,846	7.20

ADDITIONAL INFORMATION

CONTINUED

Class of securities

DEXUS Property Group has one class of stapled security trading on the ASX with 23,050 security holders holding 4,700,841,666 stapled securities at 25 August 2009.

Spread of securities at 25 August 2009

Range	Securities	% of Issued Capital	No of Holders
100,001 and over	4,346,489,513	92.46	465
50,001 to 100,000	71,628,153	1.52	1,045
10,001 to 50,000	228,492,635	4.86	10,550
5,001 to 10,000	40,453,227	0.86	5,289
1,001 to 5,000	13,197,270	0.28	4,177
1 to 1,000	580,868	0.01	1,524
Total	4,700,841,666	100.00	23,050

At 25 August 2009, the number of security investors holding less than a marketable parcel of 714 securities (\$500) is 1,220 and they hold 306,382 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 Property Group has no on-market buy-back currently in place.

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

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ABN 24 060 920 783

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Barry R Brownjohn
John C Conde AO
Stewart F Ewen OAM
Victor P Hoog Antink
Brian E Scullin
Peter B St George

Secretaries of the Responsible Entity

Tanya L Cox
John C Easy

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Website: www.linkmarketservices.com.au

Monday to Friday between 8.30am
and 5.30pm (Sydney time).

For enquiries regarding your holding
you can either contact the Security
Registry, or access your holding details
via the Investor Centre on our website
www.dexus.com and look for the
Login box.

Australian Stock Exchange

ASX Code: DXS



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