

DEXUS Property Group - ASX release

24 September 2010

DEXUS Property Group (ASX:DXS) 2010 annual reports

DEXUS Property Group provides its 2010 annual report suite including:

- DEXUS Property Group 2010 Security Holder Review
- DEXUS Property Group 2010 Annual Report
- DEXUS Property Group 2010 Combined Financial Statements and
- A letter to DEXUS security holders who have elected not to receive printed communications

The reports will be issued to security holders today and are available on our website at www.dexus.com

For further information contact:

Media Relations

Emma Parry T: (02) 9017 1133
M: 0421 000 329
E: emma.parry@dexus.com
Fiona Tyndall T: (02) 9017 1199
M: 0468 988 420
E: fiona.tyndall@dexus.com

Investor Relations

Daniel Rubinstein T: (02) 9017 1336
M: 0466 016 725
E: daniel.rubinstein@dexus.com
Alex Gray T: (02) 9017 1343
M: 0466 136 436
E: alex.gray@dexus.com

About DEXUS

DEXUS is one of Australia's leading property groups specialising in owning, managing and developing superior quality office, industrial and retail properties, with total assets under management of \$13.3 billion. In Australia, DEXUS is the number 1 owner/manager of office, number 3 in industrial and, on behalf of third party clients, a leading manager and developer of shopping centres.

DEXUS is committed to being a market leader in Corporate Responsibility and Sustainability and has been recognised for the second year running as one of the Global 100 Most Sustainable Corporations at the World Economic Forum in Davos. www.dexus.com

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

24 September 2010

DEXUS Funds Management Limited
ABN 24 060 920 783
AFSL: 238163

Level 9, 343 George Street
Sydney NSW 2000

PO Box R1822
Royal Exchange NSW 1225

Telephone 61 2 9017 1100
Direct 61 2 9017 1330
Facsimile 61 2 9017 1101

Email: ir@dexus.com

Dear Investor

We are pleased to advise you that the DEXUS Property Group 2010 annual reporting suite is available in our Investor Centre at www.dexus.com

The DEXUS Property Group 2010 annual reporting suite includes the Security Holder Review, the Annual Report and Combined Financial Statements. Our 2010 online reporting suite will be available at www.dexus.com from late October 2010.

We invite you to download the PDF's currently online and/or view our online reporting suite later in October.

If you have any questions concerning DEXUS Property Group please contact Investor Relations on 02 9017 1330. For queries regarding your holding, please contact Link Market Services on 1800 819 675 or access your holding details at www.dexus.com via the Investor login area.

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

Yours sincerely



Victor P. Hoog Antink
Chief Executive Officer



2010

DEXUS Property Group

SECURITY HOLDER REVIEW

WELCOME TO DEXUS PROPERTY GROUP'S 2010 SECURITY HOLDER REVIEW



This Security Holder Review forms part of DEXUS Property Group's (ASX: DXS) annual reporting suite which is explained in more detail on the inside back cover.

All amounts are A\$ unless otherwise specified.

Cover: Governor Phillip & Macquarie Tower Complex, 1 Farrer Place and 1 Bligh Street, Sydney, NSW
This page: Governor Phillip & Macquarie Tower Complex, 1 Farrer Place, Sydney, NSW



OUR VISION

To be the market leading owner, manager, developer of superior quality properties in office and industrial in Australia and industrial in the US west coast, providing world-class property solutions and optimal outcomes for our stakeholders.

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OUR STRATEGY

2010 OBJECTIVES AND ACHIEVEMENTS

OWN

WORLD-CLASS QUALITY PORTFOLIO

STRATEGIC LOCATIONS IN AUSTRALIA AND THE US

MARKET LEADER IN OFFICE AND INDUSTRIAL

FINANCIAL STRENGTH

ACTIVE CAPITAL MANAGEMENT

2010 objectives

- Continued focus on high quality Australian office assets
- Capitalise on recovery in demand in industrial
- Continue to reposition US portfolio
- Progress disposal of European portfolio

2010 achievements

- Sold remaining retail asset for \$256m to concentrate on leadership positions in office and industrial
- Enhanced quality of Australian industrial portfolio with key market acquisitions of \$71m and non-core property sales of \$69m
- Progressed repositioning of US portfolio from 21 to 17 markets – sold US\$208m of non-core properties
- European properties prepared for sale when markets recover

View from Governor Phillip Tower, 1 Farrer Place, Sydney, NSW

MANAGE

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

- Outperform domestic operational benchmarks with internalised management driving performance
- Build US operational platform
- Further strengthen balance sheet
- Maintain leadership position in Corporate Responsibility and Sustainability (CR&S)

- Achieved above market occupancy and like-for-like growth in Australian office and industrial
- Completed the Australian industrial management internalisation program
- Established US office
- Raised \$340m Medium Term Notes (MTN) and issued US\$300m in US public market debt
- Named for the second year running as one of the world's most sustainable corporations in the "Global 100" list (Davos World Economic Forum)
- Increased average NABERS Energy rating to 3.3 stars
- Granted \$3m by Green Building Fund

DEVELOP

SELECTIVE DEVELOPMENTS CREATING VALUE
SUSTAINABLE DESIGN
HIGH QUALITY WORKSPACE

- Target 6 Star Green Star ratings for our major office developments
- Progress industrial development pipeline
- Commitment to sustainable design excellence

- 1 Bligh, Sydney, NSW
 - Awarded 6 Star Green Star rating and Sydney CBD's first high rise office tower to incorporate blackwater recycling technology
 - 55% leased at 30 June 2010
- 123 Albert, Brisbane, QLD
 - Awarded 6 Star Green Star rating
 - 80% leased at 30 June 2010
- Developing quality industrial facilities at:
 - Greystanes, NSW \$95m – three pre-commitments underway
 - Laverton North, VIC \$11m – one development underway

ABOUT DEXUS

DEXUS is one of Australia's leading property groups specialising in world-class office, industrial and retail properties with total assets under management of \$13.3 billion.

In Australia, DEXUS is the largest listed owner/manager of office and one of the largest in industrial.

On behalf of third party clients, DEXUS is a leading manager and developer of shopping centres.

Operating in the United States since 2004, DEXUS owns 98 industrial properties totalling more than 24 million square feet in 17 industrial and logistics markets.

Listed on the ASX, DEXUS has a track record of financial strength and prudent capital management.

The Group has two areas of operation:

- A \$7.4 billion direct property portfolio – one of Australia's largest listed property trusts – which owns, manages and develops high quality office and industrial properties primarily in Australia and the US
- A \$5.9 billion property funds management business, one of the largest in Australia, which manages and develops office, industrial and retail properties on behalf of third party investors

DEXUS Timeline

DDF, DIT, DOT, DXO are stapled to form DB RREEF Trust (DRT)

Acquired \$1bn US industrial property portfolio

Created \$1.6bn retail joint venture with Westfield

Launched RENTS with \$204m RENTS security issue

Completed 30 The Bond, Sydney, Australia's first 5 Star ABGR office building

First issue into the US private debt market

2004-2005

Entered Europe following industrial acquisitions in France and Germany

Secured Whirlpool investment program in North America

Obtained Standard & Poor's long-term corporate credit rating of BBB+

Achieved listing on FTSE4Good Index

Completed a \$250m and \$200m MTN issue into Australian debt capital market

Sold five retail properties to focus on office and industrial sectors

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

2006-2007

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

Achieved listing on Australian SAM Sustainability Index

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

Secured refinancing of \$500m CMBS

Completed \$313m institutional and security holder purchase plan equity raising

2008

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

Commenced non-core property sale program with \$96m of sales, consistent with strategy to focus on core high quality office and industrial properties in select markets

Completed capital raising of \$750m

Completed internalisation of property management in office portfolio

1H2009

In Australia, this includes the DEXUS Wholesale Property Fund, two blue-chip private client mandates, a retail property syndicate and, in the US, industrial property mandates

DEXUS is committed to the long-term integration of Corporate Responsibility and Sustainability (CR&S) practices into our business and we are proud to be recognised as a market leader in this important area.

The Group's overall strategy is to deliver superior results for our stakeholders by:

- Offering world-class sustainable property solutions to our tenants
- Being a preferred employer
- Ensuring we have a positive impact on the environment and the communities in which we operate
- Maximising returns for our investors

Financial Year 2010

July: Issued \$160m of MTN

September: Achieved listing on the Dow Jones Sustainability World Index for the second year

Achieved a Moody's long-term corporate credit rating of Baa1 (stable)

Completed inaugural 144A public debt issue of US\$300m in the US bond market



2H2009

December: 123 Albert Street, Brisbane awarded a 6 Star Green Star rating

Development commenced at Greystanes, NSW with two new pre-lease commitments secured



Entered key industrial market of Port Botany, NSW with property acquisition in Matraville for \$46m

Sold 50% interest in Westfield Whitford City shopping centre for \$256.5m, completing our exit from retail in the listed portfolio

January: For the second consecutive year, DEXUS achieved listing as one of the world's most sustainable corporations in the annual "Global 100" list

March: 1 Bligh Street is awarded a 6 Star Green Star rating and becomes Sydney's first high rise office tower to incorporate blackwater technology



1H2010

April: Issued \$180m MTN

May: Expanded presence in key industrial market of Silverwater, NSW with \$24m industrial estate acquisition



June: Opened US office in Newport Beach, California and expanded US team

3691 North Perris Boulevard, Perris, CA

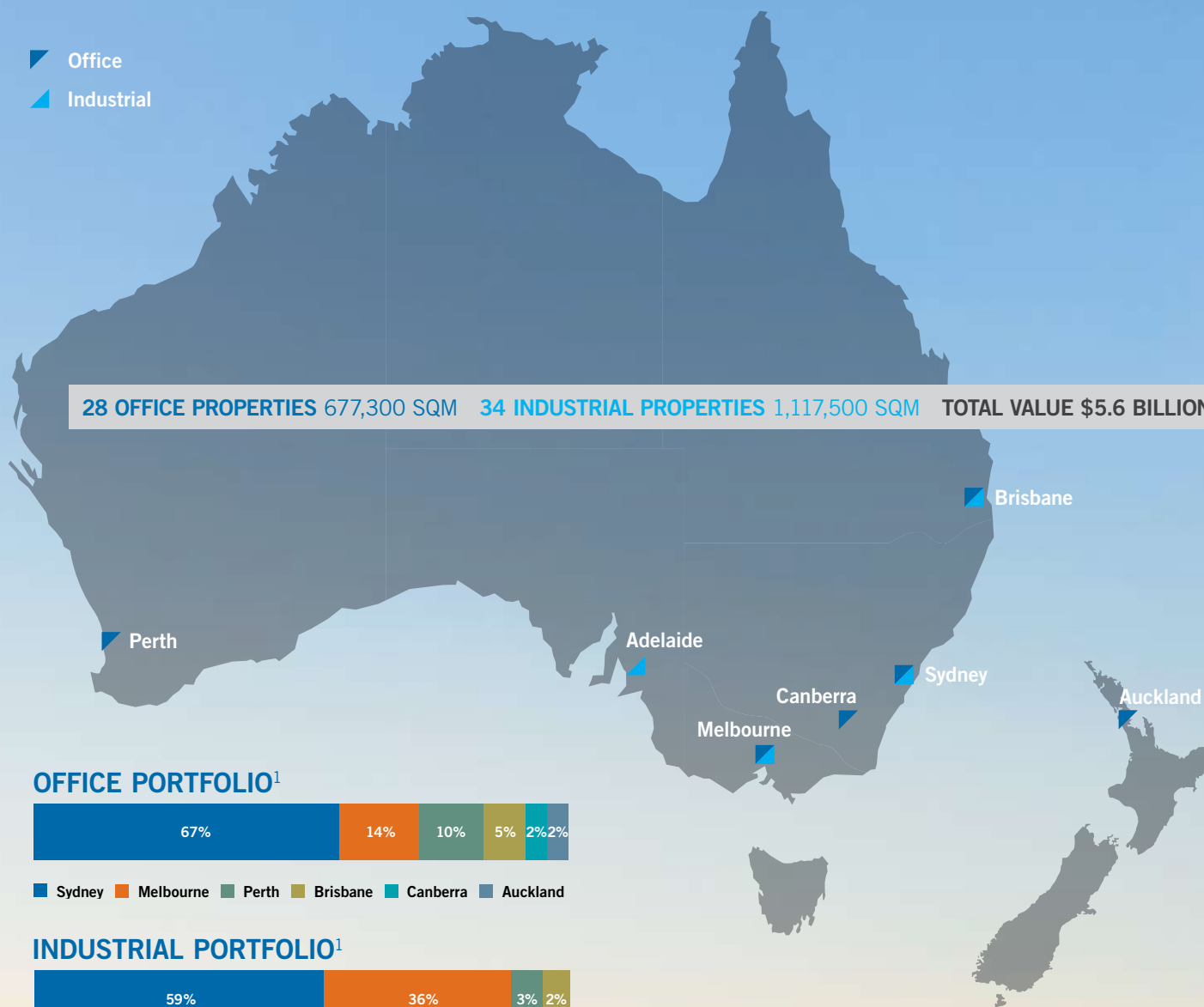
OUR PORTFOLIO



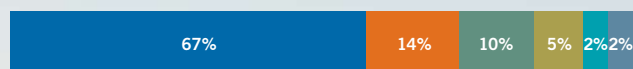
Leadership positions in Australia
in office and industrial

- ▀ Office
- ▀ Industrial

28 OFFICE PROPERTIES 677,300 SQM **34 INDUSTRIAL PROPERTIES** 1,117,500 SQM **TOTAL VALUE \$5.6 BILLION**



OFFICE PORTFOLIO¹



■ Sydney ■ Melbourne ■ Perth ■ Brisbane ■ Canberra ■ Auckland

INDUSTRIAL PORTFOLIO¹



■ Sydney ■ Melbourne ■ Brisbane ■ Adelaide

View from Governor Phillip Tower, 1 Farrer Place, Sydney, NSW



TOTAL PORTFOLIO¹



■ Office ■ Australian industrial ■ US industrial ■ Non-core Europe

Expanding management capabilities into the west coast United States

98 INDUSTRIAL PROPERTIES 24,778,200 SF TOTAL VALUE US\$1.2 BILLION



US INDUSTRIAL PORTFOLIO¹



■ West coast and Whirlpool ■ Central-east coast

¹ Portfolio % by book value.

FINANCIAL HIGHLIGHTS

TOTAL ASSETS

\$7.9bn

OPERATING EBIT

\$461.3m

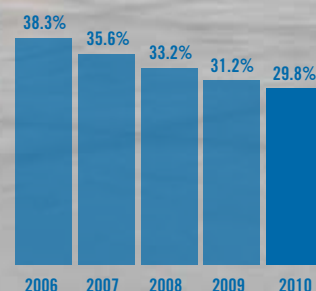
NET ASSET VALUE
PER SECURITY

\$0.95



GEARING

29.8%



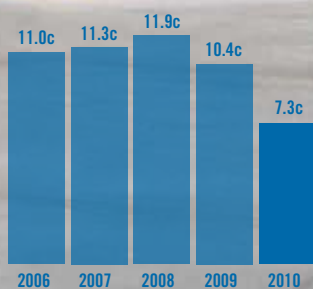
Solaris development at Quarry Industrial Estate, Reconciliation Road, Greystanes, NSW

DISTRIBUTION

\$244.4m

FUNDS FROM
OPERATIONS
PER SECURITY

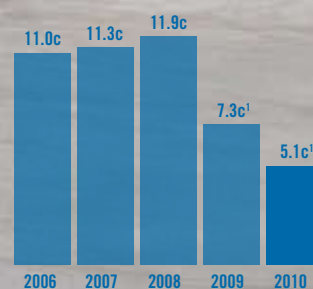
7.3c



DISTRIBUTIONS
PER SECURITY

5.1c

1 Reflects 70% payout ratio.



LETTER FROM THE CHAIR

Dear Investor

I am pleased to present the 2010 Security Holder Review and to report on the Group's performance during the year.

Operating earnings before interest and tax were \$461.3 million for the year. Net profit attributable to security holders was \$31.4 million, up significantly on the previous year's net loss of \$1.5 billion. The net profit reflected the recovery in property valuations during the second half of the year. In line with guidance provided to the market, Funds From Operations (FFO) totalled \$350 million or 7.3 cents per security and distributions for the year were 5.1 cents per security.

In challenging market conditions we continued to concentrate on delivering performance through leadership in office and industrial property ownership, management and development. In particular, we focused our activities on:

- Leveraging our fully integrated management platform, specialist leasing expertise and strong tenant relationships to achieve like-for-like income growth, above market occupancy and high weighted average lease duration in our Australian office and industrial portfolios
- Strengthening our management platform through:
 - the establishment of a new US management office and the appointment of an experienced industrial property team
 - restructuring the Group's executive management team to maximise reporting efficiencies and further align the team structure with our core operational functions of Property, Capital and Finance and Corporate Services
- Maintaining the Group's financial strength and strong balance sheet through proactive and prudent capital management initiatives

- Further enhancing the quality of our property portfolios through the:
 - repositioning of our Australian and US industrial portfolios through select acquisitions in key industrial markets and non-core property sales
 - development of our 6 Star Green Star premium office properties in Sydney and Brisbane
 - commencement of a number of high quality pre-committed industrial developments

The Group continued to drive sustainable performance during the year. We reduced resource consumption across our portfolio and drove operational and environmental efficiencies in our properties. DEXUS was again named one of the world's most sustainable corporations in the 2010 "Global 100" list at the Davos World Economic Forum, the only A REIT to achieve listing in two consecutive years.

During the year we achieved listing on the Dow Jones Sustainability World Index and maintained our listings on the Australian SAM Sustainability Index and the FTSE4Good Index.

Our annual Employee Opinion Survey reflected improved results across the board and continued strength in employee satisfaction and engagement. It is pleasing to report that DEXUS out-performed 18 of the top 19 categories of the Towers Watson Australian National Norm and in several categories of the Global High Performing Norm. Further information on our Employee Opinion Survey results and associated initiatives is provided on pages 36 to 37.

Board membership was unchanged during the financial year to June 2010. The Board comprises eight Directors, seven of whom are independent. Specific skills and experience the Directors bring to the Board include strategy, property investment, funds management, capital markets, financial and risk management.

During the year we reviewed the membership of Board Committees and rotated the chairs of each Committee to take full advantage of the Board's knowledge and expertise.

The Board is committed to the early adoption of ASX Corporate Governance Principles and Recommendations. As a result we have established new policies, such as a Diversity Policy and have reviewed and changed existing policies, where required, to meet new and revised principles and recommendations.

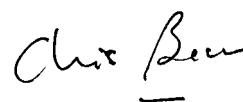
Further information on the Board of Directors and our corporate governance policies is provided in our 2010 Annual Report and at www.dexus.com

Outlook

Looking forward, we expect property market conditions will continue to recover. The quality of our portfolio and strong management focus have positioned DEXUS well to provide consistent and secure income. Your Board and management team will remain focused on driving performance from our property portfolios to maximise returns for investors.

We are well positioned to capture the expected recovery in demand in office, create further value in our Australian industrial portfolio through developments and, over the medium-term, position our US portfolio to benefit from the expected cyclical upswing in the US industrial market.

On behalf of the Board, I would like to thank you for your support during the past year. I look forward to leading the Board again in 2011 and reporting our activities to you next year.



Christopher T Beare
Chair

23 September 2010



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

During the 2010 financial year we continued to concentrate our efforts on our core business of office and industrial property ownership, management and development. Despite difficult market conditions this resulted in a return to profitability for the 12 months to 30 June 2010.

Key performance highlights during the 2010 financial year included:

- The Australian and New Zealand office portfolio out-performed market benchmarks for occupancy, delivered below market incentive costs and achieved leasing success despite weaker tenant demand during the year
- The Australian industrial portfolio delivered steady like-for-like portfolio income growth in a challenging market. The quality of the portfolio was improved by the sale of 12 non-core properties and the reinvestment of proceeds into core markets. Several pre-lease commitments were secured at our two major industrial estates at Laverton, VIC and Greystanes, NSW

- In the US, significant progress was made on repositioning the portfolio. We also established a DEXUS management team with extensive local knowledge and a strong track record
- We continued to pursue prudent capital management measures which strengthened the Group's financial position and diversified and extended funding sources

Key financial results

Operating Earnings Before Interest and Tax (Operating EBIT) was \$461.3 million (2009: \$514.5 million). The Australian portfolio produced positive like-for-like income growth which was offset by the US portfolio and the strengthening Australian dollar. Net profit attributable to security holders increased to \$31.4 million. This was a significant improvement on last year's net loss of \$1.5 billion, reflecting a recovery in unrealised property valuations in the second half of the financial year. This result also reflected improving market conditions and DEXUS's portfolio weighting to quality properties which out-performed secondary quality assets.

In line with our guidance, FFO was \$350 million (2009: \$423.8 million) or 7.3 cents per security (2009: 10.4 cents). In line with our distribution policy of paying out 70% of FFO, distributions for the year were 5.1 cents (2009: 7.3 cents) per security. The decline in FFO per security was attributable to the 2009 equity raisings, increased debt margin costs and a decrease in management income.

The Group's total assets decreased 5.7% over the period to \$7.9 billion at 30 June 2010, reflecting net property sales and property devaluations. Property values decreased in the first half of 2010 by 3.8% or \$286 million, but increased during the second half of the year by 0.7% or \$50 million, signifying an end to the property devaluation cycle. This resulted in NTA per security remaining constant at 95 cents since December 2009.

Maintaining our capital strength

DEXUS continues to maintain a strong balance sheet and during the year improved the diversification of our funding sources and increased an average debt maturity to 3.2 years.

In September 2009, we issued debt in the US public bond market, securing a new source of funding in one of the world's largest bond markets. In total during the year, \$700 million of debt was issued in the Australian and US debt capital markets on competitive terms with a weighted average maturity of greater than five years.

Gearing at 30 June 2010 was 29.8% (2009: 31.2%), below our internal policy maximum level of 40%. We are well within all debt covenants and continue to maintain stable credit ratings of Standard & Poor's BBB+ and Moody's Baa1.

Our aim is to be conservative in the use of new equity and accordingly in June 2010, we discontinued the discount of 2% on the distribution reinvestment plan (DRP).



309-321 Kent Street and Governor Phillip Tower,
1 Farrer Place, Sydney, NSW



Gateway, 1 Macquarie Place, Sydney, NSW
surrounded by GPT, 1 Bligh and Australia Square



45 Clarence Street and Australia Square,
264-278 George Street, Sydney, NSW

Portfolio performance

Our strategy is to be the leading owner, manager and developer of superior quality office and industrial properties in select locations in Australia and the west coast of the US.

We are focused on delivering risk adjusted, sustainable core income and capital returns through building our leadership position in office and industrial and delivering operational excellence in active property, asset, portfolio and development management.

Our property revenue is mainly derived from rental income and represented 98% (2009: 91%) of total Operating EBIT of \$461.3 million for the year. This high proportion of rental income ensures the relative underlying stability of earnings.

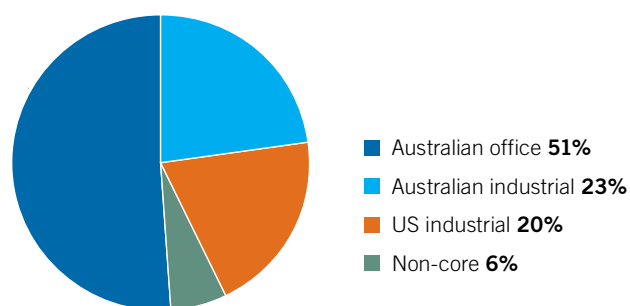
Our revenue composition is high quality from strong tenant covenants and long leases of an average of 5.1 years (2009: 4.8 years). Through a proactive approach to securing lease expiries ahead of time we have extended the expiry of 59% of rental income expiring in 2015 and beyond.

In addition, we continue to actively manage our tenant expiry profile to ensure diversity of income by tenant and industry, thus minimising our exposure to any one sector of the economy.

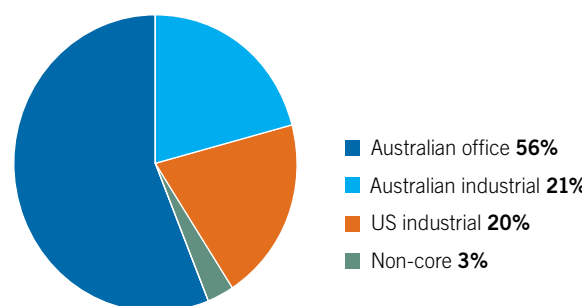
Focus on Australia

In Australia we continued to build on our leadership position in office, where we are the largest listed owner/manager and in industrial, where we are a market leading provider of premium industrial facilities.

Net operating income by segment

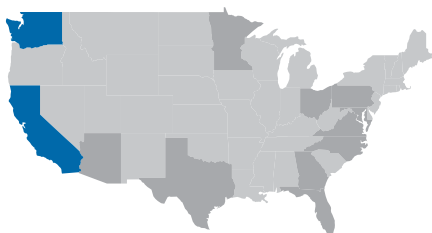


Portfolio by book value



US portfolio repositioning

Internationally, our strategy is to concentrate our property portfolio on the west coast of the US where we can achieve scale, implement our fully integrated property model and thereby deliver a superior value proposition to our tenants and investors. Increasing scale in a smaller number of select locations will enable DEXUS to own, manage and develop a larger, higher quality portfolio, which will enhance overall performance and create greater value.



■ Core west coast markets

This repositioning will be completed in an orderly manner over the next two to three years, during which time we expect to capture the benefits of the US cyclical recovery, maintaining disciplined pricing of new acquisitions, while maximising selling prices through customised campaigns.

To facilitate the repositioning and internalisation of our US portfolio, in June 2010 we opened a DEXUS management office in southern California.

We now have a 12 person team in place with a track record of acquiring, managing and developing industrial properties on the west coast.

This team is currently managing our US\$300 million Whirlpool portfolio and \$300 million of new third party property mandates.

Key portfolio statistics

	2010	2009	2008
Number of properties ¹	179	203	205
Occupancy by area (%)	89.9	91.5	93.7
Occupancy by income (%)	93.2	94.3	95.8
Lease duration by income (years)	5.1	4.8	4.8
Portfolio value (\$bn)	7.4	7.9	8.9
Average cap rate (%)	8.0	8.0	6.7

1 Excludes retail portfolio in 2009 and 2008.

After we assume direct management of all our west coast properties later in the 2011 financial year, we will be directly managing approximately US\$840 million of our US properties.

Developments

Our office portfolio's 6 Star Green Star premium developments in Sydney and Brisbane have progressed well, are nearing completion and will be delivered into improving markets in 2011:

- 123 Albert Street, Brisbane, QLD which is scheduled for completion in January 2011, is 80% leased with good interest in the remaining five floors
- 1 Bligh Street, Sydney, NSW is scheduled for completion in May 2011 and is 55% leased. While market conditions and tenant decision making slowed during the second quarter of 2010, tenants continue to show good interest in the building

We also made significant progress on our industrial development pipeline during the year, securing strong tenant covenants on pre-committed developments at our Greystanes, NSW and Laverton, VIC industrial estates.

At Greystanes, we secured:

- Two pre-committed developments in December 2009 with Solaris Paper and Symbion Pharmacy Services, which are now nearing completion. Total development cost including land is \$54 million with forecast yield on completion of 8.7%
- In July 2010, an agreement with Fujitsu Australia to develop a three storey 17,025 square metre warehouse with an initial lease term of 15 years. Cost including land is \$32 million, reflecting a yield on total cost of 10.0% on completion in October 2011

At Laverton, we secured:

- A pre-leased development to Loscam for a 6,534 square metre warehouse facility with an initial term of 10 years, at a project cost including land of \$10 million, and a forecast yield on total cost of 8.9% on completion in June 2011



Axxess Corp Park, Cnr Ferntree Gully & Gilby roads, Mt Waverly, VIC



DEXUS Industrial Estate, Pound Road West, Dandenong, VIC

Third Party Funds Management

Our \$5.9 billion third party platform is one of the largest in Australia primarily made up of the DEXUS Wholesale Property Fund (DWPF) \$2.9 billion and private client mandates of \$3.0 billion.

DWPF is a prime diversified fund with total assets of \$2.9 billion invested in Australian property. The fund's gearing is 19.7%, well within its maximum gearing policy of 30%.

DWPF was recently assigned an A (stable) credit rating by Standard & Poor's facilitating its plan to further diversify and increase duration of its funding sources.

DWPF has more than 50 wholesale investors and successfully attracted in excess of \$400 million of new equity from existing and new investors during the past nine months, satisfying all outstanding redemption requests.

Our two Australian mandates totalled approximately \$2.7 billion in gross assets at 30 June 2010. Since the establishment of our US team, we secured the management rights to \$300 million of third party funds invested in west coast assets on behalf of major investors including Ohio State Teachers and General Electric.

Corporate Responsibility and Sustainability (CR&S)

At DEXUS we strive to be a market leader in CR&S as we recognise the importance of operating sustainably and with the highest levels of ethics, integrity and social responsibility.

DEXUS continued to drive sustainable performance during the year with ongoing improvements in energy efficiency and reductions in resource consumption. More than \$3 million of Green Building Fund grants were approved to support the cost of further sustainability upgrades in key properties.

We continued to progress our NABERS Energy 4.5 star rating program with our portfolio rating average increasing to 3.3 stars this year.

We place great importance on providing balanced and transparent reporting of our CR&S activities including the use of external benchmarks. In 2009 we produced an enhanced online reporting website to complement our printed reports and we were proud to win the Australasian Reporting Award for excellence in online reporting.

Our progress achieved further external recognition when DEXUS was again named one of the world's most sustainable corporations in the 2010 "Global 100" list at the Davos World Economic Forum, the only A-REIT to achieve listing in two consecutive years.

In addition, DEXUS achieved listing on the Dow Jones Sustainability World Index for the second year. DJSI World rates the performance of companies globally on economic, environmental and social criteria.

Despite challenging economic conditions we maintained our commitment to community engagement during the year. Through financial and in-kind contributions to registered charities and not-for-profit groups, we provided approximately \$553,000 up 2% on the prior year.

See pages 30 to 43 for further information on the Group's CR&S performance during the year.



9371 Buffalo Avenue, Rancho Cucamonga, CA

Outlook and 2011 focus

We are confident that property markets will continue to recover in 2011. This combined with the flow on income from a successful year in leasing in 2010, will drive results in 2011.

The outlook and focus for our core areas of operation are as follows:

- The Australian office portfolio will continue to provide consistent and secure income returns. We will complete our current developments and look to identify value add opportunities including the next round of developments
- The Australian industrial portfolio will provide additional value creation opportunities as we further develop our two prime industrial land banks in Sydney and Melbourne, pursue limited land trading opportunities and accelerate land bank turnover

- The US industrial portfolio is expected to benefit from the cyclical recovery of the property market. We will assume operational management of our west coast portfolio, progressively sell assets from our non-core portfolio and reinvest funds into our preferred west coast markets
- We will seek to enhance our third party platform and provide further investment opportunities for third party investors through the acquisition and/or development of properties

In summary our high quality portfolio, focused strategy and experienced management will drive returns in 2011. This will be underpinned by recovering demand in office, value opportunities in industrial and an expected pickup in the US industrial market, which together will drive income and capital returns for the Group.

Guidance

Barring adverse changes to operating conditions, DEXUS is positioned to deliver earnings (FFO) of at least 7.3 cents per security and distributions, being 70% of FFO, of at least 5.1 cents per security in the year ending 30 June 2011.

Victor P Hoog Antink
Chief Executive Officer
23 September 2010

PORTFOLIO PERFORMANCE

OFFICE – AUSTRALIA AND NEW ZEALAND

SECTOR HIGHLIGHTS

PORTFOLIO VALUE

\$4.1 billion (2009: \$4.0 billion)

LIKE-FOR-LIKE INCOME GROWTH

0.4% (2009: 4.5%)

OCCUPANCY (BY AREA)

95.7% (2009: 97.6%)

LEASE DURATION (BY INCOME)

5.4 years (2009: 5.4 years)

SUSTAINABILITY

- Achieved 6 Star Green Star ratings for 123 Albert Street, Brisbane, and 1 Bligh Street, Sydney
- Awarded \$3 million in grants from Green Building Fund to contribute to sustainability upgrades in key properties
- Improved average NABERS energy ratings to 3.3 stars
- 1 Bligh Street, Sydney awarded the first combined private network and retailer's blackwater recycling licence – Sydney CBD's first high rise office tower to incorporate this technology



Australia Square, 264-278 George Street, Sydney, NSW

Actively managing our office portfolio

DEXUS is the largest listed owner and manager of office property in Australia. Our office portfolio is strategically weighted to the core Australian office markets of Sydney and Melbourne (representing 81%) and includes key properties in Brisbane and Perth.

Despite a challenging year, characterised by low levels of office demand and longer lead times to complete leasing deals, we achieved significant leasing success with over 100 lease transactions completed. The benefits of this activity will be felt in the 2011 financial year due to the lag between signing a new tenant lease and receiving first rental income (which in our portfolio is typically 4.9 months).

Our leasing success was driven by our strategy to actively manage our properties to deliver strong performance through our fully integrated property management model, building strong relationships with existing and prospective tenants and understanding their needs.

Operating results

The DEXUS office portfolio withstood the Global Financial Crisis well, with occupancy continuing to be well above market benchmarks¹. Following the sale of one of our non-core properties, the office portfolio Net Operating Income (NOI) decreased slightly during the year to \$245 million (2009: \$247 million). On a like-for-like basis NOI was 0.4%.

Occupancy by area remained strong at 95.7% (2009: 97.6%), well above the Australian market average¹ of 92% and the portfolio's average lease duration was stable at 5.4 years.

The majority of rental growth was achieved through fixed and ratcheted reviews of 3.5% across 87% of the portfolio and open market reviews accounted for 1%.

Office portfolio performance

	2010	2009	2008
Number of properties (including car parks)	28	29	29
Total NLA (sqm)	677,300	686,300	682,000
NOI (\$m)	245.1	246.8	242.6
Like-for-like NOI growth (%)	0.4	4.5	4.4
Occupancy by area (%)	95.7	97.6	97.7
Occupancy by income (%)	96.2	97.6	97.9
Retention (%)	56	75	72
Lease duration by income (years)	5.4	5.4	5.7
Portfolio value (\$bn)	4.1	4.0	4.6
Average cap rate (%)	7.6	7.7	6.4

¹ JLL REIS database.



Governor Phillip Tower, 1 Farrer Place, Sydney, NSW



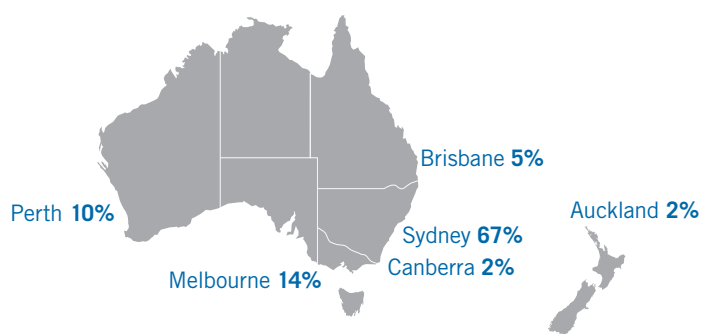
123 Albert Street, Brisbane, QLD



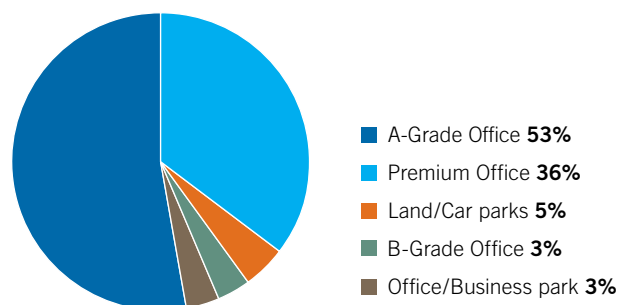
1 Bligh Street, Sydney, NSW

Geographical diversification – Office

Total value \$4.1 billion



Property type (by value)



Progressing our developments

During the year, we made significant progress towards completing our two major office developments:

123 Albert Street, Brisbane

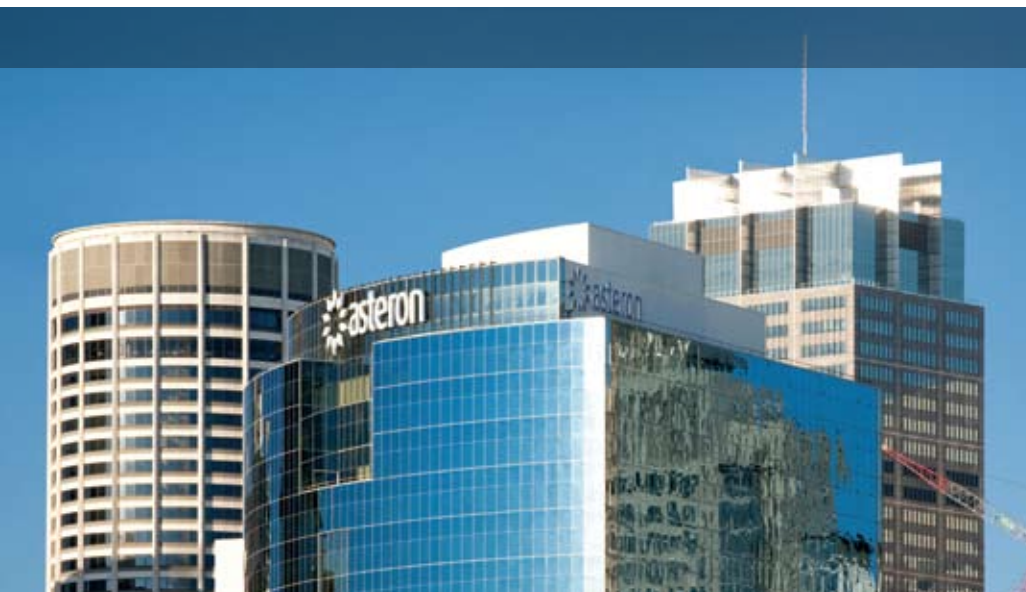
123 Albert Street is scheduled for completion in January 2011 and is 80% leased to our anchor tenant Rio Tinto and accounting firm Bentleys. Five floors remain to be leased and we have proposals out on these floors.

1 Bligh Street

1 Bligh Street is on schedule for completion in May 2011 and is currently 55% pre-leased to Clayton Utz, who are progressing the fit out of their premises. We have received good interest in the 12 floors which remain to be leased.

1 Bligh Street was awarded a 6 Star Green Star Office Design v2 Certified rating, the highest Green Star rating score achieved to date in NSW. The score includes the maximum possible points for innovation in categories such as environmental design and exceeding Green Star benchmarks.

1 Bligh Street was also the first Sydney CBD high rise office tower to obtain a combined private network and retailer's blackwater recycling licence from the NSW Government which will enable the property to save 100,000 litres of drinking water a day.



Australia Square, 309 Kent Street, Governor Phillip Tower, Sydney, NSW



Sydney CBD including Governor Phillip Tower, Australia Square and Gateway

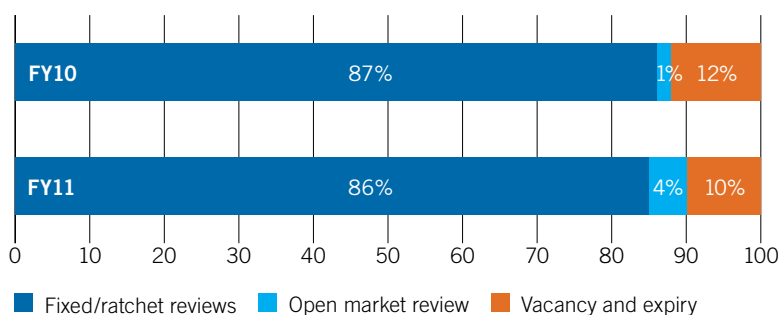
Leasing outcomes driving growth in 2011

During the year, we completed more than 100 new leasing transactions covering approximately 74,000 square metres of space (including 5,000 square metres under development) resulting in an average rental increase of 6.1%.

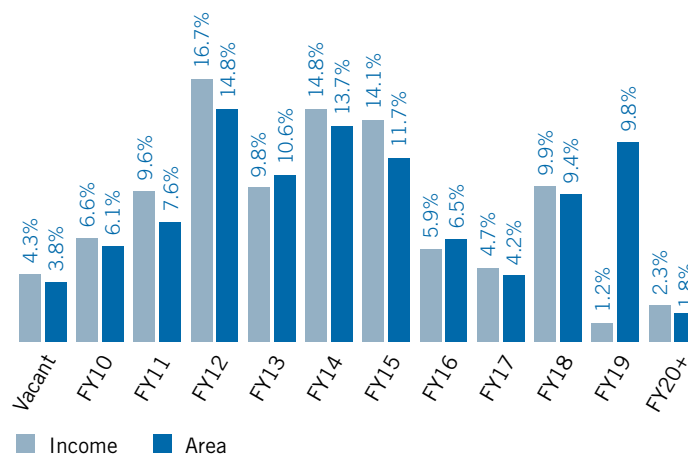
Major leases and renewals were completed in NSW with:

- George Weston Foods at 11 Talavera Road, Macquarie Park
- BAE Systems at 40 Talavera Road, Macquarie Park
- Grant Thornton and Intersystems at 383 Kent Street, Sydney
- International SOS at 45 Clarence Street, Sydney
- Alphapharm at 30 The Bond, Sydney
- Abi Group and others at The Zenith in Chatswood, where occupancy was increased from 85% to 98%, in a market where occupancy is currently 83%¹

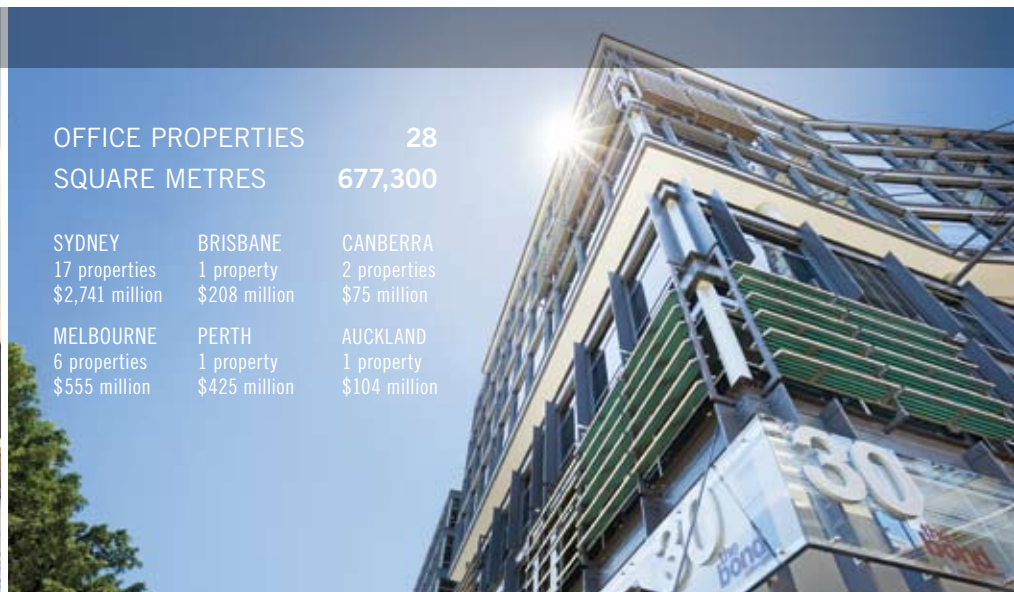
Stable income profile



Lease expiry profile



¹ PCA office market report 2010.



30 The Bond, Hickson Road, Sydney, NSW

OFFICE PROPERTIES 28
SQUARE METRES 677,300

SYDNEY 17 properties \$2,741 million	BRISBANE 1 property \$208 million	CANBERRA 2 properties \$75 million
MELBOURNE 6 properties \$555 million	PERTH 1 property \$425 million	AUCKLAND 1 property \$104 million

Rent reviews

In total, 88% of the office portfolio was subject to rent reviews resulting in an average rental increase of 3.7%.

Tenant incentives over new leases and renewals were 20.5% (June 2009: 17.6%) in a market averaging around 30%. This resulted in flat effective rent growth for new leases.

The average lease duration of the office portfolio remained strong at 5.4 years (2009: 5.4 years), providing regular and stable cash flows.

In 2011, we expect fixed and ratcheted increases of 3.7% over 86% of the portfolio, underpinning the security and stability of income returns from our office sector.

In 2011, 10% of the portfolio is expiring or vacant and consistent with our focus on proactive leasing, we have already agreed terms on approximately 25% of this space.

Looking forward

We expect that the office leasing market will continue to be challenging in the short-term due to the impact of the global economy on local business confidence.

However, we expect conditions to improve in 2011 and beyond, with limited additional supply of space in the near-term, coupled with an expected increase in demand following forecast employment growth.

At 51% of the Group's earnings, the contribution of our high quality, Australian office portfolio underpins the consistent and secure returns of our business.

In 2011, we will enhance these returns for both DEXUS and our partners by delivering our premium developments, 123 Albert Street, Brisbane and 1 Bligh Street, Sydney.

We will also seek out growth and value opportunities by identifying our next round of value enhancing office developments, selectively redeveloping and acquiring assets to add value and strengthen our core portfolio in the Sydney and Melbourne office markets.

INDUSTRIAL – AUSTRALIA

SECTOR HIGHLIGHTS

PORTFOLIO VALUE

\$1.5 billion (2009: \$1.5 billion)

LIKE-FOR-LIKE NOI GROWTH

1.6% (2009: 4.1%)

OCCUPANCY (BY AREA)

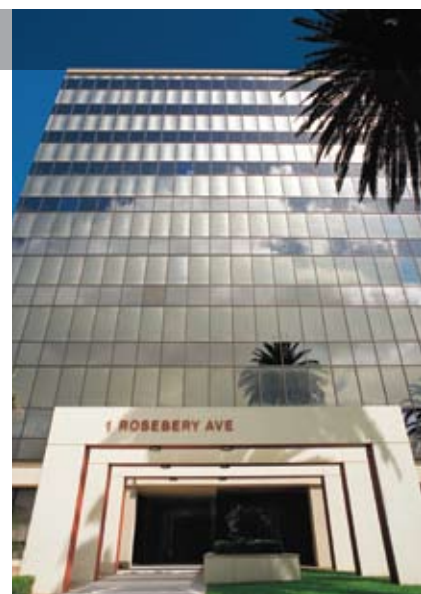
98.4% (2009: 96.9%)

LEASE DURATION (BY INCOME)

4.9 years (2009: 4.3 years)

SUSTAINABILITY

- Environmentally sustainable design initiatives incorporated into developments at our new industrial estate: Quarry at Greystanes
- Water initiatives such as:
 - Drought resistant landscaping
 - Partnership with South East Water on a Fire Sprinkler Program at Dandenong in VIC, achieving a 92% water reduction; saving 1.95 million litres of water per year



5-15 Rosebery Avenue, Rosebery, NSW

Capturing value through active management

Our Australian industrial portfolio is recognised as a market leader in high quality industrial facilities and is the third largest in Australia by value.

We specialise in premium business parks, logistics and distribution facilities and industrial estates totalling more than 1,117,500 square metres.

Our portfolio is weighted to key growth markets, with Sydney and Melbourne representing 95% of the total portfolio.

Our strategy is to deliver strong performance, through active management and to invest in quality properties in key locations to deliver quality property solutions to tenants.

During the year, the overall quality of the portfolio was enhanced by the sale of non-core properties and the reinvestment of proceeds into quality properties in core markets.

We out-performed the market in occupancy in our key markets and delivered \$110 million of NOI and positive like-for-like income growth of 1.6%.

Australian industrial portfolio statistics

	2010	2009	2008
Number of properties	34	37	38
Total NLA (sqm)	1,117,500	1,103,000	1,098,000
NOI (\$m)	109.9	109.2	105.7
Like-for-like NOI growth (%)	1.6	4.1	2.3
Occupancy by area (%)	98.4	96.9	98.6
Occupancy by income (%)	97.9	96.4	98.5
Retention (%)	80	75	78
Lease duration by income (years)	4.9	4.3	4.4
Portfolio value (\$bn)	1.5	1.5	1.6
Average cap rate (%)	8.8	8.8	7.5



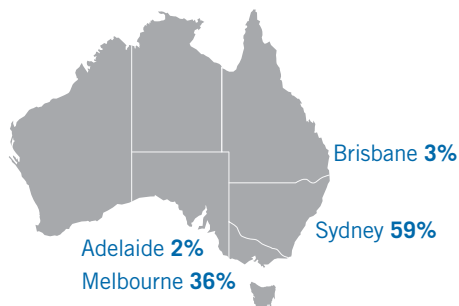
114-120 Old Pittwater Road, Brookvale, NSW



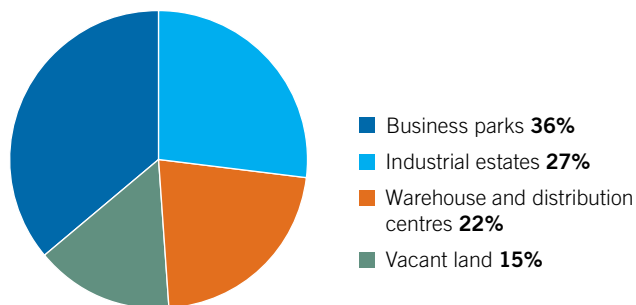
12-18 Distribution Drive, Laverton North, VIC

Geographical diversification – Industrial

Total value \$1.5 billion



Property type (by value)



Strong activity in leasing

In an increasingly competitive leasing market we performed strongly, leasing 187,000 square metres of industrial space. More than 50% of this space was secured on terms of greater than five years and 32% to new pre-committing tenants.

Several pre-lease commitments were secured at our two major industrial estates at Laverton, VIC and Greystanes, NSW.

Major leasing deals were completed with Fujitsu, Symbion and Solaris at Greystanes pre-committing to over 52,000 square metres of new developments.

In addition, Fuji Film committed to 11,307 square metres at 114-120 Old Pittwater Road, Brookvale and Trimex Pty Limited leased 9,984 square metres at 1-15 Rosebery Avenue, Rosebery.

As a result of our leasing performance, occupancy increased 1.5% to 98.4%, the average lease duration strengthened to 4.9 years and tenant retention increased to 80%.

Consistent with our proactive approach to leasing, we have already secured 30% of our 2011 expiries and the portfolio has no individual expiries greater than 1% of portfolio income.



2-4 Military Road, Matraville, NSW



Solaris development, Quarry Industrial Estate, Reconciliation Road, Greystanes, NSW

Rent reviews

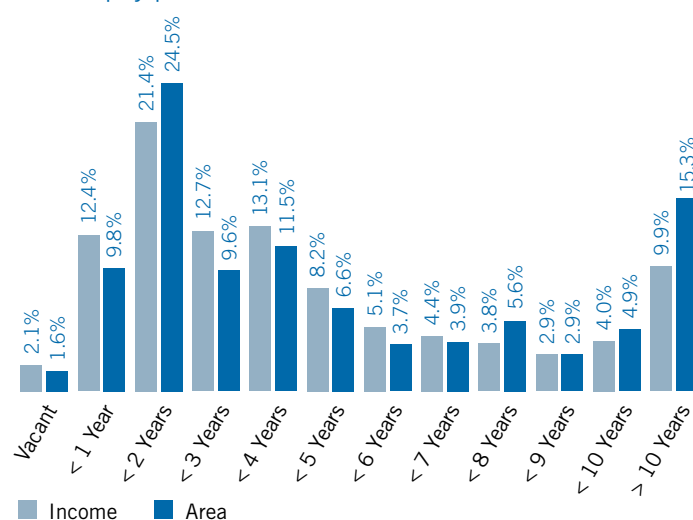
Rental growth was achieved through fixed rental increases of 3.4% across 65% of the portfolio and market or structured reviews of approximately 1.6% for 8% of the portfolio. These increases were offset by new lease rates that were 4% lower than expiring lease rental rates. Due to the competitive leasing market, incentives were provided on nearly 50% of new leases and averaged 6.1%.

Property sales and acquisitions

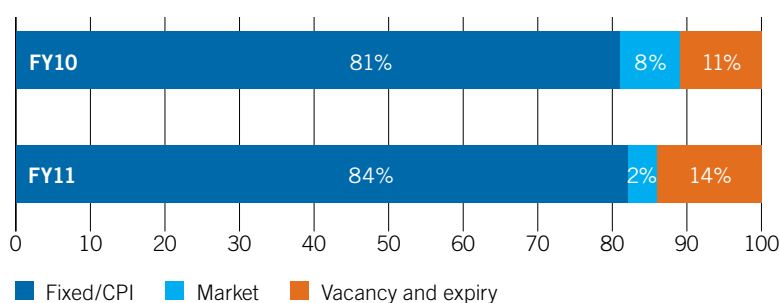
Since announcing the asset sale program, we have sold \$69 million of properties in non-core markets at a passing yield of 7.6% and re-invested the proceeds in \$71 million of acquisitions to increase our presence in key markets at a passing yield of 9.5%. This is consistent with our objective to enhance returns and overall portfolio quality and secure opportunities that will provide future value.

For example, we acquired an industrial property at Matraville, NSW for \$46.1 million. This quality property was purchased below replacement cost and has potential upside from leasing and repositioning in 2013.

Lease expiry profile

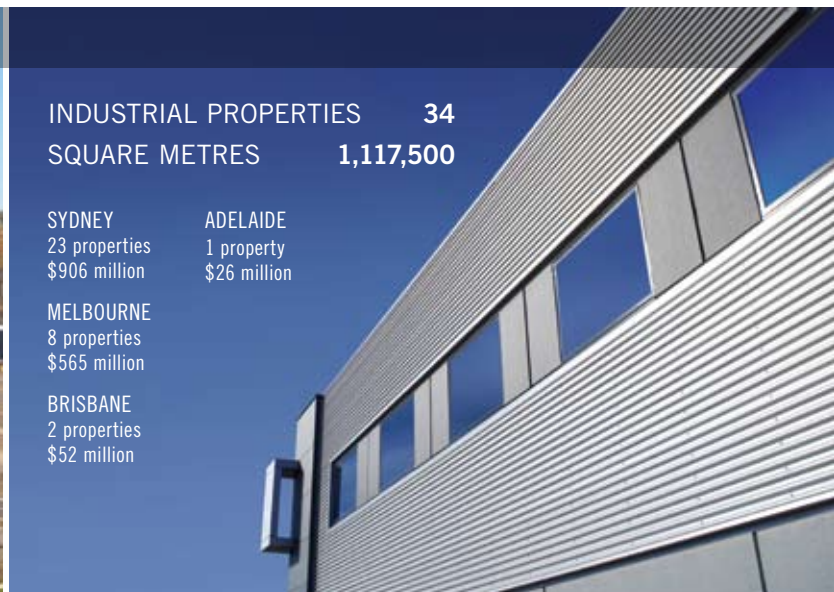


Stable income profile





Symbion development, Quarry Industrial Estate, Reconciliation Road, Greystanes, NSW



DEXUS Industrial Estate, Boundary Road, Laverton North, VIC

INDUSTRIAL PROPERTIES 34 SQUARE METRES 1,117,500

SYDNEY 23 properties \$906 million	ADELAIDE 1 property \$26 million
MELBOURNE 8 properties \$565 million	
BRISBANE 2 properties \$52 million	

In Silverwater, NSW we acquired a \$24.4 million property adjacent to our existing estate on a yield of nearly 10%. This consolidates our position in Sydney's inner west with significant frontage to Silverwater Road and an expanded tenant offer over 11 hectares.

In August 2010 we purchased a 7.6 hectare site at Erskine Park, NSW for \$15 million. The acquisition reflects a competitive land cost and the site is levelled and serviced with existing development approvals. It expands our offer in the west of Sydney and emerging markets in the outer west of the M7 motorway.

Developments

Following strong leasing activity, we commenced two developments at Quarry Industrial Estate, Greystanes, NSW. Our 47 hectare site is 25% pre-committed with:

- Two pre-leased developments to Solaris Paper and Symbion Pharmacy Services which are nearing completion. Total development cost including land is \$54 million with forecast yield on completion of 8.7%

- In July 2010 an agreement was signed with Fujitsu Australia to develop a three storey 17,025 square metre warehouse with an initial lease term of 15 years. Cost including land is \$32 million, reflecting a yield on total cost of 10% on completion in October 2010

In total we have committed \$86 million to developments at Greystanes which will create nearly \$100 million of new investment stock on completion.

At Laverton in Victoria, we are continuing to develop the estate. Stage 1 is 45% pre-committed, including:

- A pre-leased development to Loscam for a 6,534 square metre warehouse facility with an initial term of 10 years. Total development cost including land is \$10 million with a forecast yield on total cost of 8.9% upon completion in June 2011

In the year ahead

We expect stronger business investment, import growth and above average levels of population growth to translate to increased demand and modest rental growth in our industrial portfolio going forward.

We remain well positioned to respond to this demand, and our experienced team will continue to leverage our market leadership position and strong track record in active asset management, leasing and developments.

We also expect next year to provide opportunities to deliver enhanced returns through selective acquisitions and repositioning opportunities and to be able to take advantage of the market upswing to buy land and development sites at cyclically low prices. We expect to progress our development pipeline converting pre-lease enquiry at our major Greystanes and Laverton land banks.

We will continue to reposition the portfolio to enhance quality and performance through exiting non-core markets and increasing concentration in our key eastern seaboard target markets.

These initiatives, together with the growth built in to our income profile, we expect will deliver a strong total return for 2011.

INDUSTRIAL – UNITED STATES

SECTOR HIGHLIGHTS

PORTFOLIO VALUE

US\$1.2 billion OR A\$1.5 billion
(2009: US\$1.4 billion OR A\$1.7 billion)

LIKE-FOR-LIKE NOI DOWN

12.3% (2009: (4.6)%)

OCCUPANCY (BY AREA)

86.4% (2009: 88.0%)

LEASE DURATION (BY INCOME)

4.9 years (2009: 4.3 years)

SUSTAINABILITY

- Resource consumption has reduced in the US portfolio during FY10 with:
 - 9% reduction in GHG emissions
 - 8% reduction in Energy
- A sustainability strategy is under development for the US portfolio to include:
 - a LEED¹ rating program
 - community engagement strategy
 - climate change risk assessments



4190 Santa Ana Street, Ontario, CA

In the US and Canada, we own 98 industrial properties with 24,778,200 square feet of lettable area. These are located in 16 industrial and logistics markets in the US and one market in Canada. We have operated in the US since 2004 and our long-term objective is to build critical mass and become a market leader in industrial property on the west coast.

Building local capability

In June 2010, we established a head office in Newport Beach, California, providing a base in our key west coast market with 12 DEXUS employees. The new team gives DEXUS significant industrial experience and local expertise to support the portfolio repositioning. Information on our US portfolio and team can be found on our US website at www.dexus.com/us

US industrial portfolio statistics

	2010	2009	2008
Number of properties	98	117	118
Total NLA (sf)	24,778,200	24,944,000	24,748,000
Total NLA (sqm)	2,301,970	2,317,373	2,299,000
NOI (US\$m)	87.3	97.5	98.6
NOI (A\$m)	99.1	132.8	110.0
Like-for-like NOI growth (%)	(12.3)	(4.6)	7.2
Occupancy by area (%)	86.4	88.0	91.8
Occupancy by income (%)	84.3	86.7	89.5
Retention (%)	56	68	74
Lease duration by income (years)	4.9	4.3	3.9
Portfolio value (US\$bn)	1.2	1.4	1.8
Portfolio value (A\$bn)	1.5	1.7	1.9
Average cap rate (%)	8.4	8.2	6.9

Key results

NOI decreased to US\$87.3 million (2009: US\$97.5 million) with tenant bankruptcy accounting for about 2% of the decrease on a like-for-like basis. Like-for-like NOI fell 12.3%, resulting from leasing rates on new and renewing

leases averaging 11.6% less than expiring rental rates. Occupancy (by area) decreased to 86.4% as tenant retention remained low and tenants took longer to make leasing decisions and contracted their operations.

During the year the US team assumed management of the US\$300 million Whirlpool portfolio and \$300 million of new mandate properties. The team will assume direct management of the remaining west coast assets later this financial year.

¹ Leadership in Energy and Environment Design (LEED) green building rating system.



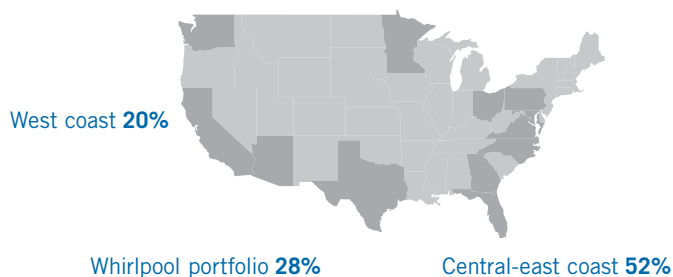
13602 12th Street, Chino, CA



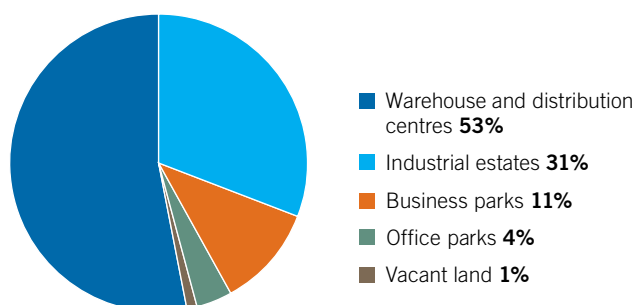
19700 38th Avenue East, Spanaway, WA

Geographical diversification – Industrial

Total value US\$1.2 billion



Property type (by value)



Valuations

Each property in the portfolio was externally appraised during the year. In the first half the properties that were valued decreased by 9% and in the second half the properties that were valued increased by 2.9%, the first increase in more than two years. The uplift was largely generated by a 30 basis point firming in the average capitalisation rate to 8.4%. Our strongest performing markets were California, North Virginia and Dallas, all up by around 10%.

Leasing

While market conditions were difficult and in general remain challenging, we have recently experienced an increase in tenant enquiry and activity. During the year more than 120 new lease transactions were completed, split equally between renewals and new leases over approximately 4 million square feet, or 15% of the portfolio. Tenant incentives remained stable at an average of 11%.

Major leasing deals were completed with Skechers taking 284,559 square feet in Ontario CA, Freeport Logistics, taking 163,200 square feet in Phoenix AZ, Medtronic taking 120,567 square feet in Minneapolis OH and Shaw Industries taking 86,390 square feet in Orlando FL. A significant achievement during the period was securing a major lease to Nestlé in Harrisburg PA for 185,000 square feet for a term of 3.5 years; this space had been vacant for two years with no enquiry.

Occupancy in our preferred markets in Southern California is improving and we are receiving good enquiry for our vacancies in this market. More challenging in 2011 will be our non-core markets of Dallas and Cincinnati where there are a number of larger lease expiries.

INDUSTRIAL PROPERTIES **98**SQUARE FEET **24,778,200**

3691 North Perris Boulevard, Perris, CA

ATLANTA 3 properties US\$72 million	DALLAS 16 properties US\$107 million	ORLANDO 3 properties US\$79 million	SEATTLE 4 properties US\$90 million
BALTIMORE 9 properties US\$86 million	HARRISBURG 1 properties US\$12 million	PHOENIX 9 properties US\$55 million	CANADA
CHARLOTTE 2 properties US\$19 million	LOS ANGELES 5 properties US\$129 million	RIVERSIDE 7 properties US\$166 million	TORONTO 1 property C\$56 million
CINCINNATI 9 properties US\$58 million	MINNEAPOLIS 7 properties US\$48 million	SAN ANTONIO 12 properties US\$63 million	
COLUMBUS 4 properties US\$95 million	NTH VIRGINIA 5 properties US\$99 million	SAN DIEGO 1 properties US\$8 million	

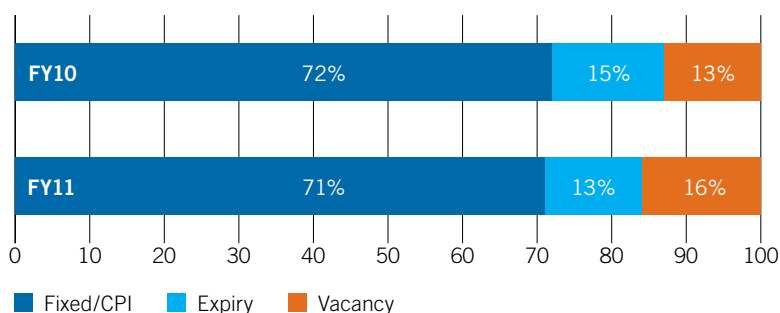
Rent reviews

While conditions in US industrial markets remain challenging much of the decrease in market rents is reflected in current leasing with portfolio rents now approximating market rates. This compares with 12 months earlier when portfolio rents were 8% above market rents.

Tenant incentives were 11% on average and the portfolio's average lease duration improved to 4.9 years. During the second half of the year capitalisation rates firmed and improved total return expectations were reflected in bids, transactions and valuations.

The majority of rent reviews completed during 2010 were fixed in the range of 2% to 3% per annum. While 2011 is still anticipated to be challenging, we expect the portfolio to stabilise during the year and expect any further fall in rents from expiring leases to be largely mitigated by 2% to 3% fixed growth from existing leases and further leasing of vacant space.

Stable income profile



Property sales and acquisitions

During the year, we focused on repositioning our portfolio from non-core markets in an orderly and disciplined manner.

To date we have sold US\$208 million of property, reducing our US portfolio footprint to 17 markets from 21.

2011 focus

Our focus during 2011 will be to reposition the portfolio to capture the benefit of the expected cyclical rebound. We are currently marketing a number of properties for sale with a book value of US\$140 million and are seeking to acquire additional west coast properties during 2011. We will also seek to further build our management team.

These two aspects will position DEXUS for the value creation phase of the property cycle, where market focus and on-the-ground capability are particularly key to success.

INDUSTRIAL – EUROPE



Über der Dingelstelle, Langenweddingen,
Neidersachsen, Germany

EUROPEAN INDUSTRIAL PORTFOLIO TOTAL VALUE €137 MILLION

INDUSTRIAL PROPERTIES **19**
SQUARE METRES **368,300**

FRANCE	GERMANY		
LYON	BERLIN	FRIEDEWALD	UNNA
1 property €6 million	1 property €8 million	1 property €3 million	1 property €11 million
PARIS	DUISBURG	KNETZGAU	WORMS
5 properties €29 million	1 property €17 million	1 property €7 million	1 property €3 million
	DÜSSELDORF	LANGENFELD	
	1 property €12 million	2 properties €12 million	
	ELLHOFEN	LANGENWEDDINGEN	
	3 properties €25 million	1 property €4 million	



Theodorstraße, Düsseldorf, Nordrhein Westfalen, Germany

Non-core property portfolios – European industrial

The European portfolio is valued at €137.4 million (2009: €138.7 million) and contributed €10.6 million (2009: €12.5 million) or 3.5% of the Group's NOI. Occupancy (by area) for the portfolio was 78.1% (2009: 87.8%).

As previously reported, these properties will be sold when liquidity and value returns to these markets, which we expect to occur in the next two years.



European industrial portfolio statistics

	2010	2009	2008
Number of properties	19	20	20
Total NLA (sqm)	368,300	376,700	376,900
NOI (€m)	10.6	12.5	13.5
NOI (A\$m)	16.9	23.1	21.9
Like-for like NOI growth (%)	(13.6)	(6.4)	n/a
Occupancy by area (%)	78.1	87.8	85.1
Occupancy by income (%)	82.8	90.3	88.7
Lease duration by income (years)	2.9	3.1	3.6
Portfolio value (€m)	137	139	194
Portfolio value (A\$m)	197	241	314
Average cap rate (%)	8.0	8.1	7.4

THIRD PARTY PROPERTY FUNDS MANAGEMENT

SECTOR HIGHLIGHTS

FUNDS UNDER MANAGEMENT

\$5.9 billion (2009: \$5.6 billion)

PROPERTIES

20 Office 12 Industrial 18 Retail

**DWPF ACHIEVES STANDARD &
POOR'S A CREDIT RATING**



Gateway, 1 Macquarie Place, Sydney, NSW

AT 30 JUNE 2010, DEXUS
PROPERTY GROUP'S THIRD
PARTY PROPERTY FUNDS
UNDER MANAGEMENT TOTALLED
\$5.9 BILLION (2009: \$5.6 BILLION).
THE PLATFORM IS ONE OF THE
LARGEST THIRD PARTY PROPERTY
FUNDS MANAGEMENT PLATFORMS
IN AUSTRALIA.

This business comprises the DEXUS
Wholesale Property Fund (DWPF), a
number of direct property mandates
and one property syndicate.

Third party funds returns

	Funds	Benchmark ¹
1 year (%)	6.5	2.8
3 years (%)	1.4	1.1
5 years (%)	7.8	7.6

1 The Mercer/ IPD Pre Fee Gross Asset
Weighted Index.

DEXUS Wholesale Property Fund

DWPF is an open-ended, unlisted
property fund with total gross assets
of \$2.9 billion at 30 June 2010
(2009: \$2.9 billion).

DWPF's objective is to provide exposure
to a high quality diversified portfolio
which provides direct property market
style returns and the opportunity for
enhanced earnings.

DWPF owns a high quality portfolio, 82%
premium office buildings and regional
retail centres, including properties such
as Gateway in Sydney's Circular Quay,
Westfield Miranda Shopping Centre,
Miranda, NSW and 33% of 1 Bligh
Street, Sydney.

During the year DWPF returned 6.53%,
outperforming its benchmark, the
Mercer/IPD Pre Fee Gross Asset Weighted
Index, which returned 2.84%.

DWPF has gearing of 19.7%, well within
its maximum gearing policy of 30% and
has been assigned an A credit rating by
Standard & Poor's.

DWPF has more than 50 wholesale
investors and has successfully attracted
more than \$400 million of new equity
from existing and new investors during
the past nine months, satisfying all
outstanding redemption requests.

DWPF's development pipeline is estimated
at approximately \$755 million over the
next five years, which will improve the
portfolio quality and enhance returns.

Property mandates

As at 30 June 2010, our two
Australian private client mandates
comprised approximately \$2.7 billion
(2009: \$2.9 billion) in gross assets
across 35 properties. The property
mandates are managed by DEXUS
on behalf of SAS Trustee Corporation
and the AXA Group.



324 Queen Street, Brisbane, QLD



360 Collins Street, Melbourne, VIC



Willows Shopping Centre, Townsville, QLD



QV1, 250 St Georges Terrace, Perth, WA

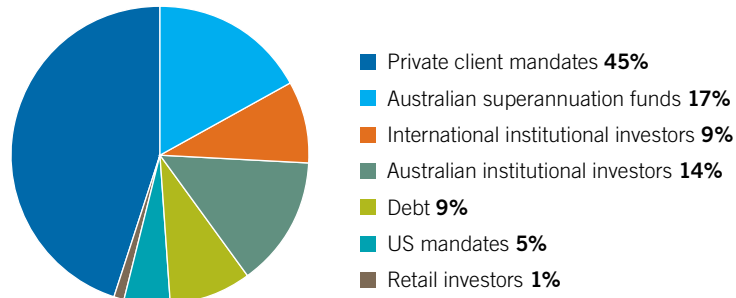
At the end of the financial year, DEXUS expanded its third party business by an additional \$300 million on the west coast of the US for key investors including Ohio State Teachers and General Electric.

DEXUS property syndicate

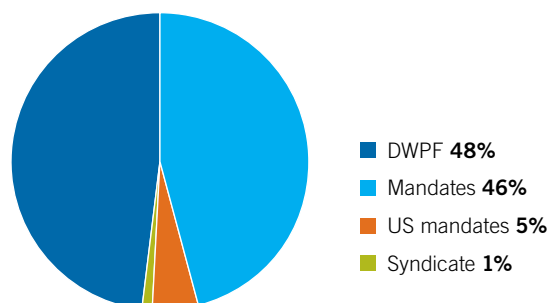
DEXUS manages one unlisted property syndicate valued at \$76.7 million at 30 June 2010 (2009: \$81 million).

The syndicate which owns the Gordon Centre and the Gordon Village Arcade, located in Gordon, NSW, is a closed-ended, fixed term trust which has expired and is due to be wound up in the next financial year.

Sources of funds as at 30 June 2010



Product types as at 30 June 2010



CORPORATE RESPONSIBILITY AND SUSTAINABILITY HIGHLIGHTS

CR&S PERFORMANCE SUMMARY

DURING THE 2010 FINANCIAL YEAR WE PROGRESSED OUR SUSTAINABILITY INITIATIVES AND CONTINUED TO DRIVE PERFORMANCE IN CR&S.

This is consistent with our commitment to minimise our environmental footprint and deliver positive impacts for our key stakeholders: our investors, tenants, employees and the broader community.

We have made good progress against the majority of our commitments and targets this year. Notable achievements include being named for the second year as one of the Global 100 Most Sustainable Corporations and our flagship sustainable office developments 1 Bligh Street, Sydney and 123 Albert Street, Brisbane were awarded world's best practice 6 Star Green Star design ratings.

Our CR&S approach

DEXUS is committed to embedding the principles of corporate responsibility and sustainability throughout our business. This enables us to build a business that better responds to the evolving needs of our stakeholders, ensuring we are managing and developing properties for the future and investing in our people to drive our performance and achieve our leadership goals.

We continued to make progress embedding sustainability practices within our business in 2010. This year, consistent with our commitment to continuous improvement, we reviewed our CR&S programs with respect to how we engage with and respond to our stakeholders.

We focused on:

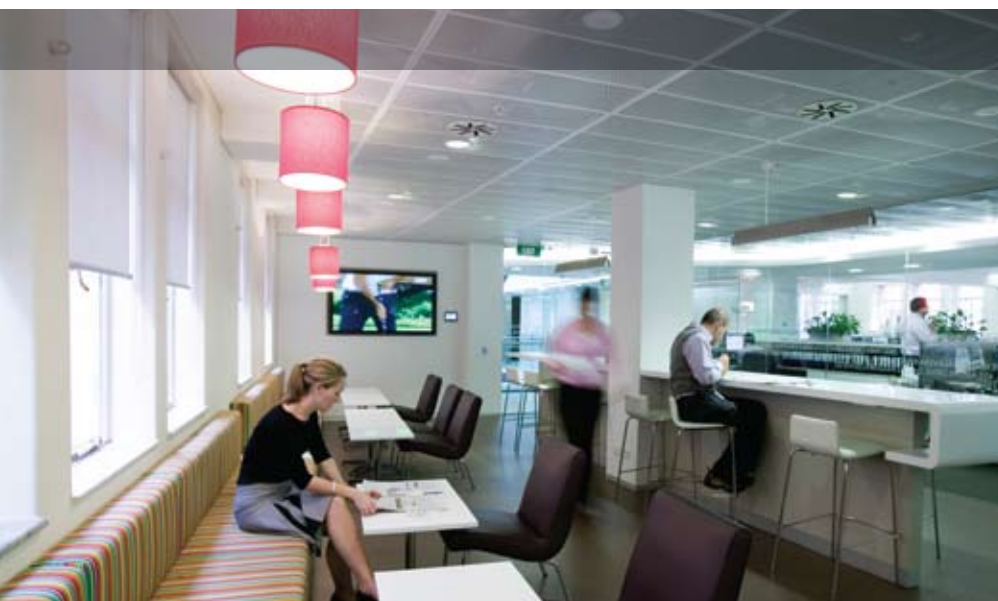
1. Analysing our approach to stakeholder engagement
2. Assessing which issues are most material to our stakeholders
3. Considering our approach to sustainability performance reporting
4. Reviewing our memberships and alignments

This year we have focused our CR&S report on the areas we consider most material and relevant to our stakeholders, including those matters identified through stakeholder consultation.

CORPORATE COMMITMENTS	OBJECTIVE	COMMENTS
	☒ Further improve the quality and transparency of our CR&S reporting and specifically: ■ Progress to assurance under the principles of AA1000 ■ Maintain our GRI rating of A+	Reporting awards and achievements: ■ Second year listing on the "Global 100 Most Sustainable Corporations" list – assessed via independent review of publicly available information ■ Preparation for AA1000 assurance underway ■ CR&S Report 2009 met GRI rating A+
	☒ Review our CR&S membership strategy	Joined United Nations Principles for Responsible Investment and the Australian & New Zealand Investor Group on Climate Change  
	☒ Continue our proactive participation in sustainability ratings and indices including: ■ Carbon Disclosure Project ■ FTSE4Good Index ■ Dow Jones Sustainability Index	We reported in the Carbon disclosure project for the fourth year We maintained listing on the FTSE4Good Index and the Australian SAM Sustainability Index and we achieved the SAM Sector Mover 2010 award We achieved listing on the 2009 and 2010 Dow Jones Sustainability World Index   
	☒ Ensure statutory compliance with NGERS and EEO	
	☐ Develop a CR&S and Service Excellence charter for our business and suppliers	Deferred to FY11 to incorporate into new stakeholder engagement program
	☒ Formalise our policy on participating in public policy development and lobbying	Policy developed and available on www.dexus.com

KEY: ☒ Achieved ☐ Underway ☐ Not achieved

DEXUS produces a comprehensive CR&S report which is released in late October each year. Highlights of our performance are provided in this section. Our full 2010 CR&S report will be available at www.dexus.com or on request via crs@dexus.com



DEXUS head office, 343 George Street, Sydney, NSW

Stakeholder engagement

We recognise that stakeholder feedback is important to enable DEXUS to respond appropriately to those who are impacted by our business operations. Stakeholder feedback is a key input into our determination of material concerns and is a key input into our overall CR&S strategy to ensure it remains relevant.

We define our main stakeholders as:



In 2010 we undertook a review of the way we report on CR&S including an assessment of global trends and leading practices in this evolving area. Our analysis this year indicated we could further improve our processes by increasing stakeholder engagement. To this end, we conducted a review of our stakeholder interactions to ensure ongoing relevance and completeness.

We then incorporated the results into our broader materiality assessment and identified a number of areas where we could improve our reporting approach including:

- Articulating more clearly how we determine our CR&S focus
- Prioritising stakeholder feedback by materiality and relevance
- Seeking assurance under ASAE3000
- Considering AccountAbility's AA1000 principles of inclusivity, materiality and responsiveness

Impact of our CR&S activities

We recognise the decisions we make and activities we undertake have an impact inside and outside our operations. By embedding our CR&S objectives into our broader business strategy, we reinforce the connection between our objectives, the industry, the market and the social context within which we operate. This also recognises the associated risks and opportunities we face, the key resources and relationships on which we depend, and the governance, reward and remuneration structures we put in place to support our objectives.

Through the review of our existing CR&S reporting, we identified that we could further communicate the benefits and impacts that our CR&S activities have on the community and other external stakeholders. In this year's CR&S report we have provided additional detail regarding how potential direct impacts (e.g. the reduction of costs) or indirect impacts (e.g. creating wealth in the community) affect our stakeholders.

FY11 COMMITMENTS

Corporate

All operations

- Roll out Service Excellence Charters across business units
- Achieve ISO 14001 and ISO 18001 accreditation

Industrial – US

- Develop CR&S strategy and program for our US business

OUR STAKEHOLDERS

Investors – financial performance

Despite challenging market conditions, we achieved a strong financial result during the year delivering operating earnings before income tax of \$461.3 million.

Property valuations started to recover during the second half and we believe we are now at the end of the Australian devaluation cycle.

We believe that economic recovery and improved business and investor sentiment have boosted the prospect of growth in rents and values in the coming year.

We are focused on creating investor value by delivering operational excellence through active property, asset and development management resulting in low risk sustainable returns.

In terms of economic sustainability, our approach is based on two principles:

1. Sustained financial performance

We are committed to delivering consistently strong financial performance for our investors which, in turn, enables us to invest in initiatives that deliver improved sustainability performance.

2. Sustainability adds value

We recognise the value that operating sustainably adds to our business and the enhanced performance and long-term contribution to the bottom-line that can be achieved through appropriate investment in sustainability.

Our tenants

At DEXUS, we have more than 4,200 tenants in our office, industrial and retail properties. Our tenants consist mainly of major corporate and government organisations:

- Office – major corporate tenants such as Goldman Sachs, Woodside, Credit Suisse, Westpac, local, state and federal governments
- Industrial – some of the world's leading brands such as Whirlpool, FedEx, Visy Steel, Coles, Wesfarmers and IBM
- Retail – major retailers such as Myer, David Jones, Big W, Target, Kmart, Woolworths and Coles

This year, we had an average occupancy rate of 89.9% across our entire portfolio; which we attribute to our strong tenant relationships, focus on service excellence and high quality properties. By building and maintaining strong relationships with our tenants, we enhance portfolio performance through the delivery of high quality workspace that meet our tenant needs, now and in the future.

Internalisation of property management

The internalisation of property management across our portfolio has provided us with greater connectivity with our tenants. Our goal is to achieve greater tenant satisfaction and retention, which we monitor through our tenant surveys and other performance benchmarking activities. In our new internalised structure, improving tenant satisfaction is a key performance indicator for our property managers.

Suppliers

As part of our everyday operations, we engage with a large number of contractors who form part of our wider sustainability footprint. Some issues affecting suppliers are therefore also material to us. This is due to two factors; operations undertaken by suppliers on our behalf impact their employees and the environment, and their actions, though not directly within our control, reflect on our service delivery, brand and reputation.

KEY EXTERNAL STAKEHOLDER COMMITMENTS

TENANTS
☒ Continue to work with our anchor office tenants to tailor workspace design to their needs and DEXUS's vision of delivering the next generation of sustainable work space
☒ Engage an external provider to undertake office tenant surveys to enable the benchmarking of our office performance against industry standards
☒ Refine our tenant engagement strategy with tailored approaches in office, industrial and retail
☒ Continue to develop innovative ways to effectively collaborate with tenants to drive energy efficiency under lease and fit out guidelines
SUPPLIERS AND PARTNERS
☒ Integrate expanded sustainability key performance indicators into our procurement procedures and tender evaluations
☐ Work with our new and existing suppliers to agree key performance indicators relating to delivering service excellence and sustainability performance
COMMUNITY
☒ Investigate the introduction of a workplace giving program
☐ Develop a community charter for our retail centres

KEY: ☒ Achieved ☐ Underway ☐ Not achieved



View of Sydney CBD, from Governor Phillip Tower, 1 Farrer Place, Sydney, NSW

In last year's report we committed to further consider and assess the CR&S position of our existing and prospective suppliers, as an important step toward addressing our indirect impacts. This area has been an important focus for us this year, with greater rigour around the processes for selection of suppliers and monitoring supplier performance against CR&S criteria.

We also sought opportunities to partner with our suppliers to achieve environmental benefits such as in the selection and purchase of construction materials and property maintenance supplies.

Community

As one of the largest property groups in Australia, we have a responsibility to the communities located in and around our properties and developments. We recognise our social responsibility to invest in community initiatives and support bodies reliant on charitable donations. We use DEXUS values to guide our community engagement support. We value having an open and honest dialogue with the communities in which we operate and seek to engage

and inform our local communities in the management and operation of our properties.

- 91% of our staff believe DEXUS is socially responsible to the community (2008: 84%)
- 89% are proud of DEXUS's contribution to society and the community (2008: 77%)

New community engagement initiatives launched in 2010 include the establishment of our inaugural Workplace Giving Program which allows our people to contribute to a charity of their choice directly through their pre-tax salary.

We define our community involvement in the following areas:

- Employee engagement in community initiatives including volunteering
- Financial and in-kind contributions
- Community consultation and development

During the year we contributed \$553,000 through financial and in-kind support, an increase of 2% on the prior year, consistent with our commitment to maintain our support of charitable and not-for-profit groups.

FY11 COMMITMENTS

Stakeholders

Investors

- ➔ Deliver at least 5.1 cents per security distribution in FY11
- ➔ Expand 2010 investor survey to capture feedback regarding our CR&S performance and reporting

Tenants

All operations – Australia

- ➔ Improve overall tenant satisfaction scores

Community

All operations

- ➔ Complete a DEXUS wide community engagement review to ensure alignment with our corporate and stakeholders objectives
- ➔ Achieve a 10% increase in employee volunteering

All operations – Australia

- ➔ Engage with our corporate partners to leverage community engagement and achieve greater outcomes

Suppliers

All operations

- ➔ Roll out new CR&S supplier tender evaluation criteria to all divisions
- ➔ Incorporate sustainability requirements within standard consultancy agreements
- ➔ Measure the on-going CR&S performance of key suppliers

OUR PEOPLE



Members of the DEXUS team at Gateway, 1 Macquarie Place, Sydney, NSW



DEXUS TEAM SUMMARY

AT 30 JUNE 2010, DEXUS EMPLOYED 291 PEOPLE, LOCATED PREDOMINANTLY ON THE EASTERN SEABOARD OF AUSTRALIA, WITH 65% OF OUR EMPLOYEES LOCATED IN OUR HEAD OFFICE IN SYDNEY.

In June 2010 we expanded our operations in the US, establishing a management office in Newport Beach, California to oversee the management of our US assets. Our newly appointed team brings extensive US industrial real estate management, leasing and development expertise to DEXUS. The establishment of the team represents a key step in progressing the internalisation of the management of our properties in the US.

In July 2010, we streamlined our executive management structure to drive enhanced performance by aligning our executive structure with our three core operating platforms of Property, Capital and Finance, and Corporate Services. The CEO's direct reports were reduced to five from nine and the Group's Executive Committee was replaced by a smaller Group Management Committee.

Diversity

At DEXUS we value our people for their expertise and ability to carry out their roles. We believe that decision making is enhanced through diversity and creates a business

environment that encourages a range of perspectives and fosters excellence in the creation of security holder value.

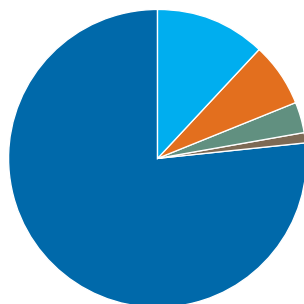
By diversity we mean an individual's race, colour, gender, age, creed, ethnicity, cultural background, economic circumstance, human capacity, sexual orientation and expression of thought.

We believe that diversity is a competitive advantage that creates real value for our security holders and we support and encourage diversity at all levels; in our Board of Directors, senior management team and throughout our organisation.

We have a socially and culturally diverse workplace which helps create a culture that is tolerant, flexible and adaptive to the changing needs of our environment. We also believe that an inclusive and diverse workforce will assist us to attract and retain the best people.

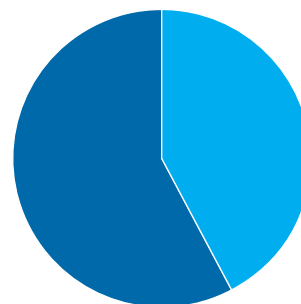
Representation of women in executive management remained steady at 40%

Workforce by location



- New South Wales **77%**
- Queensland **12%**
- Victoria **7%**
- California **3%**
- Western Australia **1%**

Workforce by gender



- Female **57%**
- Male **43%**

Note: 1% increase in female employees since 30 June 2009.

OUR PEOPLE COMMITMENTS

OBJECTIVE	COMMENTS
☒ Enhance employee engagement	Improved scores across most categories in our annual Employee Opinion Survey, exceeding the Australian National Norm ¹ benchmark in 18 out of the 19 categories and 5 out of 17 categories of the Global High Performing Norm ¹
☒ Leverage our leadership capabilities by introducing a formal mentoring program	Introduced a formal mentoring program in May 2010 involving 30 employees
☒ Encourage further transfer of skills across departments	21 cross team transfers were completed
☒ Increase training and development programs for professional level employees	Training hours for professional level employees increased 70%
☒ Expand relationships with key community groups e.g. Oasis Work Ready Program	Appointed second Oasis Work placement

KEY: ☒ Achieved ☐ Underway ☐ Not achieved

1 External benchmark assessed by Towers Watson.

Employee feedback

Our employees are a key focus of our stakeholder engagement activities. Each year we conduct an Employee Opinion Survey and the results are communicated to our employees and considered in the implementation of new policies and practices.

One of the key people initiatives we undertook this year was a direct response to an area of development raised in last year's survey: to launch a mentoring program. This program was launched in March 2010 and has already been successful in encouraging the transfer of knowledge between divisions and between different levels of experience.

Employee opinion survey

For the second year, we partnered with Towers Watson to facilitate and analyse the results of our annual Employee Opinion Survey. This enables our results to be compared with an industry benchmark of Australian and Global High Performing companies. We are now able to present two years of benchmarked results.

It is pleasing to report that we again achieved a high level of employee engagement, with 91% of employees responding. For the second year running we have outperformed most categories in the Australian national benchmark, and several categories of the Global High Performing company benchmark.

While performing well against our industry and the market is an important measure of success, we are even more pleased to have improved on our 2009 results in all but two categories.

The survey is conducted in December each year and results are collated and presented to our employees in the following quarter, representing a calendar year of performance.

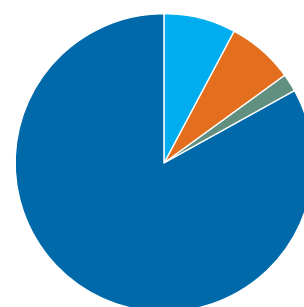
Results are also reviewed at annual divisional offsites and the senior management offsite held in late March, where action plans are identified to address key areas of improvement for the forthcoming year.

Flexible working environment

To encourage diversity and employee wellbeing we offer flexible work arrangements to support work life balance. We believe that by providing a flexible working environment, our people are better placed to achieve their full potential and to strive for excellence in their work. 14% of our people maintain part-time working hours and 30% of people choose some form of flexible working arrangement, up 4% from 2008.

87% of our people state that their manager is considerate of their life outside work (78% in 2008)

Workforce by employment type



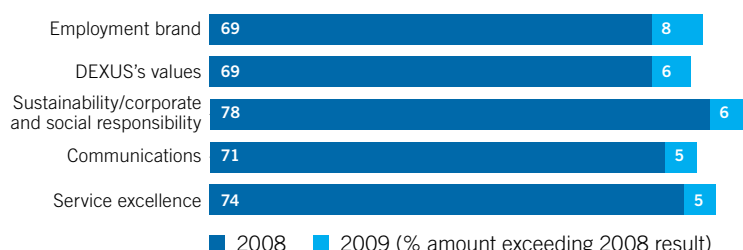
■ Permanent full-time **83%**
■ Permanent part-time **8%**
■ Contractor **7%**
■ Casual **2%**



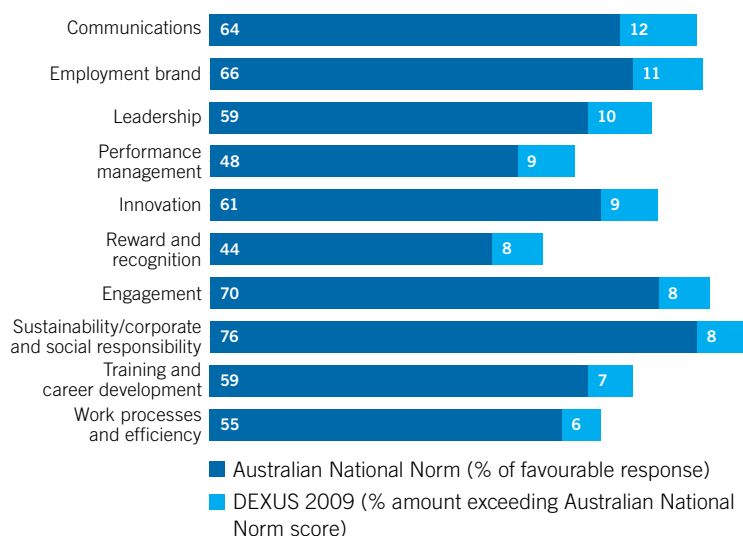
Group Management Committee

(L to R): John Easy – General Counsel,
Paul Say – Chief Investment Officer,
Victor Hoog Antink – Chief Executive Officer,
Craig Mitchell – Chief Financial Officer,
Tanya Cox – Chief Operating Officer

DEXUS EOS results 2009 vs 2008



DEXUS EOS results 2009 vs Australian National Norm 2009



Note: Survey scores represent positive responses to a maximum 100% score.

Key results from the 2009 survey:

- 94% are proud to be associated with DEXUS (2008: 92%)
- 85% would recommend DEXUS as a good place to work (2008: 82%)

While the survey highlighted many areas where we are performing well, it also highlighted areas for improvement such as cross-divisional and cross-team sharing and collaboration with 49% indicating that there was ineffective sharing of information between locations at DEXUS.

In response to these results, we have run additional business unit presentations at our Lunchtime Learning sessions. In addition, we expanded the rotation initiative which involves short, mid and long-term cross divisional work experience.

Through this improved sharing of information and experience across divisions, our people gain greater insight into our business and different departments which also enhances their ability to provide input and ideas regarding business solutions outside their traditional area of expertise.

DEXUS BOARD OF DIRECTORS



DEXUS Funds Management Limited ("DXFM") Board of Directors (L to R): Stewart Ewen OAM, John Conde AO, Peter St George, Victor Hoog Antink, Chris Beare, Barry Brownjohn, Elizabeth Alexander AM, Brian Scullin

Christopher T Beare

BSc, BE (Hons), MBA, PhD, FAICD
Chair and Independent Director
Age 60

Chris Beare is the Chair and an Independent Director of DXFM (appointed 21 September 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, FCPA
Independent Director
Age 67

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

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

Barry R Brownjohn

BComm
Independent Director
Age 59

Barry Brownjohn is an Independent Director of DXFM (appointed 1 January 2005), Chair of the Board Audit and Board Risk and Sustainability Committees and a member of the Board Finance Committee.

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

John C Conde AO

BSc, BE (Hons), MBA
Independent Director
Age 62

John Conde is an Independent Director of DXFM (appointed 29 April 2009), 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 61

Stewart Ewen is an Independent Director of DXFM (appointed 21 September 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
Executive Director and Chief Executive Officer
Age 57

Victor Hoog Antink is CEO and an Executive Director of DXFM (appointed 1 October 2004).

Victor has more than 29 years of experience in property and finance. Victor is a director and immediate past President of the Property Council of Australia and is the National Chairman of the Property Industry Foundation.

Brian E Scullin

BEC
Independent Director
Age 59

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

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

Peter B St George

CA(SA), MBA
Independent Director
Age 64

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

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



Members of our Sydney industrial team at Quarry Industrial Estate, Reconciliation Road, Greystanes, NSW

Maintaining our quality workforce

Employee turnover is an important area to track and manage. Turnover in 2009 was 24%, down 2% on the prior year (2008: 26%). While this improved retention may be partially as a result of continued uncertain economic conditions, our Employee Opinion Survey indicates that we are doing a better job of retaining our people: 62% of employees believed that DEXUS was doing a good job in retaining our most talented people, up 11% from the previous year.

Employee management

At DEXUS we want our people to be engaged and enthusiastic about our business and their own development. We aim to achieve a motivated workforce by:

- Reviewing and rewarding achievements
- Hosting regular business updates
- Developing our people and
- Providing a friendly, safe and enjoyable space to work

Employee development

By supporting learning and development, we are able to recruit and retain a talented workforce, which in turn ensures that we are better positioned to achieve our organisation-wide goals of providing world class properties and delivering service excellence. We are committed to providing a comprehensive range of learning and development programs which we believe will help our people meet their career development aspirations while assisting DEXUS to achieve its goals.

We also encourage our employees to take ownership of their own learning and development plans. We believe that our people, in partnership with their direct managers, are well placed to determine their own learning and development objectives. We encourage our people to participate in a range of internal and external training events each year, which are aligned with their individual performance objectives and development plans.

FY11 COMMITMENTS

Our people

All operations

- Extend use of Balanced Performance Scorecard
- Enhance our graduate and internship program
- Conduct 360 Degree Performance Reviews for managers every two years

All operations – Australia

- Improve our process and systems for capturing training and human resource data

OUR ENVIRONMENT

ENVIRONMENTAL STRATEGY

OUR ENVIRONMENTAL STRATEGY AIMS TO MINIMISE THE OVERALL ENVIRONMENTAL IMPACT OF OUR OPERATIONS, BOTH IN THE DEVELOPMENT OF NEW PROPERTIES AND THE MANAGEMENT AND OPERATION OF EXISTING PROPERTIES.

We recognise we have a responsibility to our investors, tenants, employees and the wider community to sustain and protect the environment during the ownership, management and development of our property portfolio. We also strive to ensure environmental obligations receive appropriate focus alongside our commercial obligations and objectives.

In this, our third year of collecting comprehensive environmental data, we decided to review our reporting methods and we have determined that intensity metrics are the most appropriate method to assess the performance of our property portfolio. Intensity metrics measure resource consumption on a per square metre basis and this year, a full analysis of resource consumption by square metre has been completed across the office, industrial and retail portfolios.

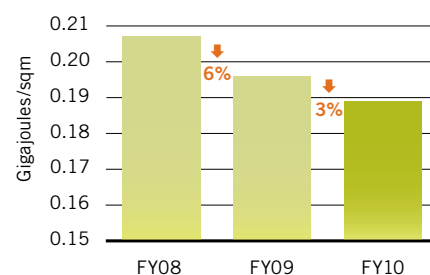
During a year in which we sold and acquired several properties and intend to continue this repositioning in 2011, monitoring our energy consumption on a square metre basis allows a more transparent comparison of our portfolio performance, irrespective of the growth or reduction in the number of properties under our operational control.

During the year, we continued to focus on reducing our overall consumption of energy, greenhouse gas (GHG) emissions and water usage. As a result of a number of focused initiatives and programs across the business, which are further detailed in our annual CR&S Report, we have achieved a 9% reduction in energy, 4% reduction in water and an 8% reduction in GHG emissions over two years to June 2010.

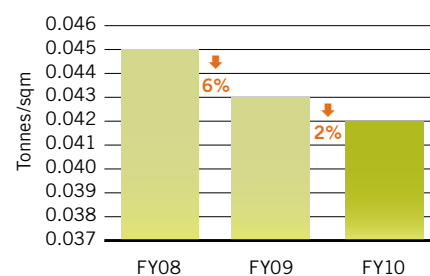
Critical to the success of our sustainability strategy is educating our employees. In addition to the property sustainability employee working groups we established in 2008, we run annual Risk and Sustainability roadshows which provide training to our property management teams on risk management and sustainability practices.

Australian and US property portfolio performance

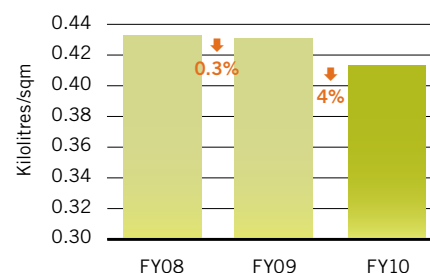
Total energy consumption



Total GHG emissions



Total water consumption



In 2009 88% of our people believed DEXUS is environmentally responsible (up from 81% in 2008)

ENVIRONMENTAL COMMITMENTS

OBJECTIVES

☑	Complete three year resource consumption reduction program and achieve annual reductions in total energy, GHG emissions and water usage, commencing in 2007
☑	Complete NABERS Improvement Plans for office assets
🔄	Progress 4.5 star average energy rating program in our office portfolio by 2012
☑	Improve sustainability data capture and full auditing of data
🔄	Develop a climate change risk register and corresponding action plan for high risk properties
🔄	Enhance our Scope 3 emissions reporting

KEY: ☑ Achieved 🔄 Underway ☒ Not achieved

Property performance initiatives

Strategic Improvement Plans (SIPs)

We completed Strategic Improvement Plans in our office portfolio this year. These plans are a critical tool to maximise operational performance, reduce resource consumption and reach an average office portfolio NABERS Energy rating of 4.5 Stars.

Our SIPs cover four elements:

1. Strategic building review
2. Resource consumption performance
3. Energy and water improvement
4. Plant and equipment upgrades

Understanding these elements provides us with a comprehensive view of building performance. They enable us to plan and implement optimum plant and equipment upgrades to maximise energy efficiency and tenant comfort outcomes. The plans also incorporate best practice maintenance and serviceability such as the Property Council of Australia's quality grade considerations and potential future code compliance.

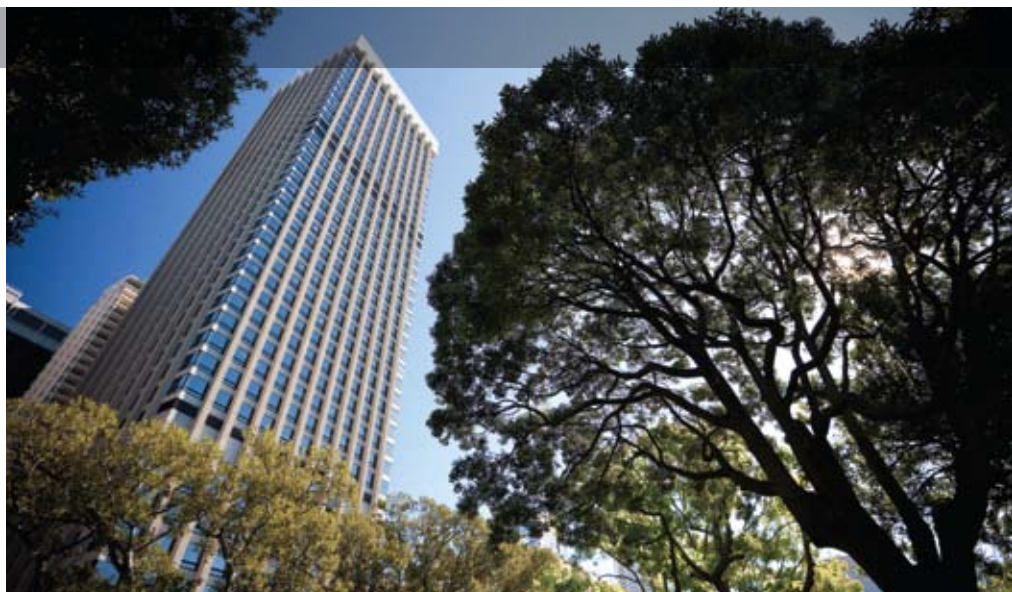
NABERS ratings

Office energy

This year we achieved our commitment to complete a NABERS Improvement Plan in support of our 4.5 Star NABERS Energy rating goal for the Australian office portfolio. In order to implement the NABERS Improvement Plans, a three year capital expenditure budget was approved, commencing in 2010. Current progress indicates we are on track to complete the program in 2012.

Office water

NABERS Water ratings for office buildings were undertaken across our office portfolio.



201 Elizabeth Street, Sydney, NSW

Retail water and energy

We took part in a property industry study to develop NABERS Water and Energy retail rating tools and we will commence ratings of our eligible retail properties in this financial year.

US Industrial ratings

As part of a three year strategy, we are seeking LEED ratings for our core US properties, as well as the collation of energy and water data for our core properties in order to analyse environmental performance, which will then feed into improvement plans.

Climate change and energy

Appropriate management of climate change risks must take account of both the immediate and longer term timeframes. At DEXUS we seek to reduce the carbon footprint of our properties during the development, refurbishment and ongoing property management stages.

We believe this demonstrates prudent risk management and is an important step in maintaining the attractiveness of our properties for an increasingly sustainability conscious tenant market. In the longer term, we are also conscious of the potential increased risk to our properties from the effects of climate change and the need to adequately address this where required.

In order to address the impact climate change may have on the DEXUS portfolio and the marketplace, we take a pro-active approach as part of our general property management and maintenance process and have introduced initiatives such as:

- Conducting a risk assessment workshop annually to identify business risks and risk mitigation practices including climate change risks
- Developing a climate change risk register and property action plans

We have determined that the risk to our business from climate change is relatively low as our properties are predominantly located in metropolitan areas with good infrastructure and services, and do not include land releases for residential development, green field developments, or coastal developments. Despite this low risk assessment, as part of our commitment to best practice management, we are currently undertaking an externally facilitated climate change risk assessment of our properties. This risk assessment includes building quality, services security and climate change impact.

Renewable energy purchases

We are committed to supporting the development of renewable energy, and have in place a two year contract to purchase GreenPower. However, our purchase of renewable energy is not part of our NABERS rating strategy as we believe owning a leading sustainable property portfolio requires us to take a more comprehensive and holistic approach to energy efficiency. Due to a combination of an increase in price of renewable energy and increased energy efficiency, our aggregate renewable energy purchase reduced this year compared to last.

Alternative energy initiatives

At 1 Bligh Street in Sydney a number of low carbon and renewable energy solutions are being incorporated including:

- Solar energy tubes located on the roof will provide energy for hot water
- A gas fired tri-generation system will provide energy, heating and, through the use of an absorption chiller, cooling for air-conditioning

Tri-generation systems offer far greater thermal and energy efficiency removing the inefficiency of traditional electricity supply that occurs through transmission losses.

Tri-generation is also being installed at 123 Albert Street in Brisbane and is designed to deliver 18.4% of the property's anticipated energy needs.

Water initiatives

As a nation with one of the lowest rainfalls on earth, all Australians understand the value of conserving water. At DEXUS we recognise that as a manager and developer of a large property portfolio we can minimise water use by implementing water saving initiatives and working with our tenants at our new developments and existing properties to drive water savings.

Waste

This year we completed a tender for waste services across our portfolio as part of our cleaning retender. Our new tender evaluation process included greater CR&S criteria. As a result, waste management and recycling will be standardised across our portfolio. Recycling opportunities outside this scope will be implemented on a project by project basis, identified by our project teams. For example:

Building and demolition materials

At our 123 Albert Street development site 96% of all materials removed from the site were recycled.

Fit out reuse

As part of the development of the Willows retail centre in Townsville, a tennis court was demolished. As the lights removed were still operational, they were provided to a local community group for reuse.

FUTURE COMMITMENTS FY11

Environment

Office – Australia

- Progress 4.5 star average NABERS Energy rating program
- Achieve a minimum 3.5 star NABERS Water rating by 2012

Industrial – Australia

- Design and develop a 5 star development at our Quarry Industrial Estate in Greystanes, NSW

Retail – Australia

- Obtain NABERS shopping centre ratings for DEXUS managed centres

Industrial – US

- Develop a LEED rating plan for our US core properties

All developments

- Optimise the reuse or recycling of material removed from our developments and refurbishments

All operations – Australia

- Assess opportunities at existing properties and new developments to improve biodiversity
- Expand sub-metering performance monitoring programs for water, gas and electricity



1 Bligh Street, Sydney, NSW

OUTLOOK



View of Sydney Harbour, from Governor Phillip Tower, 1 Farrer Place, Sydney, NSW

Responding to regulatory changes

At DEXUS, our proactive approach to risk management and regulatory development is increasingly shaping our business. In Australia, there are a number of new or proposed reporting requirements which require close monitoring and a response plan. As the government's emissions trading scheme is not due to commence until 2013 at the earliest, the government's focus has shifted towards energy efficiency, with an almost immediate impact on the property sector through legislation requiring mandatory property disclosure of energy performance in sales and leasing material for every property, which comes into effect in November 2010. We are well placed to address this new building reporting requirement through our existing programs, which include completing building ratings for our owned and managed properties.

US focus

In the US there are currently fewer market or regulatory environmental drivers. However, we always seek to operate beyond compliance and intend to embed similar sustainability priorities

and programs in the US, consistent with our practices in Australia. We see this as an opportunity to demonstrate market leadership and for it to become a point of differentiation for our US properties. Our new team is currently reviewing our US CR&S strategy to develop our 2011 program. This will become a key focus as we internalise management and reposition the portfolio to our core west coast markets.

Stakeholder engagement

A priority in 2011 will be to put in place a new stakeholder engagement program to strengthen stakeholder input into our business decisions. Progress this year on our tender evaluation process has positioned us to drive further sustainable performance through our suppliers, but there is more work to be done here.

We plan to work closely with our tenants and suppliers to drive improved results which will complement our own energy efficiency reduction efforts.

Resource consumption

Our next challenge is to continue to build on our environmental efficiency successes to date. Following more than a decade of

CR&S improvements, we have spent the past few years focusing on tailored property improvement plans to maximise operational performance and sustainability outcomes and we have seen the results through three consecutive years of resource consumption reductions.

As we embark on our 12th year of CR&S programs, the challenge will be to continue to drive higher reductions in resource consumption.

Committed to market leadership

While our overarching CR&S principles and the priority of acting sustainably in our business have not changed, market expectation and industry innovation are constantly developing. We are committed to continually reviewing our programs to deliver improvements and remain an industry leader in CR&S in 2011 and beyond.

DEXUS's 2010 CR&S Report will be available on www.dexus.com and on request via email at crs@dexus.com

FINANCIAL SUMMARY

Full year results financial commentary

DEXUS Property Group's Funds From Operations per security was 7.3 cents (2009: 10.43 cents) resulting in a distribution per security of 5.1 cents (2009: 7.3 cents), a decrease of 30.1% primarily as a result of the impact of equity raisings completed in December 2008 and May 2009 and a reduction in earnings from management company EBIT, the US industrial portfolio and non-core property sales.

Total assets decreased 5.7% over the period to \$7.9 billion at 30 June 2010.

Gearing (net of cash) was 29.8% at 30 June 2010 (2009: 31.2%).

Operating earnings before interest and tax was \$461 million (2009: \$515 million), down 10.3% as a result of:

- Australian and New Zealand office portfolio income which decreased by \$1.7 million to \$245.1 million. The reduction reflected primarily the sale of a \$55 million non-core property which was partially offset by a 0.4% increase in like-for-like property income. The increase in underlying income reflected the positive impact of fixed and market rental increases on the majority of the portfolio, offset by a 1.9% decrease in portfolio occupancy
- Australian industrial portfolio income increased \$0.7 million to \$109.9 million. This reflected a 1.6% increase in like-for-like income and contributions from new properties acquired in the latter part of the year for a total cost of \$70.5 million (excluding stamp duty). These increases were offset by the sale of \$69 million of properties, located in non-core sub-markets



Southgate Complex, 3 Southgate Avenue, Southbank, VIC

- US industrial portfolio income decreased \$33.7 million to \$99.1 million. The decrease was driven by a like-for-like decrease in income of 12%. Tenant delinquency accounted for about 2% of this drop, and despite occupancy by area remaining stable at 86%, market conditions dictated lower rents at renewal and with new leases.

Headline US earnings were also impacted by:

- Disposal of US\$208 million non-core properties
- Acquisition of three new assets in the Whirlpool program for US\$203 million
- Exchange rates
- Other non-core sectors (retail and Europe) where operating income decreased \$9.0 million to \$30.2 million. The decrease reflected primarily the sale of Whitford City Shopping Centre in March 2010 for \$256.5 million and a decline in income arising from the European portfolio which reflected like-for-like income declining by 13.6%

- Management company EBIT of \$6.1 million was \$14.9 million lower than the prior year as a result of a decrease in activity based fee income with lower levels of leasing and development activity across the funds and a decrease in the value of properties managed by DEXUS on which asset management fees are calculated

Specific movements in the Statements of Financial Position for the year ended 30 June 2010 include the:

- Impact of revaluations during the period and currency impact in respect of international properties, property sales partially offset by acquisitions and capital expenditure resulting in a decrease in total assets of 5.7% to \$7.9 billion (2009: \$8.4 billion)
- Net tangible assets per security were \$0.95 (2009: \$1.01), a decrease of 5.9% primarily as a result of revaluations in the first half of the year

The full financial accounts can be found in our Annual Report located at www.dexus.com

Five year financial summary

	2006 \$'000	2007 \$'000	2008 \$'000	2009 \$'000	2010 \$'000
Statements of Comprehensive Income					
Profit and loss					
Property revenue	659,749	693,430	664,831	708,506	663,068
Management fees	–	–	26,760	63,663	51,588
Property revaluations	686,490	831,330	184,444	–	–
Reversal of previous impairment	–	–	–	–	13,307
Interest revenue and other income	90,083	19,168	12,829	5,739	10,144
Total income	1,436,322	1,543,928	888,864	777,908	738,107
Property expenses	(160,651)	(170,120)	(159,565)	(174,485)	(169,753)
Finance costs	(166,116)	(133,055)	(213,233)	(384,241)	(190,685)
Employee benefit expense	–	–	(23,340)	(59,282)	(58,978)
Contribution from equity accounted investments	26,911	52,715	2,467	31	(26,243)
Net gain/(loss) on sale of investment properties	1,490	3,355	2,297	(1,880)	(53,342)
Impairments and property devaluations	(3,287)	–	(61)	(1,685,733)	(209,367)
Other expenses	(39,161)	(53,559)	(44,266)	(47,970)	(28,132)
Total expenses	(340,814)	(300,664)	(435,701)	(2,353,560)	(736,500)
Profit/(loss) before tax	1,095,508	1,243,264	453,163	(1,575,652)	1,607
Income and withholding tax (expense)/benefit	(29,123)	(32,473)	(7,902)	120,236	29,983
Net profit/(loss)	1,066,385	1,210,791	445,261	(1,455,416)	31,590
Other non-controlling interests (including RENTS)	(56,043)	(41,972)	(6,984)	(3,695)	(170)
Net profit/(loss) to stapled security holders	1,010,342	1,168,819	438,277	(1,459,111)	31,420
Operating EBIT	n/a	n/a	485.9	514.5	461.3
Funds from operations (cents per security)	11.0	11.3	11.9	10.43	7.3
Distributions (cents per security)	11.0	11.3	11.9	7.3	5.1
Statements of Financial Position					
Cash and receivables	141,682	95,992	135,671	120,661	89,429
Property assets ¹	7,975,744	9,151,993	8,737,874	7,741,549	7,308,543
Other (including derivative financial instruments and intangibles)	170,112	238,851	475,442	488,900	473,056
Total assets	8,287,538	9,486,836	9,348,987	8,351,110	7,871,028
Payables and provisions	256,424	289,501	322,528	289,561	281,230
Interest bearing liabilities	3,195,047	3,353,327	3,006,919	2,509,012	2,240,082
Other (including financial instruments)	120,554	139,065	184,487	406,320	343,269
Total liabilities	3,572,025	3,781,893	3,513,934	3,204,893	2,864,581
Net assets	4,715,513	5,704,943	5,835,053	5,146,217	5,006,447
Minority interest	427,851	438,173	205,998	206,772	205,275
Net assets (after non-controlling interest)	4,287,662	5,266,770	5,629,055	4,939,445	4,801,172
NTA per security (\$)	1.53	1.82	1.77	1.01	0.95
Gearing ratio (%)	38.3	35.6	33.2	31.2	29.8
Statements of Changes in Equity					
Total equity at the beginning of the year	3,865,712	4,715,513	5,704,943	5,835,053	5,146,217
Net profit/(loss)	1,066,385	1,210,791	445,261	(1,455,416)	31,590
Other comprehensive income/(loss)	9,214	(27,136)	77,929	(53,478)	(7,034)
Contributions of equity, net of transaction costs	94,776	145,328	243,524	1,129,971	90,360
Distributions provided for or paid	(306,259)	(324,638)	(355,380)	(296,648)	(244,411)
Other transactions with equity holders	–	–	402	–	–
Other non-controlling interest movements during the year	(14,315)	(14,915)	(281,626)	(13,265)	(10,275)
Total equity at the end of the year	4,715,513	5,704,943	5,835,053	5,146,217	5,006,447
Statements of Cash Flows					
Net cash inflow from operating activities	328,025	319,735	374,445	359,577	340,174
Net cash (outflow)/inflow from investing activities	(455,225)	(537,912)	11,065	(212,459)	90,592
Net cash inflow/(outflow) from financing activities	163,476	174,366	(342,514)	(170,190)	(444,382)
Net increase/(decrease) in cash and cash equivalents	36,276	(43,811)	42,996	(23,072)	(13,616)
Cash and cash equivalents at the beginning of the year	68,959	106,428	59,603	99,214	84,845
Effects of exchange rate changes on cash and cash equivalents	1,193	(3,014)	(3,385)	8,703	(6,810)
Cash and cash equivalents at the end of the year	106,428	59,603	99,214	84,845	64,419

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

Director and Executive remuneration

The Directors met 13 times during the year. Ten Board meetings were main meetings, three meetings were held to consider specific business. While the Board continually considers strategy, in March 2010 the Board members met with the Executive and senior management team over three days to consider DEXUS's strategic plans.

	Main meetings held	Main meetings attended	Specific meetings held	Specific meetings attended
Christopher T Beare	10	10	3	3
Elizabeth A Alexander AM	10	10	3	3
Barry R Brownjohn	10	10	3	3
John C Conde AO	10	10	3	3
Stewart F Ewen OAM	10	10	3	3
Victor P Hoog Antink	10	10	3	3
Brian E Scullin	10	10	3	2
Peter B St George	10	9	3	3

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

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

	Board Audit Committee		Board Risk and Sustainability Committee ²		Board Compliance Committee		Board Nomination and Remuneration Committee		Board Finance Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Christopher T Beare	–	–	–	–	–	–	5	5	5	5
Elizabeth A Alexander AM	7	7	4	4	–	–	–	–	–	–
Barry R Brownjohn	7	7	4	4	–	–	–	–	5	5
John C Conde AO	–	–	–	–	4	4	5	5	–	–
Stewart F Ewen OAM	–	–	–	–	–	–	5	5	–	–
Victor P Hoog Antink	–	–	–	–	–	–	–	–	–	–
Brian E Scullin ¹	–	–	–	–	4	4	1	1	–	–
Peter B St George	7	7	4	4	–	–	–	–	5	5

1 Nomination and Remuneration Committee member from 1 July 2009 to 31 August 2009.

2 Name changed from Board Risk Committee on 2 June 2010.

Remuneration of Key Management Personnel

The following is a summary of the structure and amounts of each remuneration component for DEXUS Executives for the years ending 30 June 2009 and 30 June 2010. For more information regarding the remuneration of DEXUS Executives please refer to the Remuneration Report contained in the Annual Report.

Name	Short-term employee benefits			Post-employment benefits	Other long-term benefits			Total
	Cash salary and fees	DEXUS performance payments	Other short-term benefits ¹	Pension and super benefits	DEXUS deferred performance payment allocations ²	Movement in prior year deferred performance payment allocation values ³	Other long-term benefits	
	\$	\$	\$	\$	\$	\$	\$	\$
Victor P Hoog Antink								
2010	1,252,539	1,100,000	–	47,461	1,200,000	363,957	–	3,963,957
2009	1,200,000	785,000	–	100,000	915,000	(416,600)	–	2,583,400
Tanya L Cox								
2010	385,539	180,000	–	14,461	180,000	62,533	–	822,533
2009	352,086	150,000	–	47,914	150,000	(80,773)	–	619,227
Patricia A Daniels⁴								
2010	246,872	104,000	–	14,461	104,000	13,023	–	482,356
2009	247,589	90,000	–	13,745	90,000	(24,250)	–	417,084
John C Easy								
2010	360,539	187,000	–	14,461	188,000	47,437	–	797,437
2009	343,255	163,000	–	31,745	162,000	(57,688)	–	642,312
Jane Lloyd								
2010	355,455	162,000	123,107	14,461	163,000	10,012	–	828,035
2009	361,255	113,000	–	13,745	112,000	–	–	600,000
Louise J Martin								
2010	485,539	200,000	–	14,461	200,000	74,415	–	974,415
2009	405,000	175,000	–	95,000	175,000	(60,625)	–	789,375
Craig D Mitchell								
2010	535,539	400,000	–	14,461	400,000	40,528	–	1,390,528
2009	500,000	325,000	–	50,000	325,000	(60,625)	–	1,139,375
Paul G Say								
2010	485,539	250,000	–	14,461	250,000	30,565	–	1,030,565
2009	486,255	200,000	–	13,745	200,000	(60,625)	–	839,375
Mark F Turner								
2010	401,339	140,000	–	48,661	140,000	88,473	–	818,473
2009	400,015	135,000	–	49,985	135,000	(103,635)	–	616,365
Andrew P Whiteside								
2010	460,539	225,000	–	14,461	225,000	16,610	–	941,610
2009	461,255	135,000	–	13,745	135,000	(24,250)	–	720,750
Total								
2010	4,969,439	2,948,000	123,107	211,810	3,050,000	747,553	–	12,049,909
2009	4,756,710	2,271,000	–	429,624	2,399,000	(889,071)	–	8,967,263

1 Other short-term benefits include expatriate assignment benefits such as relocation and housing allowances, relocation consultant assistance, health insurance premiums and associated taxes on these benefits.

2 This is the DDPP allocation for the current year which is deferred for three years as described on pages 5, 18 and 23 of the 2010 DEXUS Property Group's Annual Report.

3 This is the notional change in value of all unvested DDPP allocations from prior year.

4 Patricia A Daniels' actual remuneration received is for a four day week.

How do I invest in the DEXUS Property Group?

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

How can I find out information about DEXUS?

Information relating to DEXUS Property Group can be found at www.dexus.com. The website contains information on our property portfolio and operations. The site also provides access to your investment details and other Group information including:

- ASX announcements
- Property portfolio
- Reports
- Presentations
- Distributions and the Distribution Reinvestment Plan
- Tax information
- Corporate Responsibility and Sustainability
- Corporate governance
- Research

How do I get information that will assist me to administer my DEXUS holding?

DEXUS Property Group provides a significant amount of current and historical information in our Investor Centre at www.dexus.com/Investor-Centre/DXS including:

- Distributions and taxation information
- Security issue price
- Apportionment percentages for DEXUS Property Group since stapling
- Capital gains tax information

What is the distribution policy?

The DEXUS Property Group's distribution policy is to distribute 70% of Funds From Operations (FFO). Distributions are paid for the six months to December and June each year.

Security holders can receive their distributions by either direct credit into a nominated bank account or can elect to reinvest their income through the Distribution Reinvestment Plan (see below).

How can I reinvest my distribution?

Holders may reinvest part or all of their periodic distributions into DEXUS Property Group.

The Distribution Reinvestment Plan (DRP) is available to Australian and New Zealand security holders. The amount to be reinvested will be applied to acquire securities in DEXUS Property Group. Where the amount to be reinvested does not equal a whole multiple of the issue price, the residual amount will be carried forward and added to the next reinvestment amount. The DRP will operate in accordance with the DRP's Terms and Conditions which can be found on the website at www.dexus.com/Investor-Centre/DXS

DEXUS will advise the ASX each half year if the DRP for that distribution is operational and also details about calculating DRP issue price. Please refer to our website at www.dexus.com or alternatively these announcements can be obtained after a 20 minute delay from the ASX website at asx.com

If you wish to make a DRP election or change your existing DRP election you should contact the DEXUS Infoline on 1800 819 675.

How do I get the distribution information required by non-resident holders or their custodians?

The notice required by non-resident security holders and custodians of non-resident investors for the purposes of section 12-395 of Schedule 1 to the *Tax Administration Act 1953* is published on our website at www.dexus.com/Investor-Centre/DXS prior to the payment of each distribution.

What do I do if I have unclaimed distributions?

If you believe you have unpresented cheques or unclaimed distributions, please contact the DEXUS Infoline on 1800 819 675.

For monies that have been outstanding for more than seven years, you should contact the NSW Office of State Revenue on 1300 366 016 or go to their website at osr.nsw.gov.au and use their unclaimed monies search facility.

Do I need to give you my tax file number?

You are not required by law to provide us with 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, 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.

How do I complete my annual taxation return for the distributions I receive from DEXUS?

At the end of each financial year, we will provide an Annual Taxation Statement to security holders who have received a distribution during the financial year. This statement summarises the distributions paid to you during the year and includes information required to complete your tax return.

Does DEXUS Property Group have any other listed trusts?

DEXUS Property Group has a hybrid security called DEXUS RENTS Trust, Real-estate perpetual Exchangeable Step-up Securities listed on the Australian Stock Exchange (ASX code: DXRPA).

Further information on DEXUS RENTS Trust can be found in our Investor Centre at www.dexus.com or at asx.com. All trading for DEXUS RENTS Trust is conducted via a stockbroker or an online broking facility.

How do I make a complaint?

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 the 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: fos.org.au

Key dates for the 2011 financial year

Anticipated date	Reporting timetable
23 September 2010	2010 Annual Report available
25 October 2010	2010 CR&S Report
27 October 2010	2010 Annual General Meeting
20 December 2010	December 2010 distribution and DRP details announcement
16 February 2011	December 2010 half year results announcement
21 June 2011	June 2011 distribution and DRP details announcement
17 August 2011	2011 annual results announcement
Distribution timetable	
24 December 2010	Ex-distribution date for December 2010 distribution
31 December 2010	Record date for December 2010 distribution
26 February 2011	Payment date for December 2010 distribution
24 June 2011	Ex-distribution date for June 2011 distribution
30 June 2011	Record date for June 2011 distribution
26 August 2011	Payment date for June 2011 distribution

Please note that these dates are indicative and are subject to change without prior notice.

INVESTOR INFORMATION

KEY ASX ANNOUNCEMENTS

During the year DEXUS provides information to the ASX concerning the operations and financial business of the Group. Listed below is a summary of the announcements made during the 2010 financial year. Each of these announcements are available on our website at www.dexus.com

9 June 2010	DEXUS DRP pricing discount reduces to zero
2 June 2010	DEXUS opens west coast US office and expands team
10 May 2010	DEXUS acquires 108-120 Silverwater Road, Silverwater, NSW
5 May 2010	DEXUS portfolio update at 31 March 2010
5 May 2010	DEXUS Sydney industrial tour book
15 April 2010	DEXUS completes Medium Term Note buy-back and re-issue
26 March 2010	DEXUS 2009 Half Year Report
23 March 2010	DEXUS – 1 Bligh Street achieves world leadership 6 Star Green Star and the highest rating score in Sydney
17 March 2010	DEXUS – 1 Bligh Street – Sydney's first high rise office tower to incorporate blackwater technology
23 January 2010	DEXUS named in World's Top 100 Most Sustainable List
30 December 2009	DEXUS sells 50% interest in Westfield Whitford City shopping centre
24 December 2009	DEXUS announces US property sales of US\$177 million
17 December 2009	DEXUS secures three new leases at The Zenith, Chatswood, NSW
10 December 2009	DEXUS announces acquisition of 2-4 Military Road, Matraville, NSW
9 December 2009	DEXUS – 123 Albert Street, Brisbane receives 6 Star Green Star certification rating
9 December 2009	DEXUS announces two pre-lease commitments at Greystanes
1 December 2009	DEXUS announces expansion of IR team
1 December 2009	DEXUS receives development approval for major industrial estate
29 September 2009	DEXUS announces US\$300 million notes issue
29 September 2009	DEXUS announces its 2009 Security Holder Review and the Annual Report
29 September 2009	DEXUS announces its Notice of Meeting and Proxy Form
18 September 2009	DEXUS announces rating of Baa1 by Moody's
18 August 2009	DEXUS announces the 2009 annual results release and presentation
18 August 2009	DEXUS announces the Appendix 4E and financials
18 August 2009	DEXUS 2009 Property Synopsis
21 July 2009	DEXUS completes A\$160 million MTN issue
17 July 2009	DEXUS announces Asset Sale Program update
3 July 2009	DEXUS portfolio update

GLOSSARY

ABGR	Australian Building Greenhouse Rating (now NABERS Energy Rating)	FL	State of Florida, USA
AM	Member of the Order of Australia	FOS	Financial Ombudsman Service, an independent dispute resolution scheme
AO	Office of the Order of Australia	FRICS	Fellow of the Royal Institute of Chartered Surveyors
ASX	Australian Securities Exchange Limited	FTSE4Good Index	FTSE Index, which measures performance of companies that meet globally, recognised corporate responsibility standards
AuSSI	Australia SAM Sustainability Index	GFC	Global Financial Crisis of 2009
BComm	Bachelor of Commerce	GHG	Greenhouse Gas Emissions
BEc	Bachelor of Economics	GRI	Global Reporting Initiative
BE (Hons)	Bachelor of Economics (Honours)	KMP	Key Management Personnel
BSc	Bachelor of Science	MAICD	Member of the Australian Institute of Company Directors
CA	State of California, USA	MBA	Master of Business Administration
CA(SA)	Chartered Accountant (South Australia)	MTN	Medium term notes
CMBS	Commercial Mortgage Backed Securities	NABERS	National Australian Built Environmental Rating Systems
CPA	Certified Public Accountant	NGERS	National Greenhouse and Energy Reporting System
DRP	Distribution Reinvestment Plan	NTA	Net tangible assets
DXFM	DEXUS Funds Management Limited, the Responsibility Entity for each of the four Trusts that comprise DEXUS Property Group	OAM	Medal of the Order of Australia
DEXUS Property Group, DEXUS or the Trusts	Means DEXUS Funds Management Limited (ACN 060 920 783) as the Responsible Entity of each of the four Trusts that comprise DEXUS Property Group	OH	State of Ohio, USA
CR&S	Corporate Responsibility and Sustainability	PA	State of Pennsylvania, USA
DJSI World	Dow Jones Sustainability World Index	PhD	Doctor of Philosophy
EEO	Equal Employment Opportunity	REIT	Real Estate Investment Trust
FAICD	Fellow of the Australian Institute of Company Directors	RENTS	DEXUS RENTS Trust – Real-estate perpetual Exchangeable Step-up Securities (ASX code: DXRPA)
FAPI	Fellow of the Australian Property Institute	S&P	Standard & Poor's rating agency
FCA	Fellow of the Institute of Chartered Accountants	WALE	Weighted average lease expiry
FFO	Funds From Operations is often used as a measure of real estate operating performance after finance costs and taxes. It represents AIFRS profit after tax attributable to stapled security holders adjusted for property revaluations, impairments, derivative and foreign currency mark to market movements, amortisation of certain tenant incentives, profit and loss on sale of assets, straight line rent adjustments, deferred tax expense and DEXUS RENTS Trust capital distribution		

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 the 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
www.dexus.com

DEXUS US Office

4200 Von Karman Avenue
Newport Beach CA 92660

Phone: +1 949 783 2801
Fax: +1 949 433 9124
Email: ir@dexus.com
www.dexus.com/us

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, CEO
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

Registry 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 contact the security registry, or access your holding details at www.dexus.com using the Investor login link.

Australian Securities Exchange

ASX Code: DXS

REPORTING STRUCTURE



DEXUS Annual Reporting Structure

DEXUS reports to investors across several documents:

1. This report, the DEXUS Property Group 2010 Security Holder Review, contains an overview of the Group's operations for the year ending 30 June 2010.
2. The DEXUS Property Group 2010 Annual Report contains the Group's consolidated Financial Statements, Corporate Governance Statement and information about DEXUS's Board of Directors. This document should be read in conjunction with the 2010 Security Holder Review.
3. The DEXUS Property Group 2010 Combined Financial Statements provide the financial statements of DEXUS Industrial Trust, DEXUS Office Trust and DEXUS Operations Trust on an individual basis. This document should be read in conjunction with the DEXUS Property Group 2010 Annual Report which contains the Group's consolidated Financial Statements. In accordance with statutory reporting, DEXUS Diversified Trust has been chosen as the "deemed acquirer" of these three Trusts.
4. The 2010 Corporate Responsibility and Sustainability (CR&S) Report will be available online or as a printed report from late October 2010. This report may be viewed or downloaded online at www.dexus.com. We have provided a summary of the CR&S Report in this Security Holder Review.

The above reports will be available as part of our 2010 online suite of reports at www.dexus.com

In addition, the PDF of each report will be located at www.dexus.com/Investor-Centre/DXS/Reports

DEXUS's Annual General Meeting Notice of Meeting will also be available in the online reporting suite and in the Investor Centre.



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.

2010 DEXUS Property Group
SECURITY HOLDER REVIEW





2010

DEXUS Property Group
ANNUAL REPORT

DEXUS DIVERSIFIED TRUST

(ARSN 089 324 541)

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DEXUS's Annual General Meeting Notice of Meeting will also be available in the online reporting suite and in the Investor Centre.

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), collectively known as DXS or the Group.

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

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

Cover: Governor Phillip & Macquarie Tower Complex, 1 Farrer Place and 1 Bligh Street, Sydney, NSW

LETTER FROM THE CHAIR

Dear Investor

I am pleased to present the 2010 Annual Report and to report on the Group's performance during the year.

Operating earnings before interest and tax were \$461.3 million for the year. Net profit attributable to security holders was \$31.4 million, up significantly on the previous year's net loss of \$1.5 billion. The net profit reflected the recovery in property valuations during the second half of the year. In line with guidance provided to the market, Funds From Operations (FFO) totalled \$350 million or 7.3 cents per security and distributions for the year were 5.1 cents per security.

In challenging market conditions we continued to concentrate on delivering performance through leadership in office and industrial property ownership, management and development. In particular, we focused our activities on:

- Leveraging our fully integrated management platform, specialist leasing expertise and strong tenant relationships to achieve like-for-like income growth, above market occupancy and high weighted average lease durations in our Australian office and industrial portfolios
- Strengthening our management platform through:
 - the establishment of a new US management office and the appointment of an experienced industrial property team
 - restructuring the Group's executive management team to maximise reporting efficiencies and further align the team structure with our core operational functions of Property, Capital/Finance and Corporate Services
- Maintaining the Group's financial strength and strong balance sheet through proactive and prudent capital management initiatives

■ Further enhancing the quality of our property portfolios through the:

- repositioning of our Australian and US industrial portfolios through select acquisitions in key industrial markets and non-core property sales
- development of our 6 Star Green Star premium office properties in Sydney and Brisbane
- commencement of a number of high quality pre-committed industrial developments

The Group continued to drive sustainable performance during the year. We reduced resource consumption across our portfolio and drove operational and environmental efficiencies in our properties. DEXUS was again named as one of the world's most sustainable corporations in the 2010 "Global 100" list at the Davos World Economic Forum, the only A REIT to achieve listing in two consecutive years.

During the year we achieved listing on the Dow Jones Sustainability World Index and maintained our listings on the Australian SAM Sustainability Index and the FTSE4Good Index.

Our annual Employee Opinion Survey reflected improved results across the board and continued strength in employee satisfaction and engagement. It is pleasing to report that DEXUS out-performed 18 of the top 19 categories of the Towers Watson Australian National Norm and in several categories of the Global High Performing Norm. Further information on our Employee Opinion Survey results and associated initiatives is provided on pages 36 to 37 in our 2010 Security Holder Review.

Board membership was unchanged during the financial year to June 2010. The Board comprises eight Directors, seven of whom are independent. Specific skills and experience the Directors bring to the Board include strategy, property investment, funds management, capital markets, financial and risk management.

During the year we reviewed the membership of Board Committees and rotated the chairs of each Committee to take full advantage of the Board's knowledge and expertise.

The Board is committed to the early adoption of ASX Corporate Governance Principles and Recommendations. As a result we have established new policies, such as a new Diversity Policy and have reviewed and changed existing policies where required to meet new and revised principles and recommendations.

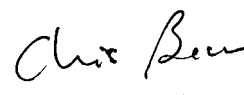
Further information on the Board of Directors and our corporate governance policies is provided in this report and at www.dexus.com

Outlook

Looking forward, we expect property market conditions will continue to recover. The quality of our portfolio and strong management focus have positioned DEXUS well to provide consistent and secure income. Your Board and management team will remain focused on driving performance from our property portfolios to maximise returns for investors.

We are well positioned to capture the expected recovery in demand in office, create further value in our Australian industrial portfolio through developments and, over the medium-term, position our US portfolio to benefit from the expected cyclical upswing in the US industrial market.

On behalf of the Board, I would like to thank you for your support during the past year. I look forward to leading the Board again in 2011 and reporting our activities to you next year.



Christopher T Beare
Chair

23 September 2010

FINANCIAL SUMMARY

Full year results financial commentary

DEXUS Property Group's Funds From Operations per security was 7.3 cents (2009: 10.43 cents) resulting in a distribution per security of 5.1 cents (2009: 7.3 cents), a decrease of 30.1% primarily as a result of the impact of equity raisings completed in December 2008 and May 2009 and a reduction in earnings from management company EBIT, the US industrial portfolio and non-core property sales.

Total assets decreased 5.7% over the period to \$7.9 billion at 30 June 2010.

Gearing (net of cash) was 29.8% at 30 June 2010 (2009: 31.2%).

Operating earnings before interest and tax was \$461 million (2009: \$515 million), down 10.3% as a result of:

- Australian and New Zealand office portfolio income which decreased by \$1.7 million to \$245.1 million. The reduction reflected primarily the sale of a \$55 million non-core property which was partially offset by a 0.4% increase in like-for-like property income. The increase in underlying income reflected the positive impact of fixed and market rental increases on the majority of the portfolio, offset by a 1.9% decrease in portfolio occupancy
- Australian industrial portfolio income increased \$0.7 million to \$109.9 million. This reflected a 1.6% increase in like-for-like income and contributions from new properties acquired in the latter part of the year for a total cost of \$70.5 million (excluding stamp duty). These increases were offset by the sale of \$69 million of properties, located in non-core sub-markets
- US industrial portfolio income decreased \$33.7 million to \$99.1 million. The decrease was driven by a like-for-like decrease in income of 12%. Tenant delinquency accounted for about 2% of this drop, and despite occupancy by area remaining stable at 86%, market conditions dictated lower rents at renewal and with new leases.

Headline US earnings were also impacted by:

- Disposal of US\$208 million non-core properties
- Acquisition of three new assets in the Whirlpool program for US\$203 million
- Exchange rates

- Other non-core sectors (retail and Europe) where operating income decreased \$9.0 million to \$30.2 million. The decrease reflected primarily the sale of Whitford City Shopping Centre in March 2010 for \$256.5 million and a decline in income arising from the European portfolio which reflected like-for-like income declining by 13.6%
- Management company EBIT of \$6.1 million was \$14.9 million lower than the prior year as a result of a decrease in activity based fee income with lower levels of leasing and development activity across the funds and a decrease in the value of properties managed by DEXUS on which asset management fees are calculated

Specific movements in the Statements of Financial Position for the year ended 30 June 2010 include the:

- Impact of revaluations during the period and currency impact in respect of international properties, property sales partially offset by acquisitions and capital expenditure resulting in a decrease in total assets of 5.7% to \$7.9 billion (2009: \$8.4 billion)
- Net tangible assets per security were \$0.95 (2009: \$1.01), a decrease of 5.9% primarily as a result of revaluations in the first half of the year

The full financial accounts start on page 12 in this report.

Five year financial summary

	2006 \$'000	2007 \$'000	2008 \$'000	2009 \$'000	2010 \$'000
Statements of Comprehensive Income					
Profit and loss					
Property revenue	659,749	693,430	664,831	708,506	663,068
Management fees	–	–	26,760	63,663	51,588
Property revaluations	686,490	831,330	184,444	–	–
Reversal of previous impairment	–	–	–	–	13,307
Interest revenue and other income	90,083	19,168	12,829	5,739	10,144
Total income	1,436,322	1,543,928	888,864	777,908	738,107
Property expenses	(160,651)	(170,120)	(159,565)	(174,485)	(169,753)
Finance costs	(166,116)	(133,055)	(213,233)	(384,241)	(190,685)
Employee benefit expense	–	–	(23,340)	(59,282)	(58,978)
Contribution from equity accounted investments	26,911	52,715	2,467	31	(26,243)
Net gain/(loss) on sale of investment properties	1,490	3,355	2,297	(1,880)	(53,342)
Impairments and property devaluations	(3,287)	–	(61)	(1,685,733)	(209,367)
Other expenses	(39,161)	(53,559)	(44,266)	(47,970)	(28,132)
Total expenses	(340,814)	(300,664)	(435,701)	(2,353,560)	(736,500)
Profit/(loss) before tax	1,095,508	1,243,264	453,163	(1,575,652)	1,607
Income and withholding tax (expense)/benefit	(29,123)	(32,473)	(7,902)	120,236	29,983
Net profit/(loss)	1,066,385	1,210,791	445,261	(1,455,416)	31,590
Other non-controlling interests (including RENTS)	(56,043)	(41,972)	(6,984)	(3,695)	(170)
Net profit/(loss) to stapled security holders	1,010,342	1,168,819	438,277	(1,459,111)	31,420
Operating EBIT	n/a	n/a	485.9	514.5	461.3
Funds from operations (cents per security)	11.0	11.3	11.9	10.43	7.3
Distributions (cents per security)	11.0	11.3	11.9	7.3	5.1
Statements of Financial Position					
Cash and receivables	141,682	95,992	135,671	120,661	89,429
Property assets ¹	7,975,744	9,151,993	8,737,874	7,741,549	7,308,543
Other (including derivative financial instruments and intangibles)	170,112	238,851	475,442	488,900	473,056
Total assets	8,287,538	9,486,836	9,348,987	8,351,110	7,871,028
Payables and provisions	256,424	289,501	322,528	289,561	281,230
Interest bearing liabilities	3,195,047	3,353,327	3,006,919	2,509,012	2,240,082
Other (including financial instruments)	120,554	139,065	184,487	406,320	343,269
Total liabilities	3,572,025	3,781,893	3,513,934	3,204,893	2,864,581
Net assets	4,715,513	5,704,943	5,835,053	5,146,217	5,006,447
Minority interest	427,851	438,173	205,998	206,772	205,275
Net assets (after non-controlling interest)	4,287,662	5,266,770	5,629,055	4,939,445	4,801,172
NTA per security (\$)	1.53	1.82	1.77	1.01	0.95
Gearing ratio (%)	38.3	35.6	33.2	31.2	29.8
Statements of Changes in Equity					
Total equity at the beginning of the year	3,865,712	4,715,513	5,704,943	5,835,053	5,146,217
Net profit/(loss)	1,066,385	1,210,791	445,261	(1,455,416)	31,590
Other comprehensive income/(loss)	9,214	(27,136)	77,929	(53,478)	(7,034)
Contributions of equity, net of transaction costs	94,776	145,328	243,524	1,129,971	90,360
Distributions provided for or paid	(306,259)	(324,638)	(355,380)	(296,648)	(244,411)
Other transactions with equity holders	–	–	402	–	–
Other non-controlling interest movements during the year	(14,315)	(14,915)	(281,626)	(13,265)	(10,275)
Total equity at the end of the year	4,715,513	5,704,943	5,835,053	5,146,217	5,006,447
Statements of Cash Flows					
Net cash inflow from operating activities	328,025	319,735	374,445	359,577	340,174
Net cash (outflow)/inflow from investing activities	(455,225)	(537,912)	11,065	(212,459)	90,592
Net cash inflow/(outflow) from financing activities	163,476	174,366	(342,514)	(170,190)	(444,382)
Net increase/(decrease) in cash and cash equivalents	36,276	(43,811)	42,996	(23,072)	(13,616)
Cash and cash equivalents at the beginning of the year	68,959	106,428	59,603	99,214	84,845
Effects of exchange rate changes on cash and cash equivalents	1,193	(3,014)	(3,385)	8,703	(6,810)
Cash and cash equivalents at the end of the year	106,428	59,603	99,214	84,845	64,419

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

BOARD OF DIRECTORS



Christopher T Beare

BSc, BE (Hons), MBA, PhD, FAICD
Chair and Independent Director
Age 60

Chris Beare is both the Chair and an Independent Director of DEXUS Funds Management Limited (appointed 21 September 2004). He is also a member of the Board Nomination and Remuneration Committee and the Board Finance Committee.

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

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

Chris is currently Chair of Mnet Group which was recently listed on the ASX.



Elizabeth A Alexander AM

BComm, FCA, FAICD, FCPA
Independent Director
Age 67

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

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

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



Barry R Brownjohn

BComm
Independent Director
Age 59

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 and Sustainability Committees and a member of the Board Finance Committee.

Barry has over 20 years experience in Australia, Asia and North America in international banking and previously held numerous positions with the Bank of America including heading global risk management for 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 and a Director of Bakers Delight Holdings Pty Limited.



John C Conde AO

BSc, BE (Hons), MBA
Independent Director
Age 62

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



Stewart F Ewen OAM

Independent Director
Age 61

Stewart Ewen is an Independent Director of DEXUS Funds Management Limited (appointed 21 September 2004) and a member of the Board Nomination and Remuneration Committee.

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



Victor P Hoog Antink

BComm, MBA, FCA, FAPI, FRICS, MAICD

Executive Director and Chief Executive Officer
Age 57

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

Victor has over 29 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 financial services and 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 member of the Australian Institute of Company Directors and a licensed Real Estate Agent.

Victor is a director and immediate past President of the Property Council of Australia and is the National Chairman of the Property Industry Foundation.



Brian E Scullin

BEc
Independent Director
Age 59

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

Brian brings to the Board extensive domestic and international funds management knowledge as well as finance, corporate governance and risk management experience. Following a career in government and politics in Canberra, Brian was appointed the inaugural Executive Director of the Association of Superannuation Funds of Australia (ASFA) in 1987. He joined Bankers Trust in Australia in 1993 and held a number of senior positions, becoming President of Japan Bankers Trust in 1997. In 1999 Brian was appointed Chief Executive Officer, Asia/Pacific for Deutsche Asset Management and retired from this position in 2002. Brian was appointed Chair of BT Investment Management Limited in 2007.



Peter B St George

CA(SA), MBA
Independent Director
Age 64

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 and Sustainability Committees.

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

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

CORPORATE GOVERNANCE STATEMENT

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

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

To achieve this objective, DXFM has implemented a corporate governance framework that meets the requirements of *ASX Corporate Governance Principles and Recommendations* (2nd edition) as amended 30 June 2010, and addresses additional aspects of governance that the Board considers appropriate. The Board is also committed to the early adoption of new and revised principles and recommendations. A reconciliation of the ASX Principles against DXFM's governance framework can be found on the web page www.dexus.com/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. The Board has determined that its governance framework will also satisfy the highest standards of a publicly listed company. These additional governance aspects include the conduct of an annual general meeting, the appointment of Directors by DEXUS security holders and additional disclosure, such as the remuneration report.

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

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

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

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

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

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 his or her own contribution to the Board's decision making process.

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

At 30 June 2010, the Board comprises eight members, seven of whom are independent and the eighth member is the DEXUS CEO. All eight Directors held office for the full financial year.

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

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

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

Biographies outlining the skills and experience of each Director are set out on page 4 to 5 of this 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, which includes specific criteria applied to determine Director independence.

Performance

To ensure that each new Director is able to meet his or her responsibilities effectively, newly appointed Directors receive an information pack and induction briefing, which addresses the corporate governance framework, committee structures and their terms of reference, governing documents and background reports. New Directors also attend briefings by DEXUS management on business strategy and operations. 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; and
- seek additional information from management; and
- directly access the Company Secretary, General Counsel, Head of Risk and Governance and other DEXUS Executives as required.

The Board Nomination and Remuneration Committee oversees the Board performance evaluation program which extends over a two year period. Board and Committee performance is evaluated one year, and individual Director performance is evaluated the following year. The process is designed to identify opportunities for performance improvement. In 2009 individual Director performance was evaluated. Evaluations are undertaken using 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. Committee Chairs were rotated in August 2009. The Board and Board Committee Terms of Reference are reviewed at least annually, and copies can be found on the web page www.dexus.com/Corporate-Governance

Board Nomination and Remuneration Committee

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

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

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

Remuneration and incentive payments for employees are considered by the Compensation Committee following guidance from the Board Nomination and Remuneration Committee. Recommendations to the Board Nomination and Remuneration Committee are based on the achievement of approved performance objectives and comparable market data. Details of the Group's remuneration framework for Executives, Independent Directors and employees are set out in the Remuneration Report that forms part of the Directors' Report contained in this Annual Report starting on page 12. In 2009/10 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 Independent Directors.

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. This structure includes the establishment of a Board Audit Committee to:

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

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

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

Board Audit Committee (continued)

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

The members of the Board Audit Committee are:

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

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

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

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

Board Compliance Committee

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

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

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

As at 30 June 2010, 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 any concerns regarding unethical business practices.

The members of the Board Compliance Committee are:

- Brian E Scullin (Chair), external member
- John C Conde AO, external member
- Andrew P Esteban, external 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.

Andrew 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. Andrew has over 30 years experience in the financial services industry, 21 years of which were with Perpetual Trustees. In December 1999 he established FP Esteban and Associates, which specialises in implementing and monitoring risk management and compliance frameworks in the financial services industry. Andrew has provided compliance consulting services to organisations including UBS Global Asset Management in Australia, Hong Kong, Singapore, Taiwan and China. Andrew is Chair of Certitude Global Investments Ltd (formerly HFA Asset Management Ltd) and a Director of HFA Holdings Ltd; Chair of the Compliance Committees of Aberdeen Fund Managers Australia Ltd, Deutsche Asset Management Australia Ltd, Equitable Asset Management (Australia) Limited, Grant Samuel, and SPARK Infrastructure RE Ltd; a member of the Compliance Committees of Australian Unity Funds Management Ltd, MAF Airports Ltd, and Schroder Investment Management Australia Ltd; and an Independent Member of the Alliance Bernstein Compliance Committee, and a Responsible Manager of Longreach Global Capital Pty Ltd.

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

Board Risk and Sustainability Committee

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

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

The members of the Board Risk and Sustainability Committee are:

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

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

The Risk and Governance team's responsibility is to promote an effective risk and compliance culture including the provision of advice, the drafting and updating of relevant risk and compliance policies and procedures, conducting training, monitoring and reporting adherence to key policies and procedures. Frameworks have been developed and implemented in accordance with Australian Standards AS 31000:2009 (Risk Management) and AS 3806:2006 (Compliance Programs).

The Group has in place a range of policies supporting the risk and compliance framework including:

- Anti-money Laundering and Counter Terrorism Financing
- Workplace Safety – Occupational Health, Safety and Liability
- Environmental Management
- Fraud Control and Awareness

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

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

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

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

Board Finance Committee

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

Supporting this Committee, management has established a Capital Markets Committee.

Members of the Board Finance Committee are:

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

Management

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

The management committees in place at 30 June 2010 are:

- Executive Committee (replaced in July 2010 with a new Group Management Committee)
- Investment Committee
- Fund Performance Review Committee (formerly the Trust Planning Committee)
- Internal Risk Committee
- Internal Audit Committee
- Internal Compliance Committee
- Capital Markets Committee
- Environmental, Social and Governance Committee (formerly the Corporate Responsibility and Sustainability Committee)
- Project Steering Committee
- Compensation Committee
- Continuous Disclosure Committee

In June 2010, DEXUS opened an office in Newport Beach, California. These operations are subject to DEXUS's corporate governance framework, and have their own policies and procedures which replicate the Australian governance model. Committees include a US Management Committee and a US Investment Committee. US employees also participate in Australian management committees as appropriate.

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

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

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. Please refer to www.dexus.com/Corporate-Governance for a copy of the Good Faith Reporting Policy.

Diversity

DEXUS comprises a socially and culturally diverse workplace which helps create a culture that is tolerant, flexible and adaptive to the changing needs of our environment.

DEXUS believes that Boards should be small enough to be able to act decisively, but large enough that a diverse range of views is heard on any issue. DEXUS also believes that Boards need to have continuity and experience with DEXUS, as well as bringing fresh perspectives, and the DEXUS Board continually reviews these two factors.

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

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

Insider trading and trading in DEXUS securities

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

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

With regard to aligning Senior Executives' interests with the interests of DEXUS's investors, the Board has put in place a deferred performance scheme that it considers ensures an alignment of Senior Executives' interests with all investors. A description of the Senior Executives' payment scheme is contained in the Remuneration Report starting on page 14 of this report.

All employees are required to provide a quarterly declaration confirming his or her understanding and compliance with the Employee Trading Policy. Risk and Governance undertakes regular monitoring of the security registers. Please refer to www.dexus.com/Corporate-Governance for a copy of the Trading Policy – Directors and Employees.

Conflicts of interest and related party dealings

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

(a) Personal conflicts

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

- Code of Conduct;
- Inside Information and Employee Trading Compliance Policy and Procedures ("CPP"); and
- Gifts and Entertainment CPP.

(b) Business conflicts

These may arise in the following ways:

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

Where a conflict of interest has been identified, Risk and Governance liaises with the parties concerned to ensure the effective and timely management of the conflict.

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 Governance reports related party transactions to the Board Compliance Committee.

- During the 2009/10 financial year, there was one related party transaction where DXFM sold a 1.6% interest in the Bent Street Trust to the DEXUS Wholesale Property Fund to equalise the holdings of both DEXUS parties.

Continuous disclosure

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

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

- 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 Governance conducts a one-to-one Compliance Induction session with each newly appointed Senior Executive outlining DEXUS's approach to risk management and compliance. In addition, all new employees attend face-to-face Compliance Induction training facilitated by the Head of Risk and Governance, which covers key compliance issues.

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 ("AGM") for DEXUS Property Group.

Each AGM is designed to:

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

The Group has adopted a policy which requires Directors to attend its AGM. In October 2009 all Directors attended the AGM.

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

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

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

FINANCIAL STATEMENTS

Directors' Report

For the year ended 30 June 2010

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 or the Group) present their Directors' Report together with the consolidated Financial Statements for the year ended 30 June 2010.

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

1. Directors and secretaries

1.1 Directors

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

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

Particulars of the qualifications, experience and special responsibilities of the Directors at the date of this Directors' Report are set out in the Board of Directors section of this report on page 4 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 2010 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 DXS in July 2003, Tanya held various general management positions over the past 16 years, including Director and Chief Operating Officer of NM Rothschild & Sons (Australia) Ltd and General Manager – Finance, Operations and IT for Bank of New Zealand (Australia). Tanya is Chair of the Property Council of Australia National Risk Committee and is a non-executive director of a number of not-for-profit organisations. Tanya is a member of the Australian Institute of Company Directors and a fellow of the Institute of Chartered Secretaries and Administrators (ICSA) and Chartered Secretaries Australia (CSA). Tanya has an MBA from the Australian Graduate School of Management and a Graduate Diploma in Applied Corporate Governance.

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

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

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

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

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

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

The Directors met 13 times during the year. Ten Board meetings were main meetings, three meetings were held to consider specific business. While the Board continually considers strategy, in March 2010 they met with the executive and senior management team over three days to consider DXS's strategic plans.

	Main meetings held	Main meetings attended	Specific meetings held	Specific meetings attended
Christopher T Beare	10	10	3	3
Elizabeth A Alexander AM	10	10	3	3
Barry R Brownjohn	10	10	3	3
John C Conde AO	10	10	3	3
Stewart F Ewen OAM	10	10	3	3
Victor P Hoog Antink	10	10	3	3
Brian E Scullin	10	10	3	2
Peter B St George	10	9	3	3

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

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

	Board Audit Committee		Board Risk and Sustainability Committee ¹		Board Compliance Committee		Board Nomination and Remuneration Committee		Board Finance Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Christopher T Beare	–	–	–	–	–	–	5	5	5	5
Elizabeth A Alexander AM	7	7	4	4	–	–	–	–	–	–
Barry R Brownjohn	7	7	4	4	–	–	–	–	5	5
John C Conde AO	–	–	–	–	4	4	5	5	–	–
Stewart F Ewen OAM	–	–	–	–	–	–	5	5	–	–
Victor P Hoog Antink	–	–	–	–	–	–	–	–	–	–
Brian E Scullin ²	–	–	–	–	4	4	1	1	–	–
Peter B St George	7	7	4	4	–	–	–	–	5	5

1 Name changed from Board Risk Committee on 2 June 2010.

2 Nomination and Remuneration Committee member from 1 July 2009 to 31 August 2009.

Directors' Report

For the year ended 30 June 2010

CONTINUED

3. Remuneration Report**3.1 Introduction**

This Remuneration Report has been prepared in accordance with AASB 124 *Related Party Disclosures* and section 300A of the *Corporations Act 2001* for the year ended 30 June 2010. The information provided in this Report has been audited in accordance with the provisions of section 308 (3C) of the *Corporations Act 2001*.

Changes to this Report, compared to the previous year, include a clearer description of the structure and nature of the Long-Term Incentive Plan (known this year as DEXUS Deferred Performance Payments). DEXUS has also disclosed the outcome of fixed remuneration reviews for Executives for the 2010/11 year, and the outcome of the fee review for Directors.

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 2010 are set out below.

Name	Title	Date of qualification as a KMP
Non-Executive Directors		
Christopher T Beare	Non-Executive Chair	Appointed 1 October 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 1 October 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 US Investments	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

Following a streamlining of the Group's executive structure in July 2010 the DEXUS Executive Committee was replaced by a new, smaller Group Management Committee. This change will impact those positions which qualify as Key Management Personnel in the 2010/11 year.

3.2 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 Executive remuneration policies and structures to the Board.

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 individual and company performance. The Committee engages external consultants to provide independent advice when required.

Further information about the role and responsibility of the Committee is set out in the Corporate Governance Statement which may be found at www.dexus.com/Corporate-Governance.aspx

During the reporting period Nomination and Remuneration Committee members were Messrs Conde (member until 31 August 2009, Chair with effect from 1 September 2009), Beare (Chair until 31 August 2009, member with effect from 1 September 2009), Scullin (member until 31 August 2009) and Ewen.

3.3 Non-Executive Directors' remuneration framework

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

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
DWPL Board	30,000	15,000
Board Finance	15,000	7,500
Board Compliance	15,000	7,500
Board Nomination and Remuneration	15,000	7,500

Further to the Committee fee structure outlined above, Mr Ewen has been paid an additional fixed fee of \$30,000 per annum for assuming responsibilities involved in attending property inspections, reviewing property investment proposals and participating in informal management meetings.

Recognising the greater responsibility and time commitment required the Board Chair receives a higher fee than other Non-Executive Directors, which is benchmarked to the market median of comparably sized ASX listed entities. The Chair 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 and Non-Executive Directors have received no increase in fees since that time. At its meeting on 20 May 2010, following analysis of Non-Executive Director market remuneration data, the Nomination and Remuneration Committee determined that fees paid to its Non-Executive Directors had fallen below the market median of comparably sized ASX listed entities. Similarly, the Committee determined that fees paid to its Chair had fallen significantly below this peer group. Following consideration by the full Board, fees paid to DEXUS Non-Executive Directors for the year commencing 1 July 2010 will increase to \$150,000 per annum and fees paid to the Chair will increase to \$350,000 per annum. Committee fees will remain unchanged.

3. Remuneration Report (continued)

3.4 Approach to Executive remuneration

3.4.1 Executive remuneration principles

The Directors believe that achievement of DEXUS's strategic plans 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 principles, structure and quantum of Executive remuneration is therefore designed to attract, motivate and retain such an Executive team.

In establishing DEXUS's remuneration principles, the Directors are cognisant that DEXUS's business is based on long-term property investments and similarly longer term tenant relationships. Furthermore, property market investment returns tend to be cyclical, particularly when coupled with financial structures that act to enhance returns.

Taking these factors into account, the Executive remuneration structure is based on the following criteria:

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

(a) Market competitiveness and reasonableness

For the purposes of determining market competitive remuneration, DEXUS obtains external Executive remuneration benchmarks and analyses information from a range of sources, including:

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

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

In 2009, DEXUS introduced a new method for determining key performance indicators ("KPIs") and assessing individual performance known as the Balanced Scorecard performance framework.

The Balanced Scorecard prescribes clearly the performance indicators that will be measured in order to "balance" the financial perspective. The Balanced Scorecard is a performance management method that enables DEXUS to measure the execution of its strategy and reflect this performance in its incentive payments. It also provides targets and measurements around internal business processes and external outcomes in order to achieve strategic performance objectives and results. The Balanced Scorecard focuses on performance in four areas, which reflect each Executive's role, responsibility, accountability and strategy delivery.

DEXUS Balanced Scorecard – typical objectives

Financial performance	Business development and business management
■ earnings per security ■ distributions per security ■ third party funds performance ■ total security holder return, relative to peers	■ delivery of strategic projects on time and on budget ■ corporate responsibility and sustainability initiatives ■ achievement of international operations strategies
Stakeholder satisfaction	Leadership
■ investor relations ■ tenant satisfaction ■ employee engagement	■ executive succession ■ talent management ■ role modelling DEXUS cultural values ■ executive development

Objectives are selected based on the key drivers to achieve superior security holder returns over time and are tailored and weighted according to the individual Executive's role. The typical objectives listed above may therefore not be common to all Executive roles.

The Committee reviews and approves Executive KPIs against Group objectives at the commencement of each financial year and reviews achievement against KPIs at the end of each financial year. The Committee's review of Executive performance, in conjunction with data provided from benchmarking total remuneration levels, provides the Committee with the information necessary to determine the quantum of Performance Payments to be awarded to Executives.

(c) Executive remuneration structure

i. Executive remuneration components

The DEXUS Executive remuneration structure comprises the following remuneration components:

TOTAL REMUNERATION			
■ delivered through fixed and variable components ■ targeted at the market median		■ awarded on a variable scale, which may result in a total remuneration range from lower quartile to upper quartile, reflecting differing levels of experience, role structure and contribution	
FIXED REMUNERATION	Salary	■ Consists of cash salary and salary sacrificed fringe benefits, such as motor vehicles	■ Targeted at Australian market median using external benchmark data and varies according to Executives' skills and depth of experience
	Superannuation	■ Prescribed and salary sacrifice superannuation contributions, including insurance premiums (if applicable)	■ Reviewed annually by the Board, effective 1 July, including internal and external relativities and gender pay equity
VARIABLE REMUNERATION Performance Payments	Single pool funded annually from underlying profits to meet Performance Payments	■ The aim of Performance Payments is to attract, motivate and retain appropriately skilled and qualified executives to achieve the strategic objectives of the business, measured through the achievement of KPIs ■ Strategic objectives incorporate financial and non-financial measures of performance at Group, business unit and individual level and represent key drivers for the success of the business and for delivering long-term value to security holders ■ The achievement of KPIs is assessed through a Balanced Scorecard approach ■ Individual awards are determined on a range of factors, including achievement of KPIs and relative market remuneration positioning	■ Reviewed annually by the Board ■ The pool is funded to enable total remuneration to be paid at market median, based on external benchmark data ■ Performance Payments are delivered as immediate and deferred elements in accordance with the targeted remuneration mix set out in the table below ■ The award of any Performance Payment to an Executive is dependant upon achieving minimum threshold performance targets
	DEXUS Performance Payments ("DPP")	■ Delivery of DPP is immediate	■ Awarded annually as a cash payment in September
	DEXUS Deferred Performance Payments ("DDPP")	■ Delivery of DDPP is deferred for three years, as described below	■ Granted annually ■ Grants vest after three years ■ Delivered as a cash payment in accordance with the plan design described below ■ Unvested grants are forfeited upon Executive initiated termination (i.e. resignation) unless otherwise determined by the Nomination and Remuneration Committee

Performance payment pool

A single pool of funds is made available to meet all Performance Payments. The pool of funds available is sufficient to ensure that DEXUS is able to achieve its total remuneration positioning target, relative to the market. The Board may exercise 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 DXH; and
- performance against budgeted earnings and distributions per security.

3. Remuneration Report (continued)**3.4 Approach to Executive remuneration** (continued)**3.4.1 Executive remuneration principles** (continued)

(c) Executive remuneration structure (continued)

ii. Target mix of remuneration components

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

Remuneration component	2010			2009		
	CEO	CFO	Other Executives	CEO	CFO	Other Executives
Total fixed	35%	40%	50%	35%	40%	50%
DEXUS Performance Payment ("DPP")	30%	30%	25%	30%	30%	25%
DEXUS Deferred Performance Payment ("DDPP")	35%	30%	25%	35%	30%	25%

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

iii. DEXUS Deferred Performance Payment ("DDPP") plan

The DDPP plan operates as follows:

- following allocation, Deferred Performance Payments are subject to a three year vesting period from allocation date;
- the DDPP allocation value is notionally invested during the vesting period in DEXUS securities (50% of DDPP value) and its unlisted funds and mandates (50% of DDPP value);
- during the vesting period, DDPP 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 the Composite Performance Benchmark, the Board may approve the application of a performance factor to the final DDPP 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 a DDPP 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 DDPP in the event of termination of service agreements are outlined in section 3.7.

Equity option 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 DEXUS's remuneration structure.

Equity and loan schemes

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

The deferred 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 DDPP allocation.

3.5 Executive remuneration arrangements for the year ended 30 June 2010

This section outlines how the approach to Executive remuneration described above has been implemented in the 2009/10 financial year.

Decisions taken impacting Executive remuneration for the year ended 30 June 2010 only

- No increase in base salaries in 2009/10 for Executives or employees with the exception of adjustments for a limited number of employees whose roles and responsibilities markedly increased.
- No increase in Non-Executive Director fees for 2008/09 and 2009/10.

Decisions taken impacting Executive remuneration for the year ended 30 June 2010 and future years

- Accelerated DDPP vesting on termination for reasons outside of the Executive's control was discontinued, but can be applied by exception with the approval of the Nomination and Remuneration Committee.
- Automatic application of the DDPP performance multiplier was removed, impacting all current unvested awards and all future allocations.
- Eligibility of DDPP was restricted to Executives and senior management.
- Balanced Scorecard performance approach was introduced for Executives incorporating four key areas of focus – financial performance, business development and business management, stakeholder satisfaction and leadership.
- Remuneration mix guidelines were adopted for all employees to provide greater transparency in the determination of the size of the performance payment pool.

Decisions taken impacting Executive remuneration for the year ending 30 June 2011 and future years

- KPI performance weightings were introduced.
- The effectiveness of existing incentive plans was, and will continue to be reviewed.

At its meeting on 21 July 2010 the Nomination and Remuneration Committee determined that the fixed remuneration paid to a number of Executives had fallen below the market median of comparably sized ASX listed entities. Following consideration by the full Board, the fixed remuneration paid to specific Executives for the year commencing 1 July 2010 will increase in line with comparable market median positions.

3.6 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.

Period to 30 June 2010	1 year	2 years	3 years	Since 1 October 2004 ¹
	% per annum	% per annum	% per annum	% per annum
DEXUS Property Group	9.4	(17.2)	(19.6)	(0.5)
S&P/ASX 200 Property Accumulation Index	20.4	(16.6)	(23.8)	(5.6)
DEXUS Composite Total Return	8.0	(10.0)	(9.1)	4.1
Composite Performance Benchmark	11.6	(10.8)	(11.3)	1.4

¹ DEXUS's inception date is 1 October 2004.

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

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

The Board also considered whether the construction of the Composite Total Return should reflect the actual value of the unlisted funds and mandates, and DEXUS Property Group's own funds under management.

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

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

Directors' Report

For the year ended 30 June 2010

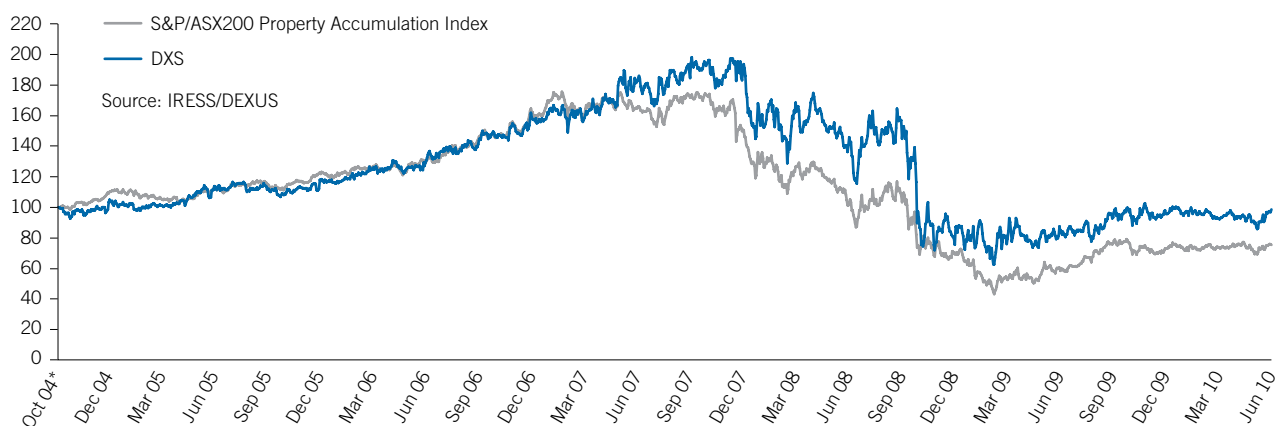
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3. Remuneration Report (continued)

3.6 Group performance and the link to remuneration (continued)

Total return of DEXUS's securities

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



* 6 October 2004 to 30 June 2010.

DEXUS has out-performed the S&P/ASX 200 Property Accumulation Index on a rolling three year basis each period since inception in October 2004. In addition, the DEXUS Composite Total Return has out-performed the Composite Performance Benchmark on a rolling three year basis each period since inception.

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 its approach to Executive remuneration, with a focus on consistent out-performance of objectives, is aligned with and supports the superior execution of DEXUS's strategic plans.

3.7 Service agreements

The employment arrangements for Executives are set out below.

CEO – Victor P Hoog Antink

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

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

Executives (other than the CEO)

The principal terms of Executive employment contracts are as follows:

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

3.8 Remuneration of Key Management Personnel

(a) Cash accounting method

In response to the Productivity Commission's recommendation to improve the transparency of remuneration reports by disclosing actual remuneration received by Executives, the following table provides details of actual cash and other benefits received by Executives in the years ending 30 June 2009 and 30 June 2010. This table includes details of the five highest paid Directors or Executives.

The amounts detailed in the cash accounting table vary to the amounts detailed in the statutory accounting table because performance payments are paid to Executives in the year following the performance period to which they relate. Furthermore, DDPP allocations and movement in prior year DDPP allocation values detailed in the statutory accounting table do not reflect what will be paid to the Executive when the DDPP vests as the award will be revalued at that time.

		Cash salary including superannuation	DEXUS performance payments	DEXUS deferred performance payments	Other short-term benefits ¹	Total
		\$	\$	\$	\$	\$
Name						
Victor P Hoog Antink	2010	1,300,000	785,000	339,375	–	2,424,375
	2009	1,300,000	900,000	391,584	–	2,591,584
Tanya L Cox	2010	400,000	150,000	81,450	–	631,450
	2009	400,000	200,000	20,885	–	620,885
Patricia A Daniels²	2010	261,333	90,000	–	–	351,333
	2009	261,334	60,000	–	–	321,334
John C Easy	2010	375,000	163,000	67,875	–	605,875
	2009	375,000	150,000	26,106	–	551,106
Jane Lloyd	2010	369,916	113,000	–	123,107	606,023
	2009	375,000	–	–	–	375,000
Louise J Martin	2010	500,000	175,000	–	–	675,000
	2009	500,000	225,000	–	–	725,000
Craig D Mitchell	2010	550,000	325,000	–	–	875,000
	2009	550,000	250,000	–	–	800,000
Paul G Say	2010	500,000	200,000	–	–	700,000
	2009	500,000	225,000	–	–	725,000
Mark F Turner	2010	450,000	135,000	95,025	–	680,025
	2009	450,000	200,000	20,885	–	670,885
Andrew P Whiteside	2010	475,000	135,000	–	–	610,000
	2009	475,000	200,000	–	–	675,000
Total	2010	5,181,249	2,271,000	583,725	123,107	8,159,081
	2009	5,186,334	2,410,000	459,460	–	8,055,794

¹ Other short-term benefits include expatriate assignment benefits such as relocation and housing allowances, relocation consultant assistance, health insurance premiums and associated taxes on these benefits.

² Patricia A Daniels' actual remuneration received is for a four day week.

Directors' Report

For the year ended 30 June 2010

CONTINUED

3. Remuneration Report (continued)

3.8 Remuneration of Key Management Personnel (continued)

(b) Statutory accounting method

In accordance with Australian Accounting Standard AASB 124 details of the structure and quantum of each component of remuneration for Executives for the years ended 30 June 2010 and 30 June 2009 are set out in the following table.

	Short-term employee benefits			Post-employment benefits	Other long-term benefits			Total
	Cash salary and fees	DEXUS performance payments	Other short-term benefits ¹	Pension and super benefits	DEXUS deferred performance payment allocations ²	Movement in prior year deferred performance payment allocation values ³	Other long-term benefits	
	\$	\$	\$	\$	\$	\$	\$	\$
Name								
Victor P Hoog Antink								
2010	1,252,539	1,100,000	–	47,461	1,200,000	363,957	–	3,963,957
2009	1,200,000	785,000	–	100,000	915,000	(416,600)	–	2,583,400
Tanya L Cox								
2010	385,539	180,000	–	14,461	180,000	62,533	–	822,533
2009	352,086	150,000	–	47,914	150,000	(80,773)	–	619,227
Patricia A Daniels⁴								
2010	246,872	104,000	–	14,461	104,000	13,023	–	482,356
2009	247,589	90,000	–	13,745	90,000	(24,250)	–	417,084
John C Easy								
2010	360,539	187,000	–	14,461	188,000	47,437	–	797,437
2009	343,255	163,000	–	31,745	162,000	(57,688)	–	642,312
Jane Lloyd								
2010	355,455	162,000	123,107	14,461	163,000	10,012	–	828,035
2009	361,255	113,000	–	13,745	112,000	–	–	600,000
Louise J Martin								
2010	485,539	200,000	–	14,461	200,000	74,415	–	974,415
2009	405,000	175,000	–	95,000	175,000	(60,625)	–	789,375
Craig D Mitchell								
2010	535,539	400,000	–	14,461	400,000	40,528	–	1,390,528
2009	500,000	325,000	–	50,000	325,000	(60,625)	–	1,139,375
Paul G Say								
2010	485,539	250,000	–	14,461	250,000	30,565	–	1,030,565
2009	486,255	200,000	–	13,745	200,000	(60,625)	–	839,375
Mark F Turner								
2010	401,339	140,000	–	48,661	140,000	88,473	–	818,473
2009	400,015	135,000	–	49,985	135,000	(103,635)	–	616,365
Andrew P Whiteside								
2010	460,539	225,000	–	14,461	225,000	16,610	–	941,610
2009	461,255	135,000	–	13,745	135,000	(24,250)	–	720,750
Total								
2010	4,969,439	2,948,000	123,107	211,810	3,050,000	747,553	–	12,049,909
2009	4,756,710	2,271,000	–	429,624	2,399,000	(889,071)	–	8,967,263

1 Other short-term benefits include expatriate assignment benefits such as relocation and housing allowances, relocation consultant assistance, health insurance premiums and associated taxes on these benefits.

2 This is the DDPP allocation for the current year which is deferred for three years as described on pages 5, 18 and 23.

3 This is the notional change in value of all unvested DDPP allocations from prior year.

4 Patricia A Daniels' actual remuneration received is for a four day week.

Deferred Performance Payments

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

	Year of grant	DDPP allocation value	Movement in DDPP allocation value (since grant date)	Closing DDPP allocation value as at 30 June 2010	Movement in DDPP allocation value at vesting date (due to performance multiplier)	Vested DDPP as at 30 June 2010	Year that DDPP will vest
		\$	\$	\$	\$	\$	
Name							
Victor P Hoog Antink	2010	1,200,000	–	–	–	–	2013
	2009	915,000	72,926	987,926	–	–	2012
	2008	900,000	(165,600)	734,400	–	–	2011
	2007	650,000	(142,285)	–	203,086	710,801	2010
Tanya L Cox	2010	180,000	–	–	–	–	2013
	2009	150,000	11,955	161,955	–	–	2012
	2008	175,000	(32,200)	142,800	–	–	2011
	2007	110,000	(24,079)	–	34,368	120,289	2010
Patricia A Daniels	2010	104,000	–	–	–	–	2013
	2009	90,000	7,173	97,173	–	–	2012
	2008	100,000	(18,400)	81,600	–	–	2011
John C Easy	2010	188,000	–	–	–	–	2013
	2009	162,000	12,911	174,911	–	–	2012
	2008	120,000	(22,080)	97,920	–	–	2011
	2007	75,000	(16,418)	–	23,433	82,015	2010
Jane Lloyd¹	2010	163,000	–	–	–	–	2013
	2009	112,000	8,926	120,926	–	–	2012
	2008	–	–	–	–	–	2011
	2007	20,000	(4,378)	–	6,249	21,871	2010
Louise J Martin²	2010	200,000	–	–	–	–	2013
	2009	175,000	13,948	188,948	–	–	2012
	2008	250,000	(46,000)	204,000	–	–	2011
	2007	125,000	(27,636)	–	39,054	136,688	2010
Craig D Mitchell	2010	400,000	–	–	–	–	2013
	2009	325,000	25,903	350,903	–	–	2012
	2008	250,000	(46,000)	204,000	–	–	2011
Paul G Say	2010	250,000	–	–	–	–	2013
	2009	200,000	15,940	215,940	–	–	2012
	2008	250,000	(46,000)	204,000	–	–	2011
Mark F Turner	2010	140,000	–	–	–	–	2013
	2009	135,000	10,760	145,760	–	–	2012
	2008	200,000	(36,800)	163,200	–	–	2011
	2007	180,000	(39,402)	–	56,239	196,837	2010
Andrew P Whiteside	2010	225,000	–	–	–	–	2013
	2009	135,000	10,760	145,760	–	–	2012
	2008	100,000	(18,400)	81,600	–	–	2011

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

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

Directors' Report

For the year ended 30 June 2010

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3. Remuneration Report (continued)

3.8 Remuneration of Key Management Personnel (continued)

(b) Statutory accounting method (continued)

Non-Executive Director board and committee fees

Board and Committee fees paid to Non-Executive Directors for the years ended 30 June 2010 and 30 June 2009 are set out in the table below. Note: In 2009/10 two additional paid Board members were in place for the full 12 months to 30 June 2010, compared to only two months the preceding year.

	Directors fees		Committee fees				Total cash salary and fees	
	Board	DWPL	Board Audit	Board Risk	Board Compliance	Board Nom & Rem	Board Finance	
	\$	\$	\$	\$	\$	\$	\$	\$
Name								
Christopher T Beare								
2010	300,000	–	–	–	–	–	–	300,000
2009	300,000	–	–	–	–	–	–	300,000
Elizabeth A Alexander AM¹								
2010	130,000	17,500	8,750	8,750	–	–	–	165,000
2009	130,000	–	15,000	15,000	6,250	–	6,250	172,500
Barry R Brownjohn²								
2010	130,000	–	13,750	13,750	–	–	8,750	166,250
2009	130,000	–	7,500	7,500	–	–	15,000	160,000
John C Conde AO³								
2010	130,000	–	–	–	7,500	13,750	–	151,250
2009	22,652	–	–	–	1,250	1,250	–	25,152
Stewart F Ewen OAM								
2010	130,000	–	–	–	–	7,500	–	137,500
2009	130,000	–	–	–	–	7,500	–	137,500
Charles B Leitner III⁴								
2010	–	–	–	–	–	–	–	–
2009	–	–	–	–	–	–	–	–
Brian E Scullin⁵								
2010	130,000	25,000	–	–	15,000	1,250	–	171,250
2009	130,000	30,000	6,250	6,250	15,000	7,500	–	195,000
Peter B St George⁶								
2010	130,000	–	7,500	7,500	–	–	13,750	158,750
2009	22,652	–	1,250	1,250	–	–	1,250	26,402
Total								
2010	1,080,000	42,500	30,000	30,000	22,500	22,500	22,500	1,250,000
2009	865,304	30,000	30,000	30,000	22,500	16,250	22,500	1,016,554

1 Elizabeth A Alexander became a member of the Board Audit and Board Risk committees on 1 September 2009. Elizabeth was previously the Chair of both committees. Elizabeth became a Director of the DWPL Board on 1 September 2009 and became Chair of that Board on 1 March 2010.

2 Barry R Brownjohn became a member of the Board Finance Committee on 1 September 2009. Barry was previously the Chair of that committee. Barry became Chair of the Board Audit and Board Risk committees on 1 September 2009. Barry was previously a member of both committees.

3 John C Conde became Chair of the Board Nomination and Remuneration Committee on 1 September 2009. John was previously a member of that committee.

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 Brian Scullin ceased to be a member of the Board Nomination and Remuneration Committee on 31 August 2009. Brian became a Director of the DWPL Board on 1 March 2010. Brian was previously Chair of the DWPL Board.

6 Peter B St George became Chair of the Board Finance Committee on 1 September 2009. Peter was previously a member of that committee.

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

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

Commencing 1 April 2009 Mr Ewen earned a fixed fee of \$30,000 per annum, in addition to his Director's fee, as compensation for the added responsibilities assumed in attending property inspections, reviewing property investment proposals and participating in informal management meetings.

Non-Executive Director remuneration

Details of the structure and quantum of each component of remuneration for each Non-Executive Director for the years ended 30 June 2010 and 30 June 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				
2010	285,539	14,461	–	300,000
2009	286,255	13,745	–	300,000
Elizabeth A Alexander AM				
2010	151,376	13,624	–	165,000
2009	157,844	14,656	–	172,500
Barry R Brownjohn				
2010	152,523	13,727	–	166,250
2009	146,789	13,211	–	160,000
John C Conde AO				
2010	138,761	12,489	–	151,250
2009	23,075	2,077	–	25,152
Stewart F Ewen OAM				
2010	102,700	34,800	–	137,500
2009	63,073	74,427	–	137,500
Brian E Scullin				
2010	157,211	14,039	–	171,250
2009	181,255	13,745	–	195,000
Peter B St George				
2010	145,642	13,108	–	158,750
2009	24,222	2,180	–	26,402
Total 2010	1,133,752	116,248	–	1,250,000
Total 2009	882,513	134,041	–	1,016,554

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

Directors' Report

For the year ended 30 June 2010

CONTINUED

4. Directors' interests

The Board's policy on insider trading and trading in DXS securities, or securities in any of the funds managed by DXS, 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 DXS.

Directors have made this decision because the Board of DXFM has responsibility for the Group itself as well as the third party business. Directors are obliged to act in the best interests of each group of investors independently of each other. Therefore, to minimise 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 the Group including DXS. This position is periodically reviewed by the Board.

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

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

5. Directors' directorships in other listed entities

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

Director	Company	Date appointed	Date resigned or ceased being a Director of a listed security
Christopher T Beare	MNet Group Limited	6 November 2009	
Elizabeth A Alexander AM	CSL Limited	12 July 1991	
	Boral Limited	15 December 1999	24 October 2008
John C Conde AO	Whitehaven Coal Limited	3 May 2007	
Brian E Scullin	SPARK Infrastructure RE Limited ¹	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 ¹	8 November 2005	31 December 2008
	First Quantum Minerals Limited ²	20 October 2003	

¹ SPARK Infrastructure RE Limited has issued ASX listed stapled securities trading as SPARK Infrastructure Group (ASX:SKI).

² Listed for trading on the Toronto Stock Exchange in Canada and the London Stock Exchange in the United Kingdom.

6. Principal activities

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

The number of employees of DXS at the end of the reporting period was 293 (2009: 284).

7. Total value of Trust assets

The total value of the assets of DXS as at 30 June 2010 was \$7,871.0 million (2009: \$8,351.1 million). Details of the basis of this valuation are outlined in note 1 of the Notes to the Financial Statements and form part of this Directors' Report.

8. Review of results and operations

A review of the results, financial position, operations including business strategies and the expected results of operations of the Group, is set out in the Chief Executive Officer's Report of the DEXUS Property Group 2010 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 future developments or results of the Group, other than the information already outlined in this Directors' Report or the Financial Statements accompanying this Directors' Report would be unreasonably prejudicial to DXS.

10. Significant changes in the state of affairs

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

11. Matters subsequent to the end of the financial year

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

12. Distributions

Distributions paid or payable by DXS for the year ended 30 June 2010 were 5.1 cents per security (2009: 7.3 cents per security) as outlined in note 31 of the Notes to the Financial Statements.

13. DXFM's fees and associate interests

Details of fees paid or payable by the Group to DXFM for the year ended 30 June 2010 are outlined in note 35 of the Notes to the Financial Statements and form part of this Directors' Report.

The number of interests in DXS held by DXFM or its associates as at the end of the financial year are nil (2009: nil).

14. Interests in DXS securities

The movement in securities on issue in the Group during the year and the number of securities on issue as at 30 June 2010 are detailed in note 28 of the Notes to the Financial Statements and form part of this Directors' Report.

The Group did not have any options on issue as at 30 June 2010 (2009: nil).

15. Environmental regulation

The Group's senior management, through its Board Risk and Sustainability Committee, oversees 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 Auditor, PricewaterhouseCoopers ("PwC"), is indemnified out of the assets of DXS pursuant to the DEXUS Specific Terms of Business agreed for all engagements with PwC, to the extent that DXS inappropriately uses or discloses a report prepared by PwC. The Auditor, PwC, is not indemnified for the provision of services where such an indemnification is prohibited by the *Corporations Act 2001*.

17. Audit

17.1 Auditor

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

17.2 Non-audit services

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

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

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

The reasons for the Directors being satisfied are:

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

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

17.3 Auditor's Independence Declaration

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

Directors' Report

For the year ended 30 June 2010

CONTINUED

18. Corporate governance

DXFM's Corporate Governance Statement is set on pages 6 to 11 in this Annual Report and forms part of this Directors' Report.

19. Rounding of amounts and currency

DXS 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. Presentation of parent entity Financial Statements

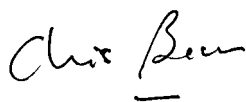
DXS is a registered scheme of the kind referred to in Class Order 10/654, issued by the Australian Securities & Investments Commission, relating to the inclusion of parent entity Financial Statements in the consolidated Financial Statements. The Class Order provides relief from the *Corporations Amendment (Corporate Reporting Reform) Act 2010* and the Group continues to present the parent entity Financial Statements in the consolidated Financial Statements in accordance with that Class Order.

21. Management representation

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

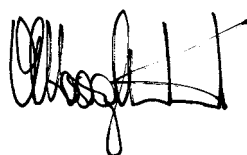
22. Directors' authorisation

The Directors' Report is made in accordance with a resolution of the Directors. The Financial Statements were authorised for issue by the Directors on 17 August 2010. The Directors have the power to amend and reissue the Financial Statements.



Christopher T Beare
Chair

17 August 2010



Victor P Hoog Antink
Chief Executive Officer

17 August 2010



PricewaterhouseCoopers
ABN 52 780 433 757

Darling Park Tower 2
201 Sussex Street
GPO BOX 2650
SYDNEY NSW 1171
DX 77 Sydney
Australia
Telephone +61 2 8266 0000
Facsimile +61 2 8266 9999
www.pwc.com/au

Auditor's Independence Declaration

As lead auditor for the audit of DEXUS Diversified Trust for the year ended 30 June 2010, 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 'J A Dunning', with a stylized flourish at the end.

J A Dunning
Partner
PricewaterhouseCoopers

17 August 2010

FINANCIAL STATEMENTS

Statements of Comprehensive Income

For the year ended 30 June 2010

		Consolidated		Parent entity	
	Notes	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Revenue from ordinary activities					
Property revenue	2	663,068	708,506	133,519	139,506
Distribution revenue		–	–	517	24,636
Interest revenue		1,484	3,225	140	3,431
Management fee revenue		51,588	63,663	–	–
Total revenue from ordinary activities		716,140	775,394	134,176	167,573
Net fair value gain/(loss) of derivatives		5,401	(21,209)	1,774	(5,753)
Net foreign exchange gain/(loss)		3,103	2,179	(5,306)	(153,701)
Reversal of previous impairment	20	13,307	–	–	–
Other income		156	335	10	112
Total income		738,107	756,699	130,654	8,231
Expenses					
Property expenses		(169,753)	(174,485)	(32,408)	(32,678)
Responsible Entity fees	35	–	–	(5,175)	(6,358)
Finance costs	3	(190,685)	(384,241)	21,786	14,022
Share of net (loss)/profit of associates accounted for using the equity method	17	(26,243)	31	–	–
Net fair value loss of investment properties		(209,367)	(1,517,564)	(44,676)	(164,539)
Net loss on sale of investment properties		(53,342)	(1,880)	(1,979)	(1,330)
Net loss on sale of investment		(15)	(534)	–	–
Net fair value loss of investments		–	–	(68,233)	(176,712)
Depreciation and amortisation		(3,498)	(4,742)	–	–
Impairment		(242)	(168,169)	–	–
Employee benefits expense		(58,978)	(59,282)	–	–
Other expenses	5	(24,377)	(21,485)	(1,568)	(1,622)
Total expenses		(736,500)	(2,332,351)	(132,253)	(369,217)
Profit/(loss) before tax		1,607	(1,575,652)	(1,599)	(360,986)
Tax benefit/(expense)					
Income tax benefit/(expense)	4 (a)	3,426	(12,537)	–	–
Withholding tax benefit	4 (c)	26,557	132,773	–	–
Total tax benefit		29,983	120,236	–	–
Profit/(loss) after tax		31,590	(1,455,416)	(1,599)	(360,986)
Other comprehensive income/(loss):					
Exchange differences on translating foreign operations		(7,034)	(53,478)	–	–
Total comprehensive income/(loss) for the year		24,556	(1,508,894)	(1,599)	(360,986)
Profit/(loss) attributable to:					
Unitholders of parent entity		16,121	(300,486)	(1,599)	(360,986)
Unitholders of other stapled entities (non-controlling interests)		15,299	(1,158,625)	–	–
Security holders of DEXUS Diversified Trust		31,420	(1,459,111)	(1,599)	(360,986)
Other non-controlling interest		170	3,695	–	–
Total profit/(loss) for the year		31,590	(1,455,416)	(1,599)	(360,986)
Total comprehensive income/(loss) attributable to:					
Unitholders of parent entity		791	(360,986)	(1,599)	(360,986)
Unitholders of other stapled entities (non-controlling interests)		23,833	(1,151,939)	–	–
Security holders of DEXUS Diversified Trust		24,624	(1,512,925)	(1,599)	(360,986)
Other non-controlling interest		(68)	4,031	–	–
Total comprehensive income/(loss) for the year		24,556	(1,508,894)	(1,599)	(360,986)
Earnings per unit		Cents	Cents		
Basic earnings per unit on profit/(loss) attributable to unitholders of the parent entity	41	0.34	(8.11)		
Diluted earnings per unit on profit/(loss) attributable to unitholders of the parent entity	41	0.34	(8.11)		
Earnings per stapled security					
Basic earnings per unit on profit/(loss) attributable to stapled security holders	41	0.66	(39.38)		
Diluted earnings per unit on profit/(loss) attributable to stapled security holders	41	0.66	(39.38)		

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

FINANCIAL STATEMENTS

Statements of Financial Position

As at 30 June 2010

		Consolidated		Parent entity	
	Notes	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Current assets					
Cash and cash equivalents	7	64,419	84,845	2,163	27,268
Receivables	8	25,010	35,816	68,162	17,752
Non-current assets classified as held for sale	9	18,068	98,054	–	20,800
Derivative financial instruments	12	33,903	81,426	13,341	41,091
Current tax assets		3,621	1,423	–	–
Other	13	13,555	13,618	2,997	2,731
Total current assets		158,576	315,182	86,663	109,642
Non-current assets					
Investment properties	14	7,146,397	7,120,710	1,357,987	1,397,596
Property, plant and equipment	15	5,264	438,620	–	129,718
Inventories	10	45,470	–	–	–
Investments accounted for using the equity method	17	93,344	84,165	–	–
Investments in associates	18	–	–	122,627	138,276
Loans with related parties	11	–	–	796,642	408,583
Derivative financial instruments	12	112,421	124,065	57,287	56,714
Deferred tax assets	19	79,927	49,136	–	–
Intangible assets	20	225,525	213,267	–	–
Other	21	4,104	5,965	368	895
Total non-current assets		7,712,452	8,035,928	2,334,911	2,131,782
Total assets		7,871,028	8,351,110	2,421,574	2,241,424
Current liabilities					
Payables	22	130,207	98,410	36,176	19,503
Interest bearing liabilities	23	198,996	381,673	–	–
Loans with related parties	11	–	–	34,332	34,332
Current tax liabilities		2,271	1,051	–	–
Provisions	24	134,499	177,618	65,885	90,389
Derivative financial instruments	12	17,264	32,444	7,592	27,270
Other	25	132	281	–	–
Total current liabilities		483,369	691,477	143,985	171,494
Non-current liabilities					
Interest bearing liabilities	23	2,041,086	2,127,339	345,181	–
Derivative financial instruments	12	304,897	353,780	70,904	122,275
Deferred tax liabilities	26	11,296	9,975	–	–
Provisions	24	16,524	13,533	–	–
Other	27	7,409	8,789	369	877
Total non-current liabilities		2,381,212	2,513,416	416,454	123,152
Total liabilities		2,864,581	3,204,893	560,439	294,646
Net assets		5,006,447	5,146,217	1,861,135	1,946,778
Equity					
Equity attributable to unitholders of parent entity					
Contributed equity	28	1,789,973	1,741,211	1,789,973	1,741,211
Reserves	29	(74,582)	(59,252)	–	–
Retained profits	29	151,439	264,819	71,162	205,567
Parent entity security holders' interest		1,866,830	1,946,778	1,861,135	1,946,778
Equity attributable to unitholders of other stapled entities (non-controlling interests)					
Contributed equity	28	3,008,241	2,966,643	–	–
Reserves	29	44,354	35,820	–	–
Accumulated losses	29	(118,253)	(9,796)	–	–
Other stapled security holders' interest		2,934,342	2,992,667	–	–
Stapled security holders' interest		4,801,172	4,939,445	1,861,135	1,946,778
Other non-controlling interests	30	205,275	206,772	–	–
Total equity		5,006,447	5,146,217	1,861,135	1,946,778

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

FINANCIAL STATEMENTS

Statements of Changes in Equity

For the year ended 30 June 2010

Consolidated	Notes	Stapled security holders equity					Other non-controlling interest	Total equity
		Contributed equity	Retained profits	Foreign currency translation reserve	Asset revaluation reserve	Stapled security holders' equity	\$'000	\$'000
		\$'000	\$'000	\$'000	\$'000	\$'000		
Opening balance as at 1 July 2008		3,577,883	2,000,235	(12,357)	63,294	5,629,055	205,998	5,835,053
Comprehensive (loss)/income for the year attributable to:								
Unitholders of the parent entity		–	(300,486)	(60,500)	–	(360,986)	–	(360,986)
Other stapled entities (non-controlling interests)		–	(1,158,625)	6,686	–	(1,151,939)	–	(1,151,939)
Other non-controlling interest		–	–	–	–	–	4,031	4,031
Total comprehensive (loss)/income		–	(1,459,111)	(53,814)	–	(1,512,925)	4,031	(1,508,894)
Transactions with owners in their capacity as owners								
Contributions of equity, net of transaction costs		1,129,971	–	–	–	1,129,971	484	1,130,455
Distributions paid or provided for	31	–	(296,648)	–	–	(296,648)	(13,749)	(310,397)
Total transactions with owners in their capacity as owners		1,129,971	(296,648)	–	–	833,323	(13,265)	820,058
Transfer to/(from) retained profits		–	10,547	–	(20,555)	(10,008)	10,008	–
Closing balance as at 30 June 2009		4,707,854	255,023	(66,171)	42,739	4,939,445	206,772	5,146,217
Opening balance as at 1 July 2009		4,707,854	255,023	(66,171)	42,739	4,939,445	206,772	5,146,217
Comprehensive income/(loss) for the year attributable to:								
Unitholders of the parent entity		–	16,121	(15,330)	–	791	–	791
Other stapled entities (non-controlling interests)		–	15,299	8,534	–	23,833	–	23,833
Other non-controlling interest		–	–	–	–	–	(68)	(68)
Total comprehensive income/(loss)		–	31,420	(6,796)	–	24,624	(68)	24,556
Transactions with owners in their capacity as owners								
Contributions of equity, net of transaction costs		90,360	–	–	–	90,360	27	90,387
Distributions paid or provided for	31	–	(244,411)	–	–	(244,411)	(10,302)	(254,713)
Total transactions with owners in their capacity as owners		90,360	(244,411)	–	–	(154,051)	(10,275)	(164,326)
Transfer (from)/to retained profits		–	(8,846)	–	–	(8,846)	8,846	–
Closing balance as at 30 June 2010		4,798,214	33,186	(72,967)	42,739	4,801,172	205,275	5,006,447

Parent entity	Notes	Unitholders equity		
		Contributed equity \$'000	Retained profits \$'000	Total equity \$'000
Opening balance as at 1 July 2008		1,297,831	704,791	2,002,622
Comprehensive loss for the year attributable to:				
Unitholders of the parent entity		–	(360,986)	(360,986)
Total comprehensive loss		–	(360,986)	(360,986)
Transactions with owners in their capacity as owners				
Contributions of equity, net of transaction costs		443,380	–	443,380
Distributions paid or provided for	31	–	(138,238)	(138,238)
Total transactions with owners in their capacity as owners		443,380	(138,238)	305,142
Closing balance as at 30 June 2009		1,741,211	205,567	1,946,778
Opening balance as at 1 July 2009		1,741,211	205,567	1,946,778
Comprehensive loss for the year attributable to:				
Unitholders of the parent entity		–	(1,599)	(1,599)
Total comprehensive loss		–	(1,599)	(1,599)
Transactions with owners in their capacity as owners				
Contributions of equity, net of transaction costs		48,762	–	48,762
Distributions paid or provided for	31	–	(132,806)	(132,806)
Total transactions with owners in their capacity as owners		48,762	(132,806)	(84,044)
Closing balance as at 30 June 2010		1,789,973	71,162	1,861,135

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

FINANCIAL STATEMENTS

Statements of Cash Flows

For the year ended 30 June 2010

		Consolidated		Parent entity	
	Notes	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Cash flows from operating activities					
Receipts in the course of operations (inclusive of GST)		857,134	912,632	154,217	157,263
Payments in the course of operations (inclusive of GST)		(330,270)	(345,517)	(52,102)	(54,403)
Interest received		1,481	3,021	2,645	3,432
Finance costs (paid to)/received from financial institutions		(188,714)	(200,156)	(4,452)	18,592
Distributions received		16	–	494	24,636
Income and withholding taxes received/(paid)		527	(10,403)	–	–
Net cash inflow from operating activities	39 (a)	340,174	359,577	100,802	149,520
Cash flows from investing activities					
Proceeds from sale of investment properties		585,924	19,833	275,802	7,540
Proceeds from sale of investments		3,288	60,178	–	–
Payments for capital expenditure on investment properties	39 (b)	(185,844)	(105,433)	(96,521)	(14,365)
Payments for acquisition of investment properties		(279,385)	–	(25,798)	–
Payments for investments accounted for using the equity method		(31,995)	(25,995)	(52,583)	–
Payments for property, plant and equipment		–	(27,165)	–	–
Payments for capital expenditure on property, plant and equipment		(1,396)	(133,877)	–	(50,741)
Net cash inflow/(outflow) from investing activities		90,592	(212,459)	100,900	(57,566)
Cash flows from financing activities					
Issue of units		–	1,062,228	–	406,497
Establishment expenses and unit issue cost		–	(32,677)	–	(11,029)
Equity issued to other non-controlling entities		27	484	–	–
Borrowings provided to entities within DXS		–	–	(777,758)	(841,743)
Borrowings provided by entities within DXS		–	–	347,574	525,511
Proceeds from borrowings		2,311,576	2,600,334	332,008	–
Repayment of borrowings		(2,545,886)	(3,570,336)	(20,083)	(72,689)
Distributions paid to security holders		(200,470)	(214,087)	(108,548)	(102,237)
Distributions paid to other non-controlling interests		(9,629)	(16,136)	–	–
Net cash outflow from financing activities		(444,382)	(170,190)	(226,807)	(95,690)
Net decrease in cash and cash equivalents		(13,616)	(23,072)	(25,105)	(3,736)
Cash and cash equivalents at the beginning of the year		84,845	99,214	27,268	31,004
Effects of exchange rate changes on cash and cash equivalents		(6,810)	8,703	–	–
Cash and cash equivalents at the end of the year	7	64,419	84,845	2,163	27,268

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

Note 1. Summary of significant accounting policies**(a) Basis of preparation**

In accordance with AASB Interpretation 1002 *Post-Date-of-Transition Stapling Arrangements*, the entities within 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, and DXO and its controlled entities. Equity attributable to other trusts stapled to DDF is a form of non-controlling interest in accordance with AASB 1002 and, in the DDF consolidated column, represents the equity of DIT, DOT and DXO. Other non-controlling interests represent the equity attributable to parties external to the Group.

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

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

These general purpose Financial Statements for the year ended 30 June 2010 have been prepared in accordance with the requirements of the Constitution of the entities within DXS, the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board and interpretations. Compliance with Australian Accounting Standards ensures that the consolidated and parent Financial Statements and notes also comply with International Financial Reporting Standards (IFRS).

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

As at 30 June 2010, DXS had a current net asset deficiency of \$324.8 million. These Financial Statements are prepared on a going concern basis as DXS has sufficient working capital and cash flow due to the existence of unutilised facilities of \$1,115.1 million as set out in note 23.

The Group has applied the revised AASB 101 *Presentation of Financial Statements* which became effective on 1 January 2009. The revised standard requires the separate presentation of Statements of Comprehensive Income and Statements of Changes in Equity. All non-owner changes in equity must now be presented in the Statements of Comprehensive Income. As a consequence, the Group has changed the presentation of its Financial Statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

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

Critical accounting estimates

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

Uncertainty around property valuations

The fair value of our investment properties in the United States and Europe 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 end of the reporting period, the current uncertainty in these markets means that if investment property is sold in the future, the price achieved may be higher or lower than the most recent valuation, or higher or lower than the fair value recorded in the Financial Statements.

(b) Principles of consolidation**(i) Controlled entities**

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

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

The Financial Statements incorporate an elimination of inter-entity transactions and balances to present the Financial Statements on a consolidated basis. Net profit and equity in controlled entities, which is attributable to the unitholdings of non-controlling interests, are shown separately in the Statements of Comprehensive Income and Statements of Financial Position respectively. Where control of an entity is obtained during a financial year, its results are included in the Statements of Comprehensive Income 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 Group's share of the results and assets of this partnership or joint venture are consolidated into the Statements of Comprehensive Income and Statements of Financial Position of the Group. Where assets are jointly controlled via ownership of units in single purpose unlisted unit trusts or shares in companies, the Group applies equity accounting to record the operations of these investments (refer note 1(t)).

Note 1. Summary of significant accounting policies

(continued)

(c) Revenue recognition**(i) Rent**

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

(ii) Management fee revenue

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

(iii) Interest revenue

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

(iv) Dividends and distribution revenue

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

(d) Expenses

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

(i) Property expenses

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

(ii) Borrowing costs

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

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

(e) Derivatives and other financial instruments**(i) Derivatives**

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

(ii) Debt and equity instruments issued by the Group

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

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

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

(iii) Financial guarantee contracts

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

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

(iv) Other financial assets

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

(f) Goods and services tax/value added tax

Revenues, expenses and capital assets are recognised net of any amount of Australian/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 Statements of Cash Flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from or payable to the Australian Taxation Office is classified as cash flows from operating activities.

(g) Taxation

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

DXO tax consolidated group is subject to Australian income tax which is accounted for as follows:

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

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

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

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

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

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

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

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

Tax consolidation

In December 2009 the DXH tax consolidated group elected to deconsolidate and DXO elected to form a tax consolidated group comprising 20 Barrack Street Trust, DEXUS Holdings Pty Limited, DEXUS Funds Management Limited, DEXUS Property Services Pty Limited, DEXUS Financial Services Pty Limited and DEXUS Wholesale Property Limited, DEXUS CMBS Issuer Pty Limited and DWPL Nominees Pty Limited. The implementation date for the DXO tax consolidated group is 1 July 2008.

The entities in the DXO tax consolidated group entered into a Tax Sharing Deed effective 1 July 2008. In the opinion of the Directors, this limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, DXO.

DXO and the controlled entities in the tax consolidated group 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 effective 1 July 2008.

Under the Tax Funding Deed, the wholly owned entities fully compensate DXO for any current tax payable assumed and are compensated by DXO 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 inter-company receivables or payables.

Note 1. Summary of significant accounting policies

(continued)

(h) Distributions

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

(i) Repairs and maintenance

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

(j) Cash and cash equivalents

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

(k) Receivables

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

(l) Inventories**Land and development property held for resale**

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

Net realisable value

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

(m) Non-current assets (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.

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

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

(o) Property, plant and equipment

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

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(v)).

(p) Depreciation of property, plant and equipment

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

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

(q) Investment properties

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

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

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

External valuations of the individual investments are carried out in accordance with the Constitutions for each trust forming DXS, 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 Statements of Comprehensive Income. The gain or loss on disposal of an investment property is calculated as the difference between the carrying amount of the asset at the date of disposal and the net proceeds from disposal and is included in the Statements of Comprehensive Income in the year of disposal.

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

(r) Leasing fees

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

(s) Lease incentives

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

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

(t) Investments accounted for using the equity method

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

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

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

(u) Business combinations

During the period DXS adopted the 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* effective for annual reporting periods beginning on or after 1 July 2009.

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

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

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

Note 1. Summary of significant accounting policies (continued)**(v) Impairment of assets**

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

(w) Intangible assets**(i) Goodwill**

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

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

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

(ii) Management rights

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

Management rights with indefinite life are not subject to amortisation and are tested for impairment at the end of each reporting period.

(x) 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(n).
Payables	Financial liability at amortised cost	Amortised cost	Refer note 1(y).
Interest bearing liabilities	Financial liability at amortised cost	Amortised cost	Refer note 1(z).
Derivatives	Fair value through profit or loss	Fair value	Refer note 1(e).

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

(ii) Fair value estimation of financial assets and liabilities

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

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

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

(y) Payables

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

(z) Interest bearing liabilities

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

(aa) Employee benefits

(i) Wages, salaries and annual leave

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

(ii) Long service leave

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

The provision is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates based on turnover history and is discounted using the rates attaching to national government bonds at the end of the reporting period 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.

(ab) Earnings per unit

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

Diluted earnings per unit are adjusted from the basic earnings per unit by taking into account the impact of dilutive potential units. The Group did not have such dilutive potential units during the year.

(ac) Foreign currency

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

(i) Foreign currency transactions

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

(ii) Foreign operations

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

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

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

(ad) Operating segments

During the period DXS adopted AASB 8 *Operating Segments* which replaced AASB 114 *Segment Reporting*. The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in a review of the reportable segments presented. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM). The CODM has been identified as the Board of Directors as they are responsible for the strategic decision making within the Group. Apart from the additional disclosures and measures reflected in the operating segments note (note 38), the adoption of AASB 8 has not had an impact on the measurements reflected in the Group's Financial Statements. Comparative information for 2009 has been represented.

(ae) Rounding of amounts

The Group is 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 Statements. Amounts in the Financial Statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

Notes to the Financial Statements

For the year ended 30 June 2010

CONTINUED

Note 1. Summary of significant accounting policies (continued)**(af) Presentation of parent entity Financial Statements**

The Group is a registered scheme of the kind referred to in Class Order 10/654, issued by the Australian Securities & Investments Commission, relating to the inclusion of parent entity Financial Statements in the consolidated Financial Statements. The Class Order provides relief from the *Corporations Amendment (Corporate Reporting Reform) Act 2010* and the Group continues to present the parent entity Financial Statements and the consolidated Financial Statements in accordance with that Class Order.

(ag) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2010 reporting period. Our assessment of the impact of these new standards and interpretations is set out below:

- (i) AASB 9 *Financial Instruments* and AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* (effective from 1 January 2013). AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets. Under the new guidance, a financial asset is to be measured at amortised cost only if it is held within a business model whose objective is to collect contractual cash flows and the contractual terms of the asset give rise on specific dates to cash flows that are payments solely of principal and interest on the principal amount outstanding. All other financial assets are to be measured at fair value. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is currently assessing the impact of this standard but does not expect it to be significant.
- (ii) Revised AASB 124 *Related Party Disclosures* (effective from 1 January 2011). In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party. The Group will apply the amended standard from 1 July 2011. It is not expected to have any impact on the Group's Financial Statements.
- (iii) AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* (effective from 1 January 2010). In May 2010, the AASB issued a number of improvements to existing Australian Accounting Standards. The Group will apply the revised standards from 1 July 2010 where applicable. The Group is currently assessing the impact of the revised rules but does not expect it to be significant.
- (iv) AASB 1053 *Application of Tiers of Australian Accounting Standards* and AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements* (effective from 1 July 2013). On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. The Group is listed on the ASX and is therefore not eligible to adopt the new Australian Accounting Standards – Reduced Disclosure Requirements. As a consequence, the two standards will have no impact on the Financial Statements of the Group.

Note 2. Property revenue

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Rent and recoverable outgoings	690,010	733,800	137,704	143,019
Incentive amortisation	(49,033)	(47,242)	(7,257)	(5,811)
Other revenue	22,091	21,948	3,072	2,298
Total property revenue	663,068	708,506	133,519	139,506

Note 3. Finance costs

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Interest paid/payable	119,490	164,053	17,544	(9,224)
Interest received from related parties	–	–	(30,026)	(3,567)
Amount capitalised	(41,377)	(35,050)	–	(8,020)
Other finance costs	5,240	5,647	797	122
Net fair value loss/(gain) of interest rate swaps	97,662	249,591	(10,101)	6,667
	181,015	384,241	(21,786)	(14,022)
Finance cost attributable to asset disposal program ¹	9,670	–	–	–
Total finance costs	190,685	384,241	(21,786)	(14,022)

¹ As a result of the asset sale program, debt has been repaid and associated finance costs have been recognised in the Statements of Comprehensive Income.

The average capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 7.09% (2009: 6.60%).

Note 4. Income tax

(a) Income tax (benefit)/expense

	Notes	Consolidated	
		2010 \$'000	2009 \$'000
Current tax (benefit)/expense		(3,650)	7,079
Deferred tax expense		224	5,458
Total income tax (benefit)/expense		(3,426)	12,537
Deferred income tax (benefit)/expense included in income tax (benefit)/expense comprises:			
(Increase) in deferred tax assets	19	(1,097)	(298)
Increase in deferred tax liabilities	26	1,321	5,756
		224	5,458

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

	Consolidated	
	2010 \$'000	2009 \$'000
Profit/(loss) before tax	1,607	(1,575,652)
Less amounts not subject to income tax (note 1(g))	(16,210)	1,489,557
	(14,603)	(86,095)
Prima facie tax benefit at the Australian tax rate of 30% (2009: 30%)	(4,381)	(25,829)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Depreciation and amortisation	(1,370)	(1,816)
Impairment	–	22,371
Reversal of previous impairment	(3,992)	–
Net fair value loss of investment properties	6,988	16,125
Previously unrecognised tax losses now recognised	–	(1,802)
Reversal of recognised tax loss	–	3,470
Net loss on sale of investment properties	242	–
Previous unrecognised tax losses utilised	(693)	–
Unused tax losses	(225)	–
Sundry items	5	18
	955	38,366
Income tax (benefit)/expense	(3,426)	12,537

(c) Withholding tax benefit

Withholding tax benefit of \$26,557,000 (2009: \$132,773,000) comprises \$29,396,000 (2009: \$135,183,000) of deferred tax benefit and \$2,839,000 (2009: \$2,410,000) of current tax expense. The deferred tax benefit is recognised on differences between the tax cost base of the US assets and liabilities and their accounting carrying value at end of the reporting period. 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.

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For the year ended 30 June 2010

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Note 5. Other expenses

	Notes	Consolidated		Parent entity	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Audit and other fees	6	2,417	3,096	397	591
Custodian fees		402	532	105	124
Legal and other professional fees		2,495	1,305	208	80
Registry costs and listing fees		895	755	239	206
Occupancy expenses		2,194	267	–	–
Administration expenses		4,319	4,557	–	–
Other staff expenses		2,118	1,881	–	–
External management fees		4,172	3,792	–	–
Other expenses		5,365	5,300	619	621
Total other expenses		24,377	21,485	1,568	1,622

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	
	2010 \$	2009 \$	2010 \$	2009 \$
PwC Australia – audit and review of Financial Statements and other audit work under the <i>Corporations Act 2001</i>	1,261,706	1,353,129	362,772	355,252
PwC US – audit and review of Financial Statements and other audit work under the <i>Corporations Act 2001</i>	234,140	–	–	–
PwC fees paid in relation to outgoing audit ¹	95,711	61,675	38,604	42,277
Remuneration for audit services to PwC	1,591,557	1,414,804	401,376	397,529
Fees paid to non-PwC audit firms	266,011	820,195	–	–
Total remuneration for assurance services	1,857,568	2,234,999	401,376	397,529

(b) Taxation services

Fees paid to PwC Australia	170,811	376,970	34,054	185,900
Fees paid to PwC US	213,188	330,022	–	–
Remuneration for taxation services to PwC	383,999	706,992	34,054	185,900
Fees paid to non-PwC audit firms	270,831	216,113	–	50,613
Total remuneration for taxation services²	654,830	923,105	34,054	236,513
Total audit and taxation fees¹	2,512,398	3,158,104	435,430	634,042

(c) Fees paid to PwC for transaction services

PwC assurance services in respect of capital raisings	–	575,000	–	211,916
PwC assurance services in respect of debt raisings	245,544	–	245,554	–
PwC taxation services	76,300	195,990	76,300	74,840
PwC other transaction and advisory fees	–	262,100	–	57,071
Total transaction service fees	321,844	1,033,090	321,854	343,827
Total audit, taxation and transaction service fees	2,834,242	4,191,194	757,284	977,869

1 Fees paid in relation to outgoing audits are included in property expenses. Therefore, total audit and taxation fees included in other expenses is \$2,417,000 (2009: \$3,096,000) consolidated and \$397,000 (2009: \$591,000) for the parent entity.

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

Note 7. Current assets – cash and cash equivalents

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Cash at bank	54,365	74,159	2,163	27,268
Short-term deposits	10,054	10,686	–	–
Total current assets – cash and cash equivalents	64,419	84,845	2,163	27,268

Note 8. Current assets – receivables

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Rent receivable	16,403	20,815	282	2,232
Less: provision for doubtful debts	(8,628)	(4,487)	(23)	(397)
Total rental receivables	7,775	16,328	259	1,835
Fee receivable	7,220	8,324	–	–
Other receivables from related parties	–	–	65,922	13,107
GST receivables	–	–	497	1,229
Interest receivable	586	67	–	–
Other receivables	9,429	11,097	1,484	1,581
Total other receivables	17,235	19,488	67,903	15,917
Total current assets – receivables	25,010	35,816	68,162	17,752

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

(a) Non-current assets held for sale

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Investment properties held for sale	18,068	43,054	–	20,800
Property, plant and equipment held for sale	–	55,000	–	–
Total non-current assets classified as held for sale	18,068	98,054	–	20,800

(b) Reconciliation

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Opening balance as at 1 July	98,054	–	20,800	–
Disposals	(98,035)	–	(20,636)	–
Transfer from investment properties	18,068	43,054	–	20,800
Transfer from property, plant and equipment	–	55,000	–	–
Additions, amortisation and other	(19)	–	(164)	–
Closing balance as at 30 June	18,068	98,054	–	20,800

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

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For the year ended 30 June 2010

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

Disposal

- On 8 July 2009, 68 Hasler Road, Herdsman, WA was disposed of for \$11.3 million.
- On 15 July 2009, Nordstraße 1, Lobau was disposed of for \$1.9 million.
- On 30 July 2009, 3-7 Bessemer Street, Blacktown, NSW was disposed of for \$9.1 million.
- On 9 October 2009, 343 George Street, Sydney, NSW was disposed of for \$55.2 million.
- During the year, all strata lots of Redwood Garden Industrial Estate, Dingley, VIC were gradually disposed of for a total of \$22.7 million.

As at 30 June 2010, Atlantic Corporate Park, Sterling, Northern Virginia in North America was classified as held for sale.

Note 10. Non-current asset – inventories

(a) Land held for resale

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Land held for resale	45,470	–	–	–
Total non-current asset – inventories	45,470	–	–	–

(b) Reconciliation

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Opening balance as at 1 July	–	–	–	–
Transfer from investment properties ¹	45,135	–	–	–
Additions and other	335	–	–	–
Closing balance as at 30 June	45,470	–	–	–

1 During the current year, DEXUS Projects Pty Limited (DXP), a wholly owned subsidiary of DXO, purchased the undeveloped land at Laverton VIC from DIT for \$64.8 million. DXP has initiated the development of part of the land (73.6 hectares valued at \$45.1 million) with an intention to sell and has therefore classified this portion of the asset as inventory. The balance of 39.9 hectares (valued at \$19.7 million) remains classified as investment property.

Note 11. Loans with related parties

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Non-current assets – loans with related parties				
Interest bearing loans with related parties ¹	–	–	591,098	248,366
Interest bearing loans with entities within DXS	–	–	205,544	160,217
Total non-current assets – loans with related parties	–	–	796,642	408,583
Current liabilities – loans with related parties				
Non-interest bearing loans with entities within DXS ²	–	–	34,332	34,332
Total current liabilities – loans with related parties	–	–	34,332	34,332

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

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

Note 12. Derivative financial instruments

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Current assets				
Interest rate swap contracts	24,727	29,904	12,682	19,583
Cross currency swap contracts	7,812	49,484	–	20,375
Forward foreign exchange contracts	1,364	2,038	659	1,133
Total current assets – derivative financial instruments	33,903	81,426	13,341	41,091
Non-current assets				
Interest rate swap contracts	97,492	92,389	56,815	48,872
Cross currency swap contracts	13,440	30,302	–	7,230
Forward foreign exchange contracts	1,489	1,374	472	612
Total non-current assets – derivative financial instruments	112,421	124,065	57,287	56,714
Current liabilities				
Interest rate swap contracts	5,765	9,853	2,434	5,043
Cross currency swap contracts	11,313	22,476	5,065	22,030
Forward foreign exchange contracts	186	115	93	197
Total current liabilities – derivative financial instruments	17,264	32,444	7,592	27,270
Non-current liabilities				
Interest rate swap contracts	303,181	291,350	70,904	86,354
Cross currency swap contracts	1,585	62,223	–	35,866
Forward foreign exchange contracts	131	197	–	55
Total non-current liabilities – derivative financial instruments	304,897	353,780	70,904	122,275
Net derivative financial instruments	(175,837)	(180,733)	(7,868)	(51,740)

Refer note 32 for further discussion regarding derivative financial instruments.

Note 13. Current assets – other

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Prepayments	13,555	13,618	2,997	2,731
Total current assets – other	13,555	13,618	2,997	2,731

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Note 14. Non-current assets – investment properties

(a) Properties

	Ownership %
Held by parent entity	
Kings Park Industrial Estate, Bowmans Road, Marayong, NSW	100
Target Distribution Centre, Lot 1, Tara Avenue, Altona North, VIC	100
Axxess Corporate Park, 164-180 Forster Road, 11 & 21-45 Gilby Road, 307-355 Ferntree Gully Road, Mount Waverley, VIC	100
Knoxfield Industrial Estate, 20 Henderson Road, Knoxfield, VIC	100
12 Frederick Street, St Leonards, NSW	100
2 Alspec Place, Eastern Creek, NSW	100
108-120 Silverwater Road, NSW	100
40 Talavera Road, North Ryde, NSW	100
44 Market Street, Sydney, NSW	100
8 Nicholson Street, Melbourne, VIC	100
130 George Street, Parramatta, NSW	100
Flinders Gate Complex, 172 Flinders Street & 189 Flinders Lane, Melbourne, VIC	100
383-395 Kent Street, Sydney, NSW	100
14 Moore Street, Canberra, ACT**	100
Sydney CBD Floor Space ¹	100
Westfield Whitford City Shopping Centre Marmion & Whitfords Avenue, Hillarys, WA ²	50
Westfield Whitfords Avenue Lot 6 Endeavour Road, Hillarys, WA ²	50
34-60 Little Collins Street, Melbourne, VIC**	100
32-44 Flinders Street, Melbourne, VIC	100
Flinders Gate Car Park, 172-189 Flinders Street, Melbourne, VIC	100
383-395 Kent Street Car Park, Sydney, NSW	100
Total parent entity investment properties excluding development properties	
Total parent entity development properties held as investment properties	
Total parent entity investment properties	

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. These assets have been disposed of during the year ended 30 June 2010.

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

Acquisition date	Independent valuation date	Independent valuation amount \$'000	Independent valuer	Consolidated book value 30 June 2010 \$'000	Consolidated book value 30 June 2009 \$'000
May 1990	Dec 2009	88,000	(i)	88,030	91,200
Oct 1995	Dec 2009	28,900	(e)	28,964	30,000
Oct 1996	Jun 2010	179,400	(g)	179,400	180,600
Aug 1996	Jun 2009	33,000	(a)	33,164	33,000
Jul 2000	Jun 2009	33,100	(e)	33,463	33,100
Mar 2004	Dec 2008	24,800	(f)	23,300	23,300
May 2010	n/a	n/a	n/a	25,798	–
Oct 2002	Jun 2009	29,200	(f)	26,603	29,200
Sep 1987	Jun 2010	192,700	(d)	192,700	190,000
Nov 1993	Jun 2009	85,000	(i)	80,000	85,000
May 1997	Dec 2008	80,000	(a)	74,320	72,000
Mar 1999	Dec 2008	25,150	(i)	24,747	22,000
Sep 1987	Jun 2010	122,000	(i)	122,000	120,000
May 2002	Jun 2010	37,000	(i)	37,000	41,000
Jul 2000	n/a	–	–	129	196
Oct 1984	Jun 2007	252,350	(f)	–	245,350
Dec 1992	Jun 2007	24,650	(f)	–	24,650
Nov 1984	Dec 2008	40,900	(i)	34,077	36,000
Jun 1998	Dec 2008	38,800	(i)	27,010	34,000
Mar 1999	Dec 2008	54,600	(i)	49,043	49,000
Sep 1987	Jun 2010	60,000	(i)	60,000	58,000
		1,429,550		1,139,748	1,397,596
				218,239	–
				1,357,987	1,397,596

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Note 14. Non-current assets – investment properties (continued)

(a) Properties (continued)

	Ownership
	%
Held by other stapled entities	
2-4 Military Road Matraville, NSW	100
79-99 St Hilliers Road, Auburn, NSW	100
3 Brookhollow Avenue, Baulkham Hills, NSW	100
1 Garigal Road, Belrose, NSW	100
2 Minna Close, Belrose, NSW	100
114-120 Old Pittwater Road, Brookvale, NSW	100
145-151 Arthur Street, Flemington, NSW	100
436-484 Victoria Road, Gladesville, NSW	100
1 Foundation Place, Greystanes, NSW	100
5-15 Roseberry Avenue & 25-55 Rothschild Avenue, Rosebery, NSW	100
10-16 South Street, Rydalmere, NSW	100
19 Chifley Street, Smithfield, NSW	100
Pound Road West, Dandenong, VIC	100
352 Macaulay Road, Kensington, VIC	100
DEXUS Industrial Estate, Boundary Road, Laverton North, VIC	100
250 Forest Road, South Lara, VIC	100
15-23 Whicker Road, Gillman, SA	100
25 Donkin Street, Brisbane, QLD	100
52 Holbeche Road, Arndell Park, NSW	100
30-32 Bessemer Street, Blacktown, NSW	100
27-29 Liberty Road, Huntingwood, NSW	100
154 O'Riordan Street, Mascot, NSW	100
11 Talavera Road, North Ryde, NSW	100
DEXUS Industrial Estate, Egerton Street, Silverwater, NSW	100
40 Biloela Street, Villawood, NSW	100
114 Fairbank Road, Clayton, VIC	100
30 Belrick Street, Acacia Ridge, QLD	100
Zone Industrial Epone II, Epone	100
19 rue de Bretagne, Saint-Quentin Fallavier	100
21 rue du Chemin Blanc, Champlan	100
32 avenue de l'Océanie, Villejust	100
RN 19 ZAC de L'Ormes Road, Servon (1)	100
RN 19 ZAC de L'Ormes Road, Servon (2)	100
Im Holderbusch 3, Industriestraße, Sulmstraße, Ellhofen – Weinsberg	100
Schillerstraße 51 Ellhofen	100
Schillerstraße 42, 42a, Bahnhofstraße 44, 50 Ellhofen	100
Im Gewerbegebiet 18 Friedewald	100
Im Steinbruch 4, 6, Knetzgau	100
Carl-Leverkus-Straße 3-5, Winkelsweg 182-184, Langenfeld	100

Acquisition date	Independent valuation date	Independent valuation amount \$'000	Independent valuer	Consolidated book value 30 June 2010 \$'000	Consolidated book value 30 June 2009 \$'000
Dec 2009	n/a	n/a	n/a	48,751	–
Sep 1997	Jun 2009	40,000	(e)	40,168	40,000
Dec 2002	Jun 2010	40,000	(e)	40,000	41,000
Dec 1998	Jun 2009	24,000	(f)	22,000	24,000
Dec 1998	Jun 2009	27,600	(f)	27,213	27,600
Sep 1997	Dec 2008	48,000	(f)	41,800	44,000
Sep 1997	Jun 2009	30,750	(g)	31,078	30,750
Sep 1997	Jun 2009	46,000	(a)	46,804	46,000
Feb 2003	Jun 2010	41,500	(f)	41,500	41,000
Apr 1998 & Oct 2001	Jun 2008	102,700	(d)	89,795	88,000
Sep 1997	Dec 2008	44,000	(e)	39,636	41,000
Dec 1998	Jun 2008	18,350	(i)	15,000	16,300
Jan 2004	Jun 2010	77,300	(i)	77,300	77,000
Oct 1998	Dec 2007	10,000	(a)	–	8,205
Jul 2002	Jun 2010	115,400	(a)	115,400	102,400
Dec 2002	Jun 2008	44,750	(a)	50,700	48,758
Dec 2002	Dec 2008	26,800	(e)	25,712	25,700
Dec 1998	Dec 2007	35,600	(e)	32,234	32,000
Jul 1998	Dec 2009	11,500	(a)	12,000	11,300
May 1997	Dec 2008	16,300	(e)	15,400	14,900
Jul 1998	Jun 2008	9,650	(a)	8,154	8,000
Jun 1997	Dec 2008	15,000	(i)	13,592	13,500
Jun 2002	Jun 2010	127,000	(g)	127,000	130,000
May 1997	Dec 2009	39,500	(e)	41,900	40,000
Jul 1997	Dec 2008	7,000	(d)	–	6,500
Jul 1997	Dec 2008	15,600	(g)	14,600	14,000
Jun 1997	Jun 2010	19,600	(d)	19,600	20,000
Jul 2006	Jun 2010	6,462	(e)	6,462	5,990
Jul 2006	Jun 2010	9,056	(e)	9,056	9,755
Jul 2006	Jun 2010	7,924	(e)	7,924	8,851
Jul 2006	Jun 2010	10,173	(e)	10,173	9,598
Jul 2006	Jun 2010	11,907	(e)	11,907	15,528
Jul 2006	Jun 2010	5,488	(e)	5,488	5,286
Dec 2006	Jun 2010	17,194	(e)	17,194	21,753
Dec 2006	Jun 2010	12,036	(e)	12,036	16,554
Dec 2006	Jun 2010	7,093	(e)	7,093	9,120
Dec 2006	Jun 2010	4,442	(e)	4,442	5,869
Dec 2006	Jun 2010	9,636	(e)	9,636	13,737
Dec 2006	Jun 2010	10,532	(e)	10,532	12,285

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Note 14. Non-current assets – investment properties (continued)

(a) Properties (continued)

	Ownership %
Held by other stapled entities (continued)	
Schneiderstraße 82, Langenfeld	100
Über der Dingelstelle, Langenweddingen	100
Nordstraße 1, Lobau	100
Former Straße 6, Unna	100
Niedesheimer Straße 24, Worms	100
Liverpooler-/ Kopenhagener-/ Osloer Straße, Duisburg	100
Bremer Ring, Hansestraße, Berlin-Wustermark	100
Theodorstraße, Düsseldorf	100
13201 South Orange Avenue, Orlando	100
8574 Bostron Church Road, Milton, Ontario, Canada	100
Governor Phillip Tower & Governor Macquarie Tower, 1 Farrer Place, Sydney, NSW ¹	50
45 Clarence Street, Sydney, NSW	100
309-321 Kent Street, Sydney, NSW ¹	50
1 Margaret Street, Sydney, NSW	100
Victoria Cross, 60 Miller Street, North Sydney, NSW	100
The Zenith, 821-843 Pacific Highway, Chatswood, NSW ¹	50
Woodside Plaza, 240 St Georges Terrace, Perth, WA	100
30 The Bond, 30-34 Hickson Road, Sydney, NSW	100
Southgate Complex, 3 Southgate Avenue, Southgate, VIC	100
201-217 Elizabeth Street, Sydney, NSW ¹	50
Garema Court, 140-180 City Walk, Civic, ACT**	100
Australia Square Complex, 264-278 George Street, Sydney, NSW ¹	50
Lumley Centre, 88 Shortland Street, Auckland, New Zealand ²	100
7100 Highlands Parkway, Atlanta	100
300 Town Park Drive, Kennesaw, Atlanta	100
1000-1200 Williams Street NW, Atlanta	100
Stone Mountain, Atlanta	100
MD Wholesale Food Park, 7951 Ocean Avenue & 7970 Tarbay Drive, Jessup, Baltimore	100
1015 & 1025 West Nursery Road, Linthicum Heights, Baltimore	100
Cabot Techs, 989-991 Corporate Boulevard, Linthicum Heights, Baltimore	100
9112 Guildford Road, Columbia, Baltimore	100
8155 Stayton Drive, Jessup, Baltimore	100
8306 Patuxent Range Road, Jessup, Baltimore	100
8332 Bristol Court, Jessup, Baltimore	100
NE Baltimore, 21 & 23 Fontana Lane, Rosedale, Baltimore	100
1181 Portal, 1831 Portal and 6615 Tributary Street, Baltimore	100
10 Kenwood Circle, Boston	100

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

² The property was externally valued at NZ\$128.5 million at 30 June 2010 and 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.

Acquisition date	Independent valuation date	Independent valuation amount \$'000	Independent valuer	Consolidated book value 30 June 2010 \$'000	Consolidated book value 30 June 2009 \$'000
Dec 2006	Jun 2010	6,233	(e)	6,233	8,016
Dec 2006	Jun 2010	6,305	(e)	6,305	7,833
Dec 2006	Jun 2009	1,904	(i)	–	1,904
Dec 2006	Jun 2010	16,191	(e)	16,191	22,953
Dec 2006	Jun 2010	4,657	(e)	4,657	6,129
Dec 2006	Jun 2010	23,642	(e)	23,642	25,535
Dec 2006	Jun 2010	11,212	(e)	11,212	13,893
Dec 2006	Jun 2010	16,621	(e)	16,621	20,544
Jun 2007	Dec 2009	27,572	(c)	28,593	30,441
Dec 2007	Dec 2009	57,375	(c)	61,999	55,017
Dec 1998	Dec 2008	680,000	(a)	624,744	615,000
Dec 1998	Jun 2009	250,000	(d)	254,834	250,000
Dec 1998	Dec 2008	199,250	(d)	178,645	177,000
Dec 1998	Dec 2009	162,500	(f)	162,719	170,000
Dec 1998	Dec 2008	124,800	(f)	128,881	120,000
Dec 1998	Jun 2010	107,500	(e)	107,500	110,000
Jan 2001	Jun 2010	425,000	(e)	425,000	400,000
May 2002	Dec 2008	170,000	(f)	150,000	150,000
Aug 2000	Jun 2009	340,000	(i)	340,372	340,000
Aug 2000	Jun 2009	140,000	(f)	140,989	140,000
Aug 2000	Mar 2009	50,600	(i)	38,083	48,000
Aug 2000	Dec 2009	264,250	(d)	265,340	267,000
Sep 2005	Jun 2010	104,404	(d)	104,404	104,603
Sep 2004	Jun 2009	13,680	(c)	–	13,680
Sep 2004	Jun 2010	6,042	(a)	6,042	8,257
Sep 2004	Jun 2010	7,861	(a)	7,861	8,874
Sep 2004	Jun 2009	6,778	(c)	–	6,778
Sep 2004	Dec 2009	18,773	(c)	19,975	23,170
Sep 2004	Jun 2010	6,771	(a)	6,771	8,997
Sep 2004	Dec 2009	21,471	(c)	19,975	30,811
Sep 2004	Jun 2010	7,626	(a)	7,626	9,860
Sep 2004	Jun 2010	7,274	(a)	7,274	9,613
Sep 2004	Jun 2010	10,325	(a)	10,325	14,050
Sep 2004	Jun 2010	9,738	(a)	9,738	12,817
Sep 2004	Jun 2010	7,321	(a)	7,321	8,874
Jun 2005	Dec 2009	10,794	(c)	11,985	13,064
Sep 2004	Jun 2009	10,352	(c)	–	10,352

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Note 14. Non-current assets – investment properties (continued)

(a) Properties (continued)

	Ownership
	%
Held by other stapled entities (continued)	
Commerce Park, Charlotte	100
9900 Brookford Street, Charlotte	100
3520-3600 Westinghouse Boulevard, Charlotte	100
1825 Airport Exchange Boulevard, Erlanger, Cincinnati	100
7453 Empire Drive, Florence, Cincinnati	100
1910 International Way, Hebron, Cincinnati	100
7930 & 7940 Kentucky Drive, Florence, Cincinnati	100
5-11 Spiral Drive, Florence, Cincinnati	100
3368-3372 Turfway Road, Erlanger, Cincinnati	100
124 Commerce, Cincinnati	100
10013-11093 Kenwood Road, Cincinnati	100
Lake Forest Drive, Cincinnati	100
World Park, 9756 & 9842 International Boulevard, Cincinnati	100
Equity/Westbelt/Dividend Drive, Columbus	100
2700 International Street, Columbus	100
3800 Twin Creeks Drive, Columbus	100
SE Columbus, 2550 John Glenn Avenue & 2626 Port Road, Columbus	100
912 113th Street & 2300 East Randoll Mill Road, Arlington, Dallas	100
1900 Diplomat Drive, Dallas	100
2055 Diplomat Drive, Dallas	100
1413 Bradley Lane, Dallas	100
850 North Lake Drive, Weatherford, Dallas	100
555 Airline Drive, Dallas	100
455 Airline Drive, Dallas	100
1141, 11460-11480 & 11550-11560 Hillguard Road, Dallas	100
11011 Regency Crest Drive, Garland, Dallas	100
885 East Collins, Boulevard, Richardson, Dallas	100
3601 East Plano Parkway & 1000 Shiloh Road, Plano, Dallas	100
2701, 2801, 2805 East Plano Parkway & 2700 Summit Avenue, Plano, Dallas	100
820-860 Avenue F, Plano, Dallas	100
10th Street, Plano, Dallas	100
1600-1700 Capital Avenue, Plano, Dallas	100
CTC @ Valwood, 13755 Hutton Drive, Dallas	100
6350 & 6360 Brackbill Boulevard, Mechanicsburg, Harrisburg	100
5045 Ritter Road & 209 Cumberland Parkway, Mechanicsburg, Harrisburg	100

Acquisition date	Independent valuation date	Independent valuation amount \$'000	Independent valuer	Consolidated book value 30 June 2010 \$'000	Consolidated book value 30 June 2009 \$'000
Sep 2004	Jun 2009	8,011	(a)	–	8,011
Sep 2004	Jun 2010	3,637	(a)	3,637	4,190
Sep 2004	Jun 2010	18,538	(a)	18,538	22,184
Sep 2004	Dec 2009	3,051	(c)	2,351	3,328
Sep 2004	Dec 2009	5,984	(c)	5,437	6,902
Sep 2004	Jun 2010	10,794	(a)	10,794	12,571
Sep 2004	Dec 2009	15,253	(c)	13,018	18,487
Sep 2004	Dec 2009	4,752	(c)	5,262	5,792
Sep 2004	Jun 2010	4,060	(a)	4,060	4,930
Sep 2004	Dec 2009	2,347	(c)	2,692	2,588
Sep 2004	Dec 2009	17,189	(c)	16,438	21,044
Sep 2004	Jun 2009	12,848	(c)	–	12,848
Sep 2004	Dec 2009	9,797	(c)	8,336	10,722
Sep 2004	Dec 2009	32,060	(c)	32,160	36,973
Sep 2004	Dec 2009	3,197	(c)	3,054	4,314
Sep 2004	Jun 2009	5,792	(c)	–	5,792
Sep 2004	Dec 2009	10,002	(c)	8,113	11,708
Sep 2004	Jun 2010	8,592	(a)	8,592	8,504
Sep 2004	Jun 2010	3,755	(a)	3,755	3,697
Sep 2004	Jun 2010	3,520	(a)	3,520	2,650
Sep 2004	Jun 2009	2,526	(c)	–	2,526
Sep 2004	Jun 2010	11,604	(a)	11,604	10,476
Sep 2004	Jun 2010	5,514	(a)	5,514	6,285
Sep 2004	Jun 2009	3,451	(c)	–	3,451
Sep 2004	Jun 2010	8,353	(a)	8,353	9,736
Sep 2004	Jun 2010	7,392	(a)	7,392	7,271
Sep 2004	Jun 2010	3,755	(a)	3,755	2,835
Sep 2004	Dec 2009	10,794	(c)	14,326	11,585
Sep 2004	Dec 2009	22,645	(c)	24,933	23,663
Sep 2004	Jun 2010	5,866	(a)	5,866	5,854
Sep 2004	Jun 2010	12,660	(a)	12,660	10,722
Sep 2004	Jun 2010	6,854	(a)	6,854	5,916
Sep 2004	Jun 2010	4,459	(a)	4,459	3,821
Sep 2004	Jun 2010	13,962	(a)	13,962	16,039
Sep 2004	Jun 2009	21,937	(c)	–	21,937

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Note 14. Non-current assets – investment properties (continued)

(a) Properties (continued)

	Ownership %
Held by other stapled entities (continued)	
181 Fulling Mill Road, Harrisburg	100
3550 Tuburn Street & 3332-3424 N. San Fernando Road, Glendale, Los Angeles	100
14489 Industry Circle, La Mirada, Los Angeles	100
14555 Alondra Boulevard, La Mirada & 6530 Altura Boulevard, Buena Park, Los Angeles	100
9210 San Fernando Road, Sun Valley, Los Angeles	100
Memphis Industrial, 3965 Pilot Drive, Memphis	100
2950 Lexington Avenue S, St Paul, Minneapolis	100
2222-2298 Wooddale Drive, St Paul, Minneapolis	100
6105 Trenton Lane North, Minneapolis	100
8575 Monticello Lane, Osseo, Minneapolis	100
7401 Cahill Road, Minneapolis	100
CTC @ Dulles, 13555 EDS Drive, Herndon, Northern Virginia	100
300 & 405-444 Swan Avenue, 2402-2520 Oakville Street & 2412-2610 Jefferson Davis Highway, Alexandria, Northern Virginia	100
45901-45905 Nokes Boulevard, Sterling, Northern Virginia	100
44633-44645 Guildford Road & 21641 Beaumeade Circle, Ashburn, Northern Virginia	100
Beaumeade Telecom, 21561-21571 Beaumeade Circle, Ashburn, Northern Virginia	100
Orlando Central Park, 7600 Kingspointe Parkway, 8259 Exchange Drive, 7451-7488 Brokerage Drive & 2700-2901 Titan Row, Orlando	100
7500 Exchange Drive, Orlando	100
105-107 South 41st Avenue, Phoenix	100
1429-1439 South 40th Avenue, Phoenix	100
10397 West Van Buren Street, Tolleson, Phoenix	100
844 44th Avenue, Phoenix	100
220 South 9th Street, Phoenix	100
431 North 47th Avenue, Phoenix	100
601 South 55th Avenue, Phoenix	100
1000 South Priest Drive, Phoenix	100
1120-1150 W. Alameda Drive, Phoenix	100
1858 East Encanto Drive, Phoenix	100
3802-3922 East University Drive, Phoenix	100
13602 12th Street, Chino, Riverside	100
3590 De Forest Circle, Mira Loma, Riverside	100
1450 E Francis Street, 4200 Santa Ana Street, 1951 S Parco Street, 1401 E Cedar Street & 1777 S Vintage Avenue, Ontario, Riverside	100
4190 Santa Ana Street, Ontario	100
16653 6th Street, 9545 Santa Anita Avenue, 9357 Richmond Place & 9371 Buffalo Avenue, Rancho Cucamonga	100
12000 Jersey Court, Rancho Cucamonga	100
7510-7520 Airway Road, San Diego	100
5823 Newton Drive, San Diego	100

Acquisition date	Independent valuation date	Independent valuation amount \$'000	Independent valuer	Consolidated book value 30 June 2010 \$'000	Consolidated book value 30 June 2009 \$'000
Sep 2004	Jun 2009	10,969	(c)	–	10,969
Sep 2004	Dec 2009	57,609	(c)	62,009	63,717
Sep 2004	Dec 2009	7,626	(c)	9,105	9,490
Sep 2004	Dec 2009	17,247	(c)	19,799	20,705
Sep 2004	Dec 2009	21,354	(c)	23,302	24,156
Sep 2004	Jun 2009	6,409	(c)	–	6,409
Sep 2004	Dec 2009	7,157	(c)	7,403	8,689
Sep 2004	Dec 2009	16,954	(c)	15,323	19,534
Sep 2004	Jun 2010	7,814	(a)	7,814	8,504
Sep 2004	Jun 2010	1,819	(a)	1,819	2,095
Sep 2004	Jun 2009	2,896	(c)	–	2,896
Sep 2004	Jun 2010	26,868	(a)	26,868	29,579
Sep 2004	Jun 2010	48,540	(a)	48,540	48,522
Sep 2004	Jun 2009	52,379	(c)	–	52,379
Sep 2004	Jun 2010	17,247	(a)	17,247	13,680
Sep 2004	Jun 2009	43,135	(c)	–	43,135
Sep 2004	Dec 2009	63,006	(c)	59,897	67,802
Sep 2004	Jun 2010	4,459	(a)	4,459	5,916
Sep 2004	Dec 2009	14,549	(c)	12,947	19,596
Sep 2004	Dec 2009	10,677	(c)	9,040	14,296
Sep 2004	Dec 2009	9,386	(c)	8,782	13,557
Sep 2004	Dec 2009	7,274	(c)	6,494	8,504
Sep 2004	Dec 2009	6,770	(c)	6,840	10,254
Sep 2004	Jun 2010	6,336	(a)	6,336	9,182
Sep 2004	Jun 2010	4,987	(a)	4,987	7,025
Sep 2004	Dec 2009	3,344	(c)	2,149	4,215
Sep 2004	Dec 2009	6,488	(c)	7,063	9,243
Sep 2004	Jun 2009	6,162	(c)	–	6,162
Sep 2004	Jun 2009	9,453	(c)	–	9,453
Sep 2004	Dec 2009	6,336	(c)	7,333	8,011
Sep 2004	Dec 2009	12,320	(c)	13,927	16,145
Sep 2004	Dec 2009	27,572	(c)	28,071	35,741
Sep 2004	Dec 2009	5,866	(c)	5,338	6,778
Sep 2004	Dec 2009	23,114	(c)	26,057	27,730
Sep 2004	Dec 2009	4,693	(c)	5,614	5,792
Sep 2004	Dec 2009	8,342	(c)	9,668	9,860
Sep 2004	Jun 2009	18,487	(c)	–	18,487

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Notes to the Financial Statements

For the year ended 30 June 2010

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Note 14. Non-current assets – investment properties (continued)

(a) Properties (continued)

	Ownership
	%
Held by other stapled entities (continued)	
2210 Oak Ridge Way, San Diego	100
Kent West Corporate Park, 21902 64th Avenue S, Kent, Seattle	100
26507 79th Avenue South, Kent, Seattle	100
8005 S. 266th Street, Kent, Seattle	100
Northpoint Business Park, West Palm Beach, South Florida	100
326-446 Ealvert Avenue & 401-403 Murry's Avenue, Northern Virginia	100
Turnpike Distribution Center, 1580 NW 27th Avenue, Pampano Beach	100
7700 68th Avenue, Brooklyn Park	100
7500 West 78h Street, Bloomington	100
1285 & 1301 Corporate Center Drive, 1230 & 1270 Eagan Industrial Road, Eagan	100
850 E Devon Avenue, 1260 N Ellis Street, 371 Meyer Road Bensenville, Chicago (O'Hare)	100
3722 Redlands Avenue, Perris	100
8151 & 8161 Interchange Parkway, San Antonio	100
Cornerstone I and II, 5411 Interstate 10 East and 1228 Cornerway Boulevard, San Antonio	100
302 and 402 Tayman Road, Port of San Antonio	100
1803 Grandstand Avenue, Alamo Downs	100
195 King Mill Road, McDonough	100
19700 38th Avenue East, Spanaway	100
6241 Shook Road, Columbus	100
Summit Oaks, Vanderbilt Way, Santa Clarita, California	100
Total other stapled entities investment properties excluding development properties	
Total other stapled entities development properties held as investment property	
Total other stapled entities investment properties	
Total investment properties	

Acquisition date	Independent valuation date	Independent valuation amount \$'000	Independent valuer	Consolidated book value 30 June 2010 \$'000	Consolidated book value 30 June 2009 \$'000
Sep 2004	Jun 2009	6,902	(c)	–	6,902
Sep 2004	Jun 2010	28,746	(a)	28,746	29,579
Sep 2004	Jun 2010	3,168	(a)	3,168	3,389
Sep 2004	Jun 2010	8,565	(a)	8,565	8,011
Sep 2004	Jun 2009	15,282	(c)	–	15,282
Sep 2004	Jun 2010	5,280	(a)	5,280	4,794
Sep 2004	Jun 2009	23,786	(c)	–	23,786
Nov 2005	Jun 2010	3,215	(a)	3,215	3,574
Nov 2005	Jun 2010	4,834	(a)	4,834	5,299
Nov 2005	Jun 2010	15,452	(a)	15,452	16,391
Dec 2007	Jun 2009	22,184	(c)	–	22,184
Jan 2008	Dec 2009	100,903	(c)	107,767	108,578
Jul 2007	Jun 2010	12,051	(a)	12,051	14,788
Aug 2007	Jun 2010	14,637	(a)	14,637	14,787
Oct 2007	Dec 2009	19,946	(c)	20,785	20,950
Aug 2007	Jun 2010	6,905	(a)	6,905	9,860
Nov 2009	Jun 2010	70,398	(a)	70,398	–
Oct 2009	Jun 2010	64,649	(a)	64,649	–
Jul 2009	Dec 2009	70,984	(c)	68,256	–
Dec 2006	Jun 2010	36,959	(a)	36,959	–
		5,946,106		5,566,470	5,723,114
				221,940	–
				5,788,410	5,723,114
				7,146,397	7,120,710

Note 14. Non-current assets – investment properties (continued)**(a) Properties** (continued)

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

Valuation basis

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

Key valuation assumptions

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

2010	Australian office	Australian industrial	Australian retail	North America industrial	Europe industrial
Weighted average capitalisation rate (%)	7.6	8.8	n/a	8.4	8.0
Weighted average lease expiry by income (yrs)	5.4	4.9	n/a	4.9	2.9
Vacancy by income (%)	3.8	2.1	n/a	15.7	17.2
2009					
Weighted average capitalisation rate (%)	7.7	8.8	6.8	8.2	8.1
Weighted average lease expiry by income (yrs)	5.4	4.3	4.5	4.3	3.1
Vacancy by income (%)	2.4	3.6	0.7	13.3	9.7

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

Acquisitions

- On 2 July 2009, D/P Rickenbacker LLC, which is owned 100% by DEXUS US Whirlpool Trust acquired a property located in Columbus, Ohio for US\$64.6 million (A\$80.3 million).
- On 5 October 2009, DEXUS Frederickson WA LLC, which is owned 100% by DEXUS Industrial Properties, Inc. acquired a property located in Seattle, Washington. The total acquisition price was US\$66.5 million (A\$76.5 million).
- On 4 November 2009, DEXUS Atlanta GA LLC, which is owned 100% by DEXUS Industrial Properties, Inc. acquired a property located in Atlanta, Georgia. The total acquisition price was US\$71.5 million (A\$79.9 million).
- On 9 December 2009, DDF acquired an industrial property, 2-4 Military Road, Matraville NSW, for \$48.7 million.
- On 8 April 2010, DXO acquired the final stage of land at Greystanes Estate NSW, for \$20.4 million. The Greystanes Estate acquisition is now completed with a gross land area of 47.4 hectares purchased for a total of \$167.4 million.
- On 7 May 2010, DDF acquired an industrial property, 108-120 Silverwater Road, Silverwater NSW, for \$25.8 million.

Disposals

- On 28 September 2009, 40 Biloela Street, Villawood, NSW was disposed of for \$6.3 million.
- All strata lots within the Macaulay Road, Kensington Estate were disposed of: Lot 6 for \$2.4 million on 5 October 2009, Lots 1-3 for \$3.1 million on 2 November 2009 and Lots 4-5 for \$2.4 million on 25 June 2010.
- On 31 March 2010, Whitford City Shopping Centre, WA was disposed of for \$256.5 million.
- During the current year, the Group disposed of 22 US industrial properties for \$220.7 million.
- During the current year, the Group disposed of five assets classified as held for sale (refer note 9).

Development

123 Albert Street, Brisbane

On 11 February 2008 the Albert and Charlotte Streets development commenced. Completion is expected in January 2011. Total development costs including land are estimated to be \$365.2 million. Total cost to date is \$225.1 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. Development has not yet commenced.

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 of net lettable area) is expected to be approved by December 2010. This site is currently undeveloped land.

Boundary Road, North Laverton, VIC

During the current year, DEXUS Projects Pty Ltd (DXP), a wholly owned subsidiary of DXO, purchased the undeveloped land at Laverton VIC from DIT for \$64.8 million. DXP has initiated the development of part of the land (73.6 hectares valued at \$45.1 million) with an intention to sell and has therefore classified this portion of the asset as inventory. The balance of 39.9 hectares (valued at \$19.7 million) remains classified as investment property.

Norwest Estate, Brookhollow Road, NSW

On 13 March 2009, subdivision approval was received for 2.1 hectares of vacant land accommodating 23,083 square metres of lettable area. Development has not yet commenced.

1 Reconciliation Road, Greystanes Estate, NSW

The Greystanes site has a gross land area of 47.4 hectares acquired from Boral in 4 stages. The final stage was acquired during the current year for \$20.4 million. Total development costs excluding land acquisition to 30 June 2010 are \$101.7 million.

San Antonio, Texas

The development of the Titan properties acquired in the initial phase consists of eight warehouse and office buildings comprising 659,580 square feet in San Antonio, Texas. Total budgeted cost for this project is US\$44.7 million (A\$52.4 million). The project shell was considered substantially completed on 10 July 2008 for Tri County 5 and Tri County 6 properties and on 19 January 2009 and 9 July 2009 for Interchange North and Port of San Antonio III properties respectively. Currently, development on Interchange 8171, Interchange 8181, Interchange 8191 and Tri County 2 properties is on hold and it will not commence until the majority of the space on the other completed buildings is leased.

(b) Reconciliation

Notes	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Opening balance as at 1 July	7,120,710	8,182,295	1,397,596	1,589,089
Additions	200,365	65,623	104,574	15,040
Acquisitions	331,565	–	25,798	–
Transfer from/(to) property, plant and equipment ¹	15	431,891	23,118	129,718
Lease incentives	55,885	50,822	8,049	3,487
Amortisation of lease incentives	(48,469)	(47,242)	(7,227)	(5,811)
Rent straightlining	2,858	3,668	655	–
Disposals	(541,541)	(20,740)	(256,500)	(8,870)
Transfer to non-current assets classified as held for sale	9	(18,068)	(43,054)	–
Transfer to inventories ²	10	(45,135)	–	–
Net fair value loss of investment properties	(209,367)	(1,517,564)	(44,676)	(164,539)
Foreign exchange differences on foreign currency translation	(134,297)	423,784	–	–
Carrying amount as at 30 June	7,146,397	7,120,710	1,357,987	1,397,596

¹ Transfers from property, plant and equipment include \$431.9 million of development property under construction for future use as investment property. During the year, DXS adopted the amendments to AASB 140 *Investment Property* as set out in note 1.

² During the year, DXP acquired the undeveloped land at Laverton VIC, a total of 113.5 hectares from DIT for \$64.8 million. DXP has initiated the development of 73.6 hectares of the site (valued at \$45.1 million) with an intention to sell and has therefore classified this portion of the land as inventory.

(c) Investment properties pledged as security

Refer to note 23 for information on investment properties pledged as security by the parent entity and its controlled entities.

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Notes to the Financial Statements

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Note 15. Non-current assets – property, plant and equipment

(a) Property, plant and equipment

30 June 2010	Consolidated				Parent entity			
	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 2009	248,824	183,067	6,729	438,620	78,418	51,300	–	129,718
Additions	–	–	1,136	1,136	–	–	–	–
Depreciation charge	–	–	(2,601)	(2,601)	–	–	–	–
Transfer to investment properties	(248,824)	(183,067)	–	(431,891)	(78,418)	(51,300)	–	(129,718)
Closing balance as at 30 June 2010	–	–	5,264	5,264	–	–	–	–
Cost	–	–	10,251	10,251	–	–	–	–
Accumulated depreciation	–	–	(4,987)	(4,987)	–	–	–	–
Net book value as at 30 June 2010	–	–	5,264	5,264	–	–	–	–

30 June 2009	Consolidated				Parent entity			
	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	–	(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

In the current year, based on the revised AASB 140 *Investment Property*, development properties being developed for future use as investment properties have been included in investment properties and were fair valued at the end of the reporting period (refer note 14).

(b) Impairment

In 2009, DXS carried out a review of the recoverable amount of its development properties that were classified as property, plant and equipment prior to the adoption of the revised AASB 140 *Investment Property*. An impairment of \$126.9 million was recognised in the Statements of Comprehensive Income.

Note 16. Non-current assets – other financial assets at fair value through profit or loss

Investments are adjusted to their fair value through profit or loss.

Name of entity	Principal activity	Ownership interest		Parent entity	
		2010 %	2009 %	2010 \$'000	2009 \$'000
Controlled entities					
DEXUS Industrial Trust ¹	Industrial property investment	100.0	100.0	–	–
DEXUS Office Trust ¹	Office property investment	100.0	100.0	–	–
DEXUS Operations Trust ¹	Asset, property and development management	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 and 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.

All controlled entities are wholly owned by the Group with the exception of DEXUS Finance Pty Limited. Both the parent entity and the controlled entities were formed in Australia.

Note 17. 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	
		2010 %	2009 %	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Held by controlled entities							
Bent Street Trust ¹	Office property investment	33.3	34.9	93,344	84,165	–	–
Total non-current assets – investment accounted for using the equity method				93,344	84,165	–	–

1 On 31 July 2009, DEXUS Wholesale Property Fund (DWPF) acquired a further 1.6% interest in the Bent Street Trust from DOT Commercial Trust, a wholly owned subsidiary of DOT.

The Bent Street Trust was formed in Australia.

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Note 17. Non-current assets – investments accounted for using the equity method (continued)

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

	Consolidated	
	2010 \$'000	2009 \$'000
Opening balance as at 1 July	84,165	111,946
Interest acquired and additions	38,739	32,916
Share of net (loss)/profit after tax ¹	(26,243)	31
Distributions received	(15)	(16)
Disposal of investment	(3,302)	(60,712)
Closing balance as at 30 June	93,344	84,165
Results attributable to associates		
Operating (loss)/profit before income tax	(26,243)	31
Operating (loss)/profit after income tax	(26,243)	31
Less: Distributions received	(15)	(16)
	(26,258)	15
Accumulated losses attributable to associates as at 1 July 2009	(6,352)	(6,367)
Accumulated losses attributable to associates as at 30 June 2010	(32,610)	(6,352)

1 Share of net loss after tax includes a fair value loss of \$26.2 million in relation to DXS's share of the Bligh Street development.

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

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

	Consolidated	
	2010 \$'000	2009 \$'000
(Loss)/profit from ordinary activities after income tax expense	(26,243)	31
Assets	97,670	86,075
Liabilities	4,326	1,910
Share of associates' expenditure commitments		
Capital commitments	67,308	96,318

Note 18. Non-current assets – investment in associates

Name of entity	Principal activity	Ownership interest		Consolidated		Parent entity	
		2010 %	2009 %	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Held by parent entity							
DEXUS Industrial Properties, Inc. ¹	Asset, property and funds management	50.0	50.0	–	–	122,627	138,276
Total non-current assets – investment in associates				–	–	122,627	138,276

1 50% of the DEXUS Industrial Properties, Inc is owned by DDF Parent. This is classified for as investment in associates and is measured at fair value through profit and loss. The remaining 50% of this entity is owned by DIT. As a result, this entity is classed as controlled on a DDF consolidated basis.

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

Note 19. Non-current assets – deferred tax assets

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
The balance comprises temporary differences attributable to:				
Investment properties	55,205	24,462	–	–
Derivative financial instruments	9,027	10,759	–	–
Tax losses	4,446	4,494	–	–
Employee provisions	10,366	8,390	–	–
Other	883	1,031	–	–
Total non-current assets – deferred tax assets	79,927	49,136	–	–
Movements				
Opening balance as at 1 July	49,136	14,882	–	–
Movements in deferred income tax arising from:				
Reversal of previous tax losses	(3,081)	(1,001)	–	–
Recognition of tax losses	3,033	529	–	–
Temporary differences	1,145	770	–	–
Credited to Statements of Comprehensive Income	1,097	298	–	–
Movements in deferred withholding tax arising from:				
Temporary differences	29,396	33,956	–	–
Foreign currency translation	298	–	–	–
Credited to Statements of Comprehensive Income	29,694	33,956	–	–
Closing balance as at 30 June	79,927	49,136	–	–

Note 20. Non-current assets – intangible assets

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Management rights				
Opening balance as at 1 July	210,500	252,176	–	–
Amortisation charge	(807)	(566)	–	–
Impairment	–	(41,110)	–	–
Reversal of previous impairment	13,307	–	–	–
Closing balance as at 30 June	223,000	210,500	–	–
Cost	252,382	252,382	–	–
Accumulated amortisation	(1,579)	(772)	–	–
Accumulated impairment	(27,803)	(41,110)	–	–
Total management rights	223,000	210,500	–	–

Management rights represent the asset management rights owned by DXH which entitle it to management fee revenue from both finite life trusts (\$8,415,850) and indefinite life trusts (\$214,584,150). Those rights that are deemed to have a finite useful life are measured at cost and amortised using the straight-line method over their estimated useful lives which vary from six to 22 years.

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Note 20. Non-current assets – intangible assets (continued)

Impairment of management rights

During the period, DXO carried out a review of the recoverable amount of its management rights. As part of this process, the estimated fair value of assets under management, which are used to derive the future expected management fee income, have been adjusted to better reflect the current market conditions. This has resulted in the recognition through the Statements of Comprehensive Income of a reversal of a previous impairment of \$13.3 million (2009: impairment of \$41.1 million).

The value in use has been determined using management forecasts in a five year discounted cash flow model. Forecasts were based on projected returns of the business in light of current market conditions. The performance in year five has been used as a terminal value. The cash flows have been discounted at 8.6%.

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Goodwill				
Opening balance as at 1 July	2,767	2,937	–	–
Impairment	(242)	(170)	–	–
Closing balance as at 30 June	2,525	2,767	–	–
Cost	2,998	2,998	–	–
Accumulated impairment	(473)	(231)	–	–
Total goodwill	2,525	2,767	–	–
Total non-current assets – intangible assets	225,525	213,267	–	–

Note 21. Non-current assets – other

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Tenant and other bonds	1,204	883	368	481
Other	2,900	5,082	–	414
Total non-current assets – other	4,104	5,965	368	895

Note 22. Current liabilities – payables

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Trade creditors	45,819	41,576	7,707	12,539
Accruals	11,007	8,609	2,384	2,053
Amount payable to other non-controlling interests	2,917	2,244	–	–
Accrued capital expenditure	30,715	8,764	16,331	1,673
Prepaid income	14,974	11,153	4,063	2,717
Responsible Entity fee payable	–	–	397	521
GST payable	1,673	766	–	–
Accrued interest	23,102	25,298	5,294	–
Total current liabilities – payables	130,207	98,410	36,176	19,503

Note 23. Interest bearing liabilities

	Notes	Consolidated		Parent entity	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Current					
Secured					
Bank loans	(c), (d)	49,831	724	–	–
Total secured		49,831	724	–	–
Unsecured					
US senior notes		122,023	–	–	–
Bank loan	(b)	–	131,161	–	–
Medium-term notes		27,227	250,000	–	–
Total unsecured		149,250	381,161	–	–
Deferred borrowing costs		(85)	(212)	–	–
Total current liabilities – interest bearing liabilities		198,996	381,673	–	–
Non-current					
Secured					
Bank loans	(c), (d), (e)	568,182	639,897	–	–
Total secured		568,182	639,897	–	–
Unsecured					
US senior notes		697,980	492,976	350,685	–
Bank loans	(a)	447,582	798,102	–	–
Medium-term notes		340,000	206,436	–	–
Preference shares	(f)	109	114	–	–
Total unsecured		1,485,671	1,497,628	350,685	–
Deferred borrowing costs		(12,767)	(10,186)	(5,504)	–
Total non-current liabilities – interest bearing liabilities		2,041,086	2,127,339	345,181	–
Total interest bearing liabilities		2,240,082	2,509,012	345,181	–

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Note 23. Interest bearing liabilities (continued)

Financing arrangements					Consolidated	
					2010 \$'000	2010 \$'000
Type of facility	Notes	Currency	Security	Maturity date	Utilised	Facility limit
US senior notes (144a)		US\$	Unsecured	Oct 14	350,685	350,685
US senior notes (USPP)		US\$	Unsecured	Feb 11 to Mar 17	469,318	469,318
Medium-term notes		A\$	Unsecured	Feb 11 to Apr 17	361,100	361,100
Medium-term notes		US\$	Unsecured	Sep 10	6,127	6,127
Multi-option revolving credit facilities	(a)	Multi Currency	Unsecured	Dec 10 to Dec 13	447,582	1,323,295
Syndicated revolving credit facility	(b)	Multi Currency	Unsecured	Sep 10	–	246,392
Bank debt – secured	(c)	US\$	Secured	Oct 11 to Feb 14	106,160	106,160
Bank debt – secured	(d)	US\$	Secured	Feb 11 to Sep 11	261,853	261,853
Bank debt – secured	(e)	A\$	Secured	Oct 11	250,000	250,000
Total					2,252,825	3,374,930
Bank guarantee utilised					7,040	
Unused at balance date					1,115,065	

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

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

(a) Multi-option revolving credit facilities

This includes 12 facilities maturing between December 2010 and December 2013 with a weighted average maturity of June 2012. The total facility limit comprises US\$120.0 million (A\$140.8 million) and A\$1,182.5 million. Of the total facility limit, A\$360.0 million is maturing in December 2010, none of which is drawn and A\$6.3 million and US\$0.7 million (A\$0.8 million) are utilised as bank guarantees for developments.

(b) Syndicated revolving credit facility

Consists of a US\$210 million (A\$246.4 million) facility, maturing in September 2010. In March 2010 an A\$300.0 million facility matured.

(c) Bank loans – secured

This includes a total of US\$90.5 million (A\$106.2 million) of secured bank debt facilities that amortise through monthly principal and interest payments with a weighted average maturity date of February 2014. The facilities are secured by mortgages over investment properties totalling US\$141.7 million (A\$166.2 million) as at 30 June 2010.

(d) Bank loans – secured

This includes a total of US\$223.2 million (A\$261.9 million) secured interest only bank facilities. During the period US\$42.8 million (A\$50.2 million) was repaid with proceeds from the sale of investment properties. The bank facilities have a weighted average maturity of July 2011. The facilities are secured by mortgages over investment properties totalling US\$389.7 million (A\$457.3 million) as at 30 June 2010.

(e) Bank loans – secured

Comprises an 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\$770.3 million as at 30 June 2010.

(f) Preferred shares

US REIT has issued US\$92,550 (A\$108,589) 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 24. Provisions

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Current				
Provision for distribution	118,110	164,529	65,885	90,389
Provision for employee benefits	16,389	13,089	–	–
Total current liabilities – provisions	134,499	177,618	65,885	90,389

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

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Provision for distribution				
Opening balance as at 1 July	164,529	182,388	90,389	102,300
Additional provisions	244,411	296,648	132,806	138,238
Payments and reinvestment of distributions	(290,830)	(314,507)	(157,310)	(150,149)
Closing balance as at 30 June	118,110	164,529	65,885	90,389

Provision for distribution

A provision for distribution has been raised for the period ended 30 June 2010. This distribution is to be paid on 27 August 2010.

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Non-current				
Provision for employee benefits	16,524	13,533	–	–
Total non-current liabilities – provisions	16,524	13,533	–	–

Note 25. Current liabilities – other

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Other borrowing costs	132	281	–	–
Total current liabilities – other	132	281	–	–

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Note 26. Non-current liabilities – deferred tax liabilities

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
The balance comprises temporary differences attributable to:				
Derivative financial instruments	1,668	3,615	–	–
Goodwill	2,525	2,767	–	–
Investment properties	6,559	–	–	–
Property, plant and equipment	–	2,670	–	–
Other	544	923	–	–
Total non-current liabilities – deferred tax liabilities	11,296	9,975	–	–
Movements				
Opening balance as at 1 July	9,975	76,543	–	–
Movements in deferred income tax arising from:				
Temporary differences	1,321	5,756	–	–
Charged to Statements of Comprehensive Income	1,321	5,756	–	–
Movements in deferred withholding tax arising from:				
Temporary differences	–	(101,227)	–	–
Foreign currency translation	–	28,903	–	–
Credited to Statements of Comprehensive Income	–	(72,324)	–	–
Closing balance as at 30 June	11,296	9,975	–	–

Note 27. Non-current liabilities – other

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Tenant bonds	7,403	8,471	369	877
Other borrowing costs	–	242	–	–
Other	6	76	–	–
Total non-current liabilities – other	7,409	8,789	369	877

Note 28. Contributed equity

(a) Contributed equity of unitholders of the parent entity

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Opening balance as at 1 July	1,741,211	1,297,831	1,741,211	1,297,831
Issue of units	–	406,496	–	406,496
Distributions reinvested	48,762	47,912	48,762	47,912
Cost of issuing units	–	(11,028)	–	(11,028)
Closing balance as at 30 June	1,789,973	1,741,211	1,789,973	1,741,211

(b) Contributed equity of unitholders of other stapled entities

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Opening balance as at 1 July	2,966,643	2,280,052	–	–
Issue of units	–	655,732	–	–
Distributions reinvested	41,598	52,508	–	–
Cost of issuing units	–	(21,649)	–	–
Closing balance as at 30 June	3,008,241	2,966,643	–	–

(c) Number of securities on issue

	Consolidated		Parent entity	
	2010 No. of securities	2009 No. of securities	2010 No. of units	2009 No. of units
Opening balance as at 1 July	4,700,841,666	3,040,019,487	4,700,841,666	3,040,019,487
Issue of units	–	1,560,453,600	–	1,560,453,600
Distributions reinvested	119,980,133	100,368,579	119,980,133	100,368,579
Closing balance as at 30 June	4,820,821,799	4,700,841,666	4,820,821,799	4,700,841,666

Terms and conditions

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

Each stapled security entitles the holder to one vote, either in person or by proxy, at a meeting of each of DDF, DIT, DOT & DXO.

(d) Distribution reinvestment plan

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

On 28 August 2009, 65,251,600 units were issued at a unit price of 69.4 cents in relation to the June 2009 distribution period.

On 26 February 2010, 54,728,533 units were issued at a unit price of 82.4 cents in relation to the December 2009 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 15% limit under ASX Listing Rule 7.1.

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Note 29. Reserves and retained profits

(a) Reserves

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Foreign currency translation reserve	(72,967)	(66,171)	–	–
Asset revaluation reserve	42,739	42,739	–	–
Total reserves	(30,228)	(23,432)	–	–
Movements:				
Foreign currency translation reserve				
Opening balance as at 1 July	(66,171)	(12,357)	–	–
Exchange difference arising from the translation of the financial statements of foreign operations	(6,796)	(53,814)	–	–
Total movement in foreign currency translation reserve	(6,796)	(53,814)	–	–
Closing balance as at 30 June	(72,967)	(66,171)	–	–
Asset revaluation reserve				
Opening balance as at 1 July	42,739	63,294	–	–
Transfer to retained profits	–	(20,555)	–	–
Total movement in asset revaluation reserve	–	(20,555)	–	–
Closing balance as at 30 June	42,739	42,739	–	–

(b) Nature and purpose of reserves

Foreign currency translation reserve

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

Asset revaluation reserve

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

(c) Retained profits

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Opening balance as at 1 July	255,023	2,000,235	205,567	704,791
Net profit/(loss) attributable to security holders	31,420	(1,459,111)	(1,599)	(360,986)
Transfer from revaluation reserves	–	20,555	–	–
Transfer of capital reserve of other non-controlling interests	(8,846)	(10,008)	–	–
Distributions provided for or paid	(244,411)	(296,648)	(132,806)	(138,238)
Closing balance as at 30 June	33,186	255,023	71,162	205,567

Note 30. Other non-controlling interests

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Interest in				
Contributed equity	200,530	200,503	–	–
Reserves	60,304	51,696	–	–
Accumulated losses	(55,559)	(45,427)	–	–
Total other non-controlling interests	205,275	206,772	–	–

Note 31. Distributions paid and payable

(a) Distribution to security holders

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
31 December (paid 26 February 2010)	126,301	132,119	66,921	47,849
30 June (payable 27 August 2010)	118,110	164,529	65,885	90,389
	244,411	296,648	132,806	138,238

(b) Distribution to other non-controlling interests

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
DEXUS RENTS Trust (paid 16 October 2009)	2,285	4,651	–	–
DEXUS RENTS Trust (paid 18 January 2010)	2,387	4,243	–	–
DEXUS RENTS Trust (paid 19 April 2010)	2,713	2,611	–	–
DEXUS RENTS Trust (payable 15 July 2010)	2,917	2,244	–	–
	10,302	13,749	–	–
Total distributions	254,713	310,397	132,806	138,238

(c) Distribution rate

	Consolidated		Parent entity	
	2010 Cents per security	2009 Cents per security	2010 Cents per unit	2009 Cents per unit
31 December (paid 26 February 2010)	2.65	3.80	1.40	1.38
30 June (payable 27 August 2010)	2.45	3.50	1.37	1.92
Total distributions	5.10	7.30	2.77	3.30

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Note 31. Distributions paid and payable (continued)**(d) Franked dividends**

The franked portions of the final dividends recommended after 30 June 2010 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 2010.

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Franking credits				
Opening balance as at 1 July	21,380	14,139	–	–
Franking credits arising during the year on payment of tax at 30%	4,996	7,241	–	–
Franking debits arising during the year on refund of tax at 30%	(6,646)	–	–	–
Closing balance as at 30 June	19,730	21,380	–	–

Note 32. Financial risk management

To ensure the effective and prudent management of the Group's 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 Group Management Committee. It convenes at least quarterly and conducts a review of financial risk management exposures including liquidity, funding strategies and hedging. It is also responsible for the development of financial risk management policies and funding strategies for recommendation to the Board Finance Committee, and the approval of treasury transactions within delegated limits and powers.

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

(1) Capital risk management

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

The capital structure of the Group consists of debt (see note 23), 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 Group's credit rating; and
- other market factors and circumstances.

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

The Group has a stated target gearing level of below 40%. The gearing ratio calculated in accordance with our covenant requirements at 30 June 2010 was 30.4% (as detailed below).

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Gearing ratio				
Total interest bearing liabilities ¹	2,252,934	2,519,410	350,685	–
Total tangible assets ²	7,419,252	7,881,793	2,350,946	2,143,619
Gearing ratio	30.4%	32.0%	14.9%	0.0%

1 Total interest bearing liabilities excludes deferred borrowing costs as reported internally to management.

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

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

DXFM is the Responsible Entity for the managed investment schemes that are stapled to form the Group. DXFM has been issued with an Australian Financial Services Licence (AFSL). The licence is subject to certain capital requirements including the requirement to hold minimum net tangible assets (of \$5 million), and 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.

(2) Financial risk management

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

Accordingly, the Group enters into various derivative financial instruments such as interest rate swaps, cross currency interest rate swaps, and foreign exchange contracts to manage its exposure to certain risks. The Group does not trade in derivative instruments for speculative purposes. The Group uses different methods to measure the different types of risks to which it is exposed, including monitoring the current and forecast levels of exposure, and conducting sensitivity 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 Group's business units. The treasury policies approved by the Board of Directors cover overall treasury risk management, as well as policies and limits covering specific areas such as liquidity risk, interest rate risk, foreign exchange risk, credit risk and the use of derivatives and other financial instruments. In conjunction with its advisers, the Responsible Entity continually reviews the Group's exposures and (at least annually) updates its treasury policies and procedures.

(a) Liquidity risk

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

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

- short-term liquidity management includes continually 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 Group's ability to refinance its current debt facilities. As the Group's debt facilities mature, they are usually required to be refinanced by extending the facility or replacing the facility with an alternative form of capital.

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

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

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For the year ended 30 June 2010

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Note 32. Financial risk management (continued)

(2) Financial risk management (continued)

(a) Liquidity risk (continued)

Refinancing risk (continued)

Consolidated	2010				2009			
	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	25,010	–	–	–	35,816	–	–	–
Payables	130,207	–	–	–	98,410	–	–	–
	(105,197)	–	–	–	(62,594)	–	–	–
Interest bearing liabilities								
Fixed interest rate liabilities	150,713	65,733	579,835	290,290	250,724	336,517	496,351	225,629
Floating interest bearing liabilities	48,368	481,751	636,135	–	131,161	481,214	597,699	–
Total interest bearing liabilities¹	199,081	547,484	1,215,970	290,290	381,885	817,731	1,094,051	225,629
Derivative financial instruments								
Derivative assets	77,823	58,316	33,558	1,907	739,625	456,059	559,433	31,656
Derivative liabilities	113,390	80,984	115,878	29,256	767,637	543,917	804,598	225,981
Total net derivative financial instruments²	(35,567)	(22,668)	(82,320)	(27,349)	(28,012)	(87,858)	(245,165)	(194,325)

1 Refer to note 23 (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 2010. Refer to note 12 Derivative Financial Instruments for fair value of derivatives.

Parent entity	2010				2009			
	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	68,162	–	–	–	17,752	–	–	–
Payables	36,176	–	–	–	19,503	–	–	–
	31,986	–	–	–	(1,751)	–	–	–
Loans with related parties	–	–	–	796,642	–	–	–	408,583
Interest bearing liabilities								
Fixed interest rate liabilities	–	–	350,685	–	–	–	–	–
Derivative financial instruments								
Derivative assets	25,328	18,900	15,804	72	400,156	282,016	295,380	18,072
Derivative liabilities	27,019	18,418	20,791	5,283	385,775	282,679	311,257	43,402
Total net derivative financial instruments¹	(1,691)	482	(4,987)	(5,211)	14,381	(663)	(15,877)	(25,330)

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 2010. Refer to note 12 Derivative Financial Instruments for fair value of derivatives. For financial guarantees refer Contingent Liabilities (note 33).

(b) Market risk

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

(i) Interest rate risk

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

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

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

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

As at 30 June 2010, 94% (2009: 92%) of the financial assets and liabilities (including DEXUS RENTS Trust) of the Group had an effective fixed interest rate.

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

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

Consolidated 30 June 2010	June 2011 \$'000	June 2012 \$'000	June 2013 \$'000	June 2014 \$'000	> June 2015 \$'000
Fixed rate debt					
A\$ fixed rate debt ¹	192,308	180,000	180,000	180,000	82,500
US\$ fixed rate debt ¹	708,038	614,870	571,303	519,508	50,603
Interest rate swaps					
A\$ hedged ¹	525,550	570,033	461,667	380,000	171,875
A\$ hedge rate (%) ²	4.74%	4.91%	5.39%	5.74%	6.11%
US\$ hedged ¹	221,115	228,414	399,450	469,867	418,132
US\$ hedge rate (%) ²	5.49%	6.10%	5.53%	5.45%	5.05%
€ hedged ¹	137,500	127,500	105,000	70,000	23,056
€ hedge rate (%) ²	4.40%	4.43%	4.55%	4.86%	4.12%
C\$ hedged ¹	50,000	50,000	50,000	50,000	28,472
C\$ hedge rate (%) ²	5.41%	5.41%	5.41%	5.41%	5.41%
Combined fixed debt and swaps (A\$ equivalent)	2,060,753	1,977,849	1,986,802	1,876,834	869,096
Hedge rate (%)	5.11%	5.48%	5.40%	5.51%	5.38%

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.

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For the year ended 30 June 2010

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Note 32. Financial risk management (continued)

(2) Financial risk management (continued)

(b) Market risk (continued)

(i) Interest rate risk (continued)

Sensitivity on interest expense

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

		Consolidated		Parent entity	
		2010 (+/-) \$'000	2009 (+/-) \$'000	2010 (+/-) \$'000	2009 (+/-) \$'000
+/- 0.50% (50 basis points)	A\$	575	613	(289)	1,567
+/- 0.50% (50 basis points)	US\$	145	180	(1,313)	(1,146)
+/- 0.50% (50 basis points)	€	11	13	–	–
+/- 0.50% (50 basis points)	C\$	–	–	–	–
Total A\$ equivalent		760	856	(1,830)	154

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

		Consolidated		Parent entity	
		2010 (+/-) \$'000	2009 (+/-) \$'000	2010 (+/-) \$'000	2009 (+/-) \$'000
+/- 0.50% (50 basis points)	A\$	12,348	15,026	5,679	(8,665)
+/- 0.50% (50 basis points)	US\$	17,427	27,651	3,295	5,082
+/- 0.50% (50 basis points)	€	2,777	2,651	–	–
+/- 0.50% (50 basis points)	C\$	1,784	2,714	–	–
Total A\$ equivalent		38,762	56,607	9,545	(2,402)

(ii) Foreign exchange risk

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

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

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

The objective of the Group's foreign exchange risk management policy is to ensure that movements in exchange rates have minimal adverse impact on the Group's foreign currency assets and liabilities, and net foreign currency cash flows as outlined on page 79.

Foreign currency assets and liabilities

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

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

The Group's net foreign currency exposures for net investments in foreign operations and hedging instruments are as follows:

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
US\$ assets ¹	1,187,770	1,311,445	413,241	374,110
US\$ net borrowings ²	(1,184,295)	(966,477)	(298,889)	–
US\$ cross currency swaps ³	–	(251,700)	–	(221,700)
US\$ denominated net investment	3,475	93,268	114,352	152,410
% hedged	100%	93%	72%	59%
€ assets ¹	137,350	138,675	–	–
€ net borrowings ²	(54,952)	(39,305)	–	–
€ cross currency swaps ³	(80,000)	(100,000)	–	–
€ denominated net investment	2,398	(630)	–	–
% hedged	98%	100%	–	–
C\$ assets ¹	55,650	51,600	–	–
C\$ net borrowings ²	–	–	–	–
C\$ cross currency swaps ³	(50,000)	(70,000)	–	–
C\$ denominated net investment	5,650	(18,400)	–	–
% hedged	90%	136%	–	–
NZ\$ assets ¹	128,484	130,000	–	–
NZ\$ net borrowings ²	–	–	–	–
NZ\$ cross currency swaps ³	–	–	–	–
NZ\$ denominated net investment	128,484	130,000	–	–
% hedged	0%	0%	–	–
Total foreign net investment (A\$ equivalent)	116,066	198,835	134,169	187,839
Total % hedged	93%	90%	72%	59%

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.

Notes to the Financial Statements

For the year ended 30 June 2010

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Note 32. Financial risk management (continued)

(2) Financial risk management (continued)

(b) Market risk (continued)

(ii) Foreign exchange risk (continued)

Sensitivity on equity (foreign currency translation reserve)

The table below shows the impact on the foreign currency translation reserve for changes in the translated value of foreign currency assets and liabilities for an increase and decrease in foreign exchange rates per currency. The increase and decrease in cents per currency has been based on the historical movements of the Australian dollar relative to each currency¹. The cents per currency has been applied to the spot rates prevailing at 30 June 2010². The impact on the foreign currency translation reserve arises as the translation of the Group's foreign currency assets and liabilities are recorded (in Australian Dollars) directly in the foreign currency translation reserve.

		Consolidated		Parent entity	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
+ 11.3 cents (11%) (2009:15.7 cents)	US\$ (A\$ equivalent)	478	18,636	–	–
– 11.3 cents (11%) (2009:15.7 cents)	US\$ (A\$ equivalent)	(624)	(27,577)	–	–
+ 6.4 cents (10%) (2009:6.4 cents)	€ (A\$ equivalent)	388	(110)	–	–
– 6.4 cents (10%) (2009:6.4 cents)	€ (A\$ equivalent)	(500)	137	–	–
+ 10.4 cents (9%) (2009:10.0 cents)	NZ\$ (A\$ equivalent)	8,156	7,615	–	–
– 10.4 cents (9%) (2009:10.0 cents)	NZ\$ (A\$ equivalent)	(9,666)	(8,931)	–	–
+ 7.5 cents (8%) (2009:7.3 cents)	C\$ (A\$ equivalent)	486	(1,417)	–	–
– 7.5 cents (8%) (2009:7.3 cents)	C\$ (A\$ equivalent)	(575)	1,656	–	–

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 2010: A\$/US\$ 0.8523 (2009: 0.8114), A\$/€ 0.6979 (2009: 0.5751), A\$/NZ\$ 1.2308 (2009: 1.2428), A\$/C\$ 0.8976 (2009: 0.9379).

Sensitivity on fair value of cross currency swaps

The table below shows the impact on the Statements of Comprehensive Income 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 swaps¹. The Group has elected not to apply hedge accounting to its cross currency swaps. Accordingly, gains or losses arising from changes in the fair value are reflected in the Statements of Comprehensive Income.

		Consolidated		Parent entity	
		2010 (+/-) \$'000	2009 (+/-) \$'000	2010 (+/-) \$'000	2009 (+/-) \$'000
+/- 0.50% (50 basis points)	US\$ (A\$ equivalent)	7	45	3	42
+/- 0.50% (50 basis points)	€ (A\$ equivalent)	16	2	–	–
+/- 0.50% (50 basis points)	C\$ (A\$ equivalent)	3	91	–	–
Total A\$ equivalent		26	138	3	42

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).

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 2010 are as follows:

	2010	2010	2010	2009	2009	2009
	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
Over 1 and less than 2 years	4.4	6.2	0.7097	5.6	7.9	0.7084
More than 2 years	5.2	7.7	0.6725	9.6	13.9	0.6892

	2010	2010	2010	2009	2009	2009
	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	2.0	1.7	1.1848	4.0	3.4	1.1780
Over 1 and less than 2 years	–	–	–	2.0	1.7	1.1847
More than 2 years	–	–	–	–	–	–

Sensitivity on fair value of foreign exchange contracts

The table below shows the impact on the Statements of Comprehensive Income for changes in the fair value of forward foreign exchange contracts for an increase and decrease in market rates. The increase and decrease in cents per currency has been based on the historical movements of the Australian dollar relative to each currency¹. The cents per currency has been applied to the spot rates prevailing at 30 June 2010². The sensitivity on the fair value arises from the impact that changes in market rates will have on the mark-to-market valuation of the forward foreign exchange contracts.

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

		Consolidated		Parent entity	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
+ 11.3 cents (13%) (2009:15.7 cents)	US\$ (A\$ equivalent)	1,659	4,277	649	2,100
– 11.3 cents (13%) (2009:15.7 cents)	US\$ (A\$ equivalent)	(1,271)	(6,329)	(497)	(3,108)
+ 10.4 cents (9%) (2009:10.0 cents)	NZ\$ (A\$ equivalent)	124	347	–	–
– 10.4 cents (9%) (2009:10.0 cents)	NZ\$ (A\$ equivalent)	(146)	(408)	–	–

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 2010: A\$/US\$ 0.8523 (2009: 0.8114), A\$/€ 0.6979 (2009: 0.5751), A\$/NZ\$ 1.2308 (2009: 1.2428), A\$/C\$ 0.8976 (2009: 0.9379).

Note 32. Financial risk management (continued)**(2) Financial risk management** (continued)**(c) Credit risk**

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

The Group manages this risk by:

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

A minimum S&P rating of A– (or Moody's or Fitch equivalent) is required to become or remain an approved counterparty. As at 30 June 2010, the lowest rating of counterparties the Group was exposed to was A (S&P) (2009: A (S&P)).

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

The maximum exposure to credit risk at 30 June 2010 and 30 June 2009 was the carrying amount of financial assets recognised on the Statements of Financial Position of the Group and parent entity.

As at 30 June 2010 and 30 June 2009, the Group and the parent 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.

For the consolidated entity, the ageing analysis of loans and receivables net of provisions at 30 June 2010 is (\$'000): 23,356.6 (0-30 days), 1,045.0 (31-60 days), 184.4 (61-90 days), 424.0 (91+ days).

The ageing analysis of loans and receivables net of provisions at 30 June 2009 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 2010 is (\$'000): 68,036.6 (0-30 days), 58.5 (31-60 days), 10.4 (61-90 days), 56.5 (91+ days). The ageing analysis of loans and receivables net of provisions for the parent entity at 30 June 2009 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.

(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 2010, the carrying amounts and fair value of financial assets and liabilities are shown as follows:

Consolidated	2010 Carrying amount¹ \$'000	2010 Fair value² \$'000	2009 Carrying amount¹ \$'000	2009 Fair value² \$'000
Financial assets				
Cash and cash equivalents	64,419	64,419	84,845	84,845
Loans and receivables (current)	25,010	25,010	35,816	35,816
Derivative assets	146,324	146,324	205,491	205,491
Total financial assets	235,753	235,753	326,152	326,152
Financial liabilities				
Trade payables	130,207	130,207	98,410	98,410
Derivative liabilities	322,161	322,161	386,224	386,224
Interest bearing liabilities				
Fixed interest bearing liabilities	1,086,571	1,263,432	1,290,735	1,375,409
Floating interest bearing liabilities	1,166,254	1,166,254	1,228,561	1,228,561
Preference shares	109	109	114	114
Total financial liabilities	2,705,302	2,882,163	3,004,044	3,088,718
Parent entity	2010 Carrying amount¹ \$'000	2010 Fair value² \$'000	2009 Carrying amount¹ \$'000	2009 Fair value² \$'000
Financial assets				
Cash and cash equivalents	2,163	2,163	27,268	27,268
Loans and receivables (current)	68,162	68,162	17,752	17,752
Derivative assets	70,628	70,628	97,805	97,805
Loans with related parties	796,642	796,642	408,583	408,583
Total financial assets	937,595	937,595	551,408	551,408
Financial liabilities				
Trade payables	36,176	36,176	19,503	19,503
Derivative liabilities	78,496	78,496	149,545	149,545
Interest bearing liabilities				
Fixed interest bearing liabilities	350,685	429,541	–	–
Loans with related parties	34,332	34,332	34,332	34,332
Total financial liabilities	499,689	578,545	203,380	203,380

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

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

The fair value of interest bearing liabilities and derivative financial instruments has been determined by discounting the expected future cash flows by the relevant market interest rates. The discount rates applied range from 0.53% to 4.21% for US\$ and 4.79% to 6.08% for A\$. Refer note 1(x) for fair value methodology for financial assets and liabilities.

Note 32. Financial risk management (continued)

(2) Financial risk management (continued)

(d) Fair value of financial instruments (continued)

Determination of fair value

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

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

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

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

The following tables present the consolidated and parent entity's assets and liabilities measured and recognised as at fair value at 30 June 2010.

Consolidated financial assets and liabilities	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2010 \$'000
Financial assets				
Derivative assets				
Interest rate derivatives	–	122,219	–	122,219
Cross currency swaps	–	21,252	–	21,252
Forward exchange contracts	–	2,853	–	2,853
	–	146,324	–	146,324
Financial liabilities				
Interest bearing liabilities				
Fixed interest bearing liabilities	–	1,263,432	–	1,263,432
Floating interest bearing liabilities	–	1,166,254	–	1,166,254
	–	2,429,686	–	2,429,686
Derivative liabilities				
Interest rate derivatives	–	308,946	–	308,946
Cross currency swaps	–	12,898	–	12,898
Forward exchange contracts	–	317	–	317
	–	322,161	–	322,161
Parent financial assets and liabilities	Level 1	Level 2	Level 3	2010
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Derivative assets				
Interest rate derivatives	–	69,497	–	69,497
Forward exchange contracts	–	1,131	–	1,131
	–	70,628	–	70,628
Financial liabilities				
Interest bearing liabilities				
Fixed interest bearing liabilities	–	429,541	–	429,541
	–	429,541	–	429,541
Derivative liabilities				
Interest rate derivatives	–	73,338	–	73,338
Cross currency swaps	–	5,065	–	5,065
Forward exchange contracts	–	93	–	93
	–	78,496	–	78,496

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

Note 33. Contingent liabilities

Details and estimates of maximum amounts of contingent liabilities are as follows:	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Bank guarantees by the Group in respect of variations and other financial risks associated with the development of:				
60 Miller Street, North Sydney, NSW	–	497	–	–
Atlantic Corporate Park, Sterling, Virginia, USA	–	1,359	–	–
San Antonio properties	–	841	–	–
1 Bligh Street, Sydney, NSW ¹	2,650	3,820	–	–
123 Albert Street, Brisbane, QLD	3,601	2,000	3,601	2,000
Beaumeade, Ashburn, Northern Virginia, USA	789	1,028	–	–
Total contingent liabilities	7,040	9,545	3,601	2,000

¹ Bank guarantee held in relation to an equity accounted investment (refer note 17).

DDF together with DIT, DOT and DXO is also a guarantor of a US\$210.0 million (A\$246.4 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 bilateral facilities, a total of A\$361.1 million of medium-term notes, a total of US\$400.0 million (A\$493.0 million) of privately placed notes, and a total of US\$300.0 million (A\$352.0 million) public 144a senior notes, which have all been negotiated to finance the Group and other entities within DXS. The guarantees have been given in support of debt outstanding and drawn against these facilities, and may be called upon in the event that a borrowing entity has not complied with certain requirements such as failure to pay interest or repay a borrowing, whichever is earlier. During the period no guarantees were called.

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

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

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

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Note 34. Commitments

(a) Capital commitments

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

Capital expenditure commitments:

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Not longer than one year				
3 Brookhollow Avenue, Norwest, NSW	93	421	–	–
Governor Phillip Tower & Governor Macquarie Tower 1 Farrer Place, Sydney, NSW	1,986	3,310	–	–
Southgate Complex, 3 Southgate Avenue, Southgate, VIC	756	74	–	–
7930 & 7940 Kentucky Drive, Florence, Cincinnati	718	–	–	–
10013-11093 Kenwood Road, Cincinnati	–	276	–	–
Capital Avenue Dallas	21	193	–	–
2700 Summit Avenue, Plano, Dallas	360	100	–	–
CTC @ Valwood, 13755 Hutton Drive, Dallas	–	26	–	–
1800-1808 10th Street, Plano, Dallas	–	63	–	–
2950 Lexington Avenue S, St Paul, Minneapolis	621	28	–	–
2222-2298 Wooddale Drive, St Paul, Minneapolis	254	12	–	–
6105 Trenton Lane North, Minneapolis	–	25	–	–
Eagandale Business Campus, Minneapolis	187	179	–	–
45901-45905 Nokes Boulevard, Sterling, Northern Virginia	–	1,232	–	–
1120-1150 West Alameda Drive, Tempe, Phoenix	–	59	–	–
3802-3922 East University Drive, Phoenix	–	308	–	–
105-107 South 41st Avenue, Phoenix	282	211	–	–
1429-1439 South 40th Avenue, Phoenix	170	–	–	–
601 South 55th Avenue, Phoenix	66	468	–	–
220 South 9th Street, Phoenix	–	136	–	–
13602 12th Street, Chino, Riverside	–	48	–	–
Interchange South, San Antonio	–	128	–	–
7510-7520 Airway Road, San Diego	211	–	–	–
5823 Newton Drive, San Diego	–	338	–	–
1000-1200 Williams Street NW, Atlanta	159	–	–	–
MD Wholesale Market Food, 7951 Ocean Avenue & 7970 Tarbay Drive, Jessup, Baltimore	235	–	–	–
1181 Portal, 1831 Portal Street and 6615 Tributary Street, Baltimore	84	–	–	–
3520-3600 Westinghouse Boulevard, Charlotte	82	–	–	–
1441, 11460-11480 & 11550-11560 Hillguard Road, Dallas	57	–	–	–
11011 Regency Crest Drive, Dallas	59	–	–	–
3601 East Plano/1000 Shiloh, Dallas	299	–	–	–
6350 & 6360 Brackbill Boulevard, Harrisburg	863	–	–	–
3550 Tyburn Street & 3332-3424 N San Fernando Road, Glendale, Los Angeles	108	–	–	–
7500 West 78h Street, Bloomington	174	–	–	–

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Orlando Central Park, 7600 Kingspointe Parkway, 8259 Exchange Drive, 7451-7488 Brokerage Drive & 2700-2901 Titan Row, Orlando	3,831	–	–	–
13201 South Orange Avenue, Orlando	76	–	–	–
1450 E Francis Street, 4200 Santa Ana Street, 1951 S Parco Street, 1401 E Cedar Street & 1777 S Vintage Avenue, Ontario, Riverside	173	–	–	–
Cornerstone Building, 5411 I-10 East & 1228 Cornerway Boulevard, San Antonio	65	–	–	–
Interchange North 1, 3003, 3005 NE I-410 Loop, San Antonio	293	–	–	–
Tri County 6, Tri-County Parkway, Schertz	165	–	–	–
Port of San Antonio III	313	–	–	–
1 Reconciliation Road, Greystanes Estate, NSW	20,106	27,174	–	–
Australia Square Complex, 264-278 George Street, Sydney, NSW	–	68	–	–
180 Flinders Lane, Melbourne, VIC	–	752	–	752
189 Flinders Lane, Melbourne, VIC	–	169	–	169
The Zenith, 821-843 Pacific Highway, Chatswood, NSW	1,811	197	–	–
60 Miller Street, North Sydney, NSW	765	195	–	–
14 Moore Street, Canberra, ACT	–	441	–	441
44 Market Street, Sydney, NSW	403	830	–	830
123 Albert Street, Brisbane QLD	123,008	122,565	123,008	108,110
1 Margaret Street, Sydney, NSW	369	–	–	–
45 Clarence Street, Sydney, NSW	1,200	–	–	–
309-321 Kent Street, Sydney, NSW	1,121	–	–	–
383-395 Kent Street, Sydney, NSW	3,647	–	3,647	–
Axxess Corporate Park, 164-180 Forster Road, 11 & 21-45 Gilby Road, 307-355 Ferntree Gully Road, Mount Waverley, VIC	129	–	129	–
5-15 Roseberry Avenue & 25-55 Rothschild Avenue, Rosebery, NSW	172	–	–	–
RN 19 ZAC de L'Ormes Road, Servon (2)	1,614	–	–	–
	167,106	160,026	126,784	110,302
Later than one year but no later than five years				
Governor Phillip Tower & Governor Macquarie Tower 1 Farrer Place, Sydney, NSW	–	1,532	–	–
Southgate Complex, 3 Southgate Avenue, Southgate, VIC	–	1,066	–	–
1 Reconciliation Road, Greystanes Estate, NSW	2,000	–	–	–
44 Market Street, Sydney, NSW	–	1,160	–	1,160
123 Albert Street, Brisbane, QLD	–	50,657	–	65,112
	2,000	54,415	–	66,272
Total capital commitments	169,106	214,441	126,784	176,574

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Note 34. Commitments (continued)**(b) Lease payable commitments****Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities payable:**

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Within one year	2,375	290	290	290
Later than one year but not later than five years	10,372	1,162	1,162	1,162
Later than five years	6,388	6,680	6,388	6,680
Total lease payable commitments	19,135	8,132	7,840	8,132

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

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

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

(c) Lease receivable commitments**The future minimum lease payments receivable by the Group are:**

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Within one year	500,921	526,791	40,685	91,732
Later than one year but not later than five years	1,533,216	1,725,306	94,620	287,312
Later than five years	790,633	794,480	23,809	163,684
Total lease receivable commitments	2,824,770	3,046,577	159,114	542,728

Note 35. Related parties**Responsible Entity**

DXFM is the Responsible Entity of the Group.

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

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

Responsible Entity fees

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

Related party transactions

Responsible Entity fees in relation to DXS assets are on a cost recovery basis as reflected in the parent entity's transactions with DXFM.

All agreements with third party funds are conducted on normal commercial terms and conditions.

DXS and its related parties

	Consolidated		Parent entity	
	2010 \$	2009 \$	2010 \$	2009 \$
Responsible Entity fees paid and payable	–	–	5,174,882	6,358,061
Property management fees	–	–	3,422,924	2,409,931
Recovery of administration expenses	–	–	4,445,229	4,269,966
Aggregate amounts payable to the Responsible Entity at the end of each reporting period (included above)	–	–	397,420	520,758
Property management fees payable at the end of each reporting period (included above)	–	–	591,261	667,500
Administration expenses payable at the end of each reporting period (included above)	–	–	160,542	381,051
Interest bearing loans to entities within DXS at the end of each reporting period	–	–	796,641,893	408,583,000
Non-interest bearing loans from Stapled Entities at the end of each reporting period	–	–	34,332,000	34,332,000
Interest income received and receivable from entities within DXS	–	–	30,026,770	8,867,820
Interest income receivable from entities within DXS at the end of each reporting period (included above)	–	–	496,991	9,755
Interest expenses paid and payable to entities within DXS	–	–	–	2,193,506
Interest expenses payable to entities within DXS at the end of each reporting period (included above)	–	–	–	4,773,005

DEXUS Wholesale Property Fund

	Consolidated		Parent entity	
	2010 \$	2009 \$	2010 \$	2009 \$
Responsible Entity fee income	15,065,851	16,164,383	–	–
Property management fee income	5,878,083	5,800,897	–	–
Recovery of administration expenses	1,404,968	674,901	–	–
Aggregate amount receivable at the end of each reporting period (included above)	1,277,966	1,324,213	–	–
Property management fees receivable at the end of each reporting period (included above)	353,501	527,970	–	–
Administration expenses receivable at the end of each reporting period (included above)	267,239	191,249	–	–

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Note 35. Related parties (continued)

The Syndicates

	Consolidated		Parent entity	
	2010 \$	2009 \$	2010 \$	2009 \$
Responsible Entity fee income	958,425	1,722,262	–	–
Property management fee income	962,107	1,830,192	–	–
Performance fee – Northgate Syndicate	1,752,500	–	–	–
Recovery of administration expenses	388,551	196,541	–	–
Aggregate amount receivable at the end of each reporting period (included above)	63,471	609,967	–	–
Property management fees receivable at the end of each reporting period (included above)	21,283	91,106	–	–
Administration expenses receivable at the end of each reporting period (included above)	21,398	58,371	–	–

Bent Street Trust

	Consolidated		Parent entity	
	2010 \$	2009 \$	2010 \$	2009 \$
Property management fee income	1,403,196	5,418,913	–	–
Recovery of administration expenses	5,885	17,928	–	–

Transactions with Master Development Corporation (“MDC”)

As part of the MDC acquisition (refer note 36), the Group purchased furniture, computers and equipment for approximately US\$100,000 (A\$117,330). These assets were recorded at their purchase price being fair value.

The Group has also entered into a two year lease agreement with the two MDC principals for the Newport office. Annual rental payable is US\$180,000 (A\$211,193).

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

Directors

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

C T Beare, BSc, BE (Hons), MBA, PhD, FAICD^{1,4,5}

E A Alexander AM, BComm, FCA, FAICD, FCPA^{1,2,6}

B R Brownjohn, BComm^{1,2,5,6}

J C Conde AO, BSc, BE (Hons), MBA^{1,3,4}

S F Ewen OAM^{1,4}

V P Hoog Antink, BComm, MBA, FCA, FAPI, FRICS, MAICD

B E Scullin, BEc^{1,3,7}

P B St George, CA(SA), MBA^{1,2,5,6}

1 Independent Director

2 Audit Committee Member

3 Compliance Committee Member

4 Nomination and Remuneration Committee Member

5 Finance Committee Member

6 Risk and Sustainability Committee Member (name changed from Board Risk Committee on 2 June 2010)

7 Nomination and Remuneration Committee Member from 1 July 2009 to 31 August 2009

No Directors held an interest in the Group for the year ended 30 June 2010 and 30 June 2009.

Other Key Management Personnel

In addition to the Directors listed above the following persons were deemed by the Board Nomination and Remuneration Committee to be Key Management Personnel during all or part of the financial year:

Name	Position
Victor P Hoog Antink	Chief Executive Officer
Tanya Cox	Chief Operating Officer
Patricia A Daniels	Head of Human Resources
John C Easy	General Counsel
Jane Lloyd	Head of US Investments
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 Group for the years ended 30 June 2010 and 30 June 2009.

There were no loans or other transactions with Key Management Personnel or their related parties during the years ended 30 June 2010 and 30 June 2009.

	2010 \$	2009 \$
Compensation		
Short-term employee benefits	9,174,298	7,910,223
Post-employment benefits	328,058	563,665
Other long-term benefits	3,797,553	1,509,929
	13,299,909	9,984,817

The Group has shown the detailed remuneration disclosures in the Directors' Report. The relevant information can be found in section 3 of the Directors' Report starting on page 14.

Note 36. Business combinations

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

Note 37. Events occurring after reporting date

On 27 July 2010, DXO entered into a project delivery agreement with Fujitsu Limited for the development of a 17,025 square metre data centre warehouse at Greystanes, NSW.

On 11 August 2010, DXP entered into an agreement with Loscam Limited for development of a 31,400 square metre warehouse facility at Laverton, VIC.

On 16 August 2010, DXP acquired a 7.6 hectare parcel of vacant industrial development land located at Erskine Park, NSW for \$15 million (GST exclusive).

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

Note 38. Operating segments**(a) Description of segments**

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

Office – Australia and New Zealand	This operating segment comprises office space with any associated retail space, as well as car parks and office developments in Australia and New Zealand.
Industrial – Australia	This operating segment comprises domestic industrial properties, industrial estates and industrial developments in Australia.
Industrial – North America	This comprises industrial properties, industrial estates and industrial developments in the United States as well as one industrial asset in Canada.
Management Company	The domestic and US based management companies are responsible for asset, property and development management of Office, Industrial and Retail properties for DXS and the third party funds management business.
Financial Services	The treasury function of DXS is managed through a centralised treasury department. As a result, all treasury related financial information relating to borrowings, finance costs as well as fair value movements in derivatives, are prepared and monitored separately.
All other segments	This comprises the European industrial and retail portfolios. These operating segments do not meet the quantitative thresholds set out in AASB 8 <i>Operating Segments</i> due to their relatively small scale. As a result these non-core operating segments have been included in "all other segments" in the operating segment information shown on pages 93 to 97.

(b) Segment information provided to the CODM

The segment information provided to the CODM for the reportable segments for the year ended 30 June 2010 and 30 June 2009 includes the following:

	Office Australia & New Zealand	Industrial Australia	Industrial North America	Management Company	Financial Services	All other segments	Eliminations	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
30 June 2010								
Segment performance measures								
Property revenue	335,336	137,213	146,843	–	–	43,676	–	663,068
Management fee revenue	–	–	–	51,588	–	–	–	51,588
Interest revenue	–	–	–	–	1,484	–	–	1,484
Inter-segment revenue	199	–	–	28,987	–	–	(29,186)	–
Total operating segment revenue	335,535	137,213	146,843	80,575	1,484	43,676	(29,186)	716,140
Net operating income (NOI)	245,106	109,939	99,135	–	–	30,227	–	484,407
Management company EBIT	–	–	–	6,121	–	–	–	6,121
Finance costs	–	–	–	–	(190,685)	–	–	(190,685)
Compensation related expenses	–	–	–	(58,978)	–	–	–	(58,978)
Net fair value loss of investment property ¹	(57,530)	(47,878)	(113,104)	–	–	(17,098)	–	(235,610)
Reversal of previous impairment	–	–	–	–	–	13,307	–	13,307
Net loss on sale of investment property	(508)	(3,514)	(49,320)	–	–	–	–	(53,342)
Net fair value loss on derivatives	–	–	–	–	5,401	–	–	5,401
Segment asset measures								
Direct property portfolio	4,109,029	1,547,938	1,452,809	–	–	196,809	–	7,306,585
Additions to investment property	199,971	55,294	30,759	–	–	2,947	–	288,971
Acquisition of investment property	–	94,852	236,713	–	–	–	–	331,565
Segment liability measures								
Interest bearing liabilities	–	–	–	–	2,240,082	–	–	2,240,082

1 Includes net fair value loss on investment property of \$209.4 million and the Group's share of the net fair value loss of its investments accounted for using the equity accounted method of \$26.3 million.

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Note 38. Operating segments (continued)

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

	Office Australia & New Zealand	Industrial Australia	Industrial North America	Management Company	Financial Services	All other segments	Eliminations	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
30 June 2009								
Segment performance measures								
Property revenue	331,567	135,256	188,691	–	–	52,992	–	708,506
Management fee revenue	–	–	–	63,663	–	–	–	63,663
Interest revenue	–	–	–	–	3,225	–	–	3,225
Inter-segment revenue	1,383	–	–	30,936	–	–	(32,319)	–
Total operating segment revenue	332,950	135,256	188,691	94,599	3,225	52,992	(32,319)	775,394
Net operating income (NOI)	246,707	109,245	132,750	–	–	39,241	–	527,943
Management company EBIT	–	–	–	21,025	–	–	–	21,025
Finance costs	–	–	–	–	(384,241)	–	–	(384,241)
Compensation related expenses	–	–	–	(59,282)	–	–	–	(59,282)
Net fair value loss of investment property ¹	(604,608)	(226,413)	(697,917)	–	–	(115,515)	–	(1,644,453)
Impairment of management rights	–	–	–	–	–	(41,110)	–	(41,110)
Net (loss)/gain on sale of investment property	(541)	104	(1,393)	–	–	(50)	–	(1,880)
Net fair value gain/loss on derivatives	–	–	–	–	(21,209)	–	–	(21,209)
Segment asset measures								
Direct property portfolio	4,046,070	1,504,619	1,674,038	–	–	511,132	–	7,735,859
Additions to investment properties	135,258	85,515	67,143	–	–	5,360	–	293,276
Acquisition of investment properties	–	27,165	–	–	–	–	–	27,165
Segment liability measures								
Interest bearing liabilities	–	–	–	–	2,509,012	–	–	2,509,012

1 Includes net fair value loss on investment properties of \$1,517.6 million and impairment on development properties of \$126.9 million.

(c) Other segment information

(i) Segment revenue

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

Revenue from external customers is derived predominantly through property revenue and management fee revenue. A breakdown of revenue by operating segment is provided in the tables above. DXS internally manages many of its investment properties for which inter-segment management fees are received (refer note 35 for information relating to inter-company management fee income). Furthermore, inter-segment rental income is received from the funds management company. These amounts are eliminated on consolidation (refer to reconciliation below).

	Consolidated	
	2010 \$'000	2009 \$'000
Gross operating segment revenue	745,326	807,713
Less: Inter-segment revenue eliminated on consolidation		
Property rental revenue	(874)	(2,383)
Responsible entity fee revenue	(19,048)	(22,704)
Other management fee revenue	(9,939)	(8,232)
Other eliminations	675	1,000
Total inter-segment revenue	(29,186)	(32,319)
Total revenue from ordinary activities	716,140	775,394

DXS is domiciled in Australia. The result of its revenue from external customers in Australia is \$544.7 million (2009: \$557.0 million), and the total revenue from external customers in other countries is \$171.4 million (2009: \$218.4 million). Revenue from external customers includes \$146.8 million (2009: \$188.7 million) attributable to the United States portfolio. Segment revenues are allocated based on the country in which the investment property is located.

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

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Note 38. Operating segments (continued)

(c) Other segment information (continued)

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

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

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

	2010 \$'000	2009 \$'000
Property revenue per Statements of Comprehensive Income	663,068	708,506
Property expenses per Statements of Comprehensive Income	(169,753)	(174,485)
Intercompany property revenue and expenses ¹	(8,908)	(6,078)
Net operating income (NOI)	484,407	527,943
Add: management company EBIT	6,121	21,025
Less: Internal management fees ²	(19,048)	(22,704)
Less: Inter-segment eliminations	(1,031)	(2,154)
Other income and expense ³	(9,140)	(9,591)
Operating EBIT	461,309	514,519
Interest revenue	1,484	3,225
Finance costs	(190,685)	(384,241)
Share of net losses of associates accounted for using the equity method	(26,243)	31
Net fair value loss of investment properties ⁴	(209,367)	(1,644,453)
Net loss on sale of assets	(53,342)	(1,880)
Net loss on sale of investment	(15)	(534)
Net fair value gain/(loss) of derivatives	5,401	(21,209)
Impairment	(242)	(41,110)
Reversal of previous impairment	13,307	–
Tax benefit	29,983	120,236
Other non-controlling interests	(170)	(3,695)
Net profit/(loss) attributable to stapled security holders	31,420	(1,459,111)

1 Includes internal property revenue of \$0.2 million and internal property expenses of \$9.1 million included in NOI for management reporting purposes but eliminated for statutory accounting purposes. The internal property management expenses comprise of property management fees included in the Management Company EBIT.

2 Elimination of internally generated Responsible Entity fees of \$16.7 million and \$2.3 million other internal management fees.

3 Other income and expenses comprise of foreign exchange gains, depreciation, other income and expenses excluding amounts included in the Management Company's EBIT.

4 2009 comparative includes net fair value loss of investment properties of \$1,517.6 million and \$126.9 million relating to development properties classified as impairment in the Statements of Comprehensive Income.

(iii) Segment assets

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

DXS is domiciled in Australia. Total non-current assets other than financial instruments and deferred tax assets located in Australia is \$5,868.1 million (2009: \$5,943.2 million), and the amount located in other countries is \$1,652.1 million (2009: \$1,919.6 million). This includes \$1,455.2 million (2009: \$1,678.4 million) attributable to the United States portfolio.

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

	2010 \$'000	2009 \$'000
Investment properties	7,146,397	7,120,710
Non-current assets held for sale	18,068	98,054
Inventories	45,470	–
Property, plant and equipment ¹	–	431,891
Investment property (accounted for using the equity method) ²	96,650	85,204
Direct property portfolio	7,306,585	7,735,859
Cash	64,419	84,845
Receivables	25,010	35,816
Intangible assets	225,525	213,267
Derivative financial instruments	146,324	205,491
Deferred tax asset	79,927	49,136
Current tax receivable	3,621	1,423
Property, plant and equipment (IT and office equipment)	5,264	6,729
Prepayments and other assets ³	14,353	18,544
Total assets	7,871,028	8,351,110

1 In the prior year development property was classified as property, plant and equipment which is included in "Direct Property Portfolio". In the current year, based on the amendment to AASB 140 *Investment Property*, development properties being developed for future use as investment properties have been included in investment properties.

2 This represents DXS's portion of the investment property accounted for using the equity accounted method.

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

FINANCIAL STATEMENTS

Notes to the Financial Statements

For the year ended 30 June 2010

CONTINUED

Note 39. Reconciliation of net profit to net cash inflow from operating activities

(a) Reconciliation

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Net profit/(loss) for the year	31,590	(1,455,416)	(1,599)	(360,986)
Capitalised interest	(41,377)	(35,050)	–	(8,020)
Depreciation and amortisation	3,498	4,743	–	–
Impairment	242	168,168	–	–
Reversal of previous impairment	(13,307)	–	–	–
Net fair value loss of investment properties	209,367	1,517,564	44,676	341,251
Share of net loss/(profit) of associates accounted for using the equity method	26,243	(31)	–	–
Net fair value (gain)/loss of derivatives	(5,401)	21,209	(1,774)	5,753
Net fair value loss of interest rate swaps	53,623	222,468	4,064	9,138
Net loss on sale of investment properties	53,342	1,880	1,979	1,330
Net fair value loss of investment	15	534	68,233	–
Net foreign exchange (gain)/loss	(3,103)	(2,179)	5,306	153,701
Provision for doubtful debts	4,141	3,000	(374)	20
Change in operating assets and liabilities				
Decrease/(increase) in receivables	6,665	(2,389)	(4,094)	(9,353)
Decrease/(increase) in prepaid expenses	63	(4,246)	(265)	(1,424)
Decrease/(increase) in other non-current assets – investments	31,016	35,794	4,647	4,509
(Increase)/decrease in other current assets	(3,445)	(5,631)	(22,526)	9,650
Decrease/(increase) in other non-current assets	1,861	(1,176)	527	(329)
Increase/(decrease) in payables	9,848	(12,944)	2,015	4,362
Increase/(decrease) in current liabilities	3,151	(355)	–	–
Increase/(decrease) in other non-current liabilities	1,612	4,456	(13)	(82)
Increase in deferred tax assets	(29,470)	(100,822)	–	–
Net cash inflow from operating activities	340,174	359,577	100,802	149,520

(b) Capital expenditure on investment properties

Payments for capital expenditure on investment properties include \$78.5 million (2009: \$86.9 million) of maintenance and incentive capital expenditure.

Note 40. Non-cash financing and investing activities

	Note	Consolidated		Parent entity	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Distributions reinvested	28	90,360	100,420	48,762	47,912

Note 41. Earnings per unit

Earnings per unit are determined by dividing the net profit attributable to unitholders by the weighted average number of ordinary units outstanding during the year. The weighted average number of units has been adjusted for the bonus elements in units issued during the year and comparatives have been appropriately restated.

(a) Basic earnings per unit on profit/(loss) attributable to unitholders of the parent entity

	Consolidated	
	2010 cents	2009 cents
	0.34	(8.11)

(b) Diluted earnings per unit on profit/(loss) attributable to unitholders of the parent entity

	Consolidated	
	2010 cents	2009 cents
	0.34	(8.11)

(c) Basic earnings per unit on profit/(loss) attributable to stapled security holders

	Consolidated	
	2010 cents	2009 cents
	0.66	(39.38)

(d) Diluted earnings per unit on profit/(loss) attributable to stapled security holders

	Consolidated	
	2010 cents	2009 cents
	0.66	(39.38)

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

	Consolidated	
	2010 \$000	2009 \$000
Net profit/(loss) for the year	31,590	(1,455,416)
Net (profit)/loss attributable to unitholders of other stapled entities (non-controlling interests)	(15,299)	1,158,625
Net (profit) attributable to other non-controlling interests	(170)	(3,695)
Net profit/(loss) attributable to the unitholders of the Trust used in calculating basic and diluted earnings per unit	16,121	(300,486)

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

	Consolidated	
	2010 No. of securities	2009 No. of securities
Weighted average number of units outstanding used in calculation of basic and diluted earnings per unit	4,774,467,167	3,705,637,381

FINANCIAL STATEMENTS

Directors' Declaration

For the year ended 30 June 2010

The Directors of DEXUS Funds Management Limited as Responsible Entity DEXUS Diversified Trust (the Trust) declare that the Financial Statements and notes set out on pages 30 to 99:

- (i) comply with Australian Accounting Standards, the *Corporations Act 2001* and other mandatory professional reporting requirements; and
- (ii) give a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date.

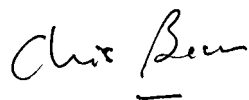
In the Directors' opinion:

- (a) the Financial Statements and notes are in accordance with the *Corporations Act 2001*;
- (b) there are reasonable grounds to believe that the Group and its consolidated entities will be able to pay their debts as and when they become due and payable; and
- (c) the Group has operated in accordance with the provisions of the Constitution dated 15 August 1984 (as amended) during the year ended 30 June 2010.

Note 1(a) confirms that the Financial Statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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



Christopher T Beare
Chair

17 August 2010



PricewaterhouseCoopers
ABN 52 780 433 757

Darling Park Tower 2
201 Sussex Street
GPO BOX 2650
SYDNEY NSW 1171
DX 77 Sydney
Australia
Telephone +61 2 8266 0000
Facsimile +61 2 8266 9999

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

Report on the financial report

We have audited the accompanying financial report of DEXUS Diversified Trust (the Trust) which comprises the statement of financial position as at 30 June 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for 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 (the responsible entity) 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 the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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 2010 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 consolidated 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 18 of the directors' report for the year ended 30 June 2010. 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 2010, complies with section 300A of the *Corporations Act 2001*.

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report of DEXUS Diversified Trust for the year ended 30 June 2010 included on DEXUS Diversified Trust web site. The Trust's directors are responsible for the integrity of the DEXUS Diversified Trust web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

A stylized signature of the PricewaterhouseCoopers firm, written in a cursive script.

PricewaterhouseCoopers

A stylized signature of JA Dunning, written in a cursive script.

JA Dunning
Partner

Sydney
17 August 2010

Top 20 security holders as at 18 August 2010

Rank	Name	Current balance	% of issued capital
1	HSBC Custody Nominees (Australia) Limited	1,744,925,440	36.20
2	National Nominees Limited	767,566,462	15.92
3	J P Morgan Nominees Australia Limited	736,335,719	15.27
4	Citicorp Nominees Pty Limited	341,047,585	7.07
5	Cogent Nominees Pty Limited	96,846,355	2.01
6	ANZ Nominees Limited <Cash income A/C>	95,487,817	1.98
7	RBC Dexia Investor Services Australia Nominees Pty Limited <APN A/C>	82,812,469	1.72
8	Citicorp Nominees Pty Limited <CFS Wholesale Property Securities A/C>	62,520,385	1.30
9	UBS Nominees Pty Ltd	43,805,609	0.91
10	AMP Life Limited	41,510,438	0.86
11	Questor Financial Services Limited <TPS RF A/C>	28,187,891	0.58
12	Bond Street Custodians Limited <ENH Property Securities A/C>	28,162,793	0.58
13	HSBC Custody Nominees (Australia) Limited – A/C 2	27,798,819	0.58
14	Citicorp Nominees Pty Limited <CFSIL CFS WS Index Prop A/C>	22,356,903	0.46
15	Citicorp Nominees Pty Limited <CFSIL CWLTH Property 1 A/C>	21,653,273	0.45
16	Tasman Asset management Ltd <Tyndall Australian Share Wholesale Portfolio A/C>	19,403,733	0.40
17	Cogent Nominees Pty Limited <SMP Accounts>	17,299,474	0.36
18	Equity Trustees Limited <EQT SGH Property Inc Fund>	13,491,897	0.28
19	Citicorp Nominees Pty Limited <CISL LPT No 1 Account>	12,776,758	0.27
20	Suncorp Custodian Services Pty Limited <PRT>	12,225,309	0.25
Total top 20		4,216,215,129	87.46
Balance of register		604,606,670	12.54
Total		4,820,821,799	100.00

Substantial holders at 18 August 2010

The names of substantial holders, who at 18 August 2010 have notified the Responsible Entity in accordance with Section 671B of the *Corporations Act 2001* are:

Date	Name	Number of stapled securities	% voting
14 April 2010	Commonwealth Bank of Australia	242,794,005	5.04
6 Jan 2010	ING Group and related entities	464,936,659	9.76
2 Dec 2009	Blackrock Investment Management (Australia) Limited	275,099,167	5.77
2 Nov 2009	Barclays Global Investors Australia Limited	294,028,773	6.17
22 Jun 2009	Vanguard Investments Australia Ltd	235,372,669	5.01

ADDITIONAL INFORMATION

CONTINUED

Class of securities

DEXUS Property Group has one class of stapled security trading on the ASX with 22,257 security holders holding 4,820,821,799 stapled securities at 18 August 2010.

Spread of securities at 18 August 2010

Range	Securities	%	No. of Holders
100,001 and over	4,481,968,016	92.97	414
50,001 to 100,000	68,003,774	1.41	1,010
10,001 to 50,000	219,818,686	4.56	10,192
5,001 to 10,000	37,910,969	0.79	4,974
1,001 to 5,000	12,490,245	0.26	3,974
1 to 1,000	630,109	0.01	1,693
Total	4,820,821,799	100.00	22,257

At 18 August 2010, the number of security holders holding less than a marketable parcel of 610 securities (\$500) is 1,190 and they hold in total 219,600 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

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

www.dexus.com

DEXUS US Office

4200 Von Karman Avenue
Newport Beach CA 92660

Phone: +1 949 783 2801
Fax: +1 949 433 9124
Email: ir@dexus.com

www.dexus.com/us

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, CEO
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 contact the Security Registry, or access your holding details at www.dexus.com using the Investor login link.

Australian Stock Exchange

ASX code: DXS

2010 DEXUS Property Group
ANNUAL REPORT



DEXUS
PROPERTY GROUP

2010

DEXUS Property Group

COMBINED FINANCIAL
STATEMENTS



DEXUS INDUSTRIAL TRUST

(ARSN 090 879 137)

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DEXUS OFFICE TRUST

(ARSN 090 768 531)

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DEXUS OPERATIONS TRUST

(ARSN 110 521 223)

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DIRECTORY**DEXUS Annual Reporting Structure**

DEXUS reports to its investors across several documents:

1. This report, the DEXUS Property Group 2010 Combined Financial Statements provide the financial statements of DEXUS Industrial Trust, DEXUS Office Trust and DEXUS Operations Trust on an individual basis. This document should be read in conjunction with the DEXUS Property Group 2010 Annual Report which contains the Group's consolidated Financial Statements. In accordance with statutory reporting, DEXUS Diversified Trust has been chosen as the "deemed acquirer" of these three Trusts.
2. The DEXUS Property Group 2010 Security Holder Review, contains an overview of the Group's operations for the year ending 30 June 2010.
3. The DEXUS Property Group 2010 Annual Report contains the Group's consolidated Financial Statements, Corporate Governance Statement and information about DEXUS's Board of Directors. This document should be read in conjunction with the 2010 Security Holder Review.
4. The 2010 Corporate Responsibility and Sustainability (CR&S) Report will be available online or as a printed report from late October 2010. This report may be viewed or downloaded online at www.dexus.com. We have reprinted the introduction section of the CR&S Report in the Security Holder Review.

The above reports will be available as part of our 2010 online suite of reports at www.dexus.com. In addition, the PDF of each report will be located at www.dexus.com/Investor-Centre/DXS/Reports

DEXUS's Annual General Meeting Notice of Meeting will also be available in the online reporting suite and in the Investor Centre.

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), collectively known as DXS or the Group.

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

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

Cover: Governor Phillip & Macquarie Tower Complex, 1 Farrer Place and 1 Bligh Street, Sydney, NSW

DEXUS INDUSTRIAL TRUST

DIRECTORS' REPORT

For the year ended 30 June 2010

The Directors of DEXUS Funds Management Limited (DXFM) as Responsible Entity of DEXUS Industrial Trust and its consolidated entities (DIT or the Trust) present its Directors' Report together with the consolidated Financial Statements for the year ended 30 June 2010.

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

1. Directors and secretaries

1.1 Directors

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

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

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

1.2 Company Secretaries

The names and details of the Company Secretaries of DXFM as at 30 June 2010 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 DXS in July 2003, Tanya held various general management positions over the past 16 years, including Director and Chief Operating Officer of NM Rothschild & Sons (Australia) Ltd and General Manager – Finance, Operations and IT for Bank of New Zealand (Australia). Tanya is Chair of the Property Council of Australia National Risk Committee and is a non-executive director of a number of not-for-profit organisations. Tanya is a member of the Australian Institute of Company Directors and a fellow of the Institute of Chartered Secretaries and Administrators (ICSA) and Chartered Secretaries Australia (CSA). Tanya has an MBA from the Australian Graduate School of Management and a Graduate Diploma in Applied Corporate Governance.

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

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

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

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

Directors' Report

For the year ended 30 June 2010

CONTINUED

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

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

The Directors met 13 times during the year. Ten Board meetings were main meetings, three meetings were held to consider specific business. While the Board continually considers strategy, in March 2010 they met with the executive and senior management team over three days to consider DXS's strategic plans.

	Main meetings held	Main meetings attended	Specific meetings held	Specific meetings attended
Christopher T Beare	10	10	3	3
Elizabeth A Alexander AM	10	10	3	3
Barry R Brownjohn	10	10	3	3
John C Conde AO	10	10	3	3
Stewart F Ewen OAM	10	10	3	3
Victor P Hoog Antink	10	10	3	3
Brian E Scullin	10	10	3	2
Peter B St George	10	9	3	3

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

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

	Board Audit Committee		Board Risk and Sustainability Committee ²		Board Compliance Committee		Board Nomination and Remuneration Committee		Board Finance Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Christopher T Beare	–	–	–	–	–	–	5	5	5	5
Elizabeth A Alexander AM	7	7	4	4	–	–	–	–	–	–
Barry R Brownjohn	7	7	4	4	–	–	–	–	5	5
John C Conde AO	–	–	–	–	4	4	5	5	–	–
Stewart F Ewen OAM	–	–	–	–	–	–	5	5	–	–
Victor P Hoog Antink	–	–	–	–	–	–	–	–	–	–
Brian E Scullin ¹	–	–	–	–	4	4	1	1	–	–
Peter B St George	7	7	4	4	–	–	–	–	5	5

1 Nomination and Remuneration Member from 1 July 2009 to 31 August 2009.

2 Name changed from Board Risk Committee on 2 June 2010.

3. Directors' interests

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

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 DXS.

Directors have made this decision because the Board of DXFM has responsibility for the Group itself as well as the third party business. Directors are obliged to act in the best interests of each group of investors independently of each other. Therefore, to minimise 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 the Group including DXS. This position is periodically reviewed by the Board.

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

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

4. Directors' directorships in other listed entities

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

Director	Company	Date appointed	Date resigned or ceased being a Director of a listed entity
Christopher T Beare	MNet Group Limited	6 November 2009	
Elizabeth A Alexander AM	CSL Limited	12 July 1991	
	Boral Limited	15 December 1999	24 October 2008
John C Conde AO	Whitehaven Coal Limited	3 May 2007	
Brian E Scullin	SPARK Infrastructure RE Limited ¹	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 ¹	8 November 2005	31 December 2008
	First Quantum Minerals Limited ²	20 October 2003	

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

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

5. Principal activities

During the year the principal activity of the Trust was investment in real estate assets. There were no significant changes in the nature of the Trust's activities during the year.

6. Total value of Trust assets

The total value of the assets of the Trust as at 30 June 2010 was \$1,958.8 million (2009: \$2,092.6 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.

7. Review and results of operations

A review of the results and operations of the Group, of which DIT forms a part thereof, is set out in the Chief Executive Officers report of the DEXUS Property Group 2010 Security Holder Review and forms part of this Directors' Report.

8. Likely developments and expected results of operations

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

9. Significant changes in the state of affairs

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

10. Matters subsequent to the end of the financial year

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

11. Distributions

Distributions paid or payable by the Trust for the year ended 30 June 2010 are outlined in note 26 of the Notes to the Financial Statements and form part of this Directors' Report.

12. DXFM's fees and associate interests

Details of fees paid or payable by the Trust to DXFM for the year ended 30 June 2010 are outlined in note 30 of the Notes to the Financial Statements and form part of this Directors' Report.

The number of interests in the Trust held by DXFM or its associates as at the end of the financial year were nil (2009: nil).

13. Units on issue

The movement in units on issue during the year and the number of units on issue as at 30 June 2010 are detailed in note 24 of the Notes to the Financial Statements and form part of this Directors' Report.

14. Environmental regulation

DXS senior management, through its Board Risk and Sustainability Committee, oversees 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 both 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.

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

16. Audit

16.1 Auditor

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

16.2 Non-audit services

The Trust may decide to employ the Auditor on assignments additional to their statutory audit duties where the Auditor's expertise and experience with the Trust and/or DXS are important.

Details of the amounts paid to the Auditor, which include amounts paid for non-audit services are set out in note 7 of the Notes to the Financial Statements.

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

The reasons for the Directors being satisfied are:

- A Charter of Audit Independence was adopted during the year that provides guidelines under which the Auditor may be engaged to provide non-audit services without impairing the Auditor's objectivity or independence.
- The Charter states that the Auditor will not provide services where the Auditor may be required to review or audit its own work, including:
 - the preparation of tax provisions, accounting records and financial statements;
 - the design, implementation and operation of information technology systems;
 - the design and implementation of internal accounting and risk management controls;
 - conducting valuation, actuarial or legal services;
 - consultancy services that include direct involvement in management decision making functions;
 - investment banking, borrowing, dealing or advisory services;
 - acting as trustee, executor or administrator of trust or estate;
 - prospectus independent expert reports and being a member of the due diligence committee; and
 - providing internal audit services.
- 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.

16.3 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.

17. Corporate governance

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

18. Rounding of amounts and currency

The Trust is a registered scheme of the kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in this Directors' Report and the Financial Statements. Amounts in this Directors' Report and 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.

19. Presentation of parent entity Financial Statements

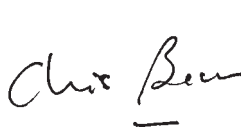
The Trust is a registered scheme of the kind referred to in Class Order 10/654, issued by the Australian Securities & Investments Commission, relating to the inclusion of parent entity Financial Statements in the consolidated Financial Statements. The Class Order provides relief from the *Corporations Amendment (Corporate Reporting Reform) Act 2010* and the Trust continues to present the parent entity Financial Statements in the consolidated Financial Statements in accordance with that Class Order.

20. Management representation

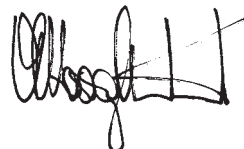
The Chief Executive Officer and Chief Financial Officer have reviewed the Trust's financial reporting processes, policies and procedures together with its risk management, internal control and compliance policies and procedures. Following that review it is their opinion that the Trust's financial records 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

This Directors' Report is made in accordance with a resolution of the Directors. The Financial Statements were authorised for issue by the Directors on 17 August 2010. The Directors have the power to amend and reissue the Financial Statements.



Christopher T Beare
Chair
17 August 2010



Victor P Hoog Antink
Chief Executive Officer
17 August 2010



PricewaterhouseCoopers
ABN 52 780 433 757

Darling Park Tower 2
201 Sussex Street
GPO BOX 2650
SYDNEY NSW 1171
DX 77 Sydney
Australia
Telephone +61 2 8266 0000
Facsimile +61 2 8266 9999
www.pwc.com/au

Auditor's Independence Declaration

As lead auditor for the audit of DEXUS Industrial Trust for the year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in black ink that reads 'J A Dunning'.

J A Dunning
Partner
PricewaterhouseCoopers

17 August 2010

DEXUS INDUSTRIAL TRUST
Statements of Comprehensive Income

For the year ended 30 June 2010

		Consolidated		Parent entity	
	Notes	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Revenue from ordinary activities					
Property revenue	2	154,107	155,287	78,539	75,590
Distribution revenue		–	–	34,438	59,490
Interest revenue	3	2,157	3,541	2,102	3,235
Total revenue from ordinary activities		156,264	158,828	115,079	138,315
Net fair value gain/(loss) of derivatives		3,704	(14,763)	3,704	(14,763)
Net foreign exchange gain/(loss)		1,390	1,654	6,933	(112,105)
Other income		–	19	–	19
Total income		161,358	145,738	125,716	11,466
Expenses					
Property expenses		(32,674)	(28,328)	(16,628)	(15,363)
Responsible Entity fees	30	(4,439)	(5,598)	(4,439)	(5,598)
Finance costs	4	(129,914)	(209,660)	(109,314)	(184,645)
Share of net losses of associates accounted for using the equity method	17	(59,285)	(245,448)	–	–
Net loss on sale of investment properties		(1,535)	(654)	(612)	–
Net fair value loss of investment properties		(24,581)	(360,663)	(22,980)	(114,371)
Net fair value loss of investments		–	–	(73,832)	(329,585)
Other expenses	6	(3,783)	(4,315)	(1,899)	(1,520)
Total expenses		(256,211)	(854,666)	(229,704)	(651,082)
Loss before tax		(94,853)	(708,928)	(103,988)	(639,616)
Tax (expense)/benefit					
Income tax expense	5 (a)	(41)	(2,042)	–	–
Withholding tax (expense)/benefit		(1,804)	14,658	–	–
Total tax (expense)/benefit		(1,845)	12,616	–	–
Loss after tax		(96,698)	(696,312)	(103,988)	(639,616)
Other comprehensive loss					
Exchange differences on translating foreign operations		7,372	4,616	–	–
Total comprehensive loss for the year		(89,326)	(691,696)	(103,988)	(639,616)
Earnings per unit		Cents	Cents		
Basic earnings per unit on loss attributable to unitholders	35	(2.03)	(18.79)		
Diluted earnings per unit on loss attributable to unitholders	35	(2.03)	(18.79)		

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

		Consolidated		Parent entity	
	Notes	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Current assets					
Cash and cash equivalents	8	16,537	13,043	1,453	1,729
Receivables	9	4,604	14,036	1,332	8,874
Non-current assets classified as held for sale	10	–	22,254	–	–
Loan with related parties	11	138,948	138,948	138,948	150,675
Derivative financial instruments	12	9,657	30,307	9,657	30,307
Current tax assets		73	–	–	–
Other	13	2,737	3,135	1,491	1,951
Total current assets		172,556	221,723	152,881	193,536
Non-current assets					
Investment properties	14	1,462,007	1,425,178	746,341	733,714
Property, plant and equipment	15	–	94,007	–	94,007
Other financial assets at fair value through profit and loss	16	–	–	333,245	308,996
Investments accounted for using the equity method	17	122,627	138,276	–	–
Investments in associates	18	–	–	122,627	138,276
Deferred tax assets	19	10,080	11,177	–	–
Loans with related parties	11	151,942	159,601	424,040	474,081
Derivative financial instruments	12	39,261	40,780	39,261	40,780
Other	20	305	1,848	229	328
Total non-current assets		1,786,222	1,870,867	1,665,743	1,790,182
Total assets		1,958,778	2,092,590	1,818,624	1,983,718
Current liabilities					
Payables	21	44,545	31,166	50,210	22,212
Current tax liabilities		973	955	–	–
Interest bearing liabilities	22	47,796	64,036	–	–
Derivative financial instruments	12	7,139	2,694	7,139	2,694
Total current liabilities		100,453	98,851	57,349	24,906
Non-current liabilities					
Loans with related parties	11	1,257,916	1,311,960	1,099,372	1,201,113
Derivative financial instruments	12	154,833	146,467	154,833	146,467
Other	23	875	1,285	111	285
Total non-current liabilities		1,413,624	1,459,712	1,254,316	1,347,865
Total liabilities		1,514,077	1,558,563	1,311,665	1,372,771
Net assets		444,701	534,027	506,959	610,947
Equity					
Contributed equity	24	925,116	925,116	925,116	925,116
Reserves	25	12,163	4,791	–	–
Accumulated losses	25	(492,578)	(395,880)	(418,157)	(314,169)
Total equity		444,701	534,027	506,959	610,947

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

Statements of Changes in Equity

For the year ended 30 June 2010

Consolidated	Notes	Contributed equity	Accumulated losses	Foreign currency translation reserve	Total equity
		\$'000	\$'000	\$'000	\$'000
Opening balance as at 1 July 2008		760,988	344,634	175	1,105,797
Comprehensive loss for the year		–	(696,312)	4,616	(691,696)
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction costs		164,128	–	–	164,128
Distributions paid or provided for	26	–	(44,202)	–	(44,202)
Closing balance as at 30 June 2009		925,116	(395,880)	4,791	534,027
Opening balance as at 1 July 2009		925,116	(395,880)	4,791	534,027
Comprehensive loss for the year		–	(96,698)	7,372	(89,326)
Closing balance as at 30 June 2010		925,116	(492,578)	12,163	444,701
Parent entity	Notes	Contributed equity	Accumulated losses	Foreign currency translation reserve	Total equity
		\$'000	\$'000	\$'000	\$'000
Opening balance as at 1 July 2008		760,988	369,649	–	1,130,637
Comprehensive loss for the year		–	(639,616)	–	(639,616)
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction costs		164,128	–	–	164,128
Distributions paid or provided for	26	–	(44,202)	–	(44,202)
Closing balance as at 30 June 2009		925,116	(314,169)	–	610,947
Opening balance as at 1 July 2009		925,116	(314,169)	–	610,947
Comprehensive loss for the year		–	(103,988)	–	(103,988)
Closing balance as at 30 June 2010		925,116	(418,157)	–	506,959

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

DEXUS INDUSTRIAL TRUST
Statements of Cash Flows
For the year ended 30 June 2010

		Consolidated		Parent entity	
	Notes	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Cash flows from operating activities					
Receipts in the course of operations (inclusive of GST)		180,396	179,526	98,426	97,331
Payments in the course of operations (inclusive of GST)		(53,266)	(47,827)	(32,207)	(26,525)
Interest received		2,122	3,532	13,040	14,052
Finance costs paid		(52,382)	(49,830)	(42,491)	(35,284)
Distributions received		–	–	34,009	63,475
Dividends received		517	24,636	517	24,636
Income and withholding taxes paid		(619)	(396)	–	–
Net cash inflow from operating activities	33	76,768	109,641	71,294	137,685
Cash flows from investing activities					
Proceeds from sale of investment properties		100,685	5,546	72,918	–
Payments for capital expenditure on investment properties		(13,715)	(25,872)	(10,652)	(15,426)
Payments for investment properties		(28,191)	–	–	–
Payments for investments		–	–	(29,848)	(2,544)
Payments for investments accounted for using the equity method		(52,584)	–	(52,584)	–
Payments for capital expenditure on property, plant and equipment		–	(8,886)	–	(8,886)
Net cash inflow/(outflow) from investing activities		6,195	(29,212)	(20,166)	(26,856)
Cash flows from financing activities					
Issue of units		–	148,640	–	148,640
Establishment expenses and unit issue cost		–	(4,194)	–	(4,194)
Borrowings provided to entities within DXS		(390,801)	(1,121,466)	(390,801)	(1,144,697)
Borrowings provided by entities within DXS		317,612	930,258	289,962	930,737
Proceeds from borrowings		49,435	–	49,435	–
Repayment of borrowings		(54,637)	–	–	–
Distributions paid to unitholders		–	(41,850)	–	(41,850)
Net cash outflow from financing activities		(78,391)	(88,612)	(51,404)	(111,364)
Net increase/(decrease) in cash and cash equivalents		4,572	(8,183)	(276)	(535)
Cash and cash equivalents at the beginning of the year		13,043	20,216	1,729	2,264
Effects of exchange rate changes on cash and cash equivalents		(1,078)	1,010	–	–
Cash and cash equivalents at the end of the year	8	16,537	13,043	1,453	1,729

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

Note 1. Summary of significant accounting policies**(a) Basis of preparation**

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

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

These general purpose Financial Statements for the year ended 30 June 2010 have been prepared in accordance with the requirements of the Trust's Constitution, the *Corporations Act 2001*, Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and interpretations. Compliance with Australian Accounting Standards ensures that the consolidated and parent Financial Statements and notes also comply with International Financial Reporting Standards (IFRS).

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

The Trust has applied the revised AASB 101 *Presentation of Financial Statements* which became effective on 1 January 2009. The revised standard requires the separate presentation of Statements of Comprehensive Income and Statements of Changes in Equity. Comparative information has been re-presented so that it is also in conformity with the revised standard.

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

Critical accounting estimates

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

Uncertainty around international property valuations

The fair value of our investment properties in the United States and Europe 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 end of the reporting period, the current uncertainty in these markets 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. The accounting policies of the subsidiaries are consistent with those of the parent.

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

The Financial Statements incorporate an elimination of inter-entity transactions and balances to present the Financial Statements on a consolidated basis. Where control of an entity is obtained during a financial year, its results are included in the Statements of Comprehensive Income 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 Trust's share of the results and assets of this partnership or joint venture are consolidated into the Statements of Comprehensive Income and Statements of Financial Position of the Trust. Where assets are jointly controlled via ownership of units in single purpose unlisted unit trusts or shares in companies, the Trust applies equity accounting to record the operations of these investments (refer note 1(r)).

(c) Revenue recognition**(i) Rent**

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

(ii) Interest revenue

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

(iii) Dividends and distribution revenue

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

(d) Expenses

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

(i) Property expenses

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

(ii) Borrowing costs

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

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

(ii) Debt and equity instruments issued by the Trust

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

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

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

(iii) Financial guarantee contracts

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

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

(iv) Other financial assets

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

(f) Goods and services tax/value added tax

Revenues, expenses and capital assets are recognised net of any amount of Australian/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 Statements of Cash Flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from or payable to the Australian Taxation Office is classified as operating cash flows.

(g) Taxation

Under current Australian income tax legislation DIT, is not liable for income tax provided it satisfies certain legislative requirements. DIT may be liable for income tax in a jurisdiction where foreign property is held (i.e. United States, France, Germany and Canada).

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

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 Trust (held by US REIT and US W REIT) and their accounting carrying values at the end of the reporting period. Any deferred tax liability or asset is calculated using a blend of the current withholding tax rate applicable to income distributions and the applicable US federal and state taxes.

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

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

Note 1. Summary of significant accounting policies

(continued)

(g) Taxation (continued)

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

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 the end of the reporting period.

(h) Distributions

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

(i) Repairs and maintenance

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

(j) Cash and cash equivalents

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

(k) Receivables

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

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

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(t)).

(o) Investment properties

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

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 revenue from current leases and assumptions about future leases, as well as any expected operational cash outflows in relation to the property, are also reflected in fair value. In relation to development properties under construction for future use as investment property, where reliably measurable, fair value is determined based on the market value of the property on the assumption it had already been completed at the valuation date less costs still required to complete the project, including an appropriate adjustment for profit and risk.

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

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

Subsequent redevelopment and refurbishment costs (other than repairs and maintenance) are capitalised to the investment property where they result in an enhancement in the future economic benefits of the property. Repairs and maintenance are accounted for in accordance with note 1(i).

(p) Leasing fees

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

(q) Lease incentives

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

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

(r) Investments accounted for using the equity method

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

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

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

(s) Business combinations

During the period DIT adopted the 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* effective for annual reporting periods beginning on or after 1 July 2009.

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

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

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

(t) Impairment of assets

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

Note 1. Summary of significant accounting policies (continued)**(u) Financial assets and liabilities****(i) Classification**

DIT 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(v).
Interest bearing liabilities	Financial liability at amortised cost	Amortised cost	Refer note 1(w).
Derivatives	Fair value through profit or loss	Fair value	Refer note 1(e).

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

(ii) Fair value estimation of financial assets and liabilities

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

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

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

(v) Payables

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

(w) 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 Statements of Comprehensive Income over the period of the borrowings using the effective interest method. Interest bearing liabilities are classified as current liabilities unless the Trust has an unconditional right to defer the liability for at least twelve months after the end of the reporting period.

(x) Earnings per unit

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

Diluted earnings per unit are adjusted from the basic earnings per unit by taking into account the impact of dilutive potential units. The Trust did not have such dilutive potential units during the year.

(y) Foreign currency

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

(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 Statements of Comprehensive Income.

(ii) Foreign operations

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

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

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

(z) Operating segments

During the year the Trust adopted AASB 8 *Operating Segments* which replaced AASB 114 *Segment Reporting*. The new standard requires a “management approach”, under which segment information is presented in a manner that is consistent with internal reporting provided to the Chief Operating Decision Maker (CODM). The CODM who is responsible for allocating resources and assessing performance of the operating segments has been identified as the Board of Directors of DXFM. The Board of Directors is responsible for the strategic decision making for the Group which consists of DIT, DOT, DDF and DXO. Consistent with how the CODM manages the business the operating segments within the Group are reviewed on a consolidated basis rather than at an individual trust level. Disclosures concerning DXS’s operating segments as well as the operating segments key financial information provided to the CODM are presented in the Group’s Financial Statements.

(aa) Rounding of amounts

The Trust is 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 Statements. Amounts in the Financial Statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(ab) Presentation of parent entity Financial Statements

The Trust is a registered scheme of the kind referred to in Class Order 10/654, issued by the Australian Securities & Investments Commission, relating to the inclusion of parent entity Financial Statements in the consolidated Financial Statements. The Class Order provides relief from the *Corporations Amendment (Corporate Reporting Reform) Act 2010* and the Trust continues to present the parent entity Financial Statements in the consolidated Financial Statements in accordance with that Class Order.

(ac) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2010 reporting period. Our assessment of the impact of these new standards and interpretations is set out below:

- (i) AASB 9 *Financial Instruments* and AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* (effective from 1 January 2013). AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets. Under the new guidance, a financial asset is to be measured at amortised cost only if it is held within a business model whose objective is to collect contractual cash flows and the contractual terms of the asset give rise on specific dates to cash flows that are payments solely of principal and interest on the principal amount outstanding. All other financial assets are to be measured at fair value. The standard is not applicable until 1 January 2013 but is available for early adoption. The Trust is currently assessing the impact of this standard but does not expect it to be significant.
- (ii) Revised AASB 124 *Related Party Disclosures* (effective from 1 January 2011). In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party. The Trust will apply the amended standard from 1 July 2011. It is not expected to have any impact on the Trust’s Financial Statements.
- (iii) AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* (effective from 1 January 2010). In May 2010, the AASB issued a number of improvements to existing Australian Accounting Standards. The Trust will apply the revised standards from 1 July 2010 where applicable. The Trust is currently assessing the impact of the revised rules but does not expect it to be significant.
- (iv) AASB 1053 *Application of Tiers of Australian Accounting Standards* and AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements* (effective from 1 July 2013). On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. The Trust, as part of DXS, is listed on the ASX and is therefore not eligible to adopt the new Australian Accounting Standards – Reduced Disclosure Requirements. As a consequence, the two standards will have no impact on the Financial Statements of the Trust.

Notes to the Financial Statements

For the year ended 30 June 2010

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Note 2. Property revenue

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Rent and recoverable outgoings	153,831	156,405	78,018	76,526
Incentive amortisation	(4,999)	(4,099)	(3,426)	(2,755)
Other revenue	5,275	2,981	3,947	1,819
Total property revenue	154,107	155,287	78,539	75,590

Note 3. Interest revenue

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Interest revenue from financial institutions	331	438	276	132
Interest revenue from related parties	1,826	3,103	1,826	3,103
Total interest revenue	2,157	3,541	2,102	3,235

Note 4. Finance costs

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Interest paid/payable	1,905	2,641	–	–
Interest paid to related parties	77,865	75,072	59,415	52,747
Amount capitalised	(6,073)	(5,364)	(6,073)	(5,364)
Other finance costs	365	183	143	134
Net fair value loss of interest rate swaps	55,852	137,128	55,829	137,128
Total finance costs	129,914	209,660	109,314	184,645

The average capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 7.15% (2009: 6.90%).

Note 5. Income tax

(a) Income tax expense

	Consolidated	
	2010 \$'000	2009 \$'000
Current tax expense	(37)	(1,041)
Deferred tax expense	(4)	(1,001)
Income tax expense	(41)	(2,042)
Deferred income tax expense included in income tax expense comprises:		
Increase in deferred tax assets	(4)	(1,001)
	(4)	(1,001)

(b) Reconciliation of income tax expense to net profit

	Consolidated	
	2010 \$'000	2009 \$'000
Loss before tax	94,853	708,928
Less amounts not subject to income tax (note 1(g))	(96,326)	(674,211)
	(1,473)	34,717
Prima facie tax (expense)/benefit at the Australian tax rate of 30% (2009: 30%)	(442)	10,415
Tax effect of amounts which are not (taxable)/deductible in calculating taxable income:		
Depreciation and amortisation	1,443	1,866
Revaluation of investment properties	(948)	(16,125)
Previously unrecognised tax losses now recognised	–	1,802
Net loss on sale of investment properties	(94)	–
	401	(12,457)
Income tax expense	(41)	(2,042)

Note 6. Other expenses

		Consolidated		Parent entity	
	Notes	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Audit and other fees	7	497	675	339	426
Custodian fees		77	151	56	138
Legal and other professional fees		865	496	777	94
Registry costs and listing fees		232	145	232	145
External management fees		1,083	1,711	–	–
Other expenses		1,029	1,137	495	717
Total other expenses		3,783	4,315	1,899	1,520

Note 7. 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	
	2010 \$	2009 \$	2010 \$	2009 \$
Audit services				
PwC audit and review of Financial Statements and other audit work under the <i>Corporations Act 2001</i>	290,540	318,772	286,780	317,987
PwC fees paid in relation to outgoing audits ¹	5,483	22,836	2,513	17,963
Fees paid to PwC US	15,425	–	–	–
Remuneration for audit services to PwC	311,448	341,608	289,293	335,950
Audit – Fees paid to non-PwC audit firms	92,786	134,449	–	7,350
Total remuneration for audit services	404,234	476,057	289,293	343,300

¹ Fees paid in relation to outgoing audits are included in property expenses. Therefore total audit and taxation fees included in other expenses are \$497,000 (2009: \$675,000) consolidated and \$339,000 (2009: \$426,000) for the parent entity.

Notes to the Financial Statements

For the year ended 30 June 2010

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Note 7. Audit and advisory fees (continued)

(b) Taxation services

	Consolidated		Parent entity	
	2010 \$	2009 \$	2010 \$	2009 \$
Fees paid to PwC Australia	51,900	221,836	51,900	100,698
Fees paid to PwC US	45,961	–	–	–
Total remuneration for taxation services²	97,861	221,836	51,900	100,698
Total audit and taxation fees¹	502,095	697,893	341,193	443,998

(c) Fees paid to PwC for transaction services

PwC Assurance services in respect of capital raisings	–	100,929	–	100,929
PwC taxation services	–	18,258	–	18,258
PwC other transaction and advisory fees	–	54,767	–	54,767
Total remuneration for advisory services	–	173,954	–	173,954
Total remuneration for assurance, taxation and advisory services	502,095	871,847	341,193	617,952

1 Fees paid in relation to outgoing audits are included in property expenses. Therefore total audit and taxation fees included in other expenses are \$497,000 (2009: \$675,000) consolidated and \$339,000 (2009: \$426,000) for the parent entity.

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 8. Current assets – cash and cash equivalents

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Cash at bank	16,537	13,043	1,453	1,729
Total current assets – cash and cash equivalents	16,537	13,043	1,453	1,729

Note 9. Current assets – receivables

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Rent receivable	4,049	5,084	195	2,121
Less: provision for doubtful debts	(2,452)	(204)	–	(6)
Total rental receivables	1,597	4,880	195	2,115
Interest receivable from related parties	128	5,370	128	5,370
Other receivables	2,879	3,786	1,009	1,389
Total other receivables	3,007	9,156	1,137	6,759
Total current assets – receivables	4,604	14,036	1,332	8,874

Note 10. Non-current assets classified as held for sale

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Investment properties held for sale	–	22,254	–	–
Total non-current assets classified as held for sale	–	22,254	–	–

Reconciliation

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Opening balance as at 1 July	22,254	–	–	–
Disposals	(22,202)	–	–	–
Transfer from property, plant and equipment	–	22,254	–	–
Additions, amortisation and other	(52)	–	–	–
Closing balance as at 30 June	–	22,254	–	–

Disposal

- On 8 July 2009, 68 Hasler Road, Herdsman, WA was disposed of for \$11.3 million.
- On 15 July 2009, Nordstraße 1, Lobau was disposed of for \$1.9 million.
- On 30 July 2009, 3-7 Bessemer Street, Blacktown, NSW was disposed of for \$9.1 million.

Note 11. Loans with related parties

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Current assets – loans with related parties				
Non-interest bearing loans with entities within DXS ¹	138,948	138,948	138,948	138,948
Non-interest bearing loans with controlled entities	–	–	–	11,727
Total current assets – loans with related parties	138,948	138,948	138,948	150,675
Non-current assets – loans with related parties				
Interest bearing loans with controlled entities	–	–	272,098	314,480
Interest bearing loans with entities within DXS	151,942	159,601	151,942	159,601
Total non-current assets – loans with related parties	151,942	159,601	424,040	474,081
Non-current liabilities – loans with related parties				
Interest bearing loans with related parties ²	1,152,388	1,201,113	1,099,372	1,201,113
Interest bearing loans with entities within DXS	105,528	110,847	–	–
Total non-current liabilities – loans with related parties	1,257,916	1,311,960	1,099,372	1,201,113

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

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

Notes to the Financial Statements

For the year ended 30 June 2010

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Note 12. Derivative financial instruments

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Current assets				
Interest rate swap contracts	1,186	455	1,186	455
Cross currency swap contracts	7,812	29,109	7,812	29,109
Forward foreign exchange contracts	659	743	659	743
Total current assets – derivative financial instruments	9,657	30,307	9,657	30,307
Non-current assets				
Interest rate swap contracts	24,804	16,731	24,804	16,731
Cross currency swap contracts	13,440	23,073	13,440	23,073
Forward foreign exchange contracts	1,017	976	1,017	976
Total non-current assets – derivative financial instruments	39,261	40,780	39,261	40,780
Current liabilities				
Interest rate swap contracts	798	2,051	798	2,051
Cross currency swap contracts	6,248	446	6,248	446
Forward foreign exchange contracts	93	197	93	197
Total current liabilities – derivative financial instruments	7,139	2,694	7,139	2,694
Non-current liabilities				
Interest rate swap contracts	153,117	119,959	153,117	119,959
Cross currency swap contracts	1,585	26,366	1,585	26,366
Forward foreign exchange contracts	131	142	131	142
Total non-current liabilities – derivative financial instruments	154,833	146,467	154,833	146,467
Net derivative financial instruments	(113,054)	(78,074)	(113,054)	(78,074)

Refer note 27 for further discussion regarding derivative financial instruments.

Note 13. Current assets – other

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Prepayments	2,737	3,135	1,491	1,951
Total current assets – other	2,737	3,135	1,491	1,951

Note 14. Non-current assets – investment properties

Reconciliation

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Opening balance as at 1 July	1,425,178	1,695,388	733,714	800,767
Additions	17,169	20,006	14,259	11,329
Acquisitions	80,262	–	–	–
Transfer from property, plant and equipment	94,007	33,118	94,007	33,118
Lease incentives	4,254	7,409	3,341	5,626
Amortisation of lease incentives	(4,793)	(4,099)	(3,480)	(2,755)
Net fair value loss of investment properties	(24,581)	(360,663)	(22,980)	(114,371)
Rent straightlining	1,072	–	1,027	–
Disposals	(80,019)	(6,200)	(73,547)	–
Transfer to non-current assets classified as held for sale	–	(22,254)	–	–
Foreign exchange differences on foreign currency translation	(50,542)	62,473	–	–
Closing balance as at 30 June	1,462,007	1,425,178	746,341	733,714

Key valuation assumptions

Details of key valuation assumptions in relation to investment properties are outlined in note 14 of the DXS Financial Statements.

Acquisitions

- On 2 July 2009, D/P Rickenbacker LLC, which is owned 100% by DEXUS US Whirlpool Trust, acquired a property located in Columbus, Ohio for US\$64.6 million (A\$80.3 million).

Disposals

- On 28 September 2009, 40 Biloela Street, Villawood, NSW was disposed of for \$6.3 million.
- All strata lots within the Macaulay Road, Kensington Estate were disposed of: Lot 6 for \$2.4 million on 5 October 2009, Lots 1-3 for \$3.1 million on 2 November 2009, Lots 4-5 for \$ 2.4 million on 25 June 2010.
- On 30 June 2010, the Trust disposed of Boundary Road, Laverton North, VIC to DEXUS Projects Pty Limited, a wholly owned subsidiary of DXO, for \$64.8 million.

Refer note 10 for disposals of investment properties classified as held for sale.

Developments

- On 13 March 2009, subdivision approval was received for 2.1 hectares of vacant land at Norwest Estate, Brookhollow Road, NSW accommodating 23,083 square metres of lettable area. Development has not yet commenced.

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For the year ended 30 June 2010

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Note 15. Non-current assets – property, plant and equipment

(a) Property, plant and equipment

30 June 2010	Consolidated			Parent entity		
	Construction in progress	Land and freehold buildings	Total	Construction in progress	Land and freehold buildings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance as at 1 July 2009	44,282	49,725	94,007	44,282	49,725	94,007
Additions	–	–	–	–	–	–
Transfer to investment properties	(44,282)	(49,725)	(94,007)	(44,282)	(49,725)	(94,007)
Closing balance as at 30 June 2010	–	–	–	–	–	–

30 June 2009	Consolidated			Parent entity		
	Construction in progress	Land and freehold buildings	Total	Construction in progress	Land and freehold buildings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance as at 1 July 2008	65,533	49,725	115,258	65,533	49,725	115,258
Additions	11,867	–	11,867	11,867	–	11,867
Transfer to investment properties	(33,118)	–	(33,118)	(33,118)	–	(33,118)
Closing balance as at 30 June 2009	44,282	49,725	94,007	44,282	49,725	94,007
Cost	44,282	49,725	94,007	44,282	49,725	94,007
Net book value as at 30 June 2009	44,282	49,725	94,007	44,282	49,725	94,007

In the current year, based on the revised AASB 140 *Investment Property*, development properties being developed for future use as investment properties have been included in investment properties and were fair valued at the end of the reporting period (refer note 14).

Note 16. Non-current assets – other financial assets at fair value through profit or loss

Investments are adjusted to their fair value through the Statements of Comprehensive Income.

Name of entity	Principal activity	Ownership Interest		Parent entity	
		2010 %	2009 %	2010 \$'000	2009 \$'000
Foundation Macquarie Park Trust	Industrial property investment	100.0	100.0	96,631	100,195
DEXUS PID Trust	Industrial property investment	100.0	100.0	169,325	167,657
DIT Luxembourg 1 SARL	Investment trust	100.0	100.0	–	–
DEXUS GLOG Trust	Industrial property investment	100.0	100.0	–	–
DEXUS US Whirlpool Trust	Industrial property investment	100.0	100.0	63,693	41,144
DEXUS Canada Trust	Industrial property investment	100.0	100.0	3,596	–
DEXUS Finance Pty Limited	Finance services	25.0	25.0	–	–
Total non-current assets – other financial assets at fair value through profit and loss				333,245	308,996

Reconciliation

	Parent entity	
	2010 \$'000	2009 \$'000
Opening balance as at 1 July	308,996	459,325
Acquisitions	32,050	2,544
Fair value loss	(7,801)	(152,873)
Closing balance as at 30 June	333,245	308,996

All controlled entities are wholly owned by the Trust with the exception of DEXUS Finance Pty Limited which is owned jointly by DDF, DIT, DOT and DXO. Both the parent entity and the controlled entities were formed in Australia with the exception of DIT Luxembourg 1 SARL which was formed in Luxembourg.

Note 17. 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	
		2010 %	2009 %	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
DEXUS Industrial Properties, Inc. ¹	Asset, property and funds management	50.0	50.0	122,627	138,276	–	–
Total				122,627	138,276	–	–

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

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

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

	Consolidated	
	2010 \$'000	2009 \$'000
Opening balance as at 1 July	138,276	314,989
Interest acquired during the year	54,937	–
Share of net losses after tax	(59,285)	(245,448)
Dividends received	(517)	(24,636)
Foreign exchange difference on foreign currency translation	(10,784)	93,371
Closing balance as at 30 June	122,627	138,276
Results attributable to associates		
Operating losses before income tax	(58,447)	(244,382)
Withholding tax expense	(838)	(1,066)
Operating losses after income tax	(59,285)	(245,448)
Less: Dividends received	(517)	(24,636)
	(59,802)	(270,084)
(Accumulated losses)/retained profits attributable to associates as at 1 July	(187,450)	82,634
Accumulated losses attributable to associates as at 30 June	(247,252)	(187,450)

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Note 17. Non-current assets – investments accounted for using the equity method (continued)

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

The Trust's share of aggregate profits, assets and liabilities of investments accounted for using the equity method are:

	Consolidated	
	2010 \$'000	2009 \$'000
Losses from ordinary activities after income tax expense	(59,285)	(245,448)
Assets	696,814	833,212
Liabilities	574,187	693,562
Share of associates' expenditure commitments		
Capital commitments	5,168	1,953

Note 18. Non-current assets – investment in associates

Name of entity	Principal activity	Ownership Interest		Consolidated		Parent entity	
		2010 %	2009 %	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
DEXUS Industrial Properties, Inc. ¹	Asset, property and funds management	50.0	50.0	–	–	122,627	138,276
				–	–	122,627	138,276

1 50% of the DEXUS Industrial Properties, Inc is owned by DIT. This is classified as investment in associates and is measured at fair value through profit and loss. The remaining 50% of this entity is owned by DDF.

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

Note 19. Non-current assets – deferred tax assets

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
The balance comprises temporary differences attributable to:				
Investment properties	10,080	9,764	–	–
Tax losses	–	1,413	–	–
Total non-current assets – deferred tax assets	10,080	11,177	–	–
Movements				
Opening balance as at 1 July	11,177	(1,936)	–	–
(Charged)/credited to Statements of Comprehensive Income	(1,097)	13,113	–	–
Closing balance as at 30 June	10,080	11,177	–	–

Note 20. Non-current assets – other

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Tenant and other bonds	305	1,848	229	328
Total non-current assets – other	305	1,848	229	328

Note 21. Current liabilities – payables

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Trade creditors	9,393	8,981	4,317	4,459
Accruals	2,049	1,375	1,530	697
Accrued capital expenditure	1,622	2,309	1,138	1,581
Prepaid income	2,053	2,038	1,785	1,878
Responsible Entity fee payable	724	444	724	444
GST payable	7,575	1,236	6,976	279
Accrued interest	2,193	1,909	–	–
Other payable to related party	18,936	12,874	33,740	12,874
Total current liabilities – payables	44,545	31,166	50,210	22,212

Note 22. Interest bearing liabilities

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Current				
Unsecured				
Bank loans	–	64,337	–	–
Total unsecured	–	64,337	–	–
Secured				
Bank loans (a)	48,046	–	–	–
Total secured	48,046	–	–	–
Deferred borrowing costs	(250)	(301)	–	–
Total interest bearing liabilities	47,796	64,036	–	–

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

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

(a) Bank loans – secured

This includes a total of a US\$41.0 million (A\$48.0 million) secured interest only bank facility maturing in February 2011. The facility is secured by a mortgage over one investment property with a value of US\$58.2 million (A\$68.3 million) as at 30 June 2010.

Note 23. Non-current liabilities – other

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Tenant bonds	875	1,209	111	285
Other	–	76	–	–
Total non-current liabilities – other	875	1,285	111	285

Note 24. Contributed equity**(a) Contributed equity**

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Opening balance as at 1 July	925,116	760,988	925,116	760,988
Issue of units	–	148,640	–	148,640
Distributions reinvested	–	19,682	–	19,682
Cost of issuing units	–	(4,194)	–	(4,194)
Closing balance as at 30 June	925,116	925,116	925,116	925,116

(b) Number of units on issue

	Consolidated		Parent entity	
	2010 No. of securities	2009 No. of securities	2010 No. of securities	2009 No. of securities
Opening balance as at 1 July	4,700,841,666	3,040,019,487	4,700,841,666	3,040,019,487
Distributions reinvested	119,980,133	100,368,579	119,980,133	100,368,579
Issue of units	–	1,560,453,600	–	1,560,453,600
Closing balance as at 30 June	4,820,821,799	4,700,841,666	4,820,821,799	4,700,841,666

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 the Trust.

(c) 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 28 August 2009, 65,251,600 units were issued at a unit price of nil in relation to the June 2009 distribution period.

On 26 February 2010, 54,728,533 units were issued at a unit price of nil in relation to the December 2009 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 15% limit under ASX Listing Rule 7.1.

Note 25. Reserves and undistributed income

(a) Reserves

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Foreign currency translation reserve	12,163	4,791	–	–
Total reserves	12,163	4,791	–	–
Movements:				
Foreign currency translation reserve				
Opening balance as at 1 July	4,791	175	–	–
Exchange difference arising from the translation of the financial statements of foreign operations	7,372	4,616	–	–
Total movement in foreign currency translation reserve	7,372	4,616	–	–
Closing balance as at 30 June	12,163	4,791	–	–

(b) Nature and purpose of reserves

Foreign currency translation reserve

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

(c) (Accumulated losses)/retained profits

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Opening balance as at 1 July	(395,880)	344,634	(314,169)	369,649
Net loss attributable to unitholders	(96,698)	(696,312)	(103,988)	(639,616)
Distributions provided for or paid	–	(44,202)	–	(44,202)
Closing balance as at 30 June	(492,578)	(395,880)	(418,157)	(314,169)

Note 26. Distributions paid and payable

(a) Distribution to unitholders

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
31 December 2009 (paid 27 February 2010)	–	44,202	–	44,202
Total distributions	–	44,202	–	44,202

(b) Distribution rate

	Consolidated		Parent entity	
	2010 Cents per unit	2009 Cents per unit	2010 Cents per unit	2009 Cents per unit
31 December (paid 27 February 2010)	–	1.27	–	1.27
Total distributions	–	1.27	–	1.27

Note 27. Financial risk management

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

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

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

(1) Capital risk management

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

The capital structure of the Trust consists of debt (see note 22), cash and cash equivalents, and equity attributable to unitholders. The capital structure is monitored and managed in consideration of a range of factors including:

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

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

The gearing ratio at 30 June 2010 was 68.7% (as detailed below).

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Gearing ratio				
Total interest bearing liabilities ¹	1,305,962	1,363,254	1,099,372	1,199,384
Total tangible assets ²	1,899,781	2,010,326	1,769,706	1,912,631
Gearing ratio³	68.7%	67.8%	62.1%	62.7%

1 Total interest bearing liabilities excludes deferred borrowing costs as reported internally to management.

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

3 Gearing is managed centrally for DXS. The gearing ratio as disclosed in the DEXUS Property Group Financial Statements 2010 is 30.4% (refer note 32 of the DXS Financial Statements).

The Trust is not rated by ratings agencies, however, DXS has been rated BBB+ by Standard and Poor's and Baa1 by Moody's. The Trust considers potential impacts upon the rating when assessing the strategy and activities of the Trust and regards those impacts as an important consideration in its management of the Trust's capital structure.

The Responsible Entity for DIT (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.

(2) Financial risk management

The Trust's activities expose it to a variety of financial risks: credit risk, market risk (including currency risk and interest rate risk), and liquidity risk. Financial risk management is not managed at the individual trust level, but holistically as part of DXS. DXS's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Trust.

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

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Note 27. Financial risk management (continued)

(2) Financial risk management (continued)

(a) Liquidity risk (continued)

Refinancing risk (continued)

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

Consolidated	2010				2009			
	Expiring within one year	Expiring between one and two years	Expiring between two and five years	Expiring after five years	Expiring within one year	Expiring between one and two years	Expiring between two and five years	Expiring after five years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Receivables	4,604	–	–	–	14,036	–	–	–
Payables	44,545	–	–	–	31,166	–	–	–
	(39,941)	–	–	–	(17,130)	–	–	–
Loans with related parties	–	–	–	1,257,916	–	–	–	1,311,960
Interest bearing liabilities								
Floating interest bearing liabilities	48,046	–	–	–	64,337	–	–	–
Total interest bearing liabilities¹	48,046	–	–	–	64,337	–	–	–
Derivative financial instruments								
Derivative assets	31,958	25,848	1,794	195	324,377	161,445	248,726	13,584
Derivative liabilities	49,841	33,483	34,806	12,053	328,170	210,263	361,200	106,523
Total net derivative financial instruments²	(17,883)	(7,635)	(33,012)	(11,858)	(3,793)	(48,818)	(112,474)	(92,939)

1 Refer note 22 (interest bearing liabilities). Excludes deferred borrowing costs.

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 flow, future cash flow have been calculated using static interest rate prevailing at 30 June 2010. Refer note 12 Derivative Financial Instruments for fair value of derivatives. Refer Contingent Liabilities (note 28) for Financial Guarantees.

Parent entity	2010				2009			
	Expiring within one year	Expiring between one and two years	Expiring between two and five years	Expiring after five years	Expiring within one year	Expiring between one and two years	Expiring between two and five years	Expiring after five years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Receivables	1,332	–	–	–	8,874	–	–	–
Payables	50,210	–	–	–	22,212	–	–	–
	(48,878)	–	–	–	(13,338)	–	–	–
Loans with related parties	–	–	–	1,099,372	–	–	–	1,201,113
Derivative financial instruments								
Derivative assets	31,958	25,848	1,794	195	324,377	161,445	248,726	13,584
Derivative liabilities	49,841	33,483	34,806	12,053	328,170	210,263	361,200	106,523
Total net derivative financial instruments¹	(17,883)	(7,635)	(33,012)	(11,858)	(3,793)	(48,818)	(112,474)	(92,939)

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 flow, future cash flow have been calculated using static interest rate prevailing at 30 June 2010. Refer note 12 Derivative Financial Instruments for fair value of derivatives. Refer Contingent Liabilities (note 28) for Financial Guarantees.

(b) Market risk

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

(i) Interest rate risk

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

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

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

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

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 2010	June 2011 \$'000	June 2012 \$'000	June 2013 \$'000	June 2014 \$'000	> June 2015 \$'000
Interest rate swaps					
A\$ hedged ¹	333,400	332,000	271,667	75,000	90,000
A\$ hedge rate (%) ²	5.84%	5.92%	6.30%	6.87%	6.28%
US\$ hedged ¹	363,115	336,532	299,115	294,115	241,542
US\$ hedge rate (%) ²	5.89%	6.06%	5.66%	5.54%	4.94%
€ hedged ¹	137,500	127,500	105,000	70,000	23,056
€ hedge rate (%) ²	4.40%	4.43%	4.55%	4.86%	4.12%
C\$ hedged ¹	50,000	50,000	50,000	50,000	28,472
C\$ hedge rate (%) ²	5.41%	5.41%	5.41%	5.41%	5.41%
Combined fixed debt and swaps (A\$ equivalent)	1,012,165	965,246	828,773	576,089	438,156
Hedge rate (%)	5.55%	5.66%	5.64%	5.58%	5.25%

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	
		2010 (+/-) \$'000	2009 (+/-) \$'000	2010 (+/-) \$'000	2009 (+/-) \$'000
+/- 0.50% (50 basis points)	A\$	515	595	515	595
+/- 0.50% (50 basis points)	US\$	(58)	(65)	(58)	(505)
+/- 0.50% (50 basis points)	€	13	13	13	417
+/- 0.50% (50 basis points)	C\$	–	–	–	–
Total A\$ equivalent		466	536	466	697

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

Note 27. Financial risk management (continued)

(2) Financial risk management (continued)

(b) Market risk (continued)

(i) Interest rate risk (continued)

Sensitivity on fair value of interest rate swaps

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

		Consolidated		Parent entity	
		2010 (+/-) \$'000	2009 (+/-) \$'000	2010 (+/-) \$'000	2009 (+/-) \$'000
+/- 0.50% (50 basis points)	A\$	6,753	7,724	6,753	7,724
+/- 0.50% (50 basis points)	US\$	11,579	13,108	11,579	13,108
+/- 0.50% (50 basis points)	€	2,777	2,651	2,777	2,651
+/- 0.50% (50 basis points)	C\$	1,784	2,714	1,784	2,714
Total A\$ equivalent		26,305	31,382	26,305	31,382

(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, 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.

Foreign currency assets and liabilities

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

Where Australian dollar borrowings are used to fund the foreign currency investment, the Trust may transact cross currency swaps for the purpose of providing an alternate source of foreign currency funding 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	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
US\$ assets ¹	334,893	329,884	164,191	329,884
US\$ net borrowings ²	(405,487)	(359,526)	(274,087)	(359,526)
US\$ cross currency swaps ³	–	(30,000)	–	(30,000)
US\$ denominated net investment	(70,594)	(59,642)	(109,896)	(59,642)
% hedged	121%	118%	167%	118%
€ assets ¹	137,350	138,675	122,662	220,126
€ net borrowings ²	(54,942)	(39,305)	(36,109)	(11,160)
€ cross currency swaps ³	(80,000)	(100,000)	(80,000)	(100,000)
€ denominated net investment	2,408	(630)	6,553	108,966
% hedged	98%	100%	95%	50%
C\$ assets ¹	55,650	51,600	53,881	53,881
C\$ net borrowings ²	–	–	–	–
C\$ cross currency swaps ³	(50,000)	(70,000)	(50,000)	(70,000)
C\$ denominated net investment	5,650	(18,400)	3,881	(16,119)
% hedged	90%	136%	93%	–
Total net foreign investment (A\$ equivalent)	(73,082)	(94,218)	(115,227)	115,969
Total % hedged	111%	113%	125%	85%

1 Assets exclude working capital and cash as reported internally to management. Parent entity assets comprise related party interest bearing loans and receivables.

2 Net borrowings is equal to interest bearing liabilities less cash. Parent entity debt comprises related party interest bearing liabilities.

3 Cross currency swap amounts comprise the foreign currency denominated leg of the cross currency interest 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 2010². 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	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
+ 11.3 cents (13.3%)	US\$ (A\$ equivalent)	(9,706)	(11,917)	–	–
– 11.3 cents (13.3%)	US\$ (A\$ equivalent)	12,678	17,635	–	–
+ 8.8 cents (10.4%)	€ (A\$ equivalent)	388	(110)	–	–
– 8.8 cents (10.4%)	€ (A\$ equivalent)	(500)	137	–	–
+ 7.5 cents (8.4%)	C\$ (A\$ equivalent)	486	(1,417)	–	–
– 7.5 cents (8.4%)	C\$ (A\$ equivalent)	(575)	1,656	–	–

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 2010: A\$/US\$ 0.8523 (2009: 0.8144), A\$/€ 0.6979 (2009: 0.5751), A\$/C\$ 0.8976 (2009: 0.9379).

Note 27. Financial risk management (continued)

(2) Financial risk management (continued)

(b) Market risk (continued)

(ii) Foreign exchange risk (continued)

Sensitivity on fair value of cross currency swaps

The table below shows the impact on the Statements of Comprehensive Income 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 swaps¹. 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 Statements of Comprehensive Income.

		Consolidated		Parent entity	
		2010 (+/-) \$'000	2009 (+/-) \$'000	2010 (+/-) \$'000	2009 (+/-) \$'000
+ 0.50% (50 basis point)	US\$ (A\$ equivalent)	4	(3)	4	(3)
+ 0.50% (50 basis point)	€ (A\$ equivalent)	16	2	16	2
+ 0.50% (50 basis point)	C\$ (A\$ equivalent)	3	(91)	3	(91)

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.

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 2010 are as follows:

	2010 To pay US\$ million	2010 To receive A\$ million	2010 Weighted average exchange rate	2009 To pay US\$ million	2009 To receive A\$ million	2009 Weighted average exchange rate
1 year or less	–	–	–	2.9	4.1	0.6902
Over 1 and less than 2 years	2.9	4.1	0.7031	2.8	4.0	0.7084
More than 2 years	2.9	4.3	0.6707	5.8	8.4	0.6865

Sensitivity on fair value of foreign exchange contracts

The table below shows the impact on the Statements of Comprehensive Income for changes in the fair value of forward foreign exchange contracts for an increase and decrease in market rates. The increase and decrease in cents per currency has been based on the historical movements of the Australian dollar relative to each currency¹. The cents per currency has been applied to the spot rates prevailing at 30 June 2010². 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 Statements of Comprehensive Income.

		Consolidated		Parent entity	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
+ 11.3 cents (13.2%)	US\$ (A\$ equivalent)	1,011	2,177	1,011	2,177
- 11.3 cents (13.2%)	US\$ (A\$ equivalent)	(774)	(3,222)	(774)	(3,222)

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 2010: A\$/US\$ 0.8523 (2009: 0.8114).

(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.

DXS 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 an 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 2010, the lowest rating of counterparties that 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 2010 is the carrying amount of financial assets recognised on the Statements of Financial Position of the Trust and parent entity.

As at 30 June 2010, the Trust and the parent 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 2010 is (\$'000): 3,834.0 (0-30 days), 165.0 (31-60 days), 266.0 (61-90 days), 339.0 (91+ days). The ageing analysis of loans and receivables net of provisions at 30 June 2009 is (\$'000): 12,702.0 (0-30 days), 485.9 (31-60 days), 78.1 (61-90 days), 769.9 (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 2010 is (\$'000): 1,169.0 (0-30 days), 147.0 (31-60 days), 5.0 (61-90 days), 11.0 (91+ days). The ageing analysis of loans and receivables net of provisions for the parent entity at 30 June 2009 is (\$'000): 8,739.8 (0-30 days), 127.1 (31-60 days), 0.9 (61-90 days), 6.2 (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 27. 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 2010, the carrying amounts and fair value of financial assets and liabilities are shown as follows:

Consolidated	2010 Carrying amount ¹ \$'000	2010 Fair value ² \$'000	2009 Carrying amount ¹ \$'000	2009 Fair value ² \$'000
Financial assets				
Cash and cash equivalents	16,537	16,537	13,043	13,043
Loans and receivables (current)	4,604	4,604	14,036	14,036
Derivative assets	48,918	48,918	71,087	71,087
Loans with related parties	290,890	290,890	138,948	138,948
Total financial assets	360,949	360,949	237,114	237,114
Financial liabilities				
Trade payables	44,545	44,545	31,166	31,166
Derivative liabilities	161,972	161,972	149,161	149,161
Interest bearing liabilities	47,796	47,796	64,036	64,036
Loans with related parties	1,257,916	1,257,916	1,311,960	1,311,960
Total financial liabilities	1,512,229	1,512,229	1,556,323	1,556,323
Parent entity				
	2010 Carrying amount ¹ \$'000	2010 Fair value ² \$'000	2009 Carrying amount ¹ \$'000	2009 Fair value ² \$'000
Financial assets				
Cash and cash equivalents	1,453	1,453	1,729	1,729
Receivables (current)	1,332	1,332	8,874	8,874
Derivative assets	48,918	48,918	71,087	71,087
Loans with related parties	562,988	562,988	150,675	150,675
Total financial assets	614,691	614,691	232,365	232,365
Financial liabilities				
Trade payables	50,210	50,210	22,212	22,212
Derivative liabilities	161,972	161,972	149,161	149,161
Loans with related parties	1,099,372	1,099,372	1,201,113	1,201,113
Total financial liabilities	1,311,554	1,311,554	1,372,486	1,372,486

1 Carrying value is equal to the value of the financial instruments in the Statements of Financial Position.

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

The fair value of interest bearing liabilities and derivative financial instruments has been determined by discounting the expected future cash flows by the relevant market interest rates. The discount rates applied range from 0.53% to 4.21% for US\$ and 4.79% to 6.08% for A\$. Refer note 1(u) for fair value methodology for financial assets and liabilities.

Determination of fair value

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

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

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

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

The following table presents the consolidated and parent entity's assets and liabilities measured and recognised as fair value at 30 June 2010.

Consolidated financial assets and liabilities	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2010 \$'000
Financial assets				
Derivative assets				
Interest rate derivatives	–	25,990	–	25,990
Cross currency swaps	–	21,252	–	21,252
Forward exchange contracts	–	1,676	–	1,676
	–	48,918	–	48,918
Financial liabilities				
Interest bearing liabilities				
Floating rate debt	–	48,046	–	48,046
	–	48,046	–	48,046
Derivative liabilities				
Interest rate derivatives	–	153,915	–	153,915
Cross currency swaps	–	7,833	–	7,833
Forward exchange contracts	–	224	–	224
	–	161,972	–	161,972
Parent financial assets and liabilities	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2010 \$'000
Financial assets				
Derivative assets				
Interest rate derivatives	–	25,990	–	25,990
Cross currency swaps	–	21,252	–	21,252
Forward exchange contracts	–	1,676	–	1,676
	–	48,918	–	48,918
Financial liabilities				
Derivative liabilities				
Interest rate derivatives	–	153,915	–	153,915
Cross currency swaps	–	7,833	–	7,833
Forward exchange contracts	–	224	–	224
	–	161,972	–	161,972

Note 28. Contingent liabilities

The Trust together with DDF, DXO and DOT is also a guarantor of a US\$210.0 million (A\$246.4 million) syndicated bank debt facility and a total of A\$1,182.5 million and US\$120.0 million (A\$140.8 million) of bank bilateral facilities, a total of A\$361.1 million of medium-term notes, a total of US\$400.0 million (A\$469.3 million) of privately placed notes, and a total of US\$300.0 million (A\$352.0 million) of public 144a senior notes, which have all been negotiated to finance the Trust and other entities within DXS. The guarantees have been given in support of debt outstanding and drawn against these facilities, and may be called upon in the event that a borrower under the above facilities does not comply with certain loan conditions, such as, failure to meet interest payments or failure to repay a borrowing, whichever is earlier. During the period none of the guarantees was called.

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

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

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

Note 29. Commitments**(a) Capital commitments**

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

Capital expenditure commitments:

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Not longer than one year				
3 Brookhollow Avenue, Norwest, NSW	93	421	93	421
5–13 Rosebery Avenue, Rosebery, NSW	172	–	172	–
RN 19 ZAC de L'Ormes Road, Servon	1,614	–	–	–
Total capital commitments	1,879	421	265	421

(b) Lease receivable commitments

The future minimum lease payments receivable by the Trust are:

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Within one year	119,966	129,160	74,655	62,728
Later than one year but not later than five years	337,344	390,215	188,930	172,441
Later than five years	230,644	231,833	147,520	134,523
Total lease receivable commitments	687,954	751,208	411,105	369,692

Note 30. Related parties

Responsible Entity

DXFM is the Responsible Entity of the Trust.

Responsible Entity fees

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

Related party transactions

Responsible Entity fees are on a cost recovery basis as reflected in the parent entity's transactions with DXFM.

DEXUS Funds Management Limited and its related entities

There were a number of transactions and balances between the Trust and the Responsible Entity and its related entities as detailed below:

	Consolidated		Parent entity	
	2010 \$	2009 \$	2010 \$	2009 \$
Responsible Entity fees paid and payable	4,438,726	5,598,240	4,438,726	5,598,240
Property management fees to DXPS	3,888,555	3,147,185	3,292,776	2,610,441
Recovery of administration expenses paid to DXH	3,640,256	4,198,336	3,083,317	3,571,297
Aggregate amounts payable to the Responsible Entity at the end of the reporting period (included above)	769,515	443,560	769,515	443,560
Property management fees payable at the end of the reporting period (included above)	828,564	655,401	723,316	543,279
Administration expenses payable at the end of the reporting period (included above)	97,845	72,109	188,564	156,744

Entities within DXS

Aggregate amounts included in the determination of profit that resulted from transactions with each class of other related parties:

	Consolidated		Parent entity	
	2010 \$	2009 \$	2010 \$	2009 \$
Interest revenue	1,825,950	3,102,815	1,825,950	3,102,815
Interest expense	77,865,385	75,071,908	59,414,879	52,746,504
Interest bearing loans advanced to trusts within DXS	390,800,617	1,121,465,506	390,800,617	1,144,697,125
Interest bearing loans advanced from trusts within DXS	317,612,417	930,257,931	289,961,649	930,737,281
Sale of land to DEXUS Projects Pty Limited (refer note 14)	64,800,000	–	64,800,000	–

Note 30. Related parties (continued)**Directors**

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

C T Beare, BSc, BE (Hons), MBA, PhD, FAICD^{1,4,5}

E A Alexander AM, BComm, FCA, FAICD, FCPA^{1,2,6}

B R Brownjohn, BComm^{1,2,5,6}

J C Conde AO, BSc, BE(Hons), MBA^{1,3,4}

S F Ewen OAM^{1,4}

V P Hoog Antink, BComm, MBA, FCA, FAPI, FRICS, MAICD

B E Scullin, BEC^{1,3,7}

P B St George CA(SA), MBA^{1,2,5,6}

1 Independent Director

2 Audit Committee Member

3 Compliance Committee Member

4 Nomination and Remuneration Committee Member

5 Finance Committee Member

6 Risk and Sustainability Committee Member (name changed from Board Risk Committee on 2 June 2010)

7 Nomination and Remuneration Committee Member from 1 July 2009 to 31 August 2009

No Directors held an interest in the Trust for the years ended 30 June 2010 and 30 June 2009.

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 the financial year:

Name	Position
Victor P Hoog Antink	Chief Executive Officer
Tanya Cox	Chief Operating Officer
Patricia A Daniels	Head of Human Resources
John C Easy	General Counsel
Jane Lloyd	Head of US Investments
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

Remuneration received by Key Management Personnel of the Trust is a cost of DXH and not the Trust. DXH does not recover any proportion of their remuneration from the Trust.

No Key Management Personnel or their related parties held an interest in the Trust for the years ended 30 June 2010 and 30 June 2009.

There were no loans or other transactions with Key Management Personnel or their related parties during the years ended 30 June 2010 and 30 June 2009.

	2010 \$	2009 \$
Compensation		
Short-term employee benefits	9,174,298	7,911,223
Post-employment benefits	328,058	563,665
Other long-term benefits	3,797,553	1,509,929
	13,299,909	9,984,817

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 2010. The information provided in this Report has been audited in accordance with the provisions of section 308 (3C) of the *Corporations Act 2001*.

Changes to this Report, compared to the previous year, include a clearer description of the structure and nature of the Long-Term Incentive Plan (known this year as DEXUS Deferred Performance Payments). DEXUS has also disclosed the outcome of fixed remuneration reviews for Executives for the 2010/11 year, and the outcome of the fee review for Directors.

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 2010 are set out below.

Name	Title	Date of qualification as a KMP
Non-Executive Directors		
Christopher T Beare	Non-Executive Chair	Appointed 1 October 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 1 October 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.

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 US Investments	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

Following a streamlining of the Group's executive structure in July 2010 the DEXUS Executive Committee was replaced by a new, smaller Group Management Committee. This change will impact those positions which qualify as Key Management Personnel in the 2010/11 year.

Note 30. Related parties (continued)

Remuneration Report (continued)

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 Executive remuneration policies and structures to the Board.

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 individual and company performance. The Committee engages external consultants to provide independent advice when required.

Further information about the role and responsibility of the Committee is set out in the Corporate Governance Statement which may be found at www.dexus.com/Corporate-Governance.aspx

During the reporting period Nomination and Remuneration Committee members were Messrs Conde (member until 31 August 2009, Chair with effect from 1 September 2009), Beare (Chair until 31 August 2009, member with effect from 1 September 2009), Scullin (member until 31 August 2009) and Ewen.

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
DWPL Board	30,000	15,000
Board Finance	15,000	7,500
Board Compliance	15,000	7,500
Board Nomination and Remuneration	15,000	7,500

Further to the Committee fee structure outlined above, Mr Ewen has been paid an additional fixed fee of \$30,000 per annum for assuming responsibilities involved in attending property inspections, reviewing property investment proposals and participating in informal management meetings.

Recognising the greater responsibility and time commitment required the Board Chair receives a higher fee than other Non-Executive Directors, which is benchmarked to the market median of comparably sized ASX listed entities. The Chair 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 and Non-Executive Directors have received no increase in fees since that time. At its meeting on 20 May 2010, following analysis of Non-Executive Director market remuneration data, the Nomination and Remuneration Committee determined that fees paid to its Non-Executive Directors had fallen below the market median of comparably sized ASX listed entities. Similarly, the Committee determined that fees paid to its Chair had fallen significantly below this peer group. Following consideration by the full Board, fees paid to DEXUS Non-Executive Directors for the year commencing 1 July 2010 will increase to \$150,000 per annum and fees paid to the Chair will increase to \$350,000 per annum. Committee fees will remain unchanged.

4 Approach to Executive remuneration

4.1 Executive remuneration principles

The Directors believe that achievement of DEXUS's strategic plans 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 principles, structure and quantum of Executive remuneration is therefore designed to attract, motivate and retain such an Executive team.

In establishing DEXUS's remuneration principles, the Directors are cognisant that DEXUS's business is based on long-term property investments and similarly longer term tenant relationships. Furthermore, property market investment returns tend to be cyclical, particularly when coupled with financial structures that act to enhance returns.

Taking these factors into account, the Executive remuneration structure is based on the following criteria:

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

(a) Market competitiveness and reasonableness

For the purposes of determining market competitive remuneration, DEXUS obtains external executive remuneration benchmarks and analyses information from a range of sources, including:

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

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

In 2009, DEXUS introduced a new method for determining key performance indicators ("KPIs") and assessing individual performance known as the Balanced Scorecard performance framework. The Balanced Scorecard prescribes clearly the performance indicators that will be measured in order to "balance" the financial perspective. The Balanced Scorecard is a performance management method that enables DEXUS to measure the execution of its strategy and reflect this performance in its incentive payments. It also provides targets and measurements around internal business processes and external outcomes in order to achieve strategic performance objectives and results. The Balanced Scorecard focuses on performance in four areas, which reflect each Executive's role, responsibility, accountability and strategy delivery.

DEXUS Balanced Scorecard – typical objectives

Financial performance	Business development and business management
■ earnings per security	■ delivery of strategic projects on time and on budget
■ distributions per security	■ corporate responsibility and sustainability initiatives
■ third party funds performance	■ achievement of international operations strategies
■ total security holder return, relative to peers	
Stakeholder satisfaction	Leadership
■ investor relations	■ executive succession
■ tenant satisfaction	■ talent management
■ employee engagement	■ role modelling DEXUS cultural values
	■ executive development

Objectives are selected based on the key drivers to achieve superior security holder returns over time and are tailored and weighted according to the individual Executive's role. The typical objectives listed above may therefore not be common to all Executive roles.

The Committee reviews and approves Executive KPIs against Group objectives at the commencement of each financial year and reviews achievement against KPIs at the end of each financial year. The Committee's review of Executive performance, in conjunction with data provided from benchmarking total remuneration levels, provides the Committee with the information necessary to determine the quantum of Performance Payments to be awarded to Executives.

Note 30. Related parties (continued)

Remuneration Report (continued)

4 Approach to Executive remuneration (continued)

4.1 Executive remuneration principles (continued)

*(c) Executive remuneration structure**i. Executive remuneration components*

The DEXUS Executive remuneration structure comprises the following remuneration components:

TOTAL REMUNERATION			
■ delivered through fixed and variable components ■ targeted at the market median		■ awarded on a variable scale, which may result in a total remuneration range from lower quartile to upper quartile, reflecting differing levels of experience, role structure and contribution	
FIXED REMUNERATION	Salary	■ Consists of cash salary and salary sacrificed fringe benefits, such as motor vehicles	■ Targeted at Australian market median using external benchmark data and varies according to Executives' skills and depth of experience
	Superannuation	■ Prescribed and salary sacrifice superannuation contributions, including insurance premiums (if applicable)	■ Reviewed annually by the Board, effective 1 July, including internal and external relativities and gender pay equity
VARIABLE REMUNERATION Performance Payments	Single pool funded annually from underlying profits to meet Performance Payments	■ The aim of Performance Payments is to attract, motivate and retain appropriately skilled and qualified executives to achieve the strategic objectives of the business, measured through the achievement of KPIs ■ Strategic objectives incorporate financial and non-financial measures of performance at Group, business unit and individual level and represent key drivers for the success of the business and for delivering long-term value to security holders ■ The achievement of KPIs is assessed through a Balanced Scorecard approach ■ Individual awards are determined on a range of factors, including achievement of KPIs and relative market remuneration positioning	■ Reviewed annually by the Board ■ The pool is funded to enable total remuneration to be paid at market median, based on external benchmark data ■ Performance Payments are delivered as immediate and deferred elements in accordance with the targeted remuneration mix set out in the table below ■ The award of any Performance Payment to an Executive is dependant upon achieving minimum threshold performance targets
	DEXUS Performance Payments ("DPP")	■ Delivery of DPP is immediate	■ Awarded annually as a cash payment in September
	DEXUS Deferred Performance Payments ("DDPP")	■ Delivery of DDPP is deferred for three years, as described below	■ Granted annually ■ Grants vest after three years ■ Delivered as a cash payment in accordance with the plan design described below ■ Unvested grants are forfeited upon Executive initiated termination (i.e. resignation) unless otherwise determined by the Nomination and Remuneration Committee

Performance payment pool

A single pool of funds is made available to meet all Performance Payments. The pool of funds available is sufficient to ensure that DEXUS is able to achieve its total remuneration positioning target, relative to the market. The Board may exercise 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 DXH; and
- performance against budgeted earnings and distributions per security.

ii. Target mix of remuneration components

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

Remuneration component	2010			2009		
	CEO	CFO	Other Executives	CEO	CFO	Other Executives
Total fixed	35%	40%	50%	35%	40%	50%
DEXUS Performance Payment ("DPP")	30%	30%	25%	30%	30%	25%
DEXUS Deferred Performance Payment ("DDPP")	35%	30%	25%	35%	30%	25%

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

iii. DEXUS Deferred Performance Payment ("DDPP") plan

The DDPP plan operates as follows:

- following allocation, Deferred Performance Payments are subject to a three year vesting period from allocation date;
- the DDPP allocation value is notionally invested during the vesting period in DEXUS securities (50% of DDPP value) and its unlisted funds and mandates (50% of DDPP value);
- during the vesting period, DDPP 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 the Composite Performance Benchmark, the Board may approve the application of a performance factor to the final DDPP 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 a DDPP 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 DDPP in the event of termination of service agreements are outlined in section 7 below.

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 DEXUS's remuneration structure.

Equity and loan schemes

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

The deferred 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 DDPP allocation.

Note 30. Related parties (continued)

Remuneration Report (continued)

5 Executive remuneration arrangements for the year ended 30 June 2010

This section outlines how the approach to Executive remuneration described above has been implemented in the 2009/10 financial year.

Decisions taken impacting executive remuneration for the year ended 30 June 2010 only

- No increase in base salaries in 2009/10 for Executives or employees with the exception of adjustments for a limited number of employees whose roles and responsibilities markedly increased.
- No increase in Non-Executive Director fees for 2008/09 and 2009/10.

Decisions taken impacting executive remuneration for the year ended 30 June 2010 and future years

- Accelerated DDPP vesting on termination for reasons outside of the Executive's control was discontinued, but can be applied by exception with the approval of the Nomination and Remuneration Committee.
- Automatic application of the DDPP performance multiplier was removed, impacting all current unvested awards and all future allocations.
- Eligibility of DDPP was restricted to Executives and senior management.
- Balanced Scorecard performance approach was introduced for Executives incorporating four key areas of focus – financial performance, business development and business management, stakeholder satisfaction and leadership.
- Remuneration mix guidelines were adopted for all employees to provide greater transparency in the determination of the size of the performance payment pool.

Decisions taken impacting executive remuneration for the year ending 30 June 2011 and future years

- KPI performance weightings were introduced.
- The effectiveness of existing incentive plans was, and will continue to be reviewed.

At its meeting on 21 July 2010 the Nomination and Remuneration Committee determined that the fixed remuneration paid to a number of Executives had fallen below the market median of comparably sized ASX listed entities. Following consideration by the full Board, the fixed remuneration paid to specific Executives for the year commencing 1 July 2010 will increase in line with comparable market median positions.

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.

Period to 30 June 2010	1 year	2 years	3 years	Since 1 October 2004 ¹
	% per annum	% per annum	% per annum	% per annum
DEXUS Property Group	9.4	(17.2)	(19.6)	(0.5)
S&P/ASX 200 Property Accumulation Index	20.4	(16.6)	(23.8)	(5.6)
DEXUS Composite Total Return	8.0	(10.0)	(9.1)	4.1
Composite Performance Benchmark	11.6	(10.8)	(11.3)	1.4

¹ DEXUS's inception date is 1 October 2004.

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

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

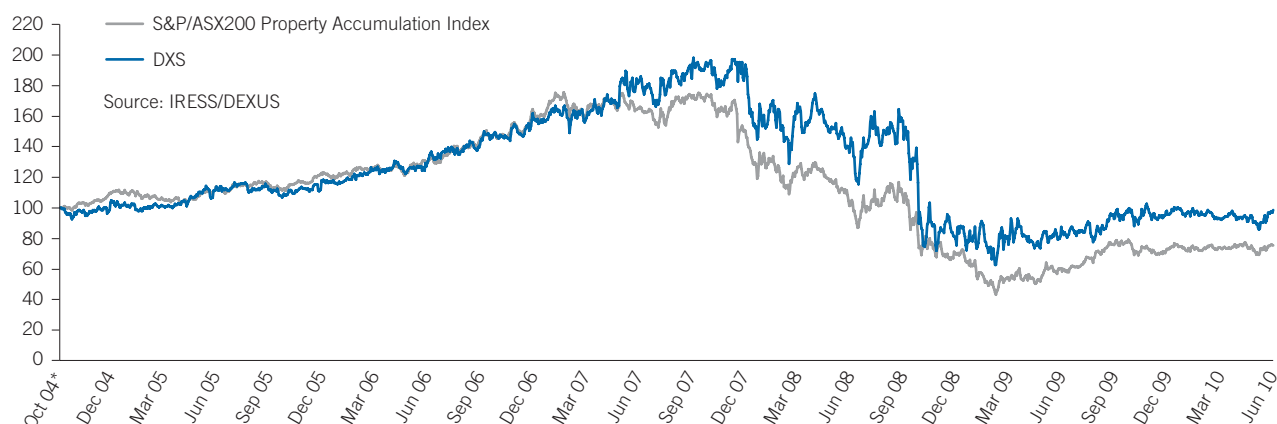
The Board also considered whether the construction of the Composite Total Return should reflect the actual value of the unlisted funds and mandates, and DEXUS Property Group's own funds under management.

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

During the year 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 October 2004 to 30 June 2010.

DEXUS has out-performed the S&P ASX 200 Property Accumulation index on a rolling three year basis each period since inception in October 2004. In addition, the DEXUS Composite Total Return has out-performed the Composite Performance Benchmark on a rolling three year basis each period since inception.

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 its approach to Executive remuneration, with a focus on consistent out-performance of objectives, is aligned with and supports the superior execution of DEXUS's strategic plans.

7 Service agreements

The employment arrangements for Executives are set out below.

CEO – Victor P Hoog Antink

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

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

Executives (other than the CEO)

The principal terms of Executive employment contracts are as follows:

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

Note 30. Related parties (continued)

Remuneration Report (continued)

8 Remuneration of Key Management Personnel

(a) Cash accounting method

In response to the Productivity Commission's recommendation to improve the transparency of remuneration reports by disclosing actual remuneration received by Executives, the following table provides details of actual cash and other benefits received by Executives in the years ending 30 June 2010 and 30 June 2009. This table includes details of the five highest paid Directors or Executives.

The amounts detailed in the cash accounting table vary to the amounts detailed in the statutory accounting table because performance payments are paid to Executives in the year following the performance period to which they relate. Furthermore, DDPP allocations and movement in prior year DDPP allocation values detailed in the statutory accounting table do not reflect what will be paid to the Executive when the DDPP vests as the award will be revalued at that time.

		Cash salary including superannuation	DEXUS performance payments	DEXUS deferred performance payments	Other short-term benefits ¹	Total
		\$	\$	\$	\$	\$
Name						
Victor P Hoog Antink	2010	1,300,000	785,000	339,375	–	2,424,375
	2009	1,300,000	900,000	391,584	–	2,591,584
Tanya L Cox	2010	400,000	150,000	81,450	–	631,450
	2009	400,000	200,000	20,885	–	620,885
Patricia A Daniels²	2010	261,333	90,000	–	–	351,333
	2009	261,334	60,000	–	–	321,334
John C Easy	2010	375,000	163,000	67,875	–	605,875
	2009	375,000	150,000	26,106	–	551,106
Jane Lloyd	2010	369,916	113,000	–	123,107	606,023
	2009	375,000	–	–	–	375,000
Louise J Martin	2010	500,000	175,000	–	–	675,000
	2009	500,000	225,000	–	–	725,000
Craig D Mitchell	2010	550,000	325,000	–	–	875,000
	2009	550,000	250,000	–	–	800,000
Paul G Say	2010	500,000	200,000	–	–	700,000
	2009	500,000	225,000	–	–	725,000
Mark F Turner	2010	450,000	135,000	95,025	–	680,025
	2009	450,000	200,000	20,885	–	670,885
Andrew P Whiteside	2010	475,000	135,000	–	–	610,000
	2009	475,000	200,000	–	–	675,000
Total	2010	5,181,249	2,271,000	583,725	123,107	8,159,081
	2009	5,186,334	2,410,000	459,460	–	8,055,794

¹ Other short-term benefits include expatriate assignment benefits such as relocation and housing allowances, relocation consultant assistance, health insurance premiums and associated taxes on these benefits.

² Patricia A Daniels' actual remuneration received is for a four day week.

(b) Statutory accounting method

In accordance with Australian Accounting Standard AASB 124 details of the structure and quantum of each component of remuneration for Executives for the years ended 30 June 2009 and 30 June 2010 are set out in the following table.

	Short-term employee benefits			Post-employment benefits	Other long-term benefits			Total
	Cash salary and fees	DEXUS performance payments	Other short-term benefits ¹	Pension and super benefits	DEXUS deferred performance payment allocations ²	Movement in prior year deferred performance payment allocation values ³	Other long-term benefits	
	\$	\$	\$	\$	\$	\$	\$	\$
Name								
Victor P Hoog Antink								
2010	1,252,539	1,100,00		47,461	1,200,00	363,957	–	3,963,957
2009	1,200,000	785,000	–	100,000	915,000	(416,600)		2,583,400
Tanya L Cox								
2010	385,539	180,000		14,461	180,000	62,533	–	822,533
2009	352,086	150,000	–	47,914	150,000	(80,773)	–	619,227
Patricia A Daniels⁴								
2010	246,872	104,000		14,461	104,000	13,023	–	482,356
2009	247,589	90,000	–	13,745	90,000	(24,250)		417,084
John C Easy								
2010	360,539	187,000		14,461	188,000	47,437	–	797,437
2009	343,255	163,000	–	31,745	162,000	(57,688)	–	642,312
Jane Lloyd								
2010	355,455	162,000	123,107	14,461	163,000	10,012	–	828,035
2009	361,255	113,000	–	13,745	112,000	–	–	600,000

1 Other short-term benefits include expatriate assignment benefits such as relocation and housing allowances, relocation consultant assistance, health insurance premiums and associated taxes on these benefits.

2 This is the DDPP allocation for the current year which is deferred for three years as described on page 45.

3 This is the notional change in value of all unvested DDPP allocations from prior year.

4 Patricia A Daniels' actual remuneration received is for a four day week.

Notes to the Financial Statements

For the year ended 30 June 2010

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Note 30. Related parties (continued)

Remuneration Report (continued)

8 Remuneration of Key Management Personnel (continued)

(b) Statutory accounting method (continued)

	Short-term employee benefits			Post-employment benefits	Other long-term benefits			Total
	Cash salary and fees	DEXUS performance payments	Other short-term benefits ¹	Pension and super benefits	DEXUS deferred performance payment allocations ²	Movement in prior year deferred performance payment allocation values ³	Other long-term benefits	
	\$	\$	\$	\$	\$	\$	\$	\$
Name								
Louise J Martin								
2010	485,539	200,000	–	14,461	200,000	74,415	–	974,415
2009	405,000	175,000	–	95,000	175,000	(60,625)	–	789,375
Craig D Mitchell								
2010	535,539	400,00	–	14,461	400,000	40,528	–	1,390,528
2009	500,000	325,000	–	50,000	325,000	(60,625)	–	1,139,375
Paul G Say								
2010	485,539	250,000	–	14,461	250,000	30,565	–	1,030,565
2009	486,255	200,000	–	13,745	200,000	(60,625)	–	839,375
Mark F Turner								
2010	401,339	140,000	–	48,661	140,000	88,473	–	818,473
2009	400,015	135,000	–	49,985	135,000	(103,635)	–	616,365
Andrew P Whiteside								
2010	460,539	225,000	–	14,461	225,000	16,610	–	941,610
2009	461,255	135,000	–	13,745	135,000	(24,250)	–	720,750
Total								
2010	4,969,439	2,948,439	123,107	211,810	3,050,000	747,553	–	12,049,909
2009	4,756,710	2,271,000	–	429,624	2,399,000	(889,071)	–	8,967,263

1 Other short-term benefits include expatriate assignment benefits such as relocation and housing allowances, relocation consultant assistance, health insurance premiums and associated taxes on these benefits.

2 This is the DDPP allocation for the current year which is deferred for three years as described on page 45.

3 This is the notional change in value of all unvested DDPP allocations from prior year.

Deferred Performance Payments

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

	Year of grant	DDPP allocation value	Movement in DDPP allocation value (since grant date)	Closing DDPP allocation value as at 30 June 2010	Movement in DDPP allocation value at vesting date (due to performance multiplier)	Vested DDPP as at 30 June 2010	Year that DDPP will vest
	\$	\$	\$	\$	\$	\$	\$
Name							
Victor P Hoog Antink	2010	1,200,000	–	–	–	–	2013
	2009	915,000	72,926	987,926	–	–	2012
	2008	900,000	(165,600)	734,400	–	–	2011
	2007	650,000	(142,285)	–	203,086	710,801	2010
Tanya L Cox	2010	180,000	–	–	–	–	2013
	2009	150,000	11,955	161,955	–	–	2012
	2008	175,000	(32,200)	142,800	–	–	2011
	2007	110,000	(24,079)	–	34,368	120,289	2010
Patricia A Daniels	2010	104,000	–	–	–	–	2013
	2009	90,000	7,173	97,173	–	–	2012
	2008	100,000	(18,400)	–	–	–	2011
John C Easy	2010	188,000	–	–	–	–	2013
	2009	162,000	12,911	174,911	–	–	2012
	2008	120,000	(22,080)	97,920	–	–	2011
	2007	75,000	(16,418)	–	23,433	82,015	2010
Jane Lloyd¹	2010	163,000	–	–	–	–	2013
	2009	112,000	8,926	120,926	–	–	2012
	2008	–	–	–	–	–	2011
	2007	20,000	(4,378)	–	6,249	21,871	2010
Louise J Martin²	2010	200,000	–	–	–	–	2013
	2009	175,000	13,948	188,948	–	–	2012
	2008	250,000	(46,000)	204,000	–	–	2011
	2007	125,000	(27,636)	–	39,054	136,688	2010
Craig D Mitchell	2010	400,000	–	–	–	–	2013
	2009	325,000	25,903	350,903	–	–	2012
	2008	250,000	(46,000)	204,000	–	–	2011
Paul G Say	2010	250,000	–	–	–	–	2013
	2009	200,000	15,940	215,940	–	–	2012
	2008	250,000	(46,000)	204,000	–	–	2011
Mark F Turner	2010	140,000	–	–	–	–	2013
	2009	135,000	10,760	145,760	–	–	2012
	2008	200,000	(36,800)	163,200	–	–	2011
	2007	180,000	(39,402)	–	56,239	196,837	2010
Andrew P Whiteside	2010	225,000	–	–	–	–	2013
	2009	135,000	10,760	145,760	–	–	2012
	2008	100,000	(18,400)	81,600	–	–	2011

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

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

Notes to the Financial Statements

For the year ended 30 June 2010

CONTINUED

Note 30. Related parties (continued)

Remuneration Report (continued)

8 Remuneration of Key Management Personnel (continued)

(b) Statutory accounting method (continued)

Non-Executive Director Board and Committee fees

Board and Committee fees paid to Non-Executive Directors for the years ended 30 June 2009 and 30 June 2010 are set out in the table below. Note: In 2009/10 two additional paid Board members were in place for the full twelve months to 30 June 2010, compared to only two months the preceding year.

Directors fees				Committee fees				Total cash salary and fees
Name	Board	DWPL	Board Audit	Board Risk	Board Compliance	Board Nom & Rem	Board Finance	
	\$	\$	\$	\$	\$	\$	\$	
Christopher T Beare								
2010	300,000	–	–	–	–	–	–	300,000
2009	300,000	–	–	–	–	–	–	300,000
Elizabeth A Alexander AM ¹								
2010	130,000	17,500	8,750	8,750	–	–	–	165,000
2009	130,000	–	15,000	15,000	6,250	–	6,250	172,500
Barry R Brownjohn ²								
2010	130,000	–	13,750	13,750	–	–	8,750	166,250
2009	130,000	–	7,500	7,500	–	–	15,000	160,000
John C Conde AO ³								
2010	130,000	–	–	–	7,500	13,750	–	151,250
2009	22,652	–	–	–	1,250	1,250	–	25,152
Stewart F Ewen OAM								
2010	130,000	–	–	–	–	7,500	–	137,500
2009	130,000	–	–	–	–	7,500	–	137,500
Charles B Leitner III ⁴								
2010	–	–	–	–	–	–	–	–
2009	–	–	–	–	–	–	–	–
Brian E Scullin ⁵								
2010	130,000	25,000	–	–	15,000	1,250	–	171,250
2009	130,000	30,000	6,250	6,250	15,000	7,500	–	195,000
Peter B St. George ⁶								
2010	130,000	–	7,500	7,500	–	–	13,750	158,750
2009	22,652	–	1,250	1,250	–	–	1,250	26,402
Total								
2010	1,080,000	42,500	30,000	30,000	22,500	22,500	22,500	1,250,000
2009	865,304	30,000	30,000	30,000	22,500	16,250	22,500	1,016,554

1 Elizabeth A Alexander became a member of the Board Audit and Board Risk Committees on 1 September 2009. Elizabeth was previously the Chair of both Committees. Elizabeth became a Director of the DWPL Board on 1 September 2009 and became Chair of that Board on 1 March 2010.

2 Barry R Brownjohn became a member of the Board Finance Committee on 1 September 2009. Barry was previously the Chair of that Committee. Barry became Chair of the Board Audit and Board Risk Committees on 1 September 2009. Barry was previously a member of both Committees.

3 John C Conde became Chair of the Board Nomination and Remuneration Committee on 1 September 2009. John was previously a member of that Committee.

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 Brian Scullin ceased to be a member of the Board Nomination and Remuneration Committee on 31 August 2009. Brian became a Director of the DWPL Board on 1 March 2010. Brian was previously Chair of the DWPL Board.

6 Peter B St George became Chair of the Board Finance Committee on 1 September 2009. Peter was previously a member of that Committee.

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

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

Commencing 1 April 2009 Mr Ewen earned a fixed fee of \$30,000 per annum, in addition to his Director's fee, as compensation for the added responsibilities assumed in attending property inspections, reviewing property investment proposals and participating in informal management meetings.

Non-Executive Director remuneration

Details of the structure and quantum of each component of remuneration for each Non-Executive Director for the years ended 30 June 2010 and 30 June 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				
2010	285,539	14,461	–	300,000
2009	286,255	13,745	–	300,000
Elizabeth A Alexander AM				
2010	151,376	13,624	–	165,000
2009	157,844	14,656	–	172,500
Barry R Brownjohn				
2010	152,523	13,727	–	166,250
2009	146,789	13,211	–	160,000
John C Conde AO				
2010	138,761	12,489	–	151,250
2009	23,075	2,077	–	25,152
Stewart F Ewen OAM				
2010	102,700	34,800	–	137,500
2009	63,073	74,427	–	137,500
Brian E Scullin				
2010	157,211	14,039	–	171,250
2009	181,255	13,745	–	195,000
Peter B St George				
2010	145,642	13,108	–	158,750
2009	24,222	2,180	–	26,402
Total 2010	1,133,752	116,248	–	1,250,000
Total 2009	882,513	134,041	–	1,016,554

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

Note 31. Operating segments

The Chief Operating Decision Maker (CODM) has been identified as the Board of Directors of DXFM as they are responsible for the strategic decision making for the Group. The Group's operating segments have been identified based on the segments analysed within the management reports reviewed by the CODM in order to monitor performance across the Group and to appropriately allocate resources. The operating segments of the Group have been identified as follows:

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

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

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

Note 32. Reconciliation of net loss to net cash inflow from operating activities**Reconciliation**

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Net loss	(96,698)	(696,312)	(103,988)	(639,616)
Capitalised interest	(6,073)	(5,364)	(6,073)	(5,364)
Net fair value loss of investment properties	24,581	360,663	22,980	114,371
Net fair value loss of investments	–	–	73,832	329,585
Share of net losses of associates accounted for using the equity method	59,285	245,448	–	–
Net fair value (loss)/gain of derivatives	(3,704)	14,763	(3,704)	14,763
Net loss on sale of investment properties	1,535	654	612	–
Net foreign exchange (gain)/loss	(1,390)	(1,654)	(1,390)	158,215
Net fair value loss of interest rate swaps	22,455	–	21,951	–
Change in operating assets and liabilities				
Decrease in receivables	9,431	10,158	7,542	10,724
Increase in other current assets	(143)	(15,145)	(143)	(15,146)
Decrease/(increase) in prepaid expenses	398	(1,109)	459	(855)
Decrease/(increase) in other non-current assets	2,643	(10,215)	99	(61)
Increase in payables	13,324	15,859	1,326	8,485
Increase in current liabilities	–	125,171	–	125,171
Increase in non-current liabilities	51,124	66,724	57,791	37,413
Net cash inflow from operating activities	76,768	109,641	71,294	137,685

Note 33. Non-cash financing and investing activities

	Notes	Consolidated		Parent entity	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Distributions reinvested	24	–	19,682	–	19,682

Note 34. Earnings per unit

(a) Basic earnings per unit on loss attributable to unitholders

	Consolidated	
	2010 cents	2009 cents
	(2.03)	(18.79)

(b) Diluted earnings per unit on loss attributable to unitholders

	Consolidated	
	2010 cents	2009 cents
	(2.03)	(18.79)

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

	Consolidated	
	2010 \$'000	2009 \$'000
Net loss	(96,698)	(696,312)
Net loss attributable to the unitholders of the Trust used in calculating basic and diluted earnings per unit	(96,698)	(696,312)

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

	Consolidated	
	2010 units	2009 units
Weighted average number of units outstanding used in calculation of basic and diluted earnings per unit	4,774,467,174	3,705,637,381

Directors' Declaration

For the year ended 30 June 2010

The Directors of DEXUS Funds Management Limited as Responsible Entity DEXUS Industrial Trust (the Trust) declare that the Financial Statements and notes set out on pages 6 to 55:

- (i) comply with applicable Australian Equivalents to International Financial Reporting Standards, the *Corporations Act 2001* and other mandatory professional reporting requirements; and
- (ii) give a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date.

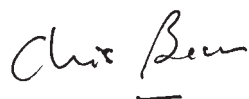
In the Directors' opinion:

- (a) the Financial Statements and notes are in accordance with the *Corporations Act 2001*;
- (b) there are reasonable grounds to believe that the Trust and its consolidated entities will be able to pay their debts as and when they become due and payable; and
- (c) the Trust has operated in accordance with the provisions of the Constitution dated 1 August 1997 (as amended) during the year ended 30 June 2010.

Note 1(a) confirms that the Financial Statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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



Christopher T Beare

Chair

17 August 2010



PricewaterhouseCoopers
ABN 52 780 433 757

Darling Park Tower 2
201 Sussex Street
GPO BOX 2650
SYDNEY NSW 1171
DX 77 Sydney
Australia
Telephone +61 2 8266 0000
Facsimile +61 2 8266 9999

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

Report on the financial report

We have audited the accompanying financial report of DEXUS Industrial Trust (the Trust) which comprises the statement of financial position as at 30 June 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both DEXUS Industrial Trust and the DEXUS Industrial 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 (the responsible entity) 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 the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

Liability limited by a scheme approved under Professional Standards Legislation



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence

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

Auditor's opinion

In our opinion:

- (a) the financial report of DEXUS Industrial Trust is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Trust's and consolidated entity's financial position as at 30 June 2010 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 consolidated financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report of DEXUS Industrial Trust for the year ended 30 June 2010 included on DEXUS Industrial Trust web site. The Trust's directors are responsible for the integrity of the DEXUS Industrial Trust web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

A handwritten signature in dark ink, appearing to read 'PricewaterhouseCoopers', is written over the printed company name.

PricewaterhouseCoopers

A handwritten signature in dark ink, appearing to read 'JA Dunning', is written over the printed name.

JA Dunning
Partner

Sydney
17 August 2010

DEXUS OFFICE TRUST

DIRECTORS' REPORT

For the year ended 30 June 2010

The Directors of DEXUS Funds Management Limited (DXFM) as Responsible Entity of DEXUS Office Trust and its consolidated entities (DOT or the Trust) present their Directors' Report together with the consolidated Financial Statements for the year ended 30 June 2010.

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

1. Directors and secretaries

1.1 Directors

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

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

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

1.2 Company Secretaries

The names and details of the Company Secretaries of DXFM as at 30 June 2010 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 DXS in July 2003, Tanya held various general management positions over the past 16 years, including Director and Chief Operating Officer of NM Rothschild & Sons (Australia) Ltd and General Manager – Finance, Operations and IT for Bank of New Zealand (Australia). Tanya is Chair of the Property Council of Australia National Risk Committee and is a non-executive director of a number of not-for-profit organisations. Tanya is a member of the Australian Institute of Company Directors and a fellow of the Institute of Chartered Secretaries and Administrators (ICSA) and Chartered Secretaries Australia (CSA). Tanya has an MBA from the Australian Graduate School of Management and a Graduate Diploma in Applied Corporate Governance.

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

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

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

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

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

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

The Directors met 13 times during the year. Ten Board meetings were main meetings, three meetings were held to consider specific business. While the Board continually considers strategy, in March 2010 it met with the executive and senior management team over three days to consider DXS's strategic plans.

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

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

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

	Board Audit Committee		Board Risk and Sustainability Committee ²		Board Compliance Committee		Board Nomination and Remuneration Committee		Board Finance Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Christopher T Beare	–	–	–	–	–	–	5	5	5	5
Elizabeth A Alexander AM	7	7	4	4	4	4	–	–	–	–
Barry R Brownjohn	7	7	4	4	–	–	–	–	5	5
John C Conde AO	–	–	–	–	4	4	5	5	–	–
Stewart F Ewen OAM	–	–	–	–	–	–	5	5	–	–
Victor P Hoog Antink	–	–	–	–	–	–	–	–	–	–
Brian E Scullin ¹	–	–	–	–	4	4	1	1	–	–
Peter B St George	7	7	4	4	–	–	–	–	5	5

1 Nomination and Remuneration Committee member from 1 July 2009 to 31 August 2009.

2 Name changed from Board Risk Committee on 2 June 2010.

3. Directors' interests

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

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 DXS.

Directors have made this decision because the Board of DXFM has responsibility for the Group itself as well as the third party business. Directors are obliged to act in the best interests of each group of investors independently of each other. Therefore, to minimise 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 the Group including DXS. This position is periodically reviewed by the Board.

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

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

4. Directors' directorships in other listed entities

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

Directors	Company	Date appointed	Date resigned or ceased being a Director of a listed entity
Christopher T Beare	MNet Group Limited	6 November 2009	
Elizabeth A Alexander AM	CSL Limited	12 July 1991	
	Boral Limited	15 December 1999	24 October 2008
John C Conde AO	Whitehaven Coal Limited	3 May 2007	
Brian E Scullin	SPARK Infrastructure RE Limited	1 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 ¹	8 November 2005	31 December 2008
	First Quantum Minerals Limited ²	20 October 2003	

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

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

5. Principal activities

During the year the principal activity of the Trust was investment in real estate assets. There were no significant changes in the nature of the Trust's activities during the year.

6. Total value of Trust assets

The total value of the assets of the Trust as at 30 June 2010 was \$3,105.6 million (2009: \$3,066.8 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.

7. Review and results of operations

A review of the results and operations of the Group, which DOT forms part thereof, is set out in the Chief Executive Officer's Report of the DEXUS Property Group 2010 Security Holder Review and forms part of this Directors' Report.

8. Likely developments and expected results of operations

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

9. Significant changes in the state of affairs

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

10. Matters subsequent to the end of the financial year

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

11. Distributions

Distributions paid or payable by the Trust for the year ended 30 June 2010 are outlined in note 24 of the Notes to the Financial Statements and form part of this Directors' Report.

12. DXFM's fees and associate interests

Details of fees paid or payable by the Trust to DXFM for the year ended 30 June 2010 are outlined in note 28 of the Notes to the Financial Statements and form part of this Directors' Report.

The number of interests in the Trust held by DXFM or its associates as at the end of the financial year were nil (2009: nil).

13. Units on issue

The movement in units on issue in the Trust during the year and the number of units on issue as at 30 June 2010 are detailed in note 21 of the Notes to the Financial Statements and form part of this Directors' Report.

14. Environmental regulation

DXS senior management, through its Board Risk and Sustainability Committee, oversees 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.

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

16. Audit

16.1 Auditor

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

16.2 Non-audit services

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

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

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

The reasons for the Directors being satisfied are:

- A Charter of Audit Independence was adopted during the year that provides guidelines under which the Auditor may be engaged to provide non-audit services without impairing the Auditor's objectivity or independence.
- The Charter states that the Auditor will not provide services where the Auditor may be required to review or audit its own work, including:
 - the preparation of tax provisions, accounting records and financial statements;
 - the design, implementation and operation of information technology systems;
 - the design and implementation of internal accounting and risk management controls;
 - conducting valuation, actuarial or legal services;
 - consultancy services that include direct involvement in management decision making functions;
 - investment banking, borrowing, dealing or advisory services;
 - acting as trustee, executor or administrator of trust or estate;
 - prospectus independent expert reports and being a member of the due diligence committee; and
 - providing internal audit services.
- 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.

16.3 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.

17. Corporate governance

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

18. Rounding of amounts and currency

The Trust is a registered scheme of the kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in this Directors' Report and the Financial Statements. Amounts in this Directors' Report and 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.

19. Presentation of parent entity Financial Statements

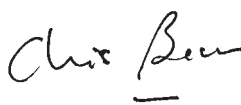
The Trust is a registered scheme of the kind referred to in Class Order 10/654, issued by the Australian Securities & Investments Commission, relating to the inclusion of parent entity Financial Statements in the consolidated Financial Statements. The Class Order provides relief from the *Corporations Amendment (Corporate Reporting Reform) Act 2010* and the Trust continues to present the parent entity Financial Statements in the consolidated Financial Statements in accordance with that Class Order.

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 and internal control and compliance policies and procedures. Following that review it is their opinion that the Trust's financial records for the financial year have been properly maintained in accordance with the *Corporations Act 2001* and the Financial Statements and their notes comply with the accounting standards and give a true and fair view.

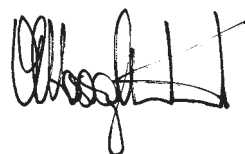
21. Directors' authorisation

The Directors' Report is made in accordance with a resolution of the Directors. The Financial Statements were authorised for issue by the Directors on 17 August 2010. The Directors have the power to amend and reissue the Financial Statements.



Christopher T Beare
Chair

17 August 2010



Victor P Hoog Antink
Chief Executive Officer

17 August 2010



PricewaterhouseCoopers
ABN 52 780 433 757

Darling Park Tower 2
201 Sussex Street
GPO BOX 2650
SYDNEY NSW 1171
DX 77 Sydney
Australia
Telephone +61 2 8266 0000
Facsimile +61 2 8266 9999
www.pwc.com/au

Auditor's Independence Declaration

As lead auditor for the audit of DEXUS Office Trust for the year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of DEXUS Office Trust during the period.

A handwritten signature in black ink, appearing to read 'J A Dunning', is written over a horizontal line.

J A Dunning
Partner
PricewaterhouseCoopers

17 August 2010

DEXUS OFFICE TRUST
Statements of Comprehensive Income

For the year ended 30 June 2010

		Consolidated		Parent entity	
	Notes	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Revenue from ordinary activities					
Property revenue	2	247,993	241,389	161,202	151,465
Distribution revenue		–	–	55,391	53,999
Interest revenue	3	301	631	7,360	8,737
Total revenue from ordinary activities		248,294	242,020	223,953	214,201
Net fair value gain of investment properties		7,297	–	30,707	–
Net foreign exchange gain		120	354	110	410
Other income		3	82	3	82
Total income		255,714	242,456	254,773	214,693
Expenses					
Property expenses		(66,692)	(63,642)	(40,496)	(38,342)
Responsible Entity fees	28	(8,998)	(10,167)	(6,362)	(7,118)
Finance costs	4	(25,234)	(98,516)	(31,453)	(104,670)
Share of net (losses)/profits of associates accounted for using the equity method	15	(26,243)	31	–	–
Net loss on sale of investment		(15)	(534)	–	–
Net fair value loss of investment properties		–	(449,463)	–	(323,528)
Net fair value loss of investment		–	–	(56,962)	(144,697)
Net fair value loss of derivatives		(77)	(693)	(77)	(693)
Impairment		–	(11,413)	–	–
Other expenses	5	(2,095)	(1,813)	(1,855)	(1,587)
Total expenses		(129,354)	(636,210)	(137,205)	(620,635)
Profit/(loss) before tax		126,360	(393,754)	117,568	(405,942)
Other comprehensive income:					
Exchange differences on translating foreign operations		1,163	2,069	–	–
Total comprehensive income/(loss) for the year		127,523	(391,685)	117,568	(405,942)
Net profit/(loss) for the year attributable to:					
Unitholders of DEXUS Office Trust		124,728	(397,449)	117,568	(405,942)
Non-controlling interests		1,632	3,695	–	–
Net profit/(loss) for the year		126,360	(393,754)	117,568	(405,942)
Total comprehensive income/(loss) for the year attributable to:					
Unitholders of DEXUS Office Trust		125,891	(395,380)	117,568	(405,942)
Non-controlling interests		1,632	3,695	–	–
Total comprehensive income/(loss) for the year		127,523	(391,685)	117,568	(405,942)
Earnings per unit		Cents	Cents		
Basic earnings per unit on profit/(loss) attributable to unitholders	32	0.26	(10.73)		
Diluted earnings per unit on profit/(loss) attributable to unitholders	32	0.26	(10.73)		

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

		Consolidated		Parent entity	
	Notes	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Current assets					
Cash and cash equivalents	7	8,766	8,289	3,192	3,728
Receivables	8	3,737	6,714	2,520	5,090
Loans with related parties	9	–	–	311,800	262,153
Derivative financial instruments	10	46	163	46	163
Other	11	3,462	2,702	2,076	1,851
Total current assets		16,011	17,868	319,634	272,985
Non-current assets					
Investment properties	12	2,939,511	2,891,603	2,032,323	1,992,000
Property, plant and equipment	13	–	18,150	–	–
Derivative financial instruments	10	6,064	13,622	6,064	13,622
Other financial assets at fair value through profit and loss	14	–	–	453,948	510,910
Investments accounted for using the equity method	15	93,344	84,165	–	–
Loans with related parties	9	49,637	41,049	49,637	41,049
Other	16	997	385	685	363
Total non-current assets		3,089,553	3,048,974	2,542,657	2,557,944
Total assets		3,105,564	3,066,842	2,862,291	2,830,929
Current liabilities					
Payables	17	41,782	27,690	24,927	18,541
Loans with related parties	9	55,684	55,684	55,684	55,684
Provisions	19	52,225	74,141	52,225	74,141
Derivative financial instruments	10	1,083	724	1,083	724
Total current liabilities		150,774	158,239	133,919	149,090
Non-current liabilities					
Interest bearing liabilities	18	248,618	248,038	–	–
Loans with related parties	9	–	–	248,618	248,038
Derivative financial instruments	10	21,083	23,301	21,083	23,301
Other	20	708	96	685	74
Total non-current liabilities		270,409	271,435	270,386	271,413
Total liabilities		421,183	429,674	404,305	420,503
Net assets		2,684,381	2,637,168	2,457,986	2,410,426
Equity					
Contributed equity	21	2,056,790	2,015,192	2,056,790	2,015,192
Reserves	22	(10,555)	(11,718)	–	–
Retained profits	22	433,945	429,669	401,196	395,234
		2,480,180	2,433,143	2,457,986	2,410,426
Non-controlling interests	23	204,201	204,025	–	–
Total equity		2,684,381	2,637,168	2,457,986	2,410,426

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

Statements of Changes in Equity

For the year ended 30 June 2010

Consolidated	Notes	Contributed equity	Retained profits	Foreign currency translation reserve	Unitholder equity	Non-controlling interests	Total equity
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance as at 1 July 2008		1,506,188	951,335	(13,787)	2,443,736	204,071	2,647,807
Comprehensive (loss)/income for the year		–	(397,449)	2,069	(395,380)	3,695	(391,685)
Transactions with owners in their capacity as owners							
Contributions of equity, net of transaction costs		509,004	–	–	509,004	–	509,004
Distributions paid or provided for	24	–	(114,209)	–	(114,209)	(13,749)	(127,958)
Transfer to retained profits		–	(10,008)	–	(10,008)	10,008	–
Closing balance as at 30 June 2009		2,015,192	429,669	(11,718)	2,433,143	204,025	2,637,168
Opening balance as at 1 July 2009		2,015,192	429,669	(11,718)	2,433,143	204,025	2,637,168
Comprehensive income for the year		–	124,728	1,163	125,891	1,632	127,523
Transactions with owners in their capacity as owners							
Contributions of equity, net of transaction costs		41,598	–	–	41,598	–	41,598
Distributions paid or provided for	24	–	(111,606)	–	(111,606)	(10,302)	(121,908)
Transfer to retained profits		–	(8,846)	–	(8,846)	8,846	–
Closing balance as at 30 June 2010		2,056,790	433,945	(10,555)	2,480,180	204,201	2,684,381
Parent entity	Notes	Contributed equity	Retained profits	Foreign currency translation reserve	Unitholder equity	Non-controlling interests	Total equity
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance as at 1 July 2008		1,506,188	915,385	–	2,421,573	–	2,421,573
Comprehensive loss for the year		–	(405,942)	–	(405,942)	–	(405,942)
Transactions with owners in their capacity as owners							
Contributions of equity, net of transaction costs		509,004	–	–	509,004	–	509,004
Distributions paid or provided for	24	–	(114,209)	–	(114,209)	–	(114,209)
Transfer to retained profits		–	–	–	–	–	–
Closing balance as at 30 June 2009		2,015,192	395,234	–	2,410,426	–	2,410,426
Opening balance as at 1 July 2009		2,015,192	395,234	–	2,410,426	–	2,410,426
Comprehensive income for the year		–	117,568	–	117,568	–	117,568
Transactions with owners in their capacity as owners							
Contributions of equity, net of transaction costs		41,598	–	–	41,598	–	41,598
Distributions paid or provided for	24	–	(111,606)	–	(111,606)	–	(111,606)
Transfer to retained profits		–	–	–	–	–	–
Closing balance as at 30 June 2010		2,056,790	401,196	–	2,457,986	–	2,457,986

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

DEXUS OFFICE TRUST
Statements of Cash Flows
For the year ended 30 June 2010

		Consolidated		Parent entity	
	Notes	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Cash flows from operating activities					
Receipts in the course of operations (inclusive of GST)		299,916	286,357	194,097	182,649
Payments in the course of operations (inclusive of GST)		(103,048)	(106,180)	(61,187)	(67,074)
Interest received		301	629	7,360	8,738
Finance costs paid to financial institutions		(19,146)	(36,186)	(19,816)	(35,421)
Distributions received		16	–	5,390	4,263
Net cash inflow from operating activities	30	178,039	144,620	125,844	93,155
Cash flows from investing activities					
Payments for capital expenditure on investment properties		(31,343)	(29,441)	(18,843)	(23,674)
Proceeds from the sale of investments		3,288	60,178	–	–
Payments for investments accounted for using the equity method		(31,995)	(25,995)	–	–
Payments for capital expenditure on property, plant and equipment		–	(1,035)	–	–
Net cash (outflow)/inflow from investing activities		(60,050)	3,707	(18,843)	(23,674)
Cash flows from financing activities					
Establishment expenses and unit issue cost		–	(17,075)	–	(17,075)
Issue of units		–	494,818	–	494,818
Borrowings provided to entities within DXS		(147,525)	(671,023)	(147,525)	(671,023)
Borrowings provided by entities within DXS		131,557	373,477	131,557	373,477
Proceeds from borrowings		–	250,000	–	250,000
Repayment of borrowings		–	(500,000)	–	(500,000)
Borrowings provided by related parties		–	–	354	66,509
Distributions paid to unitholders		(91,923)	(66,653)	(91,923)	(66,653)
Distributions paid to non-controlling interests		(9,629)	(16,136)	–	–
Net cash outflow from financing activities		(117,520)	(152,592)	(107,537)	(69,947)
Net increase/(decrease) in cash and cash equivalents		469	(4,265)	(536)	(466)
Cash and cash equivalents at the beginning of the year		8,289	12,532	3,728	4,194
Effects of exchange rate changes on cash and cash equivalents		8	22	–	–
Cash and cash equivalents at the end of the year	7	8,766	8,289	3,192	3,728

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

Note 1. Summary of significant accounting policies**(a) Basis of preparation**

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

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

These general purpose Financial Statements for the year ended 30 June 2010 have been prepared in accordance with the requirements of the Trust's Constitutions, the *Corporations Act 2001*, Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and interpretations. Compliance with Australian Accounting Standards ensures that the consolidated and parent entity Financial Statements and notes also comply with International Financial Reporting Standards (IFRS).

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

As at 30 June 2010, the Trust had a net current assets deficiency of \$134.8 million. The accounts have been prepared on a going concern basis due to the existence of cross guarantee arrangements with other entities within the DXS group. Gearing is managed centrally for DXS. The gearing ratio as disclosed in the DXS Financial Statements for the year ended 30 June 2010 is 30.4% (refer note 32 of the DXS Financial Statements).

The Trust has applied the revised AASB 101 *Presentation of Financial Statements* which became effective on 1 January 2009. The revised standard requires the separate presentation of Statements of Comprehensive Income and Statements of Changes in Equity. All non-owner changes in equity must now be presented in the Statements of Comprehensive Income. As a consequence, the Trust has changed the presentation of its Financial Statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

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

Critical accounting estimates

The preparation of Financial Statements requires the use of certain critical accounting estimates and management to exercise its judgement in the process of applying the Trust's accounting policies. Other than the estimation described in notes 1(e), 1(m), 1(n), and 1(t), 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.

(b) Principles of consolidation**(i) Controlled entities**

The Financial Statements have been prepared on a consolidated basis. The accounting policies of the subsidiaries are consistent with those of the parent.

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

The Financial Statements incorporate an elimination of inter-entity transactions and balances to present the Financial Statements on a consolidated basis. Where control of an entity is obtained during a financial year, its results are included in the Statements of Comprehensive Income 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 Trust's share of the results and assets of this partnership or joint venture are consolidated into the Statements of Comprehensive Income and Statements of Financial Position of the Trust. Where assets are jointly controlled via ownership of units in single purpose unlisted unit trusts or shares in companies, the Trust applies equity accounting to record the operations of these investments (refer note 1(q)).

(c) Revenue recognition**(i) Rent**

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

(ii) Interest revenue

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

(iii) Distribution revenue

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

(d) Expenses

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

(i) Property expenses

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

(ii) Borrowing costs

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

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

(ii) Debt and equity instruments issued by the Trust

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

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

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

(iii) Financial guarantee contracts

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

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

(iv) Other financial assets

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

(f) Goods and services tax

Revenues, expenses and capital assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

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

(g) Taxation

Under current Australian income tax legislation, DOT is not liable for income tax provided they satisfy certain legislative requirements. DOT may be liable for income tax in jurisdiction where foreign property is held (i.e. New Zealand).

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 the end of the reporting period.

(h) Distributions

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

(i) Repairs and maintenance

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

(j) Cash and cash equivalents

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

Note 1. Summary of significant accounting policies

(continued)

(k) Receivables

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

(l) 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.

(m) Property, plant and equipment

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

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(s)).

(n) Investment properties

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

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

The basis of valuations of investment properties is fair value being the amounts for which the assets could be exchanged between knowledgeable willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases. In addition, an appropriate valuation method is used, which may include the

discounted cash flow and the capitalisation method. Discount rates and capitalisation rates are determined based on industry expertise and knowledge, and where possible a direct comparison to third party rates for similar assets in a comparable location. Rental revenue from current leases and assumptions about future leases, as well as any expected operational cash outflows in relation to the property, are also reflected in fair value. In relation to development properties under construction for future use as investment property, where reliably measurable, fair value is determined based on the market value of the property on the assumption it had already been completed at the valuation date less costs still required to complete the project, including an appropriate adjustment for profit and risk.

External valuations of the individual investments are carried out in accordance with the Constitution for DOT, 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 Statements of Comprehensive Income. The gain or loss on disposal of an investment property is calculated as the difference between the carrying amount of the asset at the date of disposal and the net proceeds from disposal and is included in the Statements of Comprehensive Income in the year of disposal.

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

(o) Leasing fees

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

(p) Lease incentives

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

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

(q) Investments accounted for using the equity method

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

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

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

(r) Business combinations

During the year DOT adopted the 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* effective for annual reporting periods beginning on or after 1 July 2009.

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

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

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

(s) Impairment of assets

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

(t) Financial assets and liabilities

(i) Classification

DOT 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(l).
Payables	Financial liability at amortised cost	Amortised cost	Refer note 1(u).
Interest bearing liabilities	Financial liability at amortised cost	Amortised cost	Refer note 1(v).
Derivatives	Fair value through profit or loss	Fair value	Refer note 1(e).

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

(ii) Fair value estimation of financial assets and liabilities

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

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

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

Note 1. Summary of significant accounting policies

(continued)

(u) Payables

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

(v) 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 Statements of Comprehensive Income over the period of the borrowings using the effective interest method. Interest bearing liabilities are classified as current liabilities unless the Trust has an unconditional right to defer the liability for at least twelve months after the end of each reporting period.

(w) Earnings per unit

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

Diluted earnings per unit are adjusted from the basic earnings per unit by taking into account the impact of dilutive potential units. The Trust does not have such dilutive potential units during the year.

(x) 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 Statements of Comprehensive Income.

(ii) Foreign operations

Foreign operations are located in New Zealand. These operations have a functional currency of NZ Dollars, which is translated into the presentation currency.

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

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

(y) Operating segments

During the year the Trust adopted AASB 8 *Operating Segments* which replaced AASB 114 *Segment Reporting*. The new standard requires a “management approach”, under which segment information is presented in a manner that is consistent with internal reporting provided to the Chief Operating Decision Maker (CODM). The CODM who is responsible for allocating resources and assessing performance of the operating segments has been identified as the Board of Directors of DXFM. The Board of Directors are responsible for the strategic decision making for the Group which consists of DIT, DOT, DDF and DXO. Consistent with how the CODM manages the business the operating segments within the Group are reviewed on a consolidated basis rather than at an individual trust level. Disclosures concerning DXS's operating segments as well as the operating segments key financial information provided to the CODM are presented in the Group's Financial Statements.

(z) Rounding of amounts

The Trust is 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 Statements. Amounts in the Financial Statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(aa) Relief for Corporations Amendment (Corporate Reporting Reform) Act 2010

The Trust is the kind referred to in Class Order 10/654, issued by the Australian Securities & Investment Commission, relating to the inclusion of the parent entity Financial Statements in the consolidated Financial Statements. The Trust continues to present the parent entity Financial Statements in the consolidated Financial Statements in accordance with that Class Order.

(ab) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2010 reporting period. Our assessment of the impact of these new standards and interpretations is set out below:

- (i) AASB 9 *Financial Instruments* and AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* (effective from 1 January 2013). AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets. Under the new guidance, a financial asset is to be measured at amortised cost only if it is held within a business model whose objective is to collect contractual cash flows and the contractual terms of the asset give rise on specific dates to cash flows that are payments solely of principal and interest on the principal amount outstanding. All other financial assets are to be measured at fair value. The standard is not applicable until 1 January 2013 but is available for early adoption. The Trust is currently assessing the impact of this standard but does not expect it to be significant.
- (ii) Revised AASB 124 *Related Party Disclosures* (effective from 1 January 2011). In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party. The Trust will apply the amended standard from 1 July 2011. It is not expected to have any impact on the Trust's Financial Statements.

- (iii) AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* (effective from 1 January 2010). In May 2010, the AASB issued a number of improvements to existing Australian Accounting Standards. The Trust will apply the revised standards from 1 July 2010 where applicable. The Trust is currently assessing the impact of the revised rules but does not expect it to be significant.
- (iv) AASB 1053 *Application of Tiers of Australian Accounting Standards* and AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements* (effective from 1 July 2013). On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. The Trust, as part of DXS, is listed on the ASX and is therefore not eligible to adopt the new Australian Accounting Standards – Reduced Disclosure Requirements. As a consequence, the two standards will have no impact on the Financial Statements of the Trust.

Note 2. Property revenue

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Rent and recoverable outgoings	265,201	257,807	172,183	165,168
Incentive amortisation	(25,266)	(25,468)	(16,665)	(17,940)
Other revenue	8,058	9,050	5,684	4,237
Total property revenue	247,993	241,389	161,202	151,465

Note 3. Interest revenue

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Interest revenue from financial institutions	301	631	181	382
Interest revenue from related parties	–	–	7,179	8,355
Total interest revenue	301	631	7,360	8,737

Note 4. Finance costs

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Interest paid/payable	14,316	29,242	14,316	29,242
Interest (received from)/paid to related parties	(2,202)	12,270	(2,202)	12,270
Amount capitalised	(7,212)	(8,311)	(469)	(1,390)
Other finance costs	1,079	2,083	555	1,316
Net fair value loss of interest rate swaps	19,253	63,232	19,253	63,232
Total finance costs	25,234	98,516	31,453	104,670

The average capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 7.15% (2009: 6.90%).

Note 5. Other expenses

	Notes	Consolidated		Parent entity	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Audit and other fees	6	302	465	263	397
Custodian fees		206	242	189	215
Legal and other professional fees		232	284	187	284
Registry costs and listing fees		360	338	269	258
Other expenses		995	484	947	433
Total other expenses		2,095	1,813	1,855	1,587

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	
	2010 \$	2009 \$	2010 \$	2009 \$
Audit services				
PwC audit and review of financial statements and other audit work under the <i>Corporations Act 2001</i>	284,705	328,580	256,246	306,095
PwC fees paid in relation to outgoings audit ¹	45,000	60,193	26,041	31,425
Remuneration for audit services to PwC	329,705	388,773	282,287	337,520
Total remuneration for audit services	329,705	388,773	282,287	337,520

(b) Taxation services

Fees paid to PwC Australia	17,648	136,270	6,692	90,848
Total remuneration for taxation services²	17,648	136,270	6,692	90,848
Total audit and taxation fees¹	347,353	525,043	288,979	428,368

(c) Fees paid to PwC for transaction services

PwC Assurance services in respect of capital raisings	–	254,594	–	254,594
PwC taxation services	–	101,444	–	54,314
PwC other transaction and advisory fees	–	96,421	–	57,821
Total transaction service fees	–	452,459	–	366,729
Total audit, taxation and transaction service fees	347,353	977,502	288,979	795,097

¹ Fees paid in relation to outgoing audits are included in property expenses. Therefore total audit and taxation fees included in other expenses are \$302,353 (2009: \$464,850) consolidated and \$262,938 (2009: \$396,943) for the parent entity.

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 Trust.

Note 7. Current assets – cash and cash equivalents

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Cash at bank	8,766	8,289	3,192	3,728
Total current assets – cash and cash equivalents	8,766	8,289	3,192	3,728

Note 8. Current assets – receivables

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Rent receivable	903	1,748	529	762
Less: provision for doubtful debts	(75)	(165)	(75)	(165)
Total rental receivables	828	1,583	454	597
Receivables from related parties	15	16	–	–
Other receivables	2,894	5,115	2,066	4,493
Total other receivables	2,909	5,131	2,066	4,493
Total current assets – receivables	3,737	6,714	2,520	5,090

Note 9. Loans with related parties

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Current assets – loans with related parties				
Non-interest bearing loans with controlled entities	–	–	132,114	115,032
Interest bearing loans with controlled entities	–	–	179,686	147,121
Total current assets – loans with related parties	–	–	311,800	262,153
Non-current assets – loans with related parties				
Interest bearing loans with related parties ¹	49,637	41,049	49,637	41,049
Total non-current assets – loans with related parties	49,637	41,049	49,637	41,049
Current liabilities – loans with related parties				
Non-interest bearing loans with entities within DXS ²	55,684	55,684	55,684	55,684
Total current liabilities – loans with related parties	55,684	55,684	55,684	55,684
Non-current liabilities – loans with related parties				
Interest bearing loans with controlled entities	–	–	248,618	248,038
Total non-current liabilities – loans with related parties	–	–	248,618	248,038

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

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

Note 10. Derivative financial instruments

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Current assets				
Forward foreign exchange contracts	46	163	46	163
Total current assets – derivative financial instruments	46	163	46	163
Non-current assets				
Interest rate swap contracts	6,064	13,558	6,064	13,558
Forward foreign exchange contracts	–	64	–	64
Total non-current assets – derivative financial instruments	6,064	13,622	6,064	13,622
Current liabilities				
Interest rate swap contracts	1,083	724	1,083	724
Total current liabilities – derivative financial instruments	1,083	724	1,083	724
Non-current liabilities				
Interest rate swap contracts	21,083	23,301	21,083	23,301
Total non-current liabilities – derivative financial instruments	21,083	23,301	21,083	23,301
Net derivative financial instruments	(16,056)	(10,240)	(16,056)	(10,240)

Refer note 25 for further discussion regarding derivative financial instruments.

Note 11. Current assets – other

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Prepayments	3,462	2,702	2,076	1,851
Total current assets – other	3,462	2,702	2,076	1,851

Note 12. Non-current assets – investment properties

(a) Reconciliation

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Opening balance as at 1 July	2,891,603	3,325,300	1,992,000	2,305,243
Additions	17,845	21,635	6,009	17,008
Lease incentives	27,736	14,000	19,794	8,473
Amortisation of lease incentives	(25,267)	(25,468)	(16,664)	(17,940)
Rent straightlining	1,131	3,666	477	2,744
Transfer from property, plant and equipment	18,150	–	–	–
Net fair value gain/(loss) of investment properties	7,297	(449,463)	30,707	(323,528)
Foreign exchange differences on foreign currency translation	1,016	1,933	–	–
Closing balance as at 30 June	2,939,511	2,891,603	2,032,323	1,992,000

Key valuation assumptions

Details of key valuation assumptions in relation to investment properties are outlined in note 14 of the DXS Financial Statements.

(b) Developments

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 December 2010. This site is currently undeveloped land.

Note 13. Non-current assets – property, plant and equipment

(a) Property, plant and equipment

30 June 2010	Consolidated			Parent entity		
	Construction in progress	Land and freehold buildings	Total	Construction in progress	Land and freehold buildings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance as at 1 July 2009	2,033	16,117	18,150	–	–	–
Transfer to investment properties	(2,033)	(16,117)	(18,150)	–	–	–
Closing balance as at 30 June 2010	–	–	–	–	–	–

30 June 2009	Consolidated			Parent entity		
	Construction in progress	Land and freehold buildings	Total	Construction in progress	Land and freehold buildings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance as at 1 July 2008	997	27,530	28,527	–	–	–
Additions	1,036	–	1,036	–	–	–
Impairment	–	(11,413)	(11,413)	–	–	–
Closing balance as at 30 June 2009	2,033	16,117	18,150	–	–	–
Cost	2,033	27,530	29,563	–	–	–
Impairment	–	(11,413)	(11,413)	–	–	–
Net book value as at 30 June 2009	2,033	16,117	18,150	–	–	–

In the current year, based on the revised AABS140 Investment Property, development properties being developed for future use as investment properties have been included in investment properties and were fair valued at the end of the reporting period (refer note 12).

(b) Impairment

In the financial year ended 30 June 2009, a review of the recoverable amount of its properties were undertaken. This resulted in the recognition of an impairment loss of \$11.4 million for 144 Wicks Road, North Ryde, NSW, which was recognised in the Statements of Comprehensive Income.

Note 14. Non-current assets – other financial assets at fair value through profit or loss

Investments are adjusted to their fair value through the consolidated Statements of Comprehensive Income.

Name of entity	Principal activity	Ownership interest		Parent entity	
		2010 %	2009 %	2010 \$'000	2009 \$'000
DOT Commercial Trust	Office property investment	100.0	100.0	429,301	485,701
DOT NZ Sub-trust No 1	Office property investment	100.0	100.0	24,592	25,154
DOT NZ Sub-trust No 2	Office property investment	100.0	100.0	55	55
DEXUS Finance Pty Limited	Finance Services	25.0	25.0	–	–
Total non-current assets – other financial assets at fair value through profit and loss				453,948	510,910

Reconciliation

	Parent entity	
	2010 \$'000	2009 \$'000
Opening balance as at 1 July	510,910	655,607
Fair value loss	(56,962)	(144,697)
Closing balance as at 30 June	453,948	510,910

All controlled entities are wholly owned by the Trust. Both the parent entity and the controlled entities were formed in Australia.

Note 15. 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 (q)). Information relating to these entities is set out below.

Name of entity	Principal activity	Ownership interest		Consolidated		Parent entity	
		2010 %	2009 %	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Held by controlled entities							
Bent Street Trust ¹	Office property investment	33.3	34.9	93,344	84,165	–	–
Total				93,344	84,165	–	–

1 On 31 July 2009, 1.6% of the Bent Street Trust was sold to DWPF.

These entities were formed in Australia.

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

	Consolidated	
	2010 \$'000	2009 \$'000
Opening balance as at 1 July	84,165	111,946
Interest acquired during the year	38,739	32,916
Interest sold during the year	(3,302)	(60,712)
Share of net (loss)/profit after tax	(26,243)	31
Distributions received	(15)	(16)
Closing balance as at 30 June	93,344	84,165
Results attributable to associates		
Operating (loss)/profit before income tax	(26,243)	31
Operating (loss)/profits after income tax	(26,243)	31
Less: Distributions received	(15)	(16)
	(26,258)	15
Accumulated losses attributable to associates as at 1 July	(6,352)	(6,367)
Accumulated losses attributable to associates as at 30 June	(32,610)	(6,352)

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

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

	Consolidated	
	2010 \$'000	2009 \$'000
(Loss)/profits from ordinary activities after income tax expense	(26,243)	31
Assets	97,670	86,075
Liabilities	4,326	1,910
Share of associates' expenditure commitments		
Capital commitments	67,308	96,318

Note 16. Non-current assets – other

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Tenant and other bonds	708	96	685	74
Other	289	289	–	289
Total non-current assets – other	997	385	685	363

Note 17. Current liabilities – payables

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Trade creditors	11,760	9,013	7,977	5,586
Accruals	3,652	2,529	3,314	2,281
Amount payable to non-controlling interests	2,917	2,244	–	–
Accrued capital expenditure	10,850	2,274	3,107	341
Prepaid income	8,008	5,705	6,338	4,237
Responsible Entity fee payable	756	827	536	1,696
GST payable	1,058	1,385	874	687
Accrued interest	2,781	3,713	2,781	3,713
Total current liabilities – payables	41,782	27,690	24,927	18,541

Note 18. Interest bearing liabilities

		Consolidated		Parent entity	
	Notes	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Non-current					
Secured					
Bank loans	(a)	250,000	250,000	–	–
Total secured		250,000	250,000	–	–
Deferred borrowing costs		(1,382)	(1,962)	–	–
Total non-current liabilities – interest bearing liabilities		248,618	248,038	–	–
Total interest bearing liabilities		248,618	248,038	–	–

(a) Bank loans – secured

Comprises a \$250.0 million secured bank loan maturing in October 2011. The loan is secured by mortgages over one DDF investment property and two DOT investment properties totalling \$770.3 million as at 30 June 2010.

Note 19. Provisions

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Current				
Provision for distribution	52,225	74,141	52,225	74,141
	52,225	74,141	52,225	74,141

Movements in provision for distribution is set out below:

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Provision for distribution				
Opening balance as at 1 July	74,141	57,847	74,141	57,847
Additional provisions	111,606	114,209	111,606	114,209
Payments and reinvestment of distributions	(133,522)	(97,915)	(133,522)	(97,915)
Closing balance as at 30 June	52,225	74,141	52,225	74,141

Provision for distribution

A provision for distribution has been raised for the period ended 30 June 2010. This distribution is to be paid on 27 August 2010.

Note 20. Non-current liabilities – other

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Tenant bonds	708	96	685	74
Total non-current liabilities – other	708	96	685	74

Note 21. Contributed equity

(a) Contributed equity

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Opening balance as at 1 July	2,015,192	1,506,188	2,015,192	1,506,188
Distributions reinvested	41,598	31,262	41,598	31,262
Issue of units	–	494,817	–	494,817
Cost of issuing units	–	(17,075)	–	(17,075)
Closing balance as at 30 June	2,056,790	2,015,192	2,056,790	2,015,192

(b) Number of units on issue

	Consolidated		Parent entity	
	2010 No. of units	2009 No. of units	2010 No. of units	2009 No. of units
Opening balance as at 1 July	4,700,841,666	3,040,019,487	4,700,841,666	3,040,019,487
Distributions reinvested	119,980,133	100,368,579	119,980,133	100,368,579
Issue of units	–	1,560,453,600	–	1,560,453,600
Closing balance as at 30 June	4,820,821,799	4,700,841,666	4,820,821,799	4,700,841,666

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.

(c) 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 28 August 2009, 65,251,600 units were issued at a unit price of 31.3 cents in relation to the June 2009 distribution period.

On 26 February 2010, 54,728,533 units were issued at a unit price of 38.7 cents in relation to the December 2009 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 15% limit under the ASX Listing Rule 7.1.

Note 22. Reserves and retained profits

(a) Reserves

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Foreign currency translation reserve	(10,555)	(11,718)	–	–
Total reserves	(10,555)	(11,718)	–	–
Movements:				
Foreign currency translation reserve				
Opening balance as at 1 July	(11,718)	(13,787)	–	–
Exchange difference arising from the translation of the Financial Statements of foreign operations	1,163	2,069	–	–
Total movement in foreign currency translation reserve	1,163	2,069	–	–
Closing balance as at 30 June	(10,555)	(11,718)	–	–

(b) Nature and purpose of reserves

Foreign currency translation reserve

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

(c) Retained profits

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Opening balance as at 1 July	429,669	951,335	395,234	915,385
Net profit/(loss) attributable to unitholders	124,728	(397,449)	117,568	(405,942)
Transfer of capital reserve of non-controlling interests	(8,846)	(10,008)	–	–
Distributions provided for or paid	(111,606)	(114,209)	(111,606)	(114,209)
Closing balance as at 30 June	433,945	429,669	401,196	395,234

Note 23. Non-controlling interests

Interest in	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Contributed equity	197,705	197,705	–	–
Reserves	60,566	51,721	–	–
Accumulated losses	(54,070)	(45,401)	–	–
Total non-controlling interests	204,201	204,025	–	–

Note 24. Distributions paid and payable

(a) Distribution to unitholders

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
31 December (paid 26 February 2010)	59,381	40,068	59,381	40,068
30 June (payable 27 August 2010)	52,225	74,141	52,225	74,141
	111,606	114,209	111,606	114,209

(b) Distribution to non-controlling interests

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
DEXUS RENTS Trust (paid 16 October 2009)	2,285	4,651	–	–
DEXUS RENTS Trust (paid 18 January 2010)	2,387	4,243	–	–
DEXUS RENTS Trust (paid 19 April 2010)	2,713	2,611	–	–
DEXUS RENTS Trust (payable 15 July 2010)	2,917	2,244	–	–
	10,302	13,749	–	–
Total distributions	125,213	127,958	114,911	114,209

(c) Distribution rate

	Consolidated		Parent entity	
	2010 Cents per unit	2009 Cents per unit	2010 Cents per unit	2009 Cents per unit
31 December (paid 26 February 2010)	1.25	1.15	1.25	1.15
30 June (payable 27 August 2010)	1.08	1.57	1.08	1.57
Total distributions	2.33	2.72	2.33	2.72

Note 25. Financial risk management

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

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

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

Note 25. Financial risk management (continued)**(1) Capital risk management**

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

The capital structure of the Trust consists of debt (see note 18), cash and cash equivalents, and equity attributable to unitholders (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 unitholders equity; 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 consolidated Statements of Financial Position (translated into Australian Dollars) and gearing ratios will rise and fall as exchange rates fluctuate. This policy ensures that net tangible assets are not materially affected by currency movements (refer foreign exchange risk below).

The gearing ratio at 30 June 2010 was 8.1% (as detailed below).

	Consolidated		Parent entity	
Gearing ratio	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Total interest bearing liabilities ¹	250,000	250,000	250,000	250,000
Total tangible assets ²	3,099,454	3,053,057	2,856,181	2,817,144
Gearing ratio ³	8.1%	8.2%	8.8%	8.9%

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 tax balances as reported internally to management.

3 Gearing is managed centrally for DXS. The gearing ratio as disclosed in the DEXUS Property Group Annual Report 2010 is 30.4% (refer note 32 of the DXS Financial Statements).

The Trust is not rated by ratings agencies, however, DXS has been rated BBB+ by Standard and Poor's (S&P) and Baa1 by Moody's. The Trust considers potential impacts upon the rating when assessing the strategy and activities of the Trust and regards those impacts as an important consideration in its management of the Trust's and DXS capital structure.

The Responsible Entity for DOT (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.

(2) Financial risk management

The Trust's activities expose it to a variety of financial risks: credit risk, market risk (including currency risk and interest rate risk), and liquidity risk. Financial risk management is not managed at the individual Trust level, but holistically as part of DXS. DXS's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Trust.

Accordingly, the Trust enters into various derivative financial instruments such as interest rate swaps and foreign exchange contracts to manage its exposure to certain risks. The Trust does not trade in derivative instruments for speculative purposes. The Trust uses different methods to measure the different types of risks to which it is exposed, including monitoring the current and forecast levels of exposure, and conducting sensitivity 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 continually 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	2010				2009			
	Expiring within one year	Expiring between one and two years	Expiring between two and five years	Expiring after five years	Expiring within one year	Expiring between one and two years	Expiring between two and five years	Expiring after five years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Receivables	3,737	–	–	–	6,714	–	–	–
Payables	41,782	–	–	–	27,690	–	–	–
	(38,045)	–	–	–	(20,976)	–	–	–
Interest bearing loans with related parties	–	–	–	49,637	–	–	–	41,049
Interest bearing liabilities								
Floating interest bearing liabilities	–	250,000	–	–	–	–	250,000	–
Total interest bearing liabilities¹	–	250,000	–	–	–	–	250,000	–
Derivative financial instruments								
Derivative assets	2,264	1,971	2,392	569	5,723	6,528	9,232	–
Derivative liabilities	6,278	5,082	9,817	1,754	23,297	22,697	52,660	25,064
Total net derivative financial instruments²	(4,014)	(3,111)	(7,425)	(1,185)	(17,574)	(16,169)	(43,428)	(25,064)

¹ Refer note 18 (interest bearing liabilities). Excludes deferred borrowing costs and preference shares. For financial guarantees refer note 26 (contingent liabilities).

² The notional maturities on derivatives are only shown for forward foreign exchange contracts as they are the only instruments where a principal amount is exchanged. For interest rate swaps, only the net interest cash flows (not the notional principal) are included. For 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 2010. Refer note 10 Derivative Financial Instruments for fair value of derivatives.

Note 25. Financial risk management (continued)**(2) Financial risk management** (continued)**(a) Liquidity risk** (continued)

Refinancing risk (continued)

Parent entity	2010				2009			
	Expiring within one year	Expiring between one and two years	Expiring between two and five years	Expiring after five years	Expiring within one year	Expiring between one and two years	Expiring between two and five years	Expiring after five years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Receivables	2,520	–	–	–	5,090	–	–	–
Payables	24,927	–	–	–	18,541	–	–	–
	(22,407)	–	–	–	(13,361)	–	–	–
Interest bearing loans with controlled entities	–	(248,618)	–	305,753	262,153	–	–	248,038
Derivative financial instruments								
Derivative assets	2,264	1,971	2,392	569	5,723	6,528	9,232	–
Derivative liabilities	6,278	5,082	9,817	1,754	23,297	22,697	52,660	25,064
Total net derivative financial instruments¹	(4,014)	(3,111)	(7,425)	(1,185)	(17,574)	(16,169)	(43,428)	(25,064)

¹ The notional maturities on derivatives are only shown for forward foreign exchange contracts as they are the only instruments where a principal amount is exchanged. For interest rate swaps, only the net interest cash flows (not the notional principal) are included. For 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 2010. Refer note 10 Derivative Financial Instruments for fair value of derivatives.

(b) Market risk

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

(i) Interest rate risk

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

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

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

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

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

Consolidated 30 June 2010	June 2011	June 2012	June 2013	June 14	> June 2015
Interest rate swaps					
A\$m hedged ¹	694,167	593,333	555,000	550,000	134,444
A\$ hedge rate (%) ²	5.48%	5.48%	5.83%	5.98%	4.14%

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

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

Sensitivity on interest expense

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

		Consolidated		Parent entity	
		2010 (+/-) \$'000	2009 (+/-) \$'000	2010 (+/-) \$'000	2009 (+/-) \$'000
+/- 0.50% (50 basis points)	A\$	(3,279)	(1,525)	(3,279)	(1,525)

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

		Consolidated		Parent entity	
		2010 (+/-) \$'000	2009 (+/-) \$'000	2010 (+/-) \$'000	2009 (+/-) \$'000
+/- 0.50% (50 basis points)	A\$	13,755	16,366	13,755	16,366

(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 New Zealand. As a result of these activities, the Trust has foreign exchange risk, arising primarily from:

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

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

Foreign currency assets and liabilities

Exposure to foreign exchange risk is minimised by predominantly matching the currency of the Trust's debt with the currency of its investment to form a natural hedge against movements in exchange rates. This policy reduces the risk that movements in foreign exchange rates will have an adverse impact on unit 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.

Note 25. Financial risk management (continued)

(2) Financial risk management (continued)

(b) Market risk (continued)

(ii) Foreign exchange risk (continued)

The Trust's net foreign currency exposures for net investments in foreign operations and hedging instruments are as follows:

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
NZ\$ net assets ¹	128,500	130,000	–	–
NZ\$ net borrowings ²	–	–	–	–
NZ\$ cross currency swaps ³	–	–	–	–
NZ\$ denominated net investment	128,500	130,000		–
% hedged	0%	0%	–	–

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

2 Net borrowings is equal to interest bearing liabilities less cash.

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. The increase and decrease in cents has been based on the historical movements of the Australian dollar relative to the New Zealand dollar¹. The increase and decrease has been applied to the spot rate prevailing at 30 June 2010². 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	
		2010 (+/-) \$'000	2009 (+/-) \$'000	2010 (+/-) \$'000	2009 (+/-) \$'000
+ 10.4 cents (10%) (2009: 10.0 cents)	NZ\$ (A\$ equivalent)	8,156	18,636	–	–
– 10.4 cents (10%) (2009: 10.0 cents)	NZ\$ (A\$ equivalent)	(9,666)	(27,577)	–	–

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 2010: A\$/NZ\$ 1.2308 (2009: 1.2428).

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 2010 are as follows:

	2010	2010	2010	2009	2009	2009
	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	2.0	1.7	1.1848	4.0	3.4	1.1780
Over 1 and less than 2 years	–	–	–	2.0	1.7	1.1847
More than 2 years	–	–	–	–	–	–

Sensitivity on fair value of foreign exchange contracts

The table below shows the impact on the Statements of Comprehensive Income for changes in the fair value of forward foreign exchange contracts for an increase and decrease in market rates. The increase and decrease in cents has been based on the historical movements of the Australian dollar relative to the New Zealand dollar¹. The increase and decrease in cents has been applied to the spot rate prevailing at 30 June 2010². 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 Statements of Comprehensive Income.

		Consolidated		Parent entity	
		2010 (+/-) \$'000	2009 (+/-) \$'000	2010 (+/-) \$'000	2009 (+/-) \$'000
+ 10.4 cents (8.5%) (2009: 10.0 cents)	NZ\$ (A\$ equivalent)	124	347	124	–
– 10.4 cents (8.5%) (2009: 10.0 cents)	NZ\$ (A\$ equivalent)	(146)	(408)	(146)	–

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

2 Exchange rates at 30 June 2010: A\$/NZ\$ 1.2308 (2009: 1.2428).

(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 2010 and 30 June 2009, the lowest rating of counterparties that 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 2010 and 30 June 2009 is the carrying amount of financial assets recognised on the Statements of Financial Position of the Trust and parent entity.

As at 30 June 2010 and 30 June 2009, the Trust and the parent 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 2010 is (\$'000): 3,610.2 (0-30 days), 60.4 (31-60 days), 37.4 (61-90 days), 28.7 (91+ days). The ageing analysis of loans and receivables net of provisions at 30 June 2009 is (\$'000): 6,339.7 (0-30 days), 320.6 (31-60 days), 84.0 (61-90 days), 29.5 (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 2010 is (\$'000): 2,565.4 (0-30 days), (12.3) (31-60 days), (0.4) (61-90 days), (32.3) (91+ days). The ageing analysis of loans and receivables net of provisions for the parent entity at 30 June 2009 is (\$'000): 5,124.6 (0-30 days), 22.4 (31-60 days), (4.4) (61-90 days), (7.7) (91+ days). Amounts over 31 days are past due, however, no receivables are impaired.

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

Note 25. 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 2010, the carrying amounts and fair value of financial assets and liabilities are shown as follows:

Consolidated	2010 Carrying amount¹ \$'000	2010 Fair value² \$'000	2009 Carrying amount¹ \$'000	2009 Fair value² \$'000
Financial assets				
Cash and cash equivalents	8,766	8,766	8,289	8,289
Loans and receivables (current)	3,737	3,737	6,714	6,714
Derivative assets	6,110	6,110	13,785	13,785
Interest bearing assets				
Interest bearing loans with related parties	49,637	49,637	41,049	41,049
Total financial assets	68,250	68,250	69,837	69,837
Financial liabilities				
Trade payables	41,782	41,782	27,690	27,690
Derivative liabilities	22,166	22,166	24,025	24,025
Non-interest bearing loans with the entities within DXS	55,684	55,684	55,684	55,684
Interest bearing liabilities				
Bank loans	250,000	250,000	250,000	250,000
Total financial liabilities	369,632	369,632	357,399	357,399
Parent entity				
	2010 Carrying amount¹ \$'000	2010 Fair value² \$'000	2009 Carrying amount¹ \$'000	2009 Fair value² \$'000
Financial assets				
Cash and cash equivalents	3,192	3,192	3,728	3,728
Loans and receivables (current)	2,520	2,520	267,243	267,243
Derivative assets	6,110	6,110	13,785	13,785
Other financial assets at fair value through profit and loss	453,948	453,948	510,910	510,910
Interest bearing assets				
Interest bearing loans with related parties	49,637	49,637	41,049	41,049
Total financial assets	515,407	515,407	836,715	836,715
Financial liabilities				
Trade payables	24,927	24,927	18,541	18,541
Derivative liabilities	22,166	22,166	24,025	24,025
Non-interest bearing loans with the entities within DXS	55,684	55,684	55,684	55,684
Interest bearing liabilities				
Interest bearing loans with controlled entities	248,618	248,618	248,038	248,038
Total financial liabilities	351,395	351,395	346,288	346,288

1 Carrying value is equal to the value of the financial instruments in the Statements of Financial Position.

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

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 4.79% to 6.08% for A\$. Refer note 1(t) for fair value methodology for financial assets and liabilities.

Determination of fair value

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

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

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

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

Consolidated	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2010 \$'000
Financial assets				
Derivative assets				
Interest rate derivatives	–	13,557	–	13,557
Forward exchange contracts	–	227	–	227
	–	13,784	–	13,784
Financial liabilities				
Derivative liabilities				
Interest rate derivatives	–	24,025	–	24,025
Parent entity	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2010 \$'000
Financial assets				
Derivative assets				
Interest rate derivatives	–	13,557	–	13,557
Forward exchange contracts	–	227	–	227
	–	13,784	–	13,784
Financial liabilities				
Derivative liabilities				
Interest rate derivatives	–	24,025	–	24,025

Note 26. Contingent liabilities

Details and estimates of maximum amounts of contingent liabilities are as follows:	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Bank guarantees by the Trust in respect of variations and other financial risks associated with the development of:				
60 Miller Street, North Sydney, NSW	–	497	–	497
1 Bligh Street, Sydney, NSW ¹	3,820	3,820	–	–
Total contingent liabilities	3,820	4,317	–	497

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

The Trust together with DDF, DIT and DXO is also a guarantor of a US\$210.0 million (A\$246.4 million) syndicated bank debt facility and a total of A\$1,182.5 million and US\$120.0 million (A\$140.8 million) of bank bilateral facilities, a total of A\$361.1 million of medium-term notes, a total of US\$400.0 million (A\$469.3 million) of privately placed notes, and a total of US\$300.0 million (A\$352.0 million) of public 144a senior notes, which have all been negotiated to finance the Trust and other entities within DXS. The guarantees have been given in support of debt outstanding and drawn against these facilities, and may be called upon in the event that a borrower under the above facilities does not comply with certain loan conditions, such as, failure to meet interest payments or failure to repay a borrowing, whichever is earlier. During the period none of the guarantees was called.

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

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

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

Note 27. Commitments

(a) Capital commitments

The following amounts represent capital expenditure on investment properties contracted at the end of each reporting period.

Capital expenditure commitments:

	Consolidated		Parent entity	
	2,010 \$'000	2,009 \$'000	2,010 \$'000	2,009 \$'000
Not longer than one year				
Governor Phillip Tower & Governor Macquarie Tower Office Complex 1 Farrer Place, Sydney, NSW	1,986	3,310	1,986	3,310
The Zenith, 821-843 Pacific Highway, Chatswood, NSW	1,811	197	1,811	197
60 Miller Street, North Sydney NSW	765	195	765	195
1 Margaret Street, Sydney NSW	369	–	369	–
45 Clarence Street, Sydney, NSW	1,200	–	1,200	–
309-321 Kent Street, Sydney, NSW	1,121	–	1,121	–
Southgate Complex, 3 Southgate Avenue, Southgate, VIC	756	74	–	–
Australia Square Complex, 264-278 George Street, Sydney, NSW	–	68	–	–
	8,008	3,844	7,252	3,702
Later than one year but no later than five years				
Southgate Complex, 3 Southgate Avenue, Southgate, VIC	–	1,066	–	–
Governor Phillip Tower & Governor Macquarie Tower Office Complex 1 Farrer Place, Sydney, NSW	–	1,532	–	1,532
	–	2,598	–	1,532
Total capital commitments	8,008	6,442	7,252	5,234

(b) Lease receivable commitments

The future minimum lease payments receivable by the Trust are:

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Within one year	191,581	186,048	184,079	121,991
Later than one year but not later than five years	645,175	741,982	616,747	480,071
Later than five years	241,914	259,637	233,798	128,041
Total lease receivable commitments	1,078,670	1,187,667	1,034,624	730,103

Note 28. Related parties

Responsible Entity

DXFM is the Responsible Entity of the Trust.

Responsible Entity fees

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

Related party transactions

Responsible Entity fees in relation to DXS assets are on a cost recovery basis.

DEXUS Funds Management Limited and its related entities

There were a number of transactions and balances between the Trust and the Responsible Entity and its related entities as detailed below:

	Consolidated		Parent entity	
	2010 \$	2009 \$	2010 \$	2009 \$
Responsible Entity fees paid and payable	8,998,138	10,167,291	6,362,366	7,118,211
Property management fees paid and payable to DXPS	5,279,268	4,382,849	4,190,900	3,721,117
Recovery of administration expenses paid to DXH	5,272,669	7,623,664	4,015,412	6,742,898
Aggregate amounts payable to the Responsible Entity at the end of each reporting period (included above)	758,567	826,897	601,243	580,462
Property management fees payable at the end of each reporting period (included above)	983,764	981,458	884,603	498,038
Administration expenses payable at the end of each reporting period (included above)	626,545	143,761	494,127	108,214
Net rental expense payable to DXPS	382,593	–	–	–

Entities within DXS

Aggregate amounts included in the determination of profit that resulted from transactions with each class of other related parties:

	Consolidated		Parent entity	
	2010 \$	2009 \$	2010 \$	2009 \$
Interest revenue	(2,202,233)	–	(2,202,233)	–
Interest expense	–	12,270,083	–	12,270,083
Interest bearing loans advanced to entities within DXS	147,525,419	671,022,708	147,525,419	671,022,708
Interest bearing loans from entities within DXS	131,557,258	373,477,247	131,557,258	373,477,247

Note 28. Related parties (continued)**Directors**

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

C T Beare, BSc, BE (Hons), MBA, PhD, FAICD^{1,4,5}

E A Alexander AM, BComm, FCA, FAICD, FCPA^{1,2,6}

B R Brownjohn, BComm^{1,2,5,6}

J C Conde AO, BSc, BE(Hons), MBA^{1,3,4}

S F Ewen OAM^{1,4}

V P Hoog Antink, BComm, MBA, FCA, FAPI, FRICS, MAICD

B E Scullin, BEc^{1,3,7}

P B St George, CA(SA), MBA^{1,2,5,6}

1 Independent Director

2 Audit Committee Member

3 Compliance Committee Member

4 Nomination and Remuneration Committee Member

5 Finance Committee Member

6 Risk and Sustainability Committee Member (name changed from Board Risk Committee on 2 June 2010)

7 Nomination and Remuneration Committee Member from 1 July 2009 to 31 August 2009

No Directors held an interest in the Trust for the years ended 30 June 2010 and 30 June 2009.

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
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 US Investments
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

Remuneration received by Key Management Personnel of the Trust is a cost of DXH and not of the Trust. DXH does not recover any proportion of their remuneration from the Trust.

No Key Management Personnel or their related parties held an interest in the Trust for the years ended 30 June 2010 and 30 June 2009.

There were no loans or other transactions with Key Management Personnel or their related parties during the years ended 30 June 2010 and 30 June 2009.

	2010 \$	2009 \$
Compensation		
Short-term employee benefits	9,174,298	7,911,223
Post-employment benefits	328,058	563,665
Other long-term benefits	3,797,553	1,509,929
	13,299,909	9,984,817

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 2010. The information provided in this Report has been audited in accordance with the provisions of section 308 (3C) of the *Corporations Act 2001*.

Changes to this Report, compared to the previous year, include a clearer description of the structure and nature of the Long-Term Incentive Plan (known this year as DEXUS Deferred Performance Payments). DEXUS has also disclosed the outcome of fixed remuneration reviews for Executives for the 2010/11 year, and the outcome of the fee review for Directors.

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 2010 are set out below.

Name	Title	Date of qualification as a KMP
Non-Executive Directors		
Christopher T Beare	Non-Executive Chair	Appointed 1 October 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 1 October 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.

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 US Investments	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

Following a streamlining of the Group's executive structure in July 2010 the DEXUS Executive Committee was replaced by a new, smaller Group Management Committee. This change will impact those positions which qualify as Key Management Personnel in the 2010/11 year.

Note 28. Related parties (continued)

Remuneration Report (continued)

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 Executive remuneration policies and structures to the Board.

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 individual and company performance. The Committee engages external consultants to provide independent advice when required.

Further information about the role and responsibility of the Committee is set out in the Corporate Governance Statement which may be found at www.dexus.com/Corporate-Governance.aspx

During the reporting period Nomination and Remuneration Committee members were Messrs Conde (member until 31 August 2009, Chair with effect from 1 September 2009), Beare (Chair until 31 August 2009, member with effect from 1 September 2009), Scullin (member until 31 August 2009) and Ewen.

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
DWPL Board	30,000	15,000
Board Finance	15,000	7,500
Board Compliance	15,000	7,500
Board Nomination and Remuneration	15,000	7,500

Further to the Committee fee structure outlined above, Mr Ewen has been paid an additional fixed fee of \$30,000 per annum for assuming responsibilities involved in attending property inspections, reviewing property investment proposals and participating in informal management meetings.

Recognising the greater responsibility and time commitment required the Board Chair receives a higher fee than other Non-Executive Directors, which is benchmarked to the market median of comparably sized ASX listed entities. The Chair 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 and Non-Executive Directors have received no increase in fees since that time. At its meeting on 20 May 2010, following analysis of Non-Executive Director market remuneration data, the Nomination and Remuneration Committee determined that fees paid to its Non-Executive Directors had fallen below the market median of comparably sized ASX listed entities. Similarly, the Committee determined that fees paid to its Chair had fallen significantly below this peer group. Following consideration by the full Board, fees paid to DEXUS Non-Executive Directors for the year commencing 1 July 2010 will increase to \$150,000 per annum and fees paid to the Chair will increase to \$350,000 per annum. Committee fees will remain unchanged.

4 Approach to Executive remuneration

4.1 Executive remuneration principles

The Directors believe that achievement of DEXUS's strategic plans 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 principles, structure and quantum of Executive remuneration is therefore designed to attract, motivate and retain such an Executive team.

In establishing DEXUS's remuneration principles, the Directors are cognisant that DEXUS's business is based on long-term property investments and similarly longer term tenant relationships. Furthermore, property market investment returns tend to be cyclical, particularly when coupled with financial structures that act to enhance returns.

Taking these factors into account, the Executive remuneration structure is based on the following criteria:

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

(a) Market competitiveness and reasonableness

For the purposes of determining market competitive remuneration, DEXUS obtains external executive remuneration benchmarks and analyses information from a range of sources, including:

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

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

In 2009, DEXUS introduced a new method for determining key performance indicators ("KPIs") and assessing individual performance known as the Balanced Scorecard performance framework. The Balanced Scorecard prescribes clearly the performance indicators that will be measured in order to "balance" the financial perspective. The Balanced Scorecard is a performance management method that enables DEXUS to measure the execution of its strategy and reflect this performance in its incentive payments. It also provides targets and measurements around internal business processes and external outcomes in order to achieve strategic performance objectives and results. The Balanced Scorecard focuses on performance in four areas, which reflect each Executive's role, responsibility, accountability and strategy delivery.

DEXUS Balanced Scorecard – typical objectives

Financial performance	Business development and business management
■ earnings per security	■ delivery of strategic projects on time and on budget
■ distributions per security	■ corporate responsibility and sustainability initiatives
■ third party funds performance	■ achievement of international operations strategies
■ total security holder return, relative to peers	
Stakeholder satisfaction	Leadership
■ investor relations	■ executive succession
■ tenant satisfaction	■ talent management
■ employee engagement	■ role modelling DEXUS cultural values
	■ executive development

Objectives are selected based on the key drivers to achieve superior security holder returns over time and are tailored and weighted according to the individual Executive's role. The typical objectives listed above may therefore not be common to all Executive roles.

The Committee reviews and approves Executive KPIs against Group objectives at the commencement of each financial year and reviews achievement against KPIs at the end of each financial year. The Committee's review of Executive performance, in conjunction with data provided from benchmarking total remuneration levels, provides the Committee with the information necessary to determine the quantum of Performance Payments to be awarded to Executives.

Note 28. Related parties (continued)

Remuneration Report (continued)

4 Approach to Executive remuneration (continued)

4.1 Executive remuneration principles (continued)

*(c) Executive remuneration structure**i. Executive remuneration components*

The DEXUS Executive remuneration structure comprises the following remuneration components:

TOTAL REMUNERATION			
■ delivered through fixed and variable components ■ targeted at the market median		■ awarded on a variable scale, which may result in a total remuneration range from lower quartile to upper quartile, reflecting differing levels of experience, role structure and contribution	
FIXED REMUNERATION	Salary	■ Consists of cash salary and salary sacrificed fringe benefits, such as motor vehicles	■ Targeted at Australian market median using external benchmark data and varies according to Executives' skills and depth of experience
	Superannuation	■ Prescribed and salary sacrifice superannuation contributions, including insurance premiums (if applicable)	■ Reviewed annually by the Board, effective 1 July, including internal and external relativities and gender pay equity
VARIABLE REMUNERATION Performance Payments	Single pool funded annually from underlying profits to meet Performance Payments	■ The aim of Performance Payments is to attract, motivate and retain appropriately skilled and qualified executives to achieve the strategic objectives of the business, measured through the achievement of KPIs ■ Strategic objectives incorporate financial and non-financial measures of performance at Group, business unit and individual level and represent key drivers for the success of the business and for delivering long-term value to security holders ■ The achievement of KPIs is assessed through a Balanced Scorecard approach ■ Individual awards are determined on a range of factors, including achievement of KPIs and relative market remuneration positioning	■ Reviewed annually by the Board ■ The pool is funded to enable total remuneration to be paid at market median, based on external benchmark data ■ Performance Payments are delivered as immediate and deferred elements in accordance with the targeted remuneration mix set out in the table below ■ The award of any Performance Payment to an Executive is dependant upon achieving minimum threshold performance targets
	DEXUS Performance Payments ("DPP")	■ Delivery of DPP is immediate	■ Awarded annually as a cash payment in September
	DEXUS Deferred Performance Payments ("DDPP")	■ Delivery of DDPP is deferred for three years, as described below	■ Granted annually ■ Grants vest after three years ■ Delivered as a cash payment in accordance with the plan design described below ■ Unvested grants are forfeited upon Executive initiated termination (i.e. resignation) unless otherwise determined by the Nomination and Remuneration Committee

Performance payment pool

A single pool of funds is made available to meet all Performance Payments. The pool of funds available is sufficient to ensure that DEXUS is able to achieve its total remuneration positioning target, relative to the market. The Board may exercise 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 DXH; and
- performance against budgeted earnings and distributions per security.

ii. Target mix of remuneration components

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

Remuneration component	2010			2009		
	CEO	CFO	Other Executives	CEO	CFO	Other Executives
Total fixed	35%	40%	50%	35%	40%	50%
DEXUS Performance Payment ("DPP")	30%	30%	25%	30%	30%	25%
DEXUS Deferred Performance Payment ("DDPP")	35%	30%	25%	35%	30%	25%

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

iii. DEXUS Deferred Performance Payment ("DDPP") plan

The DDPP plan operates as follows:

- following allocation, Deferred Performance Payments are subject to a three year vesting period from allocation date;
- the DDPP allocation value is notionally invested during the vesting period in DEXUS securities (50% of DDPP value) and its unlisted funds and mandates (50% of DDPP value);
- during the vesting period, DDPP 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 the Composite Performance Benchmark, the Board may approve the application of a performance factor to the final DDPP 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 a DDPP 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 DDPP in the event of termination of service agreements are outlined in section 7 below.

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 DEXUS's remuneration structure.

Equity and loan schemes

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

The deferred 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 DDPP allocation.

Note 28. Related parties (continued)

Remuneration Report (continued)

5 Executive remuneration arrangements for the year ended 30 June 2010

This section outlines how the approach to Executive remuneration described above has been implemented in the 2009/10 financial year.

Decisions taken impacting executive remuneration for the year ended 30 June 2010 only

- No increase in base salaries in 2009/10 for Executives or employees with the exception of adjustments for a limited number of employees whose roles and responsibilities markedly increased.
- No increase in Non-Executive Director fees for 2008/09 and 2009/10.

Decisions taken impacting executive remuneration for the year ended 30 June 2010 and future years

- Accelerated DDPP vesting on termination for reasons outside of the Executive's control was discontinued, but can be applied by exception with the approval of the Nomination and Remuneration Committee.
- Automatic application of the DDPP performance multiplier was removed, impacting all current unvested awards and all future allocations.
- Eligibility of DDPP was restricted to Executives and senior management.
- Balanced Scorecard performance approach was introduced for Executives incorporating four key areas of focus – financial performance, business development and business management, stakeholder satisfaction and leadership.
- Remuneration mix guidelines were adopted for all employees to provide greater transparency in the determination of the size of the performance payment pool.

Decisions taken impacting executive remuneration for the year ending 30 June 2011 and future years

- KPI performance weightings were introduced.
- The effectiveness of existing incentive plans was, and will continue to be reviewed.

At its meeting on 21 July 2010 the Nomination and Remuneration Committee determined that the fixed remuneration paid to a number of Executives had fallen below the market median of comparably sized ASX listed entities. Following consideration by the full Board, the fixed remuneration paid to specific Executives for the year commencing 1 July 2010 will increase in line with comparable market median positions.

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.

Period to 30 June 2010	1 year	2 years	3 years	Since 1 October 2004 ¹
	% per annum	% per annum	% per annum	% per annum
DEXUS Property Group	9.4	(17.2)	(19.6)	(0.5)
S&P/ASX 200 Property Accumulation Index	20.4	(16.6)	(23.8)	(5.6)
DEXUS Composite Total Return	8.0	(10.0)	(9.1)	4.1
Composite Performance Benchmark	11.6	(10.8)	(11.3)	1.4

¹ DEXUS's inception date is 1 October 2004.

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

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

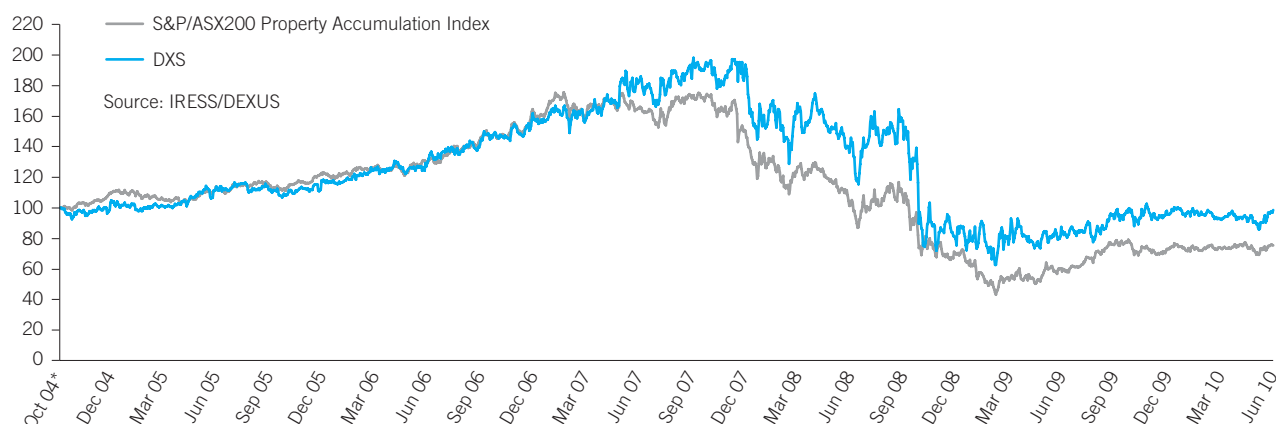
The Board also considered whether the construction of the Composite Total Return should reflect the actual value of the unlisted funds and mandates, and DEXUS Property Group's own funds under management.

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

During the year 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 October 2004 to 30 June 2010.

DEXUS has out-performed the S&P ASX 200 Property Accumulation index on a rolling three year basis each period since inception in October 2004. In addition, the DEXUS Composite Total Return has out-performed the Composite Performance Benchmark on a rolling three year basis each period since inception.

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 its approach to Executive remuneration, with a focus on consistent out-performance of objectives, is aligned with and supports the superior execution of DEXUS's strategic plans.

7 Service agreements

The employment arrangements for Executives are set out below.

CEO – Victor P Hoog Antink

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

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

Executives (other than the CEO)

The principal terms of Executive employment contracts are as follows:

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

Note 28. Related parties (continued)

Remuneration Report (continued)

8 Remuneration of Key Management Personnel

(a) Cash accounting method

In response to the Productivity Commission's recommendation to improve the transparency of remuneration reports by disclosing actual remuneration received by Executives, the following table provides details of actual cash and other benefits received by Executives in the years ending 30 June 2010 and 30 June 2009. This table includes details of the five highest paid Directors or Executives.

The amounts detailed in the cash accounting table vary to the amounts detailed in the statutory accounting table because performance payments are paid to Executives in the year following the performance period to which they relate. Furthermore, DDPP allocations and movement in prior year DDPP allocation values detailed in the statutory accounting table do not reflect what will be paid to the Executive when the DDPP vests as the award will be revalued at that time.

		Cash salary including superannuation	DEXUS performance payments	DEXUS deferred performance payments	Other short-term benefits ¹	Total
		\$	\$	\$	\$	\$
Name						
Victor P Hoog Antink	2010	1,300,000	785,000	339,375	–	2,424,375
	2009	1,300,000	900,000	391,584	–	2,591,584
Tanya L Cox	2010	400,000	150,000	81,450	–	631,450
	2009	400,000	200,000	20,885	–	620,885
Patricia A Daniels²	2010	261,333	90,000	–	–	351,333
	2009	261,334	60,000	–	–	321,334
John C Easy	2010	375,000	163,000	67,875	–	605,875
	2009	375,000	150,000	26,106	–	551,106
Jane Lloyd	2010	369,916	113,000	–	123,107	606,023
	2009	375,000	–	–	–	375,000
Louise J Martin	2010	500,000	175,000	–	–	675,000
	2009	500,000	225,000	–	–	725,000
Craig D Mitchell	2010	550,000	325,000	–	–	875,000
	2009	550,000	250,000	–	–	800,000
Paul G Say	2010	500,000	200,000	–	–	700,000
	2009	500,000	225,000	–	–	725,000
Mark F Turner	2010	450,000	135,000	95,025	–	680,025
	2009	450,000	200,000	20,885	–	670,885
Andrew P Whiteside	2010	475,000	135,000	–	–	610,000
	2009	475,000	200,000	–	–	675,000
Total	2010	5,181,249	2,271,000	583,725	123,107	8,159,081
	2009	5,186,334	2,410,000	459,460	–	8,055,794

1 Other short-term benefits include expatriate assignment benefits such as relocation and housing allowances, relocation consultant assistance, health insurance premiums and associated taxes on these benefits.

2 Patricia A Daniels' actual remuneration received is for a four day week.

(b) Statutory accounting method

In accordance with Australian Accounting Standard AASB 124 details of the structure and quantum of each component of remuneration for Executives for the years ended 30 June 2009 and 30 June 2010 are set out in the following table.

	Short-term employee benefits			Post-employment benefits	Other long-term benefits			Total
	Cash salary and fees	DEXUS performance payments	Other short-term benefits ¹	Pension and super benefits	DEXUS deferred performance payment allocations ²	Movement in prior year deferred performance payment allocation values ³	Other long-term benefits	
	\$	\$	\$	\$	\$	\$	\$	\$
Name								
Victor P Hoog Antink								
2010	1,252,539	1,100,00		47,461	1,200,00	363,957	–	3,963,957
2009	1,200,000	785,000	–	100,000	915,000	(416,600)		2,583,400
Tanya L Cox								
2010	385,539	180,000		14,461	180,000	62,533	–	822,533
2009	352,086	150,000	–	47,914	150,000	(80,773)	–	619,227
Patricia A Daniels⁴								
2010	246,872	104,000		14,461	104,000	13,023	–	482,356
2009	247,589	90,000	–	13,745	90,000	(24,250)		417,084
John C Easy								
2010	360,539	187,000		14,461	188,000	47,437	–	797,437
2009	343,255	163,000	–	31,745	162,000	(57,688)	–	642,312
Jane Lloyd								
2010	355,455	162,000	123,107	14,461	163,000	10,012	–	828,035
2009	361,255	113,000	–	13,745	112,000	–	–	600,000

1 Other short-term benefits include expatriate assignment benefits such as relocation and housing allowances, relocation consultant assistance, health insurance premiums and associated taxes on these benefits.

2 This is the DDPP allocation for the current year which is deferred for three years as described on page 99.

3 This is the notional change in value of all unvested DDPP allocations from prior year.

4 Patricia A Daniels' actual remuneration received is for a four day week.

Note 28. Related parties (continued)

Remuneration Report (continued)

8 Remuneration of Key Management Personnel (continued)

(b) Statutory accounting method (continued)

	Short-term employee benefits			Post-employment benefits	Other long-term benefits			Total
	Cash salary and fees	DEXUS performance payments	Other short-term benefits ¹	Pension and super benefits	DEXUS deferred performance payment allocations ²	Movement in prior year deferred performance payment allocation values ³	Other long-term benefits	
	\$	\$	\$	\$	\$	\$	\$	\$
Name								
Louise J Martin								
2010	485,539	200,000	–	14,461	200,000	74,415	–	974,415
2009	405,000	175,000	–	95,000	175,000	(60,625)	–	789,375
Craig D Mitchell								
2010	535,539	400,00	–	14,461	400,000	40,528	–	1,390,528
2009	500,000	325,000	–	50,000	325,000	(60,625)	–	1,139,375
Paul G Say								
2010	485,539	250,000	–	14,461	250,000	30,565	–	1,030,565
2009	486,255	200,000	–	13,745	200,000	(60,625)	–	839,375
Mark F Turner								
2010	401,339	140,000	–	48,661	140,000	88,473	–	818,473
2009	400,015	135,000	–	49,985	135,000	(103,635)	–	616,365
Andrew P Whiteside								
2010	460,539	225,000	–	14,461	225,000	16,610	–	941,610
2009	461,255	135,000	–	13,745	135,000	(24,250)	–	720,750
Total								
2010	4,969,439	2,948,439	123,107	211,810	3,050,000	747,553	–	12,049,909
2009	4,756,710	2,271,000	–	429,624	2,399,000	(889,071)	–	8,967,263

1 Other short-term benefits include expatriate assignment benefits such as relocation and housing allowances, relocation consultant assistance, health insurance premiums and associated taxes on these benefits.

2 This is the DDPP allocation for the current year which is deferred for three years as described on page 99.

3 This is the notional change in value of all unvested DDPP allocations from prior year.

Deferred Performance Payments

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

	Year of grant	DDPP allocation value	Movement in DDPP allocation value (since grant date)	Closing DDPP allocation value as at 30 June 2010	Movement in DDPP allocation value at vesting date (due to performance multiplier)	Vested DDPP as at 30 June 2010	Year that DDPP will vest
	\$	\$	\$	\$	\$	\$	\$
Name							
Victor P Hoog Antink	2010	1,200,000	–	–	–	–	2013
	2009	915,000	72,926	987,926	–	–	2012
	2008	900,000	(165,600)	734,400	–	–	2011
	2007	650,000	(142,285)	–	203,086	710,801	2010
Tanya L Cox	2010	180,000	–	–	–	–	2013
	2009	150,000	11,955	161,955	–	–	2012
	2008	175,000	(32,200)	142,800	–	–	2011
	2007	110,000	(24,079)	–	34,368	120,289	2010
Patricia A Daniels	2010	104,000	–	–	–	–	2013
	2009	90,000	7,173	97,173	–	–	2012
	2008	100,000	(18,400)	–	–	–	2011
John C Easy	2010	188,000	–	–	–	–	2013
	2009	162,000	12,911	174,911	–	–	2012
	2008	120,000	(22,080)	97,920	–	–	2011
	2007	75,000	(16,418)	–	23,433	82,015	2010
Jane Lloyd¹	2010	163,000	–	–	–	–	2013
	2009	112,000	8,926	120,926	–	–	2012
	2008	–	–	–	–	–	2011
	2007	20,000	(4,378)	–	6,249	21,871	2010
Louise J Martin²	2010	200,000	–	–	–	–	2013
	2009	175,000	13,948	188,948	–	–	2012
	2008	250,000	(46,000)	204,000	–	–	2011
	2007	125,000	(27,636)	–	39,054	136,688	2010
Craig D Mitchell	2010	400,000	–	–	–	–	2013
	2009	325,000	25,903	350,903	–	–	2012
	2008	250,000	(46,000)	204,000	–	–	2011
Paul G Say	2010	250,000	–	–	–	–	2013
	2009	200,000	15,940	215,940	–	–	2012
	2008	250,000	(46,000)	204,000	–	–	2011
Mark F Turner	2010	140,000	–	–	–	–	2013
	2009	135,000	10,760	145,760	–	–	2012
	2008	200,000	(36,800)	163,200	–	–	2011
	2007	180,000	(39,402)	–	56,239	196,837	2010
Andrew P Whiteside	2010	225,000	–	–	–	–	2013
	2009	135,000	10,760	145,760	–	–	2012
	2008	100,000	(18,400)	81,600	–	–	2011

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

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

Note 28. Related parties (continued)

Remuneration Report (continued)

8 Remuneration of Key Management Personnel (continued)

(b) Statutory accounting method (continued)

Non-Executive Director Board and Committee fees

Board and Committee fees paid to Non-Executive Directors for the years ended 30 June 2009 and 30 June 2010 are set out in the table below. Note: In 2009/10 two additional paid Board members were in place for the full twelve months to 30 June 2010, compared to only two months the preceding year.

Directors fees			Committee fees				Total cash salary and fees	
Name	Board	DWPL	Board Audit	Board Risk	Board Compliance	Board Nom & Rem	Board Finance	
	\$	\$	\$	\$	\$	\$	\$	
Christopher T Beare								
2010	300,000	–	–	–	–	–	–	300,000
2009	300,000	–	–	–	–	–	–	300,000
Elizabeth A Alexander AM ¹								
2010	130,000	17,500	8,750	8,750	–	–	–	165,000
2009	130,000	–	15,000	15,000	6,250	–	6,250	172,500
Barry R Brownjohn ²								
2010	130,000	–	13,750	13,750	–	–	8,750	166,250
2009	130,000	–	7,500	7,500	–	–	15,000	160,000
John C Conde AO ³								
2010	130,000	–	–	–	7,500	13,750	–	151,250
2009	22,652	–	–	–	1,250	1,250	–	25,152
Stewart F Ewen OAM								
2010	130,000	–	–	–	–	7,500	–	137,500
2009	130,000	–	–	–	–	7,500	–	137,500
Charles B Leitner III ⁴								
2010	–	–	–	–	–	–	–	–
2009	–	–	–	–	–	–	–	–
Brian E Scullin ⁵								
2010	130,000	25,000	–	–	15,000	1,250	–	171,250
2009	130,000	30,000	6,250	6,250	15,000	7,500	–	195,000
Peter B St. George ⁶								
2010	130,000	–	7,500	7,500	–	–	13,750	158,750
2009	22,652	–	1,250	1,250	–	–	1,250	26,402
Total								
2010	1,080,000	42,500	30,000	30,000	22,500	22,500	22,500	1,250,000
2009	865,304	30,000	30,000	30,000	22,500	16,250	22,500	1,016,554

1 Elizabeth A Alexander became a member of the Board Audit and Board Risk Committees on 1 September 2009. Elizabeth was previously the Chair of both Committees. Elizabeth became a Director of the DWPL Board on 1 September 2009 and became Chair of that Board on 1 March 2010.

2 Barry R Brownjohn became a member of the Board Finance Committee on 1 September 2009. Barry was previously the Chair of that Committee. Barry became Chair of the Board Audit and Board Risk Committees on 1 September 2009. Barry was previously a member of both Committees.

3 John C Conde became Chair of the Board Nomination and Remuneration Committee on 1 September 2009. John was previously a member of that Committee.

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 Brian Scullin ceased to be a member of the Board Nomination and Remuneration Committee on 31 August 2009. Brian became a Director of the DWPL Board on 1 March 2010. Brian was previously Chair of the DWPL Board.

6 Peter B St George became Chair of the Board Finance Committee on 1 September 2009. Peter was previously a member of that Committee.

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

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

Commencing 1 April 2009 Mr Ewen earned a fixed fee of \$30,000 per annum, in addition to his Director's fee, as compensation for the added responsibilities assumed in attending property inspections, reviewing property investment proposals and participating in informal management meetings.

Non-Executive Director remuneration

Details of the structure and quantum of each component of remuneration for each Non-Executive Director for the years ended 30 June 2010 and 30 June 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				
2010	285,539	14,461	–	300,000
2009	286,255	13,745	–	300,000
Elizabeth A Alexander AM				
2010	151,376	13,624	–	165,000
2009	157,844	14,656	–	172,500
Barry R Brownjohn				
2010	152,523	13,727	–	166,250
2009	146,789	13,211	–	160,000
John C Conde AO				
2010	138,761	12,489	–	151,250
2009	23,075	2,077	–	25,152
Stewart F Ewen OAM				
2010	102,700	34,800	–	137,500
2009	63,073	74,427	–	137,500
Brian E Scullin				
2010	157,211	14,039	–	171,250
2009	181,255	13,745	–	195,000
Peter B St George				
2010	145,642	13,108	–	158,750
2009	24,222	2,180	–	26,402
Total 2010	1,133,752	116,248	–	1,250,000
Total 2009	882,513	134,041	–	1,016,554

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

Note 29. Operating segments

The Chief Operating Decision Maker (CODM) has been identified as the Board of Directors of DXFM as they are responsible for the strategic decision making for the Group. The Group's operating segments have been identified based on the segments analysed within the management reports reviewed by the CODM in order to monitor performance across the Group and to appropriately allocate resources. The operating segments of the Group have been identified as follows:

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

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

Disclosures concerning the Group's operating segments as well as the operating segments key financial information provided to the CODM are presented in the DXS Financial Statements (refer note 38 in the DXS Financial Statements).

Note 30. Reconciliation of net profit to net cash inflow from operating activities

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Net profit/(loss)	126,360	(393,754)	117,568	(405,942)
Capitalised interest	(7,212)	(8,311)	(469)	(1,390)
Net fair value (gain)/loss of investment properties	(7,297)	460,876	(30,707)	323,528
Net fair value loss of investments	–	–	56,962	144,697
Share of net losses/(profit) of associates accounted for using the equity method	26,259	(31)	–	–
Net fair value gain of derivatives	7,368	63,925	7,368	63,925
Net foreign exchange loss	134	115	–	–
Change in operating assets and liabilities				
Decrease/(increase) in receivables	2,977	(2,150)	2,570	(1,898)
Decrease in other non-current assets – investments	18,961	19,007	(37,539)	(34,860)
(Increase) in other current assets	(760)	(835)	(225)	(553)
Decrease in other non-current assets	5,546	12,580	5,836	12,472
Decrease/(increase) in payables	4,840	(6,048)	3,617	(6,180)
(Increase)/decrease in other current liabilities	(329)	1,306	(329)	1,306
Decrease/(increase) in other non-current liabilities	1,192	(2,060)	1,192	(1,950)
Net cash inflow from operating activities	178,039	144,620	125,844	93,155

Note 31. Non-cash financing and investing activities

	Notes	Consolidated		Parent entity	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Distributions reinvested	26	41,598	31,262	41,598	31,262

Note 32. Earnings per unit

(a) Basic earnings per unit on net profit/(loss) attributable to unitholders

	Consolidated	
	2010 cents	2009 cents
	0.26	(10.73)

(b) Diluted earnings per unit on net profit/(loss) attributable to unitholders

	Consolidated	
	2010 cents	2009 cents
	0.26	(10.73)

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

	Consolidated	
	2010 \$'000	2009 \$'000
Net profit/(loss)	126,360	(393,754)
Net profit attributable to non-controlling interests	(1,632)	(3,695)
Net profit/(loss) attributable to the unitholders of the Trust used in calculating basic and diluted earnings per unit	124,728	(397,449)

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

	Consolidated	
	2010 No. of Units	2009 No. of Units
Weighted average number of units outstanding used in calculation of basic and diluted earnings per unit	4,774,467,167	3,705,637,381

Directors' Declaration

For the year ended 30 June 2010

The Directors of DEXUS Funds Management Limited as Responsible Entity DEXUS Office Trust (the Trust) declare that the Financial Statements and notes set out on pages 64 to 109:

- (i) comply with applicable Australian Accounting Standards, the *Corporations Act 2001* and other mandatory professional reporting requirements; and
- (ii) give a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date.

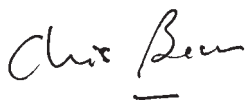
In the Directors' opinion:

- (a) the Financial Statements and notes are in accordance with the *Corporations Act 2001*;
- (b) there are reasonable grounds to believe that the Trust and its consolidated entities will be able to pay their debts as and when they become due and payable; and
- (c) the Trust has operated in accordance with the provisions of the Constitution dated 17 June 1998 (as amended) during the year ended 30 June 2010.

Note 1(a) confirms that the Financial Statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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



Christopher T Beare
Chair

17 August 2010



PricewaterhouseCoopers
ABN 52 780 433 757

Darling Park Tower 2
201 Sussex Street
GPO BOX 2650
SYDNEY NSW 1171
DX 77 Sydney
Australia
Telephone +61 2 8266 0000
Facsimile +61 2 8266 9999

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

Report on the financial report

We have audited the accompanying financial report of DEXUS Office Trust (the Trust) which comprises the statement of financial position as at 30 June 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both DEXUS Office Trust and the DEXUS Office 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 (the responsible entity) 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 the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

Liability limited by a scheme approved under Professional Standards Legislation



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence

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

Auditor's opinion

In our opinion:

- (a) the financial report of DEXUS Office Trust is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Trust's and consolidated entity's financial position as at 30 June 2010 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 consolidated financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report of DEXUS Office Trust for the year ended 30 June 2010 included on DEXUS Office Trust web site. The Trust's directors are responsible for the integrity of the DEXUS Office Trust web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

A handwritten signature in cursive script that reads "PricewaterhouseCoopers".

PricewaterhouseCoopers

A handwritten signature in cursive script that reads "JA Dunning".

JA Dunning
Partner

Sydney
17 August 2010

DEXUS OPERATIONS TRUST

DIRECTORS' REPORT

For the year ended 30 June 2010

The Directors of DEXUS Funds Management Limited (DXFM) as Responsible Entity of DEXUS Operations Trust and its consolidated entities (DXO or the Trust) present their Directors' Report together with the consolidated Financial Statements for the year ended 30 June 2010.

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

1. Directors and secretaries

1.1 Directors

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

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

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

1.2 Company Secretaries

The names and details of the Company Secretaries of DXFM as at 30 June 2010 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 DXS in July 2003, Tanya held various general management positions over the past 16 years, including Director and Chief Operating Officer of NM Rothschild & Sons (Australia) Ltd and General Manager – Finance, Operations and IT for Bank of New Zealand (Australia). Tanya is Chair of the Property Council of Australia National Risk Committee and is a non-executive director of a number of not-for-profit organisations. Tanya is a member of the Australian Institute of Company Directors and a fellow of the Institute of Chartered Secretaries and Administrators (ICSA) and Chartered Secretaries Australia (CSA). Tanya has an MBA from the Australian Graduate School of Management and a Graduate Diploma in Applied Corporate Governance.

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

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

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

Directors' Report

For the year ended 30 June 2010

CONTINUED

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

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

The Directors met 13 times during the year. Ten Board meetings were main meetings and three meetings were held to consider specific business. While the Board continually considers strategy, in March 2010 it met with the executive and senior management team over three days to consider DXS's strategic plans.

	Main meetings held	Main meetings attended	Specific meetings held	Specific meetings attended
Christopher T Beare	10	10	3	3
Elizabeth A Alexander AM	10	10	3	3
Barry R Brownjohn	10	10	3	3
John C Conde AO	10	10	3	3
Stewart F Ewen OAM	10	10	3	3
Victor P Hoog Antink	10	10	3	3
Brian E Scullin	10	10	3	2
Peter B St George	10	9	3	3

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

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

	Board Audit Committee		Board Risk and Sustainability Committee ²		Board Compliance Committee		Board Nomination and Remuneration Committee		Board Finance Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Christopher T Beare	–	–	–	–	–	–	5	5	5	5
Elizabeth A Alexander AM	7	7	4	4	–	–	–	–	–	–
Barry R Brownjohn	7	7	4	4	–	–	–	–	5	5
John C Conde AO	–	–	–	–	4	4	5	5	–	–
Stewart F Ewen OAM	–	–	–	–	–	–	5	5	–	–
Victor P Hoog Antink	–	–	–	–	–	–	–	–	–	–
Brian E Scullin ¹	–	–	–	–	4	4	1	1	–	–
Peter B St George	7	7	4	4	–	–	–	–	5	5

1 Nomination and Remuneration Committee Member from 1 July 2009 to 31 August 2009.

2 Name changed from Board Risk Committee on 2 June 2010.

3. Directors' interests

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

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 DXS.

Directors have made this decision because the Board of DXFM has responsibility for the Group itself as well as the third party business. Directors are obliged to act in the best interests of each group of investors independently of each other. Therefore, to minimise 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 the Group including DXS securities. This position is periodically reviewed by the Board.

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

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

4. Directors' directorships in other listed entities

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

Directors	Company	Date appointed	Date resigned or ceased being a Director of a listed entity
Christopher T Beare	MNet Group Limited	6 November 2009	
Elizabeth A Alexander AM	CSL Limited	12 July 1991	
	Boral Limited	15 December 1999	24 October 2008
John C Conde AO	Whitehaven Coal Limited	3 May 2007	
Brian E Scullin	SPARK Infrastructure RE Limited ¹	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 ¹	8 November 2005	31 December 2008
	First Quantum Minerals Limited ²	20 October 2003	

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

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

5. Principal activities

During the year the principal activity of the Trust was to be a trading trust. There were no significant changes in the nature of the Trust's activities during the year.

6. Total value of Trust assets

The total value of the assets of the Trust as at 30 June 2010 was \$500.4 million (2009: \$438.6 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.

7. Review and results of operations

A review of the results and operations of the Group, which DXO forms part thereof, is set out in the Chief Executive Officer's Report of the DEXUS Property Group 2010 Security Holder Review and forms part of this Directors' Report.

8. Likely developments and expected results of operations

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

9. Significant changes in the state of affairs

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

10. Matters subsequent to the end of the financial year

Since the end of the financial 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 Trust, the results of those operations, or the state of the Trust's affairs in future financial years.

11. Dividends

Dividends paid or payable by the Trust for the year ended 30 June 2010 were nil (2009: nil).

12. DXFM's fees and associate interests

Details of fees paid or payable by the Trust to DXFM for the year ended 30 June 2010 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 Trust held by DXFM or its associates as at the end of the financial year were nil (2009: nil).

13. Units on issue

The movement in units on issue in the Trust during the year and the number of units on issue at 30 June 2010 are detailed in note 27 of the Notes to the Financial Statements and form part of this Directors' Report.

The Trust did not have any options on issue at 30 June 2010 (2009: nil).

14. Environmental regulation

DXS senior management, through its Board Risk and Sustainability Committee, oversees 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.

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

16. Audit

16.1 Auditor

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

16.2 Non-audit services

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

Details of the amounts paid or payable to the Auditor, for audit and non-audit services provided during the year are set out in note 8 of the Notes to the Financial Statements.

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

The reasons for the Directors being satisfied are:

- A Charter of Audit Independence was adopted during the year that provides guidelines under which the Auditor may be engaged to provide non-audit services without impairing the Auditor's objectivity or independence.
- The Charter states that the Auditor will not provide services where the Auditor may be required to review or audit its own work, including:
 - the preparation of tax provisions, accounting records and financial statements;
 - the design, implementation and operation of information technology systems;
 - the design and implementation of internal accounting and risk management controls;
 - conducting valuation, actuarial or legal services;
 - consultancy services that include direct involvement in management decision making functions;
 - investment banking, borrowing, dealing or advisory services;
 - acting as trustee, executor or administrator of trust or estate;
 - prospectus independent expert reports and being a member of the due diligence committee; and
 - providing internal audit services.
- 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.

16.3 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.

17. Corporate governance

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

18. Rounding of amounts and currency

The Trust is a registered scheme of the kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in this Directors' Report and the Financial Statements. Amounts in this Directors' Report and 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.

19. Presentation of parent entity Financial Statements

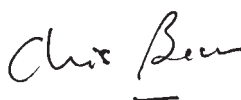
The Trust is a registered scheme of the kind referred to in Class Order 10/654, issued by the Australian Securities & Investments Commission, relating to the inclusion of parent entity Financial Statements in the consolidated Financial Statements. The Class Order provides relief from the *Corporations Amendment (Corporate Reporting Reform) Act 2010* and the Trust continues to present the parent entity Financial Statements in the consolidated Financial Statements in accordance with that Class Order.

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 and internal control and compliance policies and procedures. Following that review it is their opinion that the Trust's financial records for the financial year have been properly maintained in accordance with the *Corporations Act 2001* and the Financial Statements and their notes comply with the accounting standards and give a true and fair view.

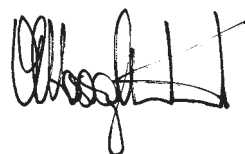
21. Directors' authorisation

The Directors' Report is made in accordance with a resolution of the Directors. The Financial Statements were authorised for issue by the Directors on 17 August 2010. The Directors have the power to amend and reissue the Financial Statements.



Christopher T Beare
Chair

17 August 2010



Victor P Hoog Antink
Chief Executive Officer

17 August 2010



PricewaterhouseCoopers
ABN 52 780 433 757

Darling Park Tower 2
201 Sussex Street
GPO BOX 2650
SYDNEY NSW 1171
DX 77 Sydney
Australia
Telephone +61 2 8266 0000
Facsimile +61 2 8266 9999
www.pwc.com/au

Auditor's Independence Declaration

As lead auditor for the audit of DEXUS Operations Trust for the year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been:

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

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

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

J A Dunning
Partner
PricewaterhouseCoopers

17 August 2010

DEXUS OPERATIONS TRUST

Statements of Comprehensive Income

For the year ended 30 June 2010

		Consolidated		Parent entity	
	Notes	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Revenue from ordinary activities					
Management fee revenue	4	80,105	93,869	–	–
Property revenue	2	725	2,734	–	–
Interest revenue	3	626	874	8,755	12,738
Total revenue from ordinary activities		81,456	97,477	8,755	12,738
Other income		522	121	837	470
Reversal of previous impairment	22	13,307	–	–	–
Total income		95,285	97,598	9,592	13,208
Expenses					
Property expenses		(467)	(1,424)	–	–
Responsible Entity fees	33	–	–	(436)	(581)
Finance costs	5	(9,940)	(24,288)	(24,584)	(24,270)
Depreciation and amortisation		(3,492)	(4,742)	(1)	(1)
Impairment		(242)	(75,161)	–	(33,463)
Employee benefits expense		(58,580)	(59,283)	–	–
Net loss on sale of investment properties		(493)	–	–	–
Net fair value loss of investment properties		(20,132)	–	(20,132)	–
Other expenses	7	(11,804)	(10,124)	(342)	(624)
Total expenses		(105,150)	(175,022)	(45,495)	(58,939)
Loss before tax		(9,865)	(77,424)	(35,903)	(45,731)
Tax benefit/(expense)					
Income tax benefit/(expense)	6 (a)	1,604	(2,682)	348	3,701
Total tax benefit/(expense)		1,604	(2,682)	348	3,701
Loss after tax		(8,261)	(80,106)	(35,555)	(42,030)
Total comprehensive loss for the year		(8,261)	(80,106)	(35,555)	(42,030)
Earnings per unit		Cents	Cents		
Basic earnings per unit on loss attributable to unitholders of the parent entity	38	(0.17)	(2.16)		
Diluted earnings per unit on loss attributable to unitholders of the parent entity	38	(0.17)	(2.16)		

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

DEXUS OPERATIONS TRUST
Statements of Financial Position
As at 30 June 2010

		Consolidated		Parent entity	
	Notes	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Current assets					
Cash and cash equivalents	9	12,897	13,765	19	259
Receivables	10	21,364	16,195	2,544	1,158
Non-current assets classified as held for sale	12	–	55,000	–	–
Loans with related parties	13	–	–	10,284	10,062
Other financial assets	15	–	–	51,936	51,936
Current tax assets		3,547	1,422	3,548	802
Other	16	357	649	–	–
Total current assets		38,165	87,031	68,331	64,217
Non-current assets					
Investment properties	17	170,011	–	150,200	–
Property, plant and equipment	18	4,898	123,078	–	116,348
Inventories	11	45,470	–	–	–
Investments in controlled entities	19	–	–	98,751	98,751
Other financial assets at fair value through profit and loss	20	–	–	–	–
Loans with related parties	13	–	–	17,484	97,592
Deferred tax assets	21	16,248	15,152	5,074	5,796
Intangible assets	22	225,525	213,267	–	–
Other	23	66	66	62	62
Total non-current assets		462,218	351,563	271,571	318,549
Total assets		500,383	438,594	339,902	382,766
Current liabilities					
Payables	24	4,930	5,284	296	565
Loans with related parties	13	48,932	48,932	48,932	48,932
Provisions	25	16,389	13,089	–	–
Derivative financial instruments	14	–	9,520	–	9,520
Total current liabilities		70,251	76,825	49,228	59,017
Non-current liabilities					
Loans with related parties	13	389,675	325,867	317,900	325,867
Deferred tax liabilities	26	9,627	6,360	6,559	2,670
Provisions	25	16,524	13,533	–	–
Derivative financial instruments	14	6,558	–	6,558	–
Total non-current liabilities		422,384	345,760	331,017	328,537
Total liabilities		492,635	422,585	380,245	387,554
Net assets		7,748	16,009	(40,343)	(4,788)
Equity					
Contributed equity	27	26,335	26,335	26,335	26,335
Reserves	28	42,738	42,738	–	–
Accumulated losses	28	(61,325)	(53,064)	(66,678)	(31,123)
Total equity		7,748	16,009	(40,343)	(4,788)

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

DEXUS OPERATIONS TRUST
Statements of Changes in Equity
For the year ended 30 June 2010

Consolidated	Notes	Contributed equity	Asset revaluation reserve	Accumulated losses	Total equity
		\$'000	\$'000	\$'000	\$'000
Opening balance as at 1 July 2008		12,876	63,293	6,487	82,656
Comprehensive loss for the year		–	–	(80,106)	(80,106)
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction costs	27	13,459	–	–	13,459
Transfer to accumulated losses		–	(20,555)	20,555	–
Closing balance as at 30 June 2009		26,335	42,738	(53,064)	16,009
Opening balance as at 1 July 2009		26,335	42,738	(53,064)	16,009
Comprehensive loss for the year		–	–	(8,261)	(8,261)
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction costs	27	–	–	–	–
Closing balance as at 30 June 2010		26,335	42,738	(61,325)	7,748

Parent entity	Notes	Contributed equity	Asset revaluation reserve	Accumulated losses	Total equity
		\$'000	\$'000	\$'000	\$'000
Opening balance as at 1 July 2008		12,876	–	10,907	23,783
Comprehensive loss for the year		–	–	(42,030)	(42,030)
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction costs	27	13,459	–	–	13,459
Closing balance as at 30 June 2009		26,335	–	(31,123)	(4,788)
Opening balance as at 1 July 2009		26,335	–	(31,123)	(4,788)
Comprehensive loss for the year		–	–	(35,555)	(35,555)
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction costs	27	–	–	–	–
Closing balance as at 30 June 2010		26,335	–	(66,678)	(40,343)

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

DEXUS OPERATIONS TRUST
Statements of Cash Flows
For the year ended 30 June 2010

		Consolidated		Parent entity	
	Notes	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Cash flows from operating activities					
Receipts in the course of operations (inclusive of GST)		85,396	113,338	–	10
Payments in the course of operations (inclusive of GST)		(72,915)	(76,540)	(6,292)	(2,157)
Payments for development property classified as inventory		(45,470)	–	–	–
Interest received		612	882	5,775	5,794
Finance costs paid to financial institutions		(4,015)	(1,930)	(3,998)	(1,913)
Income tax received/(paid)		1,650	(7,241)	6,082	(98)
Net cash (outflow)/inflow from operating activities	36	(34,742)	28,509	1,567	1,636
Cash flows from investing activities					
Payments for property, plant and equipment		(1,030)	(27,165)	–	(27,165)
Payments for capital expenditure on investment properties		(22,349)	(44,906)	(22,205)	(41,711)
Payments for investment properties		(40,040)	–	(20,373)	–
Proceeds from sale of investment properties		54,011	–	–	–
Net cash outflow from investing activities		(9,408)	(72,071)	(42,578)	(68,876)
Cash flows from financing activities					
Establishment expenses and unit issue cost		–	(380)	–	(380)
Borrowings provided to entities within DXS		(121,790)	(74,884)	(8,020)	(14,668)
Borrowings provided by entities within DXS		165,072	108,770	48,791	73,320
Issue of units		–	12,275	–	12,275
Distributions paid to unitholders		–	(3,346)	–	(3,346)
Net cash inflow from financing activities		43,282	42,435	40,771	67,201
Net decrease in cash and cash equivalents		(868)	(1,127)	(240)	(39)
Cash and cash equivalents at the beginning of the year		13,765	14,892	259	298
Cash and cash equivalents at the end of the year	9	12,897	13,765	19	259

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

Note 1. Summary of significant accounting policies**(a) Basis of preparation**

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

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

These general purpose Financial Statements for the year ended 30 June 2010 have been prepared in accordance with the requirements of the Trust's Constitution, the *Corporations Act 2001*, Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and interpretations. Compliance with Australian Accounting Standards ensures that the consolidated and parent entity Financial Statements and notes also comply with International Financial Reporting Standards (IFRS).

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

As at 30 June 2010, the Trust had a net current assets deficiency of \$32.1 million. The accounts have been prepared on a going concern basis due to the existence of cross guarantee arrangements with other entities within the DXS group. Gearing is managed centrally for DXS. The gearing ratio as disclosed in the DEXUS Property Group Financial Statements for the year ended 30 June 2010 is 30.4% (refer note 32 of the DXS Financial Statements).

The Trust has applied the revised AASB 101 *Presentation of Financial Statements* which became effective on 1 January 2009. The revised standard requires the separate presentation of Statements of Comprehensive Income and Statements of Changes in Equity. Comparative information has been re-presented so that it is also in conformity with the revised standard.

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

Critical accounting estimates

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

(b) Principles of consolidation**(i) Controlled entities**

The Financial Statements have been prepared on a consolidated basis. The accounting policies of the subsidiaries are consistent with those of the parent.

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

The Financial Statements incorporate an elimination of inter-entity transactions and balances to present the Financial Statements on a consolidated basis. Where control of an entity is obtained during a financial year, its results are included in the Statements of Comprehensive Income 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.

(c) Revenue recognition**(i) Rent**

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

(ii) Management fee revenue

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

(iii) Interest revenue

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

(iv) Dividends and distribution revenue

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

(d) Expenses

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

(i) Property expenses

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

(ii) Borrowing costs

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

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

(ii) Debt and equity instruments issued by the Trust

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

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

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

(iii) Financial guarantee contracts

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

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

(iv) Other financial assets

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

(f) Goods and services tax/value added tax

Revenues, expenses and capital assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

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

(g) Taxation

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

- the income tax expense for the year is the tax payable on the current year's taxable income based on a tax rate of 30% adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses;
- deferred tax assets and liabilities are recognised for temporary differences arising from differences between the carrying amount of assets and liabilities and the corresponding tax base of those items. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax assets or liabilities. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss;
- deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses;
- deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future; and
- current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Note 1. Summary of significant accounting policies

(continued)

(g) Taxation (continued)**Tax consolidation**

In December 2009 the DXH tax consolidated group elected to deconsolidate and DXO elected to form a tax consolidated group comprising 20 Barrack Street Trust, DEXUS Holdings Pty Limited, DEXUS Funds Management Limited, DEXUS Property Services Pty Limited, DEXUS Financial Services Pty Limited and DEXUS Wholesale Property Limited, DEXUS CMBS Issuer Pty Limited and DWPL Nominees Pty Limited. The implementation date for the DXO tax consolidated group is 1 July 2008.

The entities in the DXO tax consolidated group entered into a Tax Sharing Deed effective 1 July 2008. In the opinion of the Directors, this limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, DXO.

DXO and the controlled entities in the tax consolidated group 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 effective 1 July 2008.

Under the Tax Funding Deed, the wholly owned entities fully compensate DXO for any current tax payable assumed and are compensated by DXO 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.

(h) Dividends

In accordance with the Trust's Constitution, the Trust distributes its distributable income to unitholders by cash or reinvestment. Dividends 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(q). Other routine operating maintenance, repair costs and minor renewals are also charged as expenses as incurred.

(j) Cash and cash equivalents

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

(k) Receivables

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

(l) Inventories**(i) Land and development property held for resale**

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

(ii) Net realisable value

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

(m) Non-current assets (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.

(n) Investments in controlled entities

Interests held by the Trust in controlled entities are measured at cost. The carrying amount of these investments is reviewed annually to ensure they are not in excess of the recoverable amount of the investments.

(o) Property, plant and equipment

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

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

(p) Depreciation of property, plant and equipment

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

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

(q) Investment properties

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

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

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

External valuations of the individual investments are carried out in accordance with the Constitution for DXO, 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 Statements of Comprehensive Income. The gain or loss on disposal of an investment property is calculated as the difference between the carrying amount of the asset at the date of disposal and the net proceeds from disposal and is included in the Statements of Comprehensive Income in the year of disposal.

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

(r) Leasing fees

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

(s) Lease incentives

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

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

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

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

(u) Business combinations

During the period DXO adopted the 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* effective for annual reporting periods beginning on or after 1 July 2009.

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

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

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

Note 1. Summary of significant accounting policies (continued)

(v) Impairment of assets

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

(w) Intangible assets

(i) Goodwill

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

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

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

(ii) Management rights

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

Management rights with indefinite life are not subject to amortisation and are tested for impairment at the end of each reporting period.

(x) Financial assets and liabilities

(i) Classification

The Trust 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).
Investments in controlled entities	Loans and receivables	Amortised cost	Refer note 1(e).
Payables	Financial liability at amortised cost	Amortised cost	Refer note 1(y).
Interest bearing liabilities	Financial liability at amortised cost	Amortised cost	Refer note 1(z).
Derivatives	Fair value through profit or loss	Fair value	Refer note 1(e).

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

(ii) Fair value estimation of financial assets and liabilities

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

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

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques including dealer quotes for similar instruments and discounted cash flows. In particular, the fair value of interest rate swaps and cross currency swaps are calculated as the present value of the estimated future cash flows, the fair value of forward exchange rate contracts is determined using forward exchange market rates at the Statements of Financial Position 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.

(y) Payables

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

(z) Interest bearing liabilities

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

(aa) Employee benefits

(i) Wages, salaries and annual leave

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

(ii) Long service leave

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

The provision is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates based on turnover history and is discounted using the rates attaching to national government bonds at the end of each reporting period 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.

(ab) Earnings per unit

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

Diluted earnings per unit are adjusted from the basic earnings per unit by taking into account the impact of dilutive potential units. The Trust did not have such dilutive potential units during the year.

(ac) Operating segments

During the period the Trust adopted AASB 8 *Operating Segments* which replaced AASB 114 *Segment Reporting*. The new standard requires a 'management approach', under which segment information is presented in a manner that is consistent with internal reporting provided to the Chief Operating Decision Maker (CODM). The CODM who is responsible for allocating resources and assessing performance of the operating segments has been identified as the Board of Directors of DXFM. The Board of Directors are responsible for the strategic decision making for the Group which consists of DIT, DOT, DDF and DXO. Consistent with how the CODM manages the business the operating segments within the Group are reviewed on a consolidated basis rather than at an individual trust level. Disclosures concerning DXS's operating segments as well as the operating segments key financial information provided to the CODM are presented in the Group's Financial Statements.

(ad) Rounding of amounts

The Trust is 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 Statements. Amounts in the Financial Statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(ae) Presentation of parent entity Financial Statements

The Trust is a registered scheme of the kind referred to in Class Order 10/654, issued by the Australian Securities & Investments Commission, relating to the inclusion of parent entity Financial Statements in the consolidated Financial Statements. The Class Order provides relief from the *Corporations Amendment (Corporate Reporting Reform) Act 2010* and the Trust continues to present the parent entity Financial Statements in the consolidated Financial Statements in accordance with that Class Order.

(af) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2010 reporting period. Our assessment of the impact of these new standards and interpretations is set out below:

- (i) AASB 9 *Financial Instruments* and AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* (effective from 1 January 2013). AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets. Under the new guidance, a financial asset is to be measured at amortised cost only if it is held within a business model whose objective is to collect contractual cash flows and the contractual terms of the asset give rise on specific dates to cash flows that are payments solely of principal and interest on the principal amount outstanding. All other financial assets are to be measured at fair value. The standard is not applicable until 1 January 2013 but is available for early adoption. The Trust is currently assessing the impact of this standard but does not expect it to be significant.
- (ii) Revised AASB 124 *Related Party Disclosures* (effective from 1 January 2011). In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party. The Trust will apply the amended standard from 1 July 2011. It is not expected to have any impact on the Trust's Financial Statements.
- (iii) AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* (effective from 1 January 2010). In May 2010, the AASB issued a number of improvements to existing Australian Accounting Standards. The Trust will apply the revised standards from 1 July 2010 where applicable. The Trust is currently assessing the impact of the revised rules but does not expect it to be significant.
- (iv) AASB 1053 *Application of Tiers of Australian Accounting Standards* and AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements* (effective from 1 July 2013). On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. The Trust, as part of DXS, is listed on the ASX and is therefore not eligible to adopt the new Australian Accounting Standards – Reduced Disclosure Requirements. As a consequence, the two standards will have no impact on the Financial Statements of the Trust.

Note 2. Property revenue

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Rent and recoverable outgoings	725	2,442	–	–
Other revenue	–	292	–	–
Total property revenue	725	2,734	–	–

Note 3. Interest revenue

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Interest revenue from financial institutions	626	874	62	81
Interest revenue from related parties	–	–	8,693	12,657
Total interest revenue	626	874	8,755	12,738

Note 4. Management fee revenue

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Responsible Entity fees	34,476	40,012	–	–
Asset management fees	10,077	11,209	–	–
Property management fees	20,478	19,985	–	–
Capital works and development fees	5,966	9,851	–	–
Wages recovery and other fees	9,108	12,812	–	–
Total management fee revenue	80,105	93,869	–	–

Note 5. Finance costs

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Interest paid to related parties	20,526	18,868	20,511	18,868
Amount capitalised	(11,639)	(7,203)	(11,639)	(7,203)
Other finance costs ¹	19	19	14,678	1
Net fair value loss of interest rate swaps	1,034	12,604	1,034	12,604
Total finance costs	9,940	24,288	24,584	24,270

¹ During the year, DXO forgave a loan with Barrack Street Trust, a wholly owned subsidiary of DXO, which resulted in a finance cost of \$14.7 million. The cost eliminates on consolidation.

The average capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 7.15% (2009: 6.90%).

Note 6. Income tax

(a) Income tax benefit

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Current tax (benefit)/expense	(3,775)	5,943	(3,081)	–
Deferred tax expense/(benefit)	2,171	(3,261)	2,733	(3,701)
Total income tax (benefit)/expense	(1,604)	2,682	(348)	(3,701)
Deferred income tax expense/(benefit) included in income tax expense comprises:				
Decrease/(increase) in deferred tax assets	(1,096)	(5,403)	722	(5,657)
Increase/(decrease) in deferred tax liabilities	3,267	2,142	3,889	1,956
Tax loss assumed from related entities	–	–	(1,878)	–
Total deferred tax expense/(income)	2,171	(3,261)	2,733	(3,701)

(b) Reconciliation of income tax benefit to net profit

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Loss before tax	(9,865)	(77,424)	(35,903)	(45,731)
Prima facie tax benefit at the Australian tax rate of 30% (2009: 30%)	(2,960)	(23,227)	(10,771)	(13,719)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:				
Depreciation and amortisation	73	51	–	–
Sundry items	5	17	(20)	(21)
Unused tax losses	(225)	3,470	–	–
Net fair value loss of investment properties	6,040	22,371	6,040	10,039
Reversal of previous impairment	(3,992)	–	–	–
Previous unrecognised tax losses utilised	(693)	–	–	–
Gain on sale of assets	148	–	–	–
Loan forgiveness	–	–	4,403	–
	1,356	25,909	10,423	10,018
Income tax (benefit)/expense	(1,604)	2,682	(348)	(3,701)

Note 7. Other expenses

	Notes	Consolidated		Parent entity	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Audit and other fees	8	336	627	135	220
Custodian fees		13	15	13	15
Legal and other professional fees		1,569	1,197	130	79
Consultancy fees		958	1,003	–	–
Registry costs and listing fees		64	65	64	65
Occupancy expenses		2,279	267	–	–
Administration expenses		3,196	3,987	–	–
Other staff expenses		2,665	2,417	–	–
Other expenses		724	546	–	245
Total other expenses		11,804	10,124	342	624

Note 8. Audit and advisory fees

During the year the Auditor of the parent entity and its related practices earned the following remuneration:

(a) Assurance services

	Consolidated		Parent entity	
	2010 \$	2009 \$	2010 \$	2009 \$
Audit services				
PwC audit and review of Financial Statements and other audit work under the <i>Corporations Act 2001</i>	227,967	204,094	127,504	131,121
Remuneration for audit services to PwC	227,967	204,094	127,504	131,121
Fees paid to non-PwC audit firms	75,075	180,455	–	–
Total remuneration for audit services	303,042	384,549	127,504	131,121

(b) Taxation services

Fees paid to PwC Australia	63,114	242,760	7,167	88,855
Total remuneration for taxation services¹	63,114	242,760	7,167	88,855
Total audit and taxation fees	366,156	627,309	134,671	219,976

(c) Fees paid to PwC for transaction services

PwC assurance services in respect of capital raisings	–	7,563	–	7,563
PwC taxation services	–	1,449	–	1,449
PwC other transaction and advisory fees	–	53,841	–	53,841
Total transaction service fees	–	62,853	–	62,853
Total audit, taxation and transaction service fees	366,156	690,162	134,671	282,829

¹ 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 Trust.

Note 9. Current assets – cash and cash equivalents

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Cash at bank	2,843	3,079	19	259
Short-term deposits	10,054	10,686	–	–
Total current assets – cash and cash equivalents	12,897	13,765	19	259

Note 10. Current assets – receivables

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Fee receivable	10,919	11,895	–	–
GST receivable	6,582	616	548	1,158
Receivables from related entities	3,812	3,386	1,879	–
Interest receivable	45	31	–	–
Other receivables	6	267	117	–
Total current assets – receivables	21,364	16,195	2,544	1,158

Note 11. Non-current assets – inventories

(a) Land and development property held for resale

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Land and development property held for resale	45,470	–	–	–
Total non-current asset – inventories	45,470	–	–	–

(b) Reconciliation

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Opening balance as at 1 July	–	–	–	–
Acquisitions ¹	45,135	–	–	–
Additions and other	335	–	–	–
Closing balance as at 30 June	45,470	–	–	–

1 During the current year, DEXUS Projects Pty Limited (DXP), a wholly owned subsidiary of DXO, purchased the undeveloped land at Laverton VIC from DIT for \$64.8 million. DXP has initiated the development of part of the land (73.6 hectares valued at \$45.1 million) with an intention to sell and has therefore classified this portion of the asset as inventories. The balance of 39.9 hectares (valued at \$19.7 million) remains classified as investment property.

Note 12. Non-current assets classified as held for sale

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Property, plant and equipment held for sale	–	55,000	–	–
Total non-current assets classified as held for sale	–	55,000	–	–

On 9 October 2009, 343 George Street, Sydney, NSW was disposed of for \$55.0 million.

Note 13. Loans with related parties

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Current assets – loans with related parties				
Non-interest bearing loans with controlled entities	–	–	10,284	10,062
Total current-assets – loans with related parties	–	–	10,284	10,062
Non-current assets – loans with related parties				
Interest bearing loans with controlled entities ¹	–	–	17,484	97,592
Total non-current assets – loans with related parties	–	–	17,484	97,592
Current liabilities – loans with related parties				
Non-interest bearing loans with entities within DXS ²	48,932	48,932	48,932	48,932
Total current liabilities – loans with related parties	48,932	48,932	48,932	48,932
Non-current liabilities – loans with related parties				
Interest bearing loans with related parties ³	389,675	325,867	317,900	325,867
Total non-current liabilities – loans with related parties	389,675	325,867	317,900	325,867

1 During the year, DXO forgave a loan with Barrack Street Trust, a wholly owned subsidiary of DXO (refer note 5).

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

3 The interest bearing loans with related parties represent loans with DEXUS Finance Pty Limited (DXF). These loan balances eliminate on consolidation within DXS.

Note 14. Derivative financial instruments

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Current liabilities				
Interest rate swap contracts	–	9,520	–	9,520
Total current liabilities – derivative financial instruments	–	9,520	–	9,520
Non-current liabilities				
Interest rate swap contracts	6,558	–	6,558	–
Total non-current liabilities – derivative financial instruments	6,558	–	6,558	–
Total derivative financial instruments	6,558	9,520	6,558	9,520

Refer note 30 for further discussion regarding derivative financial instruments.

Note 15. Other financial assets

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Loan notes receivable from DEXUS Holdings Pty Limited	–	–	51,936	51,936
Total current assets – other financial assets	–	–	51,936	51,936

The loan notes pay a coupon of 11% per annum and mature on 1 October 2024.

Note 16. Current assets – other

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Prepayments	357	649	–	–
Total current assets – other	357	649	–	–

Note 17. Non-current assets – investment properties

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Opening balance as at 1 July	–	–	–	–
Additions	33,745	–	33,611	–
Acquisitions	40,050	–	20,373	–
Transfers from property, plant and equipment	116,348	–	116,348	–
Net fair value loss of investment properties	(20,132)	–	(20,132)	–
Closing balance as at 30 June	170,011	–	150,200	–

(a) Key valuation assumptions

Details of key valuation assumptions in relation to investment properties are outlined in note 14 of the DXS Financial Statements.

(b) Acquisitions

On 30 June 2010, DXP, a wholly owned subsidiary of DXO, purchased the undeveloped land at Laverton VIC from DIT for \$64.8 million. DXP has initiated the development of part of the land (73.6 hectares valued at \$45.1 million) with an intention to sell and has therefore classified this portion of the asset in inventories. The balance of 39.9 hectares (valued at \$19.7 million) remains classified as investment property.

On 8 April 2010, DXO acquired the final stage of land at Greystanes Estate NSW, for \$20.4 million. The Greystanes Estate acquisition is now completed with a gross land area of 47.4 hectares purchased for a total of \$167.4 million.

Note 18. Non-current assets – property, plant and equipment

(a) Property, plant and equipment

30 June 2010	Consolidated				Parent entity			
	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 2009	47,624	69,695	5,759	123,078	47,624	68,724	–	116,348
Additions	–	–	769	769	–	–	–	–
Depreciation charge	–	(809)	(1,792)	(2,601)	–	–	–	–
Transfer to IT and office	–	(162)	162	–	–	–	–	–
Transfer to investment properties	(47,624)	(68,724)	–	(116,348)	(47,624)	(68,724)	–	(116,348)
Closing balance as at 30 June 2010	–	–	4,898	4,898	–	–	–	–
Cost	114,611	90,155	10,547	215,313	47,624	68,724	–	116,348
Accumulated depreciation	–	(809)	(5,811)	(6,620)	–	–	–	–
Transfer to IT and office	–	(162)	162	–	–	–	–	–
Transfer to investment properties	(114,611)	(89,184)	–	(203,795)	(47,624)	(68,724)	–	(116,348)
Net book value as at 30 June 2010	–	–	4,898	4,898	–	–	–	–

30 June 2009	Consolidated				Parent entity			
	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	31,999	97,873	6,039	135,911	31,999	41,500	–	73,499
Additions	49,088	29,617	1,521	80,226	49,088	27,224	–	76,312
Depreciation charge	–	(2,375)	(1,801)	(4,176)	–	–	–	–
Transfer to non-current assets classified as held for sale	–	(55,000)	–	(55,000)	–	–	–	–
Impairment	(33,463)	(420)	–	(33,883)	(33,463)	–	–	(33,463)
Closing balance as at 30 June 2009	47,624	69,695	5,759	123,078	47,624	68,724	–	116,348
Cost	81,087	78,211	8,145	167,443	81,087	68,724	–	149,811
Accumulated depreciation	–	(8,096)	(2,386)	(10,482)	–	–	–	–
Impairment	(33,463)	(420)	–	(33,883)	(33,463)	–	–	(33,463)
Net book value as at 30 June 2009	47,624	69,695	5,759	123,078	47,624	68,724	–	116,348

In the current year, based on the revised AASB 140 *Investment Property*, development properties being developed for future use as investment properties have been included in investment properties and were fair valued at the end of the reporting period (refer note 17).

(b) Impairment

In 2009, DXO carried out a review of the recoverable amount of its development properties that were classified as property, plant and equipment prior to the adoption of the revised AASB 140 *Investment Property*. An impairment of \$33.9 million was recognised in the profit or loss.

Notes to the Financial Statements

For the year ended 30 June 2010

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Note 19. Non-current assets – investments in controlled entities

Name of entity	Principal activity	Ownership interest		Parent entity	
		2010 %	2009 %	2010 %	2009 %
Held by parent entity					
Barrack Street Trust	Office property investment	100.0	100.0	99	99
DEXUS Holdings Pty Limited	Asset, property and development management	100.0	100.0	98,652	98,652
DEXUS Projects Pty Limited	Office and industrial development	100.0	–	–	–
Total non-current assets – investments in controlled entities				98,751	98,751

On 18 June 2010, DXO acquired two shares in DEXUS Projects Pty Limited for \$2.00. Both the parent entity and the subsidiary entities were formed in Australia.

Note 20. Non-current assets – other financial assets at fair value through profit and loss

Name of entity	Principal activity	Ownership interest		Parent entity	
		2010 %	2009 %	2010 \$'000	2009 \$'000
Held by parent entity					
DEXUS Finance Pty Limited	Financial services	25.0	25.0	–	–
Total non-current assets – other financial assets				–	

DEXUS Finance Pty Limited (DXF) is owned jointly by DDF, DIT, DOT and DXO. Both the parent entity and DXF were formed in Australia.

Note 21. Non-current assets – deferred tax assets

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
The balance comprises:				
Derivative financial instruments	1,967	2,650	1,967	2,650
Employee provision	10,365	8,390	–	–
Impairment	231	–	–	–
Other	652	1,031	74	65
Deferred tax asset arising from temporary differences	13,215	12,071	2,041	2,715
Deferred tax arising on tax losses	3,033	3,081	3,033	3,081
Total non-current assets – deferred tax assets	16,248	15,152	5,074	5,796
Movements				
Opening balance at 1 July	15,152	9,749	5,796	139
Reversal of previously recognised tax losses	(3,081)	–	(3,081)	–
Recognition of tax losses	3,033	3,081	3,033	3,081
Movement in deferred tax asset arising from temporary differences	1,144	2,322	(674)	2,576
Credited/(charged) to the Statements of Comprehensive Income	1,096	5,403	(722)	5,657
Closing balance at 30 June	16,248	15,152	5,074	5,796

Note 22. Intangible assets

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Management rights				
Opening balance as at 1 July	210,500	252,176	–	–
Amortisation charge	(807)	(566)	–	–
Impairment	–	(41,110)	–	–
Reversal of previous impairment	13,307	–	–	–
Closing balance as at 30 June	223,000	210,500	–	–
Cost	252,382	252,382	–	–
Accumulated amortisation	(1,579)	(772)	–	–
Accumulated impairment	(27,803)	(41,110)	–	–
Total management rights	223,000	210,500	–	–

Management rights represent the asset management rights owned by DXH which entitle it to management fee revenue from both finite life trusts (\$8,415,850) and indefinite life trusts (\$214,584,150). Those rights that are deemed to have a finite useful life are measured at cost and amortised using the straight-line method over their estimated useful lives which vary from six to 22 years.

Impairment of management rights

During the period, DXO carried out a review of the recoverable amount of its management rights. As part of this process, the estimated fair value of assets under management, which are used to derive the future expected management fee income, have been adjusted to better reflect the current market conditions. This has resulted in the recognition through the Statements of Comprehensive Income of a reversal of a previous impairment of \$13.3 million (2009: impairment of \$41.1 million).

The value in use has been determined using management forecasts in a five year discounted cash flow model. Forecasts were based on projected returns of the business in light of current market conditions. The performance in year five has been used as a terminal value. The cash flows have been discounted at 8.6%.

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Goodwill				
Opening balance as at 1 July	2,767	2,937	–	–
Impairment	(242)	(170)	–	–
Closing balance as at 30 June	2,525	2,767	–	–
Cost	2,998	2,998	–	–
Accumulated impairment	(473)	(231)	–	–
Total goodwill	2,525	2,767	–	–
Total intangible assets	225,525	213,267	–	–

Note 23. Non-current assets – other

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Tenant and other bonds	5	5	–	–
Other	61	61	62	62
Total non-current assets – other	66	66	62	62

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For the year ended 30 June 2010

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Note 24. Current liabilities – payables

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Trade creditors	48	297	4	19
Accruals	2,726	1,904	252	267
Accrued capital expenditure	140	1,048	–	233
Prepaid income	–	374	–	–
Responsible Entity fee payable	–	–	40	46
Employee related expenses	2,016	1,661	–	–
Total current liabilities – payables	4,930	5,284	296	565

Note 25. Provisions

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Current				
Provision for employee benefits	16,389	13,089	–	–
Total current liabilities – provisions	16,389	13,089	–	–
Non-current				
Provision for employee benefits	16,524	13,533	–	–
Total non-current liabilities – provisions	16,524	13,533	–	–

Note 26. Non-current liabilities – deferred tax liabilities

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
The balance comprises temporary differences attributable to:				
Goodwill	2,525	2,767	–	–
Property, plant and equipment	7,089	2,670	6,559	2,670
Other	13	923	–	–
Total non-current liabilities – deferred tax liabilities	9,627	6,360	6,559	2,670
Movements				
Opening balance at 1 July	6,360	4,218	2,670	714
Credited/(charged) to Statements of Comprehensive Income	3,267	2,142	3,889	1,956
Closing balance at 30 June	9,627	6,360	6,559	2,670

Note 27. Contributed equity

(a) Contributed equity

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Opening balance as at 1 July	26,335	12,876	26,335	12,876
Distributions reinvested	–	1,564	–	1,564
Issue of units	–	12,275	–	12,275
Cost of issuing units	–	(380)	–	(380)
Closing balance as at 30 June	26,335	26,335	26,335	26,335

(b) Number of units on issue

	Consolidated		Parent entity	
	2010 No. of units	2009 No. of units	2010 No. of units	2009 No. of units
Opening balance as at 1 July	4,700,841,666	3,040,019,487	4,700,841,666	3,040,019,487
Distributions reinvested	119,980,133	100,368,579	119,980,133	100,368,579
Issue of units	–	1,560,453,600	–	1,560,453,600
Closing balance as at 30 June	4,820,821,799	4,700,841,666	4,820,821,799	4,700,841,666

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 DXO, DDF, DIT and DOT.

(c) 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 28 August 2009, 65,251,600 units were issued at a unit price of nil in relation to the June 2009 distribution period.

On 26 February 2010, 54,728,533 units were issued at a unit price of nil in relation to the December 2009 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 15% limit under the ASX Listing Rule 7.1.

Notes to the Financial Statements

For the year ended 30 June 2010

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Note 28. Reserves and accumulated losses

(a) Reserves

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Asset revaluation reserve	42,738	42,738	–	–
Total reserves	42,738	42,738	–	–
Movements:				
Asset revaluation reserve				
Opening balance as at 1 July	42,738	63,293	–	–
Transfer to accumulated losses	–	(20,555)	–	–
Total movement in asset revaluation reserve	–	(20,555)	–	–
Closing balance as at 30 June	42,738	42,738	–	–

Nature and purpose of asset revaluation reserves

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

(b) Accumulated losses

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Opening balance as at 1 July	(53,064)	6,487	(31,123)	10,907
Net loss attributable to unitholders	(8,261)	(80,106)	(35,555)	(42,030)
Transfer from revaluation reserve	–	20,555	–	–
Closing balance as at 30 June	(61,325)	(53,064)	(66,678)	(31,123)

Note 29. Dividends paid and payable

Dividends paid or payable by the Trust for the year ended 30 June 2010 were nil (2009: nil).

Franking credits

The franked portions of the final dividends recommended after 30 June 2010 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 2010.

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Franking credits				
Opening balance as at 1 July	21,380	14,139	6,953	6,855
Franking credits arising during the year on payment of tax at 30%	4,996	10,774	564	1,488
Franking debits arising during the year on receipt of tax refund at 30%	(6,646)	(3,533)	(6,646)	(1,390)
Closing balance as at 30 June	19,730	21,380	871	6,953

Note 30. Financial risk management

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

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

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

(1) Capital risk management

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

The capital structure of the Trust consists of debt (see note 13), cash and cash equivalents, and equity attributable to unitholders. The capital structure is monitored and managed in consideration of a range of factors including:

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

The gearing ratio at 30 June 2010 was 150.7% (as detailed below).

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Gearing ratio				
Total interest bearing liabilities ¹	389,675	325,867	317,900	325,867
Total tangible assets ²	258,610	208,753	334,828	256,951
Gearing ratio³	150.7%	156.1%	94.9%	126.8%

1 Total interest bearing liabilities excludes deferred borrowing costs as reported internally to management.

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

3 Gearing is managed centrally for DXS. The gearing ratio as disclosed in the DEXUS Property Group Financial Statements 2010 is 30.4% (refer note 32 of the DXS Financial Statements).

The Trust is not rated by ratings agencies, however, DXS is rated BBB+ by Standard and Poor's and Baa1 by Moody's. The Trust considers potential impacts upon the rating when assessing the strategy and activities of the Trust and regards those impacts as an important consideration in its management of the Trust's capital structure.

The Responsible Entity for DXO, DXFM (a wholly owned entity) has been issued with an Australian Financial Services License (AFSL). The license 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 license. 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.

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

Note 30. Financial risk management (continued)**(2) Financial risk management**

The Trust's activities expose it to a variety of financial risks: credit risk, market risk (interest rate risk), and liquidity risk. Financial risk management is not managed at the individual trust level, but holistically as part of DXS. DXS' overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Trust.

Accordingly, the Trust enters into various derivative financial instruments such as interest rate swaps, to manage its exposure to certain risks. The Trust does not trade in derivative instruments for speculative purposes. The Trust uses different methods to measure the different types of risks to which it is exposed, including monitoring the current and forecast levels of exposure, and conducting sensitivity 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 continually 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	2010				2009			
	Expiring within one year	Expiring between one and two years	Expiring between two and five years	Expiring after five years	Expiring within one year	Expiring between one and two years	Expiring between two and five years	Expiring after five years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Receivables	21,364	–	–	–	16,195	–	–	–
Payables	4,930	–	–	438,607	5,284	–	–	374,799
	16,434	–	–	(438,607)	10,911	–	–	(374,799)
Derivative financial instruments								
Derivative assets	–	–	–	–	3,591	1,234	–	–
Derivative liabilities	3,661	1,239	1,331	–	4,841	5,975	5,860	49
Total net derivative financial instruments¹	(3,661)	(1,239)	(1,331)	–	(1,250)	(4,741)	(5,860)	(49)

¹ For interest rate swaps, only the net interest cash flows (not the notional principal) are included. For derivative assets and liabilities that have floating interest cash flows, future cash flows have been calculated using static interest rates prevailing at 30 June 2010. Refer note 14 Derivative Financial Instruments for fair value of derivatives. For financial guarantees refer Contingent Liabilities (note 31).

Parent entity	2010				2009			
	Expiring within one year	Expiring between one and two years	Expiring between two and five years	Expiring after five years	Expiring within one year	Expiring between one and two years	Expiring between two and five years	Expiring after five years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Receivables	12,828	–	–	–	11,220	–	–	–
Payables	296	–	–	366,831	565	–	–	374,799
	12,532	–	–	(366,831)	10,655	–	–	(374,799)
Derivative financial instruments								
Derivative assets	–	–	–	–	3,591	1,234	–	–
Derivative liabilities	3,661	1,239	1,331	–	4,841	5,975	5,860	49
Total net derivative financial instruments¹	(3,661)	(1,239)	(1,331)	–	(1,250)	(4,741)	(5,860)	(49)

¹ For interest rate swaps, only the net interest cash flows (not the notional principal) are included. For derivative assets and liabilities that have floating interest cash flows, future cash flows have been calculated using static interest rates prevailing at 30 June 2010. Refer note 14 Derivative Financial Instruments for fair value of derivatives. For financial guarantees refer Contingent Liabilities (note 31).

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.

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

Consolidated 30 June 2010	June 2011	June 2012	June 2013	June 2014	> June 2015
Fixed rate debt					
A\$m fixed rate debt ¹	–	–	–	–	–
Interest rate swaps					
A\$m hedged ¹	33,333	50,000	50,000	50,000	–
A\$ hedge rate (%) ²	6.71%	6.77%	6.75%	6.75%	0.00%

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

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

Sensitivity on interest expense

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

		Consolidated		Parent entity	
		2010 (+/-) \$'000	2009 (+/-) \$'000	2010 (+/-) \$'000	2009 (+/-) \$'000
+/- 0.50% (50 basis points)	A\$	2,286	1,079	2,286	1,079

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 Statements of Comprehensive Income for changes in the fair value of interest rate swaps for a 50 basis point 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 Statements of Comprehensive Income.

		Consolidated		Parent entity	
		2010 (+/-) \$'000	2009 (+/-) \$'000	2010 (+/-) \$'000	2009 (+/-) \$'000
+/- 0.50% (50 basis points)	A\$	756	1,736	756	1,736

(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 2010, the lowest rating of counterparties that 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 2010 and 30 June 2009 is the carrying amount of financial assets recognised on the Statements of Financial Position of the Trust and parent entity.

As at 30 June 2010 and 30 June 2009, the Trust and the parent 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 2010 is (\$'000): 21,364 (0-30 days), nil (31-60 days), nil (61-90 days), nil (91+ days). The ageing analysis of loans and receivables net of provisions at 30 June 2009 is (\$'000): 16,189 (0-30 days), 6 (31-60 days), nil (61-90 days), nil (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 2010 is (\$'000): 12,828 (0-30 days), nil (31-60 days), nil (61-90 days), nil (91+ days). The ageing analysis of loans and receivables net of provisions for the parent entity at 30 June 2009 is (\$'000): 11,220 (0-30 days), nil (31-60 days), nil (61-90 days), nil (91+ days). Amounts over 31 days are past due, however, no receivables are impaired.

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

(d) Fair value of financial instruments

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

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

Consolidated	2010 Carrying amount ¹ \$'000	2010 Fair value ² \$'000	2009 Carrying amount ¹ \$'000	2009 Fair value ² \$'000
Financial assets				
Cash and cash equivalents	12,897	12,897	13,765	13,765
Loans and receivables (current)	21,364	21,364	16,195	16,195
Derivative assets	—	—	—	—
Total financial assets	34,261	34,261	29,960	29,960
Financial liabilities				
Trade payables	4,930	4,930	5,284	5,284
Derivative liabilities	6,558	6,558	9,520	9,520
Loans with related parties	48,932	48,932	48,932	48,932
Interest bearing liabilities				
Interest bearing loans with related parties	389,675	389,675	325,867	325,867
Total financial liabilities	450,095	450,095	389,603	389,603

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

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

Note 30. Financial risk management (continued)

(2) Financial risk management (continued)

(d) Fair value of financial instruments (continued)

Parent entity	2010 Carrying amount ¹ \$'000	2010 Fair value ² \$'000	2009 Carrying amount ¹ \$'000	2009 Fair value ² \$'000
Financial assets				
Cash and cash equivalents	19	19	259	259
Loans and receivables (current)	12,828	12,744	11,220	11,220
Loans with related parties	69,420	108,604	149,528	175,218
Derivative assets	–	–	–	–
Total financial assets	82,267	121,367	161,007	186,697
Financial liabilities				
Trade payables	296	296	565	565
Derivative liabilities	6,558	6,558	–	–
Loans with related parties	48,932	48,932	48,932	48,932
Interest bearing loans with related parties	317,900	317,900	325,867	325,867
Total financial liabilities	373,686	373,686	375,364	375,364

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

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

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 4.71% to 6.17% for A\$. Refer note 1(x) for fair value methodology for financial assets and liabilities.

Determination of fair value

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

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

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

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

Consolidated	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2010 \$'000
Financial liabilities				
Derivative liabilities				
Interest rate derivatives	–	6,558	–	6,558
Parent entity	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2010 \$'000
Financial assets				
Loans with related parties	–	108,604	–	108,604
Financial liabilities				
Derivative liabilities				
Interest rate derivatives	–	6,558	–	6,558

Note 31. Contingent liabilities

The Trust together with DDF, DIT and DOT is also a guarantor of a US\$210.0 million (A\$246.4 million) syndicated bank debt facility and a total of A\$1,182.5 million and US\$120.0 million (A\$140.8 million) of bank bilateral facilities, a total of A\$361.1 million of medium-term notes, a total of US\$400.0 million (A\$469.3 million) of privately placed notes, and a total of US\$300.0 million (A\$352.0 million) of public 144a senior notes, which have all been negotiated to finance the Trust and other entities within DXS. The guarantees have been given in support of debt outstanding and drawn against these facilities, and may be called upon in the event that a borrower under the above facilities does not comply with certain loan conditions, such as, failure to meet interest payments or failure to repay a borrowing, whichever is earlier. During the period none of the guarantees was called.

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

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

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

Note 32. Commitments

(a) Capital commitments

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

Capital expenditure commitments:

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Not longer than one year				
Greystanes Estate	20,106	27,174	20,106	27,174
	20,106	27,174	20,106	27,174
Later than one year but not later than five years				
Greystanes Estate	2,000	–	–	–
	2,000	–	–	–
Total capital commitments	22,106	27,174	20,106	27,174

(b) Lease receivable commitments

The future minimum lease payments receivable by the Trust are:

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Within one year	–	4,790	–	–
Later than one year but not later than five years	–	10,116	–	–
Later than five years	–	–	–	–
Total lease receivable commitments	–	14,906	–	–

Note 32. Commitments (continued)

(c) Lease payable commitments

The future minimum lease payments receivable by the Trust are:

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Within one year	2,085	–	–	–
Later than one year but not later than five years	9,210	–	–	–
Later than five years	–	–	–	–
Total lease payable commitments	11,295	–	–	–

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

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

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

Note 33. Related parties

Responsible Entity

DXFM is the Responsible Entity of the Trust.

DXFM is also the Responsible Entity of Gordon Property Trust, Gordon Property Investment Trust, Northgate Property Trust and Northgate Property Investment Trust, collectively known as “the Syndicates”. On 31 May 2010 Northgate Property Trust and Northgate Property Investment Trust were wound up.

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

Responsible Entity fees

Under the terms of the Trust’s Constitutions, the Responsible Entities are entitled to receive fees in relation to the management of the Trust.

DXFM’s parent entity, DXH, is entitled to be reimbursed for administration expenses incurred on behalf of the Trust. DEXUS Property Services Pty Limited (DXPS), a wholly owned subsidiary of DXH is entitled to property management fees from the Trust.

Related party transactions

Responsible entity fees in relation to DXS assets are on a cost recovery basis. Agreements with third party funds are conducted under normal commercial terms and conditions.

DEXUS Funds Management Limited and its related entities

There were a number of transactions and balances between the Trust and the Responsible Entity and its related entities as detailed below:

	Consolidated		Parent entity	
	2010 \$	2009 \$	2010 \$	2009 \$
Responsible Entity fees paid and payable	–	–	436,175	580,797
Loan note interest income	–	–	5,712,993	5,712,993
Property management fees paid	–	–	1,062,314	946,667
Recovery of administration expenses	–	–	223,100	715,755
Aggregate amounts payable to the Responsible Entity at the end of each reporting period	–	–	311,749	45,889
Loan notes receivable at the end of each reporting period	–	–	51,936,300	51,936,300
Non interest bearing loan receivable at the end of each reporting period	–	–	10,284,418	10,062,075
Transactions with DEXUS Diversified Trust				
Responsible Entity fee revenue	5,174,882	6,358,061	–	–
Property management fee revenue	3,422,924	2,409,931	–	–
Recovery of administration expenses	4,445,229	4,269,966	–	–
Aggregate amount receivable at the end of each reporting period (included above)	1,149,223	1,569,309	–	–
Transactions with DEXUS Industrial Trust				
Responsible Entity fee revenue	4,438,726	5,598,240	–	–
Property management fee revenue	3,888,555	3,417,185	–	–
Recovery of administration expenses	3,640,256	4,198,336	–	–
Aggregate amount receivable at the end of each reporting period (included above)	1,695,924	1,336,709	–	–
Purchase of land (refer note 11 and 17)	64,800,000	–	–	–

DEXUS OPERATIONS TRUST

Notes to the Financial Statements

For the year ended 30 June 2010

CONTINUED

Note 33. Related parties (continued)

DEXUS Funds Management Limited and its related entities (continued)

	Consolidated		Parent entity	
	2010	2009	2010	2009
	\$	\$	\$	\$
Transactions with DEXUS Office Trust				
Responsible Entity fee revenue	8,998,139	10,169,291	–	–
Property management fee revenue	5,279,268	4,307,740	–	–
Recovery of administration expenses	5,272,669	7,623,664	–	–
Aggregate amount receivable at the end of each reporting period (included above)	2,365,876	2,010,744	–	–
Net rental income receivable from Southgate Trust	382,593	–	–	–
Transactions with DEXUS Finance Pty Limited				
Management fee revenue	840,922	932,594	–	–
Recovery of administration expenses	180,043	255,229	–	–
Aggregate amount receivable at the end of each reporting period (included above)	211,376	11,830	–	–
Interest bearing loan payable at the end of each reporting period	389,674,914	325,866,893	317,899,580	325,866,893
Transactions with DEXUS Wholesale Property Fund				
Responsible Entity fee revenue	15,065,861	16,164,383	–	–
Property management fee revenue	5,878,083	5,800,897	–	–
Recovery of administration expenses	1,404,968	674,901	–	–
Aggregate amount receivable at the end of each reporting period (included above)	1,898,703	2,043,432	–	–
Transactions with the Syndicates				
Responsible Entity fee revenue	2,710,925	1,722,262	–	–
Property management fee revenue	962,108	1,830,193	–	–
Recovery of administration expenses	388,551	196,542	–	–
Aggregate amount receivable at the end of each reporting period (included above)	106,152	759,443	–	–
Bent Street Trust				
Property management fee revenue	1,403,196	5,418,913	–	–
Recovery of administration expenses	5,885	17,928	–	–
Transactions with Kent Street Joint Venture				
Responsible Entity fee revenue	253,969	292,969	–	–
Property management fee revenue	323,058	326,048	–	–
Recovery of administration expenses	254,743	303,602	–	–
Aggregate amount receivable at the end of each reporting period (included above)	182,987	157,269	–	–
Transactions with Barrack Street Trust				
Loan forgiven (refer notes 5 and 13)	–	–	14,675,751	–
Transactions with DEXUS US Management LLC				
Recovery of administration expenses	648,682	–	–	–
Aggregate amount receivable at the end of each reporting period (included above)	648,682	–	–	–

Directors

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

C T Beare, BSc, BE (Hons), MBA, PhD, FAICD ^{1,4,5}	1 Independent Director
E A Alexander AM, BComm, FCA, FAICD, FCPA ^{1,2,6}	2 Audit Committee Member
B R Brownjohn, BComm ^{1,2,5,6}	3 Compliance Committee Member
J C Conde AO, BSc, BE(Hons), MBA ^{1,3,4}	4 Nomination and Remuneration Committee Member
S F Ewen OAM ^{1,4}	5 Finance Committee Member
V P Hoog Antink, BComm, MBA, FCA, FAPI, FRICS, MAICD	6 Risk and Sustainability Committee Member (name changed from Board Risk Committee on 2 June 2010)
B E Scullin, BEC ^{1,3,7}	7 Nomination and Remuneration Committee Member from 1 July 2009 to 31 August 2009
P B St George, CA(SA), MBA ^{1,2,5,6}	

No Directors held an interest in the Trust for the years ended 30 June 2010 and 30 June 2009.

Other Key Management Personnel

In addition to the Directors listed above the following persons were deemed by the Board Nomination and Remuneration Committee to be Key Management Personnel during all or part of the financial year:

Name	Position
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 US Investments
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 2010 and 30 June 2009.

There were no loans or other transactions with Key Management Personnel or their related parties during the years ended 30 June 2010 and 30 June 2009.

	2010 \$	2009 \$
Compensation		
Short-term employee benefits	9,174,298	7,910,223
Post-employment benefits	328,058	563,665
Other long-term benefits	3,797,553	1,509,929
	13,299,909	9,983,817

Note 33. Related parties (continued)

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 2010. The information provided in this Report has been audited in accordance with the provisions of section 308 (3C) of the *Corporations Act 2001*.

Changes to this Report, compared to the previous year, include a clearer description of the structure and nature of the Long-Term Incentive Plan (known this year as DEXUS Deferred Performance Payments). DEXUS has also disclosed the outcome of fixed remuneration reviews for Executives for the 2010/11 year, and the outcome of the fee review for Directors.

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 2010 are set out below.

Name	Title	Date of qualification as a KMP
Non-Executive Directors		
Christopher T Beare	Non-Executive Chair	Appointed 1 October 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 1 October 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
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 US Investments	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

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

Following a streamlining of the Group's executive structure in July 2010 the DEXUS Executive Committee was replaced by a new, smaller Group Management Committee. This change will impact those positions which qualify as Key Management Personnel in the 2010/11 year.

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 Executive remuneration policies and structures to the Board.

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 individual and company performance. The Committee engages external consultants to provide independent advice when required.

Further information about the role and responsibility of the Committee is set out in the Corporate Governance Statement which may be found at www.dexus.com/Corporate-Governance.aspx

During the reporting period Nomination and Remuneration Committee members were Messrs Conde (member until 31 August 2009, Chair with effect from 1 September 2009), Beare (Chair until 31 August 2009, member with effect from 1 September 2009), Scullin (member until 31 August 2009) and Ewen.

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
DWPL Board	30,000	15,000
Board Finance	15,000	7,500
Board Compliance	15,000	7,500
Board Nomination and Remuneration	15,000	7,500

Further to the Committee fee structure outlined above, Mr Ewen has been paid an additional fixed fee of \$30,000 per annum for assuming responsibilities involved in attending property inspections, reviewing property investment proposals and participating in informal management meetings.

Recognising the greater responsibility and time commitment required the Board Chair receives a higher fee than other Non-Executive Directors, which is benchmarked to the market median of comparably sized ASX listed entities. The Chair 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 and Non-Executive Directors have received no increase in fees since that time. At its meeting on 20 May 2010, following analysis of Non-Executive Director market remuneration data, the Nomination and Remuneration Committee determined that fees paid to its Non-Executive Directors had fallen below the market median of comparably sized ASX listed entities. Similarly, the Committee determined that fees paid to its Chair had fallen significantly below this peer group. Following consideration by the full Board, fees paid to DEXUS Non-Executive Directors for the year commencing 1 July 2010 will increase to \$150,000 per annum and fees paid to the Chair will increase to \$350,000 per annum. Committee fees will remain unchanged.

Note 33. Related parties (continued)

Remuneration Report (continued)

4 Approach to Executive remuneration

4.1 Executive remuneration principles

The Directors believe that achievement of DEXUS's strategic plans 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 principles, structure and quantum of Executive remuneration is therefore designed to attract, motivate and retain such an Executive team.

In establishing DEXUS's remuneration principles, the Directors are cognisant that DEXUS's business is based on long-term property investments and similarly longer term tenant relationships. Furthermore, property market investment returns tend to be cyclical, particularly when coupled with financial structures that act to enhance returns.

Taking these factors into account, the Executive remuneration structure is based on the following criteria:

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

(a) Market competitiveness and reasonableness

For the purposes of determining market competitive remuneration, DEXUS obtains external executive remuneration benchmarks and analyses information from a range of sources, including:

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

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

In 2009, DEXUS introduced a new method for determining key performance indicators ("KPIs") and assessing individual performance known as the Balanced Scorecard performance framework. The Balanced Scorecard prescribes clearly the performance indicators that will be measured in order to "balance" the financial perspective. The Balanced Scorecard is a performance management method that enables DEXUS to measure the execution of its strategy and reflect this performance in its incentive payments. It also provides targets and measurements around internal business processes and external outcomes in order to achieve strategic performance objectives and results. The Balanced Scorecard focuses on performance in four areas, which reflect each Executive's role, responsibility, accountability and strategy delivery.

DEXUS Balanced Scorecard – typical objectives

Financial performance	Business development and business management
■ earnings per security ■ distributions per security ■ third party funds performance ■ total security holder return, relative to peers	■ delivery of strategic projects on time and on budget ■ corporate responsibility and sustainability initiatives ■ achievement of international operations strategies
Stakeholder satisfaction	Leadership
■ investor relations ■ tenant satisfaction ■ employee engagement	■ executive succession ■ talent management ■ role modelling DEXUS cultural values ■ executive development

Objectives are selected based on the key drivers to achieve superior security holder returns over time and are tailored and weighted according to the individual Executive's role. The typical objectives listed above may therefore not be common to all Executive roles.

The Committee reviews and approves Executive KPIs against Group objectives at the commencement of each financial year and reviews achievement against KPIs at the end of each financial year. The Committee's review of Executive performance, in conjunction with data provided from benchmarking total remuneration levels, provides the Committee with the information necessary to determine the quantum of Performance Payments to be awarded to Executives.

(c) Executive remuneration structure

i. Executive remuneration components

The DEXUS Executive remuneration structure comprises the following remuneration components:

TOTAL REMUNERATION			
■ delivered through fixed and variable components ■ targeted at the market median		■ awarded on a variable scale, which may result in a total remuneration range from lower quartile to upper quartile, reflecting differing levels of experience, role structure and contribution	
FIXED REMUNERATION	Salary	■ Consists of cash salary and salary sacrificed fringe benefits, such as motor vehicles	■ Targeted at Australian market median using external benchmark data and varies according to Executives' skills and depth of experience
	Superannuation	■ Prescribed and salary sacrifice superannuation contributions, including insurance premiums (if applicable)	■ Reviewed annually by the Board, effective 1 July, including internal and external relativities and gender pay equity
VARIABLE REMUNERATION Performance Payments	Single pool funded annually from underlying profits to meet Performance Payments	■ The aim of Performance Payments is to attract, motivate and retain appropriately skilled and qualified executives to achieve the strategic objectives of the business, measured through the achievement of KPIs ■ Strategic objectives incorporate financial and non-financial measures of performance at Group, business unit and individual level and represent key drivers for the success of the business and for delivering long-term value to security holders ■ The achievement of KPIs is assessed through a Balanced Scorecard approach ■ Individual awards are determined on a range of factors, including achievement of KPIs and relative market remuneration positioning	■ Reviewed annually by the Board ■ The pool is funded to enable total remuneration to be paid at market median, based on external benchmark data ■ Performance Payments are delivered as immediate and deferred elements in accordance with the targeted remuneration mix set out in the table below ■ The award of any Performance Payment to an Executive is dependant upon achieving minimum threshold performance targets
	DEXUS Performance Payments ("DPP")	■ Delivery of DPP is immediate	■ Awarded annually as a cash payment in September
	DEXUS Deferred Performance Payments ("DDPP")	■ Delivery of DDPP is deferred for three years, as described below	■ Granted annually ■ Grants vest after three years ■ Delivered as a cash payment in accordance with the plan design described below ■ Unvested grants are forfeited upon Executive initiated termination (i.e. resignation) unless otherwise determined by the Nomination and Remuneration Committee

Performance payment pool

A single pool of funds is made available to meet all Performance Payments. The pool of funds available is sufficient to ensure that DEXUS is able to achieve its total remuneration positioning target, relative to the market. The Board may exercise 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 DXH; and
- performance against budgeted earnings and distributions per security.

Note 33. Related parties (continued)

Remuneration Report (continued)

4 Approach to Executive remuneration (continued)

4.1 Executive remuneration principles (continued)

(c) *Executive remuneration structure* (continued)

ii. *Target mix of remuneration components*

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

Remuneration component	2010			2009		
	CEO	CFO	Other Executives	CEO	CFO	Other Executives
Total fixed	35%	40%	50%	35%	40%	50%
DEXUS Performance Payment ("DPP")	30%	30%	25%	30%	30%	25%
DEXUS Deferred Performance Payment ("DDPP")	35%	30%	25%	35%	30%	25%

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

iii. *DEXUS Deferred Performance Payment ("DDPP") plan*

The DDPP plan operates as follows:

- following allocation, Deferred Performance Payments are subject to a three year vesting period from allocation date;
- the DDPP allocation value is notionally invested during the vesting period in DEXUS securities (50% of DDPP value) and its unlisted funds and mandates (50% of DDPP value);
- during the vesting period, DDPP 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 the Composite Performance Benchmark, the Board may approve the application of a performance factor to the final DDPP 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 a DDPP 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 DDPP in the event of termination of service agreements are outlined in section 7 below.

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 DEXUS's remuneration structure.

Equity and loan schemes

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

The deferred 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 DDPP allocation.

5 Executive remuneration arrangements for the year ended 30 June 2010

This section outlines how the approach to Executive remuneration described above has been implemented in the 2009/10 financial year.

Decisions taken impacting executive remuneration for the year ended 30 June 2010 only

- No increase in base salaries in 2009/10 for Executives or employees with the exception of adjustments for a limited number of employees whose roles and responsibilities markedly increased.
- No increase in Non-Executive Director fees for 2008/09 and 2009/10.

Decisions taken impacting executive remuneration for the year ended 30 June 2010 and future years

- Accelerated DDPP vesting on termination for reasons outside of the Executive's control was discontinued, but can be applied by exception with the approval of the Nomination and Remuneration Committee.
- Automatic application of the DDPP performance multiplier was removed, impacting all current unvested awards and all future allocations.
- Eligibility of DDPP was restricted to Executives and senior management.
- Balanced Scorecard performance approach was introduced for Executives incorporating four key areas of focus – financial performance, business development and business management, stakeholder satisfaction and leadership.
- Remuneration mix guidelines were adopted for all employees to provide greater transparency in the determination of the size of the performance payment pool.

Decisions taken impacting executive remuneration for the year ending 30 June 2011 and future years

- KPI performance weightings were introduced.
- The effectiveness of existing incentive plans was, and will continue to be reviewed.

At its meeting on 21 July 2010 the Nomination and Remuneration Committee determined that the fixed remuneration paid to a number of Executives had fallen below the market median of comparably sized ASX listed entities. Following consideration by the full Board, the fixed remuneration paid to specific Executives for the year commencing 1 July 2010 will increase in line with comparable market median positions.

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.

Period to 30 June 2010	1 year % per annum	2 years % per annum	3 years % per annum	Since 1 October 2004 ¹ % per annum
DEXUS Property Group	9.4	(17.2)	(19.6)	(0.5)
S&P/ASX 200 Property Accumulation Index	20.4	(16.6)	(23.8)	(5.6)
DEXUS Composite Total Return	8.0	(10.0)	(9.1)	4.1
Composite Performance Benchmark	11.6	(10.8)	(11.3)	1.4

¹ DEXUS's inception date is 1 October 2004.

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

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

The Board also considered whether the construction of the Composite Total Return should reflect the actual value of the unlisted funds and mandates, and DEXUS Property Group's own funds under management.

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

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

Note 33. Related parties (continued)

Remuneration Report (continued)

6 Group performance and the link to remuneration (continued)

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 October 2004 to 30 June 2010.

DEXUS has out-performed the S&P ASX 200 Property Accumulation index on a rolling three year basis each period since inception in October 2004. In addition, the DEXUS Composite Total Return has out-performed the Composite Performance Benchmark on a rolling three year basis each period since inception.

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 its approach to Executive remuneration, with a focus on consistent out-performance of objectives, is aligned with and supports the superior execution of DEXUS's strategic plans.

7 Service agreements

The employment arrangements for Executives are set out below.

CEO – Victor P Hoog Antink

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

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

Executives (other than the CEO)

The principal terms of Executive employment contracts are as follows:

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

8 Remuneration of Key Management Personnel

(a) Cash accounting method

In response to the Productivity Commission's recommendation to improve the transparency of remuneration reports by disclosing actual remuneration received by Executives, the following table provides details of actual cash and other benefits received by Executives in the years ending 30 June 2010 and 30 June 2009. This table includes details of the five highest paid Directors or Executives.

The amounts detailed in the cash accounting table vary to the amounts detailed in the statutory accounting table because performance payments are paid to Executives in the year following the performance period to which they relate. Furthermore, DDPP allocations and movement in prior year DDPP allocation values detailed in the statutory accounting table do not reflect what will be paid to the Executive when the DDPP vests as the award will be revalued at that time.

		Cash salary including superannuation	DEXUS performance payments	DEXUS deferred performance payments	Other short-term benefits ¹	Total
		\$	\$	\$	\$	\$
Name						
Victor P Hoog Antink	2010	1,300,000	785,000	339,375	–	2,424,375
	2009	1,300,000	900,000	391,584	–	2,591,584
Tanya L Cox	2010	400,000	150,000	81,450	–	631,450
	2009	400,000	200,000	20,885	–	620,885
Patricia A Daniels²	2010	261,333	90,000	–	–	351,333
	2009	261,334	60,000	–	–	321,334
John C Easy	2010	375,000	163,000	67,875	–	605,875
	2009	375,000	150,000	26,106	–	551,106
Jane Lloyd	2010	369,916	113,000	–	123,107	606,023
	2009	375,000	–	–	–	375,000
Louise J Martin	2010	500,000	175,000	–	–	675,000
	2009	500,000	225,000	–	–	725,000
Craig D Mitchell	2010	550,000	325,000	–	–	875,000
	2009	550,000	250,000	–	–	800,000
Paul G Say	2010	500,000	200,000	–	–	700,000
	2009	500,000	225,000	–	–	725,000
Mark F Turner	2010	450,000	135,000	95,025	–	680,025
	2009	450,000	200,000	20,885	–	670,885
Andrew P Whiteside	2010	475,000	135,000	–	–	610,000
	2009	475,000	200,000	–	–	675,000
Total	2010	5,181,249	2,271,000	583,725	123,107	8,159,081
	2009	5,186,334	2,410,000	459,460	–	8,055,794

1 Other short-term benefits include expatriate assignment benefits such as relocation and housing allowances, relocation consultant assistance, health insurance premiums and associated taxes on these benefits.

2 Patricia A Daniels' actual remuneration received is for a four day week.

Notes to the Financial Statements

For the year ended 30 June 2010

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Note 33. Related parties (continued)

Remuneration Report (continued)

8 Remuneration of Key Management Personnel (continued)

(b) Statutory accounting method

In accordance with Australian Accounting Standard AASB 124 details of the structure and quantum of each component of remuneration for Executives for the years ended 30 June 2009 and 30 June 2010 are set out in the following table.

Name	Short-term employee benefits			Post-employment benefits	Other long-term benefits			Total
	Cash salary and fees	DEXUS performance payments	Other short-term benefits ¹	Pension and super benefits	DEXUS deferred performance payment allocations ²	Movement in prior year deferred performance payment allocation values ³	Other long-term benefits	
	\$	\$	\$	\$	\$	\$	\$	\$
Victor P Hoog Antink								
2010	1,252,539	1,100,00		47,461	1,200,00	363,957	–	3,963,957
2009	1,200,000	785,000	–	100,000	915,000	(416,600)	–	2,583,400
Tanya L Cox								
2010	385,539	180,000		14,461	180,000	62,533	–	822,533
2009	352,086	150,000	–	47,914	150,000	(80,773)	–	619,227
Patricia A Daniels⁴								
2010	246,872	104,000		14,461	104,000	13,023	–	482,356
2009	247,589	90,000	–	13,745	90,000	(24,250)	–	417,084
John C Easy								
2010	360,539	187,000		14,461	188,000	47,437	–	797,437
2009	343,255	163,000	–	31,745	162,000	(57,688)	–	642,312
Jane Lloyd								
2010	355,455	162,000	123,107	14,461	163,000	10,012	–	828,035
2009	361,255	113,000	–	13,745	112,000	–	–	600,000

1 Other short-term benefits include expatriate assignment benefits such as relocation and housing allowances, relocation consultant assistance, health insurance premiums and associated taxes on these benefits.

2 This is the DDPP allocation for the current year which is deferred for three years as described on page 154.

3 This is the notional change in value of all unvested DDPP allocations from prior year.

4 Patricia A Daniels' actual remuneration received is for a four day week.

	Short-term employee benefits			Post-employment benefits	Other long-term benefits			Total
	Cash salary and fees	DEXUS performance payments	Other short-term benefits ¹	Pension and super benefits	DEXUS deferred performance payment allocations ²	Movement in prior year deferred performance payment allocation values ³	Other long-term benefits	
	\$	\$	\$	\$	\$	\$	\$	\$
Name								
Louise J Martin								
2010	485,539	200,000	–	14,461	200,000	74,415	–	974,415
2009	405,000	175,000	–	95,000	175,000	(60,625)	–	789,375
Craig D Mitchell								
2010	535,539	400,00	–	14,461	400,000	40,528	–	1,390,528
2009	500,000	325,000	–	50,000	325,000	(60,625)	–	1,139,375
Paul G Say								
2010	485,539	250,000	–	14,461	250,000	30,565	–	1,030,565
2009	486,255	200,000	–	13,745	200,000	(60,625)	–	839,375
Mark F Turner								
2010	401,339	140,000	–	48,661	140,000	88,473	–	818,473
2009	400,015	135,000	–	49,985	135,000	(103,635)	–	616,365
Andrew P Whiteside								
2010	460,539	225,000	–	14,461	225,000	16,610	–	941,610
2009	461,255	135,000	–	13,745	135,000	(24,250)	–	720,750
Total								
2010	4,969,439	2,948,439	123,107	211,810	3,050,000	747,553	–	12,049,909
2009	4,756,710	2,271,000	–	429,624	2,399,000	(889,071)	–	8,967,263

1 Other short-term benefits include expatriate assignment benefits such as relocation and housing allowances, relocation consultant assistance, health insurance premiums and associated taxes on these benefits.

2 This is the DDPP allocation for the current year which is deferred for three years as described on page 154.

3 This is the notional change in value of all unvested DDPP allocations from prior year.

DEXUS OPERATIONS TRUST

Notes to the Financial Statements

For the year ended 30 June 2010

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Note 33. Related parties (continued)

Remuneration Report (continued)

8 Remuneration of Key Management Personnel (continued)

(b) Statutory accounting method (continued)

Deferred Performance Payments

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

	Year of grant	DDPP allocation value	Movement in DDPP allocation value (since grant date)	Closing DDPP allocation value as at 30 June 2010	Movement in DDPP allocation value at vesting date (due to performance multiplier)	Vested DDPP as at 30 June 2010	Year that DDPP will vest
	\$	\$	\$	\$	\$	\$	\$
Name							
Victor P Hoog Antink	2010	1,200,000	–	–	–	–	2013
	2009	915,000	72,926	987,926	–	–	2012
	2008	900,000	(165,600)	734,400	–	–	2011
	2007	650,000	(142,285)	–	203,086	710,801	2010
Tanya L Cox	2010	180,000	–	–	–	–	2013
	2009	150,000	11,955	161,955	–	–	2012
	2008	175,000	(32,200)	142,800	–	–	2011
	2007	110,000	(24,079)	–	34,368	120,289	2010
Patricia A Daniels	2010	104,000	–	–	–	–	2013
	2009	90,000	7,173	97,173	–	–	2012
	2008	100,000	(18,400)	–	–	–	2011
John C Easy	2010	188,000	–	–	–	–	2013
	2009	162,000	12,911	174,911	–	–	2012
	2008	120,000	(22,080)	97,920	–	–	2011
	2007	75,000	(16,418)	–	23,433	82,015	2010
Jane Lloyd¹	2010	163,000	–	–	–	–	2013
	2009	112,000	8,926	120,926	–	–	2012
	2008	–	–	–	–	–	2011
	2007	20,000	(4,378)	–	6,249	21,871	2010
Louise J Martin²	2010	200,000	–	–	–	–	2013
	2009	175,000	13,948	188,948	–	–	2012
	2008	250,000	(46,000)	204,000	–	–	2011
	2007	125,000	(27,636)	–	39,054	136,688	2010
Craig D Mitchell	2010	400,000	–	–	–	–	2013
	2009	325,000	25,903	350,903	–	–	2012
	2008	250,000	(46,000)	204,000	–	–	2011
Paul G Say	2010	250,000	–	–	–	–	2013
	2009	200,000	15,940	215,940	–	–	2012
	2008	250,000	(46,000)	204,000	–	–	2011
Mark F Turner	2010	140,000	–	–	–	–	2013
	2009	135,000	10,760	145,760	–	–	2012
	2008	200,000	(36,800)	163,200	–	–	2011
	2007	180,000	(39,402)	–	56,239	196,837	2010
Andrew P Whiteside	2010	225,000	–	–	–	–	2013
	2009	135,000	10,760	145,760	–	–	2012
	2008	100,000	(18,400)	81,600	–	–	2011

¹ Jane Lloyd qualified as a KMP on 14 July 2008.

² Louise J Martin qualified as a KMP on 27 March 2008.

Non-Executive Director Board and Committee fees

Board and Committee fees paid to Non-Executive Directors for the years ended 30 June 2009 and 30 June 2010 are set out in the table below. Note: In 2009/10 two additional paid Board members were in place for the full twelve months to 30 June 2010, compared to only two months the preceding year.

Directors fees				Committee fees				Total cash salary and fees
Name	Board	DWPL	Board Audit	Board Risk	Board Compliance	Board Nom & Rem	Board Finance	
	\$	\$	\$	\$	\$	\$	\$	
Christopher T Beare								
2010	300,000	–	–	–	–	–	–	300,000
2009	300,000	–	–	–	–	–	–	300,000
Elizabeth A Alexander AM ¹								
2010	130,000	17,500	8,750	8,750	–	–	–	165,000
2009	130,000	–	15,000	15,000	6,250	–	6,250	172,500
Barry R Brownjohn ²								
2010	130,000	–	13,750	13,750	–	–	8,750	166,250
2009	130,000	–	7,500	7,500	–	–	15,000	160,000
John C Conde AO ³								
2010	130,000	–	–	–	7,500	13,750	–	151,250
2009	22,652	–	–	–	1,250	1,250	–	25,152
Stewart F Ewen OAM								
2010	130,000	–	–	–	–	7,500	–	137,500
2009	130,000	–	–	–	–	7,500	–	137,500
Charles B Leitner III ⁴								
2010	–	–	–	–	–	–	–	–
2009	–	–	–	–	–	–	–	–
Brian E Scullin ⁵								
2010	130,000	25,000	–	–	15,000	1,250	–	171,250
2009	130,000	30,000	6,250	6,250	15,000	7,500	–	195,000
Peter B St. George ⁶								
2010	130,000	–	7,500	7,500	–	–	13,750	158,750
2009	22,652	–	1,250	1,250	–	–	1,250	26,402
Total								
2010	1,080,000	42,500	30,000	30,000	22,500	22,500	22,500	1,250,000
2009	865,304	30,000	30,000	30,000	22,500	16,250	22,500	1,016,554

1 Elizabeth A Alexander became a member of the Board Audit and Board Risk Committees on 1 September 2009. Elizabeth was previously the Chair of both Committees. Elizabeth became a Director of the DWPL Board on 1 September 2009 and became Chair of that Board on 1 March 2010.

2 Barry R Brownjohn became a member of the Board Finance Committee on 1 September 2009. Barry was previously the Chair of that Committee. Barry became Chair of the Board Audit and Board Risk Committees on 1 September 2009. Barry was previously a member of both Committees.

3 John C Conde became Chair of the Board Nomination and Remuneration Committee on 1 September 2009. John was previously a member of that Committee.

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 Brian Scullin ceased to be a member of the Board Nomination and Remuneration Committee on 31 August 2009. Brian became a Director of the DWPL Board on 1 March 2010. Brian was previously Chair of the DWPL Board.

6 Peter B St George became Chair of the Board Finance Committee on 1 September 2009. Peter was previously a member of that Committee.

Note 33. Related parties (continued)

Remuneration Report (continued)

8 Remuneration of Key Management Personnel (continued)

Non-Executive Director Board and Committee fees (continued)

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

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

Commencing 1 April 2009 Mr Ewen earned a fixed fee of \$30,000 per annum, in addition to his Director's fee, as compensation for the added responsibilities assumed in attending property inspections, reviewing property investment proposals and participating in informal management meetings.

Non-Executive Director remuneration

Details of the structure and quantum of each component of remuneration for each Non-Executive Director for the years ended 30 June 2010 and 30 June 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				
2010	285,539	14,461	–	300,000
2009	286,255	13,745	–	300,000
Elizabeth A Alexander AM				
2010	151,376	13,624	–	165,000
2009	157,844	14,656	–	172,500
Barry R Brownjohn				
2010	152,523	13,727	–	166,250
2009	146,789	13,211	–	160,000
John C Conde AO				
2010	138,761	12,489	–	151,250
2009	23,075	2,077	–	25,152
Stewart F Ewen OAM				
2010	102,700	34,800	–	137,500
2009	63,073	74,427	–	137,500
Brian E Scullin				
2010	157,211	14,039	–	171,250
2009	181,255	13,745	–	195,000
Peter B St George				
2010	145,642	13,108	–	158,750
2009	24,222	2,180	–	26,402
Total 2010	1,133,752	116,248	–	1,250,000
Total 2009	882,513	134,041	–	1,016,554

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

Note 34. Events occurring after reporting date

On the 27 July 2010, DXO entered into a project delivery agreement with Fujitsu Limited for the development of a 17,025 square metres data centre warehouse at Greystanes, NSW.

On 11 August 2010, DXP entered into an agreement with Loscam Limited for development of a 31,400 square metres warehouse facility at Laverton, VIC.

On 16 August 2010, DXP acquired a 7.6 hectares parcel of vacant industrial development land located at Erskine Park, NSW for \$15 million (GST exclusive).

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

Note 35. Operating segments

The Chief Operating Decision Maker (CODM) has been identified as the Board of Directors of DXFM as they are responsible for the strategic decision making for the Group. The Group's operating segments have been identified based on the segments analysed within the management reports reviewed by the CODM in order to monitor performance across the Group and to appropriately allocate resources. The operating segments of the Group have been identified as follows:

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

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

Disclosures concerning the Group's operating segments as well as the operating segments key financial information provided to the CODM are presented in the DEXUS Property Group Annual Report (refer note 38 in the DEXUS Property Group Financial Statements).

Notes to the Financial Statements

For the year ended 30 June 2010

CONTINUED

Note 36. Reconciliation of net profit to net cash inflow from operating activities

Reconciliation

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Net loss	(8,261)	(80,106)	(35,555)	(42,030)
Capitalised interest	(11,639)	(7,203)	(11,639)	(7,203)
Depreciation and amortisation	3,492	4,742	1	1
Impairments	242	75,161	–	33,463
Reversal of previous impairment	(13,307)	–	–	–
Net fair value gain of derivatives	–	10,007	–	10,007
Net loss on sale of investment properties	493	–	–	–
Net fair value loss of investment properties	20,132	–	20,132	–
Change in operating assets and liabilities				
(Increase)/decrease in receivables	(5,169)	5,553	(1,608)	(498)
Increase in inventories	(45,470)	–	–	–
Decrease/(increase) in prepaid expenses	292	(276)	–	–
Increase in current tax assets	(2,125)	(1,298)	(2,746)	(100)
Decrease/(increase) in deferred tax assets	(1,096)	(4,872)	722	(5,657)
Increase/(decrease) in payables	551	757	(37)	(454)
(Decrease)/increase in current liabilities	(6,220)	1,850	(9,520)	687
Increase in other non-current liabilities	30,076	22,583	37,928	11,464
Increase in deferred tax liabilities	3,267	1,611	3,889	1,956
Net cash (outflow)/inflow from operating activities	(34,742)	28,509	1,567	1,636

Note 37. Non-cash financing and investing activities

	Notes	Consolidated		Parent entity	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Distributions reinvested	27	–	1,564	–	1,564

Note 38. Earnings per unit**(a) Basic earnings per unit on net loss attributable to unitholders**

	Consolidated	
	2010 cents	2009 cents
	(0.17)	(2.16)

(b) Diluted earnings per unit on net loss attributable to unitholders

	Consolidated	
	2010 cents	2009 cents
	(0.17)	(2.16)

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

	Consolidated	
	2010 cents	2009 cents
Net loss	(8,261)	(80,106)
Net loss attributable to the unitholders of the Trust used in calculating basic and diluted earnings per unit	(8,261)	(80,106)

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

	Consolidated	
	2010 cents	2009 cents
Weighted average number of units outstanding used in calculation of basic and diluted earnings per unit	4,774,467,167	3,705,637,381

Directors' Declaration

For the year ended 30 June 2010

The Directors of DEXUS Funds Management Limited as Responsible Entity of DEXUS Operations Trust (the Trust) declare that the Financial Statements and notes set out on pages 118 to 165:

- (i) comply with Australian Accounting Standards, the *Corporations Act 2001* and other mandatory professional reporting requirements; and
- (ii) give a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date.

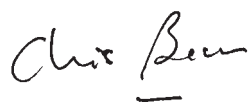
In the Directors' opinion:

- (a) the Financial Statements and notes are in accordance with the *Corporations Act 2001*;
- (b) there are reasonable grounds to believe that the Trust and its consolidated entities will be able to pay their debts as and when they become due and payable; and
- (c) the Trust has operated in accordance with the provisions of the Constitution dated 11 August 2004 (as amended) during the year ended 30 June 2010.

Note 1(a) confirms that the Financial Statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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



Christopher T Beare
Chair

17 August 2010



PricewaterhouseCoopers
ABN 52 780 433 757

Darling Park Tower 2
201 Sussex Street
GPO BOX 2650
SYDNEY NSW 1171
DX 77 Sydney
Australia
Telephone +61 2 8266 0000
Facsimile +61 2 8266 9999

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

Report on the financial report

We have audited the accompanying financial report of DEXUS Operations Trust (the Trust) which comprises the statement of financial position as at 30 June 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both DEXUS Operations Trust and the DEXUS Operations 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 (the responsible entity) 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 the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

Liability limited by a scheme approved under Professional Standards Legislation



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence

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

Auditor's opinion

In our opinion:

- (a) the financial report of DEXUS Operations Trust is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Trust's and consolidated entity's financial position as at 30 June 2010 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 consolidated financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report of DEXUS Operations Trust for the year ended 30 June 2010 included on DEXUS Operations Trust web site. The Trust's directors are responsible for the integrity of the DEXUS Operations Trust web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in cursive script that reads 'JA Dunning'.

JA Dunning
Partner

Sydney
17 August 2010

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

www.dexus.com

DEXUS US Office

4200 Von Karman Avenue
Newport Beach CA 92660

Phone: +1 949 783 2801
Fax: +1 949 433 9124
Email: ir@dexus.com

www.dexus.com/us

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, CEO
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 contact the Security Registry,
or access your holding details at
www.dexus.com using the Investor
login link.

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.

2010 DEXUS Property Group
COMBINED FINANCIAL
STATEMENTS

