



# 2010

DEXUS Property Group  
ANNUAL REPORT

## DEXUS DIVERSIFIED TRUST

(ARSN 089 324 541)

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### DEXUS Annual Reporting Structure

DEXUS reports to its investors across several documents:

1. This report, 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.
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 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](http://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](http://www.dexus.com). In addition, the PDF of each report will be located at [www.dexus.com/Investor-Centre/DXS/Reports](http://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.

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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](http://www.dexus.com)

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

## 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.

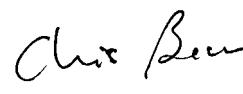
Further information on the Board of Directors and our corporate governance policies is provided in this report and at [www.dexus.com](http://www.dexus.com)

## 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
<b>Statements of Comprehensive Income</b>					
<b>Profit and loss</b>					
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
<b>Total income</b>	<b>1,436,322</b>	<b>1,543,928</b>	<b>888,864</b>	<b>777,908</b>	<b>738,107</b>
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)
<b>Total expenses</b>	<b>(340,814)</b>	<b>(300,664)</b>	<b>(435,701)</b>	<b>(2,353,560)</b>	<b>(736,500)</b>
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
<b>Net profit/(loss)</b>	<b>1,066,385</b>	<b>1,210,791</b>	<b>445,261</b>	<b>(1,455,416)</b>	<b>31,590</b>
Other non-controlling interests (including RENTS)	(56,043)	(41,972)	(6,984)	(3,695)	(170)
<b>Net profit/(loss) to stapled security holders</b>	<b>1,010,342</b>	<b>1,168,819</b>	<b>438,277</b>	<b>(1,459,111)</b>	<b>31,420</b>
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
<b>Statements of Financial Position</b>					
Cash and receivables	141,682	95,992	135,671	120,661	89,429
Property assets <sup>1</sup>	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
<b>Total assets</b>	<b>8,287,538</b>	<b>9,486,836</b>	<b>9,348,987</b>	<b>8,351,110</b>	<b>7,871,028</b>
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
<b>Total liabilities</b>	<b>3,572,025</b>	<b>3,781,893</b>	<b>3,513,934</b>	<b>3,204,893</b>	<b>2,864,581</b>
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
<b>Net assets (after non-controlling interest)</b>	<b>4,287,662</b>	<b>5,266,770</b>	<b>5,629,055</b>	<b>4,939,445</b>	<b>4,801,172</b>
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
<b>Statements of Changes in Equity</b>					
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)
<b>Total equity at the end of the year</b>	<b>4,715,513</b>	<b>5,704,943</b>	<b>5,835,053</b>	<b>5,146,217</b>	<b>5,006,447</b>
<b>Statements of Cash Flows</b>					
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)
<b>Cash and cash equivalents at the end of the year</b>	<b>106,428</b>	<b>59,603</b>	<b>99,214</b>	<b>84,845</b>	<b>64,419</b>

<sup>1</sup> 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](http://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](http://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;
- 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](http://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, MAp Airports Ltd, and Schroder Investment Management Australia Ltd; and an Independent Member of the Alliance Burnstein 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](http://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](http://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](http://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](http://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](http://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](http://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:

<b>Directors</b>	<b>Appointed</b>
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 <sup>1</sup>		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 <sup>2</sup>	–	–	–	–	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.

### 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
<b>Non-Executive Directors</b>		
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 <sup>1</sup>	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
<b>Executives</b>		
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](http://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.

<b>Committee</b>	<b>Chair \$</b>	<b>Member \$</b>
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
<ul style="list-style-type: none"> <li>■ earnings per security</li> <li>■ distributions per security</li> <li>■ third party funds performance</li> <li>■ total security holder return, relative to peers</li> </ul>	<ul style="list-style-type: none"> <li>■ delivery of strategic projects on time and on budget</li> <li>■ corporate responsibility and sustainability initiatives</li> <li>■ achievement of international operations strategies</li> </ul>
Stakeholder satisfaction	Leadership
<ul style="list-style-type: none"> <li>■ investor relations</li> <li>■ tenant satisfaction</li> <li>■ employee engagement</li> </ul>	<ul style="list-style-type: none"> <li>■ executive succession</li> <li>■ talent management</li> <li>■ role modelling DEXUS cultural values</li> <li>■ executive development</li> </ul>

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:

<b>TOTAL REMUNERATION</b>					
		<ul style="list-style-type: none"> <li>■ delivered through fixed and variable components</li> <li>■ targeted at the market median</li> </ul>	<ul style="list-style-type: none"> <li>■ 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</li> </ul>		
<b>FIXED REMUNERATION</b>	Salary	<ul style="list-style-type: none"> <li>■ Consists of cash salary and salary sacrificed fringe benefits, such as motor vehicles</li> </ul>	<ul style="list-style-type: none"> <li>■ Targeted at Australian market median using external benchmark data and varies according to Executives' skills and depth of experience</li> </ul>		
	Superannuation	<ul style="list-style-type: none"> <li>■ Prescribed and salary sacrifice superannuation contributions, including insurance premiums (if applicable)</li> </ul>	<ul style="list-style-type: none"> <li>■ Reviewed annually by the Board, effective 1 July, including internal and external relativities and gender pay equity</li> </ul>		
<b>VARIABLE REMUNERATION</b>	Single pool funded annually from underlying profits to meet Performance Payments	<ul style="list-style-type: none"> <li>■ 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</li> <li>■ 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</li> <li>■ The achievement of KPIs is assessed through a Balanced Scorecard approach</li> <li>■ Individual awards are determined on a range of factors, including achievement of KPIs and relative market remuneration positioning</li> </ul>	<ul style="list-style-type: none"> <li>■ Reviewed annually by the Board</li> <li>■ The pool is funded to enable total remuneration to be paid at market median, based on external benchmark data</li> <li>■ Performance Payments are delivered as immediate and deferred elements in accordance with the targeted remuneration mix set out in the table below</li> <li>■ The award of any Performance Payment to an Executive is dependant upon achieving minimum threshold performance targets</li> </ul>		
			DEXUS Performance Payments ("DPP")	<ul style="list-style-type: none"> <li>■ Delivery of DPP is immediate</li> </ul>	<ul style="list-style-type: none"> <li>■ Awarded annually as a cash payment in September</li> </ul>
			DEXUS Deferred Performance Payments ("DDPP")	<ul style="list-style-type: none"> <li>■ Delivery of DDPP is deferred for three years, as described below</li> </ul>	<ul style="list-style-type: none"> <li>■ Granted annually</li> <li>■ Grants vest after three years</li> <li>■ Delivered as a cash payment in accordance with the plan design described below</li> <li>■ Unvested grants are forfeited upon Executive initiated termination (i.e. resignation) unless otherwise determined by the Nomination and Remuneration Committee</li> </ul>

*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 <sup>1</sup>
	% 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

<sup>1</sup> 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.

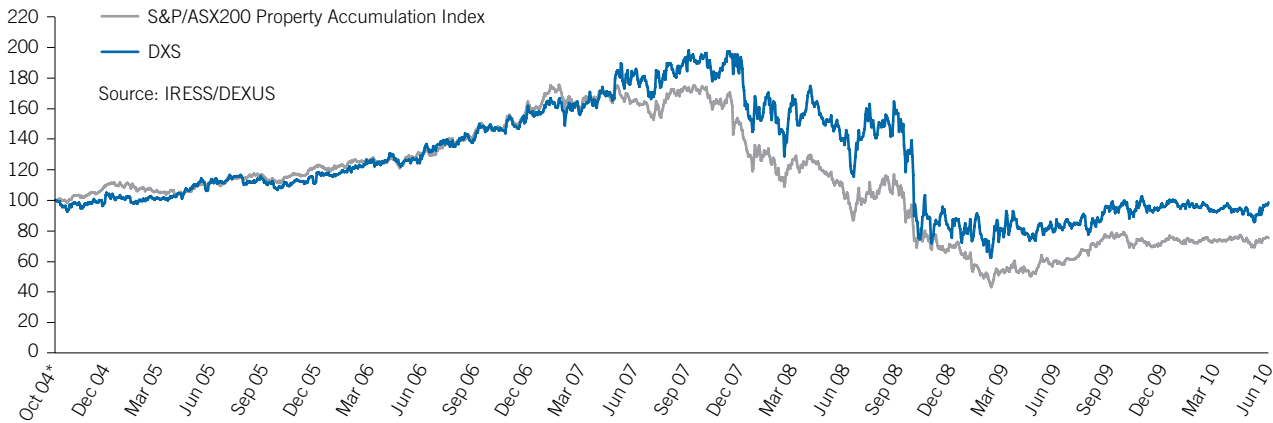
During the year DEXUS did not buy back or cancel any of its securities.

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 by 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.

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

<sup>1</sup> 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.

<sup>2</sup> Patricia A Daniels' actual remuneration received is for a four day week.

## 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.

Name	Short-term employee benefits			Post-employment benefits	Other long-term benefits		Total
	Cash salary and fees	DEXUS performance payments	Other short-term benefits <sup>1</sup>	Pension and super benefits	DEXUS deferred performance payment allocations <sup>2</sup>	Movement in prior year deferred performance allocation values <sup>3</sup>	Other long-term benefits
	\$	\$	\$	\$	\$	\$	\$
<b>Victor P Hoog Antink</b>							
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
<b>Tanya L Cox</b>							
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
<b>Patricia A Daniels<sup>4</sup></b>							
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
<b>John C Easy</b>							
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
<b>Jane Lloyd</b>							
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
<b>Louise J Martin</b>							
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
<b>Craig D Mitchell</b>							
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
<b>Paul G Say</b>							
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
<b>Mark F Turner</b>							
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
<b>Andrew P Whiteside</b>							
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
<b>Total</b>							
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.

Name	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
		\$	\$	\$	\$	\$	
<b>Victor P Hoog Antink</b>	<b>2010</b>	<b>1,200,000</b>	–	–	–	–	<b>2013</b>
	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
<b>Tanya L Cox</b>	<b>2010</b>	<b>180,000</b>	–	–	–	–	<b>2013</b>
	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
<b>Patricia A Daniels</b>	<b>2010</b>	<b>104,000</b>	–	–	–	–	<b>2013</b>
	2009	90,000	7,173	97,173	–	–	2012
	2008	100,000	(18,400)	81,600	–	–	2011
<b>John C Easy</b>	<b>2010</b>	<b>188,000</b>	–	–	–	–	<b>2013</b>
	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
<b>Jane Lloyd<sup>1</sup></b>	<b>2010</b>	<b>163,000</b>	–	–	–	–	<b>2013</b>
	2009	112,000	8,926	120,926	–	–	2012
	2008	–	–	–	–	–	2011
	2007	20,000	(4,378)	–	6,249	21,871	2010
<b>Louise J Martin<sup>2</sup></b>	<b>2010</b>	<b>200,000</b>	–	–	–	–	<b>2013</b>
	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
<b>Craig D Mitchell</b>	<b>2010</b>	<b>400,000</b>	–	–	–	–	<b>2013</b>
	2009	325,000	25,903	350,903	–	–	2012
	2008	250,000	(46,000)	204,000	–	–	2011
<b>Paul G Say</b>	<b>2010</b>	<b>250,000</b>	–	–	–	–	<b>2013</b>
	2009	200,000	15,940	215,940	–	–	2012
	2008	250,000	(46,000)	204,000	–	–	2011
<b>Mark F Turner</b>	<b>2010</b>	<b>140,000</b>	–	–	–	–	<b>2013</b>
	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
<b>Andrew P Whiteside</b>	<b>2010</b>	<b>225,000</b>	–	–	–	–	<b>2013</b>
	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

CONTINUED

## 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.

Name	Directors fees		Committee fees				Total cash salary and fees	
	Board \$	DWPL \$	Board Audit \$	Board Risk \$	Board Compliance \$	Board Nom & Rem \$	Board Finance \$	\$
<b>Christopher T Beare</b>								
2010	300,000	–	–	–	–	–	–	300,000
2009	300,000	–	–	–	–	–	–	300,000
<b>Elizabeth A Alexander AM<sup>1</sup></b>								
2010	130,000	17,500	8,750	8,750	–	–	–	165,000
2009	130,000	–	15,000	15,000	6,250	–	6,250	172,500
<b>Barry R Brownjohn<sup>2</sup></b>								
2010	130,000	–	13,750	13,750	–	–	8,750	166,250
2009	130,000	–	7,500	7,500	–	–	15,000	160,000
<b>John C Conde AO<sup>3</sup></b>								
2010	130,000	–	–	–	7,500	13,750	–	151,250
2009	22,652	–	–	–	1,250	1,250	–	25,152
<b>Stewart F Ewen OAM</b>								
2010	130,000	–	–	–	–	7,500	–	137,500
2009	130,000	–	–	–	–	7,500	–	137,500
<b>Charles B Leitner III<sup>4</sup></b>								
2010	–	–	–	–	–	–	–	–
2009	–	–	–	–	–	–	–	–
<b>Brian E Scullin<sup>5</sup></b>								
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
<b>Peter B St George<sup>6</sup></b>								
2010	130,000	–	7,500	7,500	–	–	13,750	158,750
2009	22,652	–	1,250	1,250	–	–	1,250	26,402
<b>Total</b>								
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.

Name	Short-term employee benefits \$	Post- employment benefits <sup>1</sup> \$	Other long-term benefits \$	Total \$
<b>Christopher T Beare</b>				
<b>2010</b>	<b>285,539</b>	<b>14,461</b>	–	<b>300,000</b>
2009	286,255	13,745	–	300,000
<b>Elizabeth A Alexander AM</b>				
<b>2010</b>	<b>151,376</b>	<b>13,624</b>	–	<b>165,000</b>
2009	157,844	14,656	–	172,500
<b>Barry R Brownjohn</b>				
<b>2010</b>	<b>152,523</b>	<b>13,727</b>	–	<b>166,250</b>
2009	146,789	13,211	–	160,000
<b>John C Conde AO</b>				
<b>2010</b>	<b>138,761</b>	<b>12,489</b>	–	<b>151,250</b>
2009	23,075	2,077	–	25,152
<b>Stewart F Ewen OAM</b>				
<b>2010</b>	<b>102,700</b>	<b>34,800</b>	–	<b>137,500</b>
2009	63,073	74,427	–	137,500
<b>Brian E Scullin</b>				
<b>2010</b>	<b>157,211</b>	<b>14,039</b>	–	<b>171,250</b>
2009	181,255	13,745	–	195,000
<b>Peter B St George</b>				
<b>2010</b>	<b>145,642</b>	<b>13,108</b>	–	<b>158,750</b>
2009	24,222	2,180	–	26,402
<b>Total 2010</b>	<b>1,133,752</b>	<b>116,248</b>	–	<b>1,250,000</b>
Total 2009	882,513	134,041	–	1,016,554

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

#### 4. Directors' interests

The Board's policy on insider trading and trading in DXS securities, or securities in any of the funds managed by 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 <sup>1</sup>	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 <sup>1</sup>	8 November 2005	31 December 2008
	First Quantum Minerals Limited <sup>2</sup>	20 October 2003	

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

<sup>2</sup> 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.

## 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

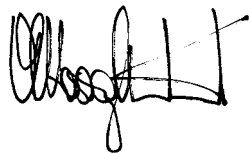
The Chief Executive Officer and Chief Financial Officer have reviewed the Group's financial reporting processes, policies and procedures together with its risk management, internal control and compliance policies and procedures. Following that review it is their opinion that the Group's financial records 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





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### 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.

J A Dunning  
Partner  
PricewaterhouseCoopers

17 August 2010

## FINANCIAL STATEMENTS

# Statements of Comprehensive Income

For the year ended 30 June 2010

	Notes	Consolidated		Parent entity	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>Revenue from ordinary activities</b>					
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	–	–
<b>Total revenue from ordinary activities</b>		<b>716,140</b>	<b>775,394</b>	<b>134,176</b>	<b>167,573</b>
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
<b>Total income</b>		<b>738,107</b>	<b>756,699</b>	<b>130,654</b>	<b>8,231</b>
<b>Expenses</b>					
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)
<b>Total expenses</b>		<b>(736,500)</b>	<b>(2,332,351)</b>	<b>(132,253)</b>	<b>(369,217)</b>
<b>Profit/(loss) before tax</b>		<b>1,607</b>	<b>(1,575,652)</b>	<b>(1,599)</b>	<b>(360,986)</b>
<b>Tax benefit/(expense)</b>					
Income tax benefit/(expense)	4 (a)	3,426	(12,537)	–	–
Withholding tax benefit	4 (c)	26,557	132,773	–	–
<b>Total tax benefit</b>		<b>29,983</b>	<b>120,236</b>	<b>–</b>	<b>–</b>
<b>Profit/(loss) after tax</b>		<b>31,590</b>	<b>(1,455,416)</b>	<b>(1,599)</b>	<b>(360,986)</b>
<b>Other comprehensive income/(loss):</b>					
Exchange differences on translating foreign operations		(7,034)	(53,478)	–	–
<b>Total comprehensive income/(loss) for the year</b>		<b>24,556</b>	<b>(1,508,894)</b>	<b>(1,599)</b>	<b>(360,986)</b>
<b>Profit/(loss) attributable to:</b>					
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)	–	–
<b>Security holders of DEXUS Diversified Trust</b>		<b>31,420</b>	<b>(1,459,111)</b>	<b>(1,599)</b>	<b>(360,986)</b>
Other non-controlling interest		170	3,695	–	–
<b>Total profit/(loss) for the year</b>		<b>31,590</b>	<b>(1,455,416)</b>	<b>(1,599)</b>	<b>(360,986)</b>
<b>Total comprehensive income/(loss) attributable to:</b>					
Unitholders of parent entity		791	(360,986)	(1,599)	(360,986)
Unitholders of other stapled entities (non-controlling interests)		23,833	(1,151,939)	–	–
<b>Security holders of DEXUS Diversified Trust</b>		<b>24,624</b>	<b>(1,512,925)</b>	<b>(1,599)</b>	<b>(360,986)</b>
Other non-controlling interest		(68)	4,031	–	–
<b>Total comprehensive income/(loss) for the year</b>		<b>24,556</b>	<b>(1,508,894)</b>	<b>(1,599)</b>	<b>(360,986)</b>
<b>Earnings per unit</b>					
		<b>Cents</b>	<b>Cents</b>		
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)		
<b>Earnings per stapled security</b>					
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.

	Notes	Consolidated		Parent entity	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>Current assets</b>					
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
<b>Total current assets</b>		<b>158,576</b>	<b>315,182</b>	<b>86,663</b>	<b>109,642</b>
<b>Non-current assets</b>					
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
<b>Total non-current assets</b>		<b>7,712,452</b>	<b>8,035,928</b>	<b>2,334,911</b>	<b>2,131,782</b>
<b>Total assets</b>		<b>7,871,028</b>	<b>8,351,110</b>	<b>2,421,574</b>	<b>2,241,424</b>
<b>Current liabilities</b>					
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	–	–
<b>Total current liabilities</b>		<b>483,369</b>	<b>691,477</b>	<b>143,985</b>	<b>171,494</b>
<b>Non-current liabilities</b>					
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
<b>Total non-current liabilities</b>		<b>2,381,212</b>	<b>2,513,416</b>	<b>416,454</b>	<b>123,152</b>
<b>Total liabilities</b>		<b>2,864,581</b>	<b>3,204,893</b>	<b>560,439</b>	<b>294,646</b>
<b>Net assets</b>		<b>5,006,447</b>	<b>5,146,217</b>	<b>1,861,135</b>	<b>1,946,778</b>
<b>Equity</b>					
<b>Equity attributable to unitholders of parent entity</b>					
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
<b>Parent entity security holders' interest</b>		<b>1,866,830</b>	<b>1,946,778</b>	<b>1,861,135</b>	<b>1,946,778</b>
<b>Equity attributable to unitholders of other stapled entities (non-controlling interests)</b>					
Contributed equity	28	3,008,241	2,966,643	–	–
Reserves	29	44,354	35,820	–	–
Accumulated losses	29	(118,253)	(9,796)	–	–
<b>Other stapled security holders' interest</b>		<b>2,934,342</b>	<b>2,992,667</b>	<b>–</b>	<b>–</b>
<b>Stapled security holders' interest</b>		<b>4,801,172</b>	<b>4,939,445</b>	<b>1,861,135</b>	<b>1,946,778</b>
Other non-controlling interests	30	205,275	206,772	–	–
<b>Total equity</b>		<b>5,006,447</b>	<b>5,146,217</b>	<b>1,861,135</b>	<b>1,946,778</b>

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 \$'000	Total equity \$'000
		Contributed equity \$'000	Retained profits \$'000	Foreign currency translation reserve \$'000	Asset revaluation reserve \$'000	Stapled security holders' equity \$'000		
<b>Opening balance as at 1 July 2008</b>		<b>3,577,883</b>	<b>2,000,235</b>	<b>(12,357)</b>	<b>63,294</b>	<b>5,629,055</b>	<b>205,998</b>	<b>5,835,053</b>
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
<b>Total comprehensive (loss)/income</b>		<b>–</b>	<b>(1,459,111)</b>	<b>(53,814)</b>	<b>–</b>	<b>(1,512,925)</b>	<b>4,031</b>	<b>(1,508,894)</b>
<b>Transactions with owners in their capacity as owners</b>								
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)
<b>Total transactions with owners in their capacity as owners</b>		<b>1,129,971</b>	<b>(296,648)</b>	<b>–</b>	<b>–</b>	<b>833,323</b>	<b>(13,265)</b>	<b>820,058</b>
Transfer to/(from) retained profits		–	10,547	–	(20,555)	(10,008)	10,008	–
<b>Closing balance as at 30 June 2009</b>		<b>4,707,854</b>	<b>255,023</b>	<b>(66,171)</b>	<b>42,739</b>	<b>4,939,445</b>	<b>206,772</b>	<b>5,146,217</b>
<b>Opening balance as at 1 July 2009</b>		<b>4,707,854</b>	<b>255,023</b>	<b>(66,171)</b>	<b>42,739</b>	<b>4,939,445</b>	<b>206,772</b>	<b>5,146,217</b>
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)
<b>Total comprehensive income/(loss)</b>		<b>–</b>	<b>31,420</b>	<b>(6,796)</b>	<b>–</b>	<b>24,624</b>	<b>(68)</b>	<b>24,556</b>
<b>Transactions with owners in their capacity as owners</b>								
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)
<b>Total transactions with owners in their capacity as owners</b>		<b>90,360</b>	<b>(244,411)</b>	<b>–</b>	<b>–</b>	<b>(154,051)</b>	<b>(10,275)</b>	<b>(164,326)</b>
Transfer (from)/to retained profits		–	(8,846)	–	–	(8,846)	8,846	–
<b>Closing balance as at 30 June 2010</b>		<b>4,798,214</b>	<b>33,186</b>	<b>(72,967)</b>	<b>42,739</b>	<b>4,801,172</b>	<b>205,275</b>	<b>5,006,447</b>

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

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

	Notes	Consolidated		Parent entity	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>Cash flows from operating activities</b>					
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)	–	–
<b>Net cash inflow from operating activities</b>	<b>39 (a)</b>	<b>340,174</b>	<b>359,577</b>	<b>100,802</b>	<b>149,520</b>
<b>Cash flows from investing activities</b>					
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)
<b>Net cash inflow/(outflow) from investing activities</b>		<b>90,592</b>	<b>(212,459)</b>	<b>100,900</b>	<b>(57,566)</b>
<b>Cash flows from financing activities</b>					
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)	–	–
<b>Net cash outflow from financing activities</b>		<b>(444,382)</b>	<b>(170,190)</b>	<b>(226,807)</b>	<b>(95,690)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(13,616)</b>	<b>(23,072)</b>	<b>(25,105)</b>	<b>(3,736)</b>
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	–	–
<b>Cash and cash equivalents at the end of the year</b>	<b>7</b>	<b>64,419</b>	<b>84,845</b>	<b>2,163</b>	<b>27,268</b>

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.

**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
<b>Total property revenue</b>	<b>663,068</b>	<b>708,506</b>	<b>133,519</b>	<b>139,506</b>

**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
	<b>181,015</b>	<b>384,241</b>	<b>(21,786)</b>	<b>(14,022)</b>
Finance cost attributable to asset disposal program <sup>1</sup>	9,670	–	–	–
<b>Total finance costs</b>	<b>190,685</b>	<b>384,241</b>	<b>(21,786)</b>	<b>(14,022)</b>

<sup>1</sup> 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
<b>Total income tax (benefit)/expense</b>		<b>(3,426)</b>	<b>12,537</b>
<b>Deferred income tax (benefit)/expense included in income tax (benefit)/expense comprises:</b>			
(Increase) in deferred tax assets	19	(1,097)	(298)
Increase in deferred tax liabilities	26	1,321	5,756
		<b>224</b>	<b>5,458</b>

### (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
	<b>(14,603)</b>	<b>(86,095)</b>
Prima facie tax benefit at the Australian tax rate of 30% (2009: 30%)	(4,381)	(25,829)
<b>Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:</b>		
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
	<b>955</b>	<b>38,366</b>
<b>Income tax (benefit)/expense</b>	<b>(3,426)</b>	<b>12,537</b>

### (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.

### 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
<b>Total other expenses</b>		<b>24,377</b>	<b>21,485</b>	<b>1,568</b>	<b>1,622</b>

### 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 outgoings audit <sup>1</sup>	95,711	61,675	38,604	42,277
<b>Remuneration for audit services to PwC</b>	<b>1,591,557</b>	<b>1,414,804</b>	<b>401,376</b>	<b>397,529</b>
Fees paid to non-PwC audit firms	266,011	820,195	–	–
<b>Total remuneration for assurance services</b>	<b>1,857,568</b>	<b>2,234,999</b>	<b>401,376</b>	<b>397,529</b>

#### (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	–	–
<b>Remuneration for taxation services to PwC</b>	<b>383,999</b>	<b>706,992</b>	<b>34,054</b>	<b>185,900</b>
Fees paid to non-PwC audit firms	270,831	216,113	–	50,613
<b>Total remuneration for taxation services<sup>2</sup></b>	<b>654,830</b>	<b>923,105</b>	<b>34,054</b>	<b>236,513</b>
<b>Total audit and taxation fees<sup>1</sup></b>	<b>2,512,398</b>	<b>3,158,104</b>	<b>435,430</b>	<b>634,042</b>

#### (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
<b>Total transaction service fees</b>	<b>321,844</b>	<b>1,033,090</b>	<b>321,854</b>	<b>343,827</b>
<b>Total audit, taxation and transaction service fees</b>	<b>2,834,242</b>	<b>4,191,194</b>	<b>757,284</b>	<b>977,869</b>

<sup>1</sup> 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.

<sup>2</sup> 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	–	–
<b>Total current assets – cash and cash equivalents</b>	<b>64,419</b>	<b>84,845</b>	<b>2,163</b>	<b>27,268</b>

## 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)
<b>Total rental receivables</b>	<b>7,775</b>	<b>16,328</b>	<b>259</b>	<b>1,835</b>
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
<b>Total other receivables</b>	<b>17,235</b>	<b>19,488</b>	<b>67,903</b>	<b>15,917</b>
<b>Total current assets – receivables</b>	<b>25,010</b>	<b>35,816</b>	<b>68,162</b>	<b>17,752</b>

## 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	–	–
<b>Total non-current assets classified as held for sale</b>	<b>18,068</b>	<b>98,054</b>	<b>–</b>	<b>20,800</b>

### (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)	–
<b>Closing balance as at 30 June</b>	<b>18,068</b>	<b>98,054</b>	<b>–</b>	<b>20,800</b>

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

**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	–	–	–
<b>Total non-current asset – inventories</b>	<b>45,470</b>	<b>–</b>	<b>–</b>	<b>–</b>

## (b) Reconciliation

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Opening balance as at 1 July	–	–	–	–
Transfer from investment properties <sup>1</sup>	45,135	–	–	–
Additions and other	335	–	–	–
<b>Closing balance as at 30 June</b>	<b>45,470</b>	<b>–</b>	<b>–</b>	<b>–</b>

<sup>1</sup> 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
<b>Non-current assets – loans with related parties</b>				
Interest bearing loans with related parties <sup>1</sup>	–	–	591,098	248,366
Interest bearing loans with entities within DXS	–	–	205,544	160,217
<b>Total non-current assets – loans with related parties</b>	<b>–</b>	<b>–</b>	<b>796,642</b>	<b>408,583</b>
<b>Current liabilities – loans with related parties</b>				
Non-interest bearing loans with entities within DXS <sup>2</sup>	–	–	34,332	34,332
<b>Total current liabilities – loans with related parties</b>	<b>–</b>	<b>–</b>	<b>34,332</b>	<b>34,332</b>

<sup>1</sup> Interest bearing loans with DEXUS Finance Pty Limited (DXF). These loan balances eliminate on consolidation within DXS.

<sup>2</sup> 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
<b>Current assets</b>				
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
<b>Total current assets – derivative financial instruments</b>	<b>33,903</b>	<b>81,426</b>	<b>13,341</b>	<b>41,091</b>
<b>Non-current assets</b>				
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
<b>Total non-current assets – derivative financial instruments</b>	<b>112,421</b>	<b>124,065</b>	<b>57,287</b>	<b>56,714</b>
<b>Current liabilities</b>				
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
<b>Total current liabilities – derivative financial instruments</b>	<b>17,264</b>	<b>32,444</b>	<b>7,592</b>	<b>27,270</b>
<b>Non-current liabilities</b>				
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
<b>Total non-current liabilities – derivative financial instruments</b>	<b>304,897</b>	<b>353,780</b>	<b>70,904</b>	<b>122,275</b>
<b>Net derivative financial instruments</b>	<b>(175,837)</b>	<b>(180,733)</b>	<b>(7,868)</b>	<b>(51,740)</b>

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
<b>Total current assets – other</b>	<b>13,555</b>	<b>13,618</b>	<b>2,997</b>	<b>2,731</b>

**Note 14. Non-current assets – investment properties**

(a) Properties

	Ownership
	%
<b>Held by parent entity</b>	
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 <sup>1</sup>	100
Westfield Whitford City Shopping Centre Marmion & Whitfords Avenue, Hillarys, WA <sup>2</sup>	50
Westfield Whitfords Avenue Lot 6 Endeavour Road, Hillarys, WA <sup>2</sup>	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
<b>Total parent entity investment properties excluding development properties</b>	
<b>Total parent entity development properties held as investment properties</b>	
<b>Total parent entity investment properties</b>	

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

<sup>2</sup> 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
		<b>1,429,550</b>		<b>1,139,748</b>	<b>1,397,596</b>
				<b>218,239</b>	–
				<b>1,357,987</b>	<b>1,397,596</b>

**Note 14. Non-current assets – investment properties** (continued)

## (a) Properties (continued)

	Ownership
	%
<b>Held by other stapled entities</b>	
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 Bellrick 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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### 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
	%
<b>Held by other stapled entities (continued)</b>	
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 <sup>1</sup>	50
45 Clarence Street, Sydney, NSW	100
309-321 Kent Street, Sydney, NSW <sup>1</sup>	50
1 Margaret Street, Sydney, NSW	100
Victoria Cross, 60 Miller Street, North Sydney, NSW	100
The Zenith, 821-843 Pacific Highway, Chatswood, NSW <sup>1</sup>	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 <sup>1</sup>	50
Garema Court, 140-180 City Walk, Civic, ACT**	100
Australia Square Complex, 264-278 George Street, Sydney, NSW <sup>1</sup>	50
Lumley Centre, 88 Shortland Street, Auckland, New Zealand <sup>2</sup>	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

<sup>1</sup> The valuation reflects 50% of the independent valuation amount.

<sup>2</sup> 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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### Notes to the Financial Statements

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#### Note 14. Non-current assets – investment properties (continued)

##### (a) Properties (continued)

	Ownership
	%
<b>Held by other stapled entities (continued)</b>	
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
	%
<b>Held by other stapled entities (continued)</b>	
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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#### Note 14. Non-current assets – investment properties (continued)

##### (a) Properties (continued)

	Ownership
	%
<b>Held by other stapled entities (continued)</b>	
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
<b>Total other stapled entities investment properties excluding development properties</b>	
<b>Total other stapled entities development properties held as investment property</b>	
<b>Total other stapled entities investment properties</b>	
<b>Total investment properties</b>	

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	–
		<b>5,946,106</b>		<b>5,566,470</b>	<b>5,723,114</b>
				<b>221,940</b>	–
				<b>5,788,410</b>	<b>5,723,114</b>
				<b>7,146,397</b>	<b>7,120,710</b>

**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 <sup>1</sup>	15	431,891	23,118	129,718	(10,000)
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)	–	(20,800)
Transfer to inventories <sup>2</sup>	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	–	–
<b>Carrying amount as at 30 June</b>		<b>7,146,397</b>	<b>7,120,710</b>	<b>1,357,987</b>	<b>1,397,596</b>

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, DXP 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.

**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)
<b>Closing balance as at 30 June 2010</b>	<b>–</b>	<b>–</b>	<b>5,264</b>	<b>5,264</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Cost	–	–	10,251	10,251	–	–	–	–
Accumulated depreciation	–	–	(4,987)	(4,987)	–	–	–	–
<b>Net book value as at 30 June 2010</b>	<b>–</b>	<b>–</b>	<b>5,264</b>	<b>5,264</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

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
<b>Closing balance as at 30 June 2009</b>	<b>248,824</b>	<b>183,067</b>	<b>6,729</b>	<b>438,620</b>	<b>78,418</b>	<b>51,300</b>	<b>–</b>	<b>129,718</b>
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)	–	–	–	–
<b>Net book value as at 30 June 2009</b>	<b>248,824</b>	<b>183,067</b>	<b>6,729</b>	<b>438,620</b>	<b>78,418</b>	<b>51,300</b>	<b>–</b>	<b>129,718</b>

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
<b>Controlled entities</b>					
DEXUS Industrial Trust <sup>1</sup>	Industrial property investment	100.0	100.0	–	–
DEXUS Office Trust <sup>1</sup>	Office property investment	100.0	100.0	–	–
DEXUS Operations Trust <sup>1</sup>	Asset, property and development management	100.0	100.0	–	–
DEXUS Finance Pty Limited	Financial services	25.0	25.0	–	–
<b>Total non-current assets – other financial assets at fair value through profit and loss</b>				<b>–</b>	<b>–</b>

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
<b>Held by controlled entities</b>							
Bent Street Trust <sup>1</sup>	Office property investment	33.3	34.9	93,344	84,165	–	–
<b>Total non-current assets – investment accounted for using the equity method</b>				<b>93,344</b>	<b>84,165</b>	<b>–</b>	<b>–</b>

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 <sup>1</sup>	(26,243)	31
Distributions received	(15)	(16)
Disposal of investment	(3,302)	(60,712)
<b>Closing balance as at 30 June</b>	<b>93,344</b>	<b>84,165</b>
<b>Results attributable to associates</b>		
Operating (loss)/profit before income tax	(26,243)	31
<b>Operating (loss)/profit after income tax</b>	<b>(26,243)</b>	<b>31</b>
Less: Distributions received	(15)	(16)
	<b>(26,258)</b>	<b>15</b>
Accumulated losses attributable to associates as at 1 July 2009	(6,352)	(6,367)
<b>Accumulated losses attributable to associates as at 30 June 2010</b>	<b>(32,610)</b>	<b>(6,352)</b>

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
<b>Share of associates' expenditure commitments</b>		
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
<b>Held by parent entity</b>							
DEXUS Industrial Properties, Inc. <sup>1</sup>	Asset, property and funds management	50.0	50.0	–	–	122,627	138,276
<b>Total non-current assets – investment in associates</b>				<b>–</b>	<b>–</b>	<b>122,627</b>	<b>138,276</b>

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
<b>The balance comprises temporary differences attributable to:</b>				
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	–	–
<b>Total non-current assets – deferred tax assets</b>	<b>79,927</b>	<b>49,136</b>	<b>–</b>	<b>–</b>
<b>Movements</b>				
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	–	–
<b>Credited to Statements of Comprehensive Income</b>	<b>1,097</b>	<b>298</b>	<b>–</b>	<b>–</b>
Movements in deferred withholding tax arising from:				
Temporary differences	29,396	33,956	–	–
Foreign currency translation	298	–	–	–
<b>Credited to Statements of Comprehensive Income</b>	<b>29,694</b>	<b>33,956</b>	<b>–</b>	<b>–</b>
<b>Closing balance as at 30 June</b>	<b>79,927</b>	<b>49,136</b>	<b>–</b>	<b>–</b>

## Note 20. Non-current assets – intangible assets

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>Management rights</b>				
Opening balance as at 1 July	210,500	252,176	–	–
Amortisation charge	(807)	(566)	–	–
Impairment	–	(41,110)	–	–
Reversal of previous impairment	13,307	–	–	–
<b>Closing balance as at 30 June</b>	<b>223,000</b>	<b>210,500</b>	<b>–</b>	<b>–</b>
Cost	252,382	252,382	–	–
Accumulated amortisation	(1,579)	(772)	–	–
Accumulated impairment	(27,803)	(41,110)	–	–
<b>Total management rights</b>	<b>223,000</b>	<b>210,500</b>	<b>–</b>	<b>–</b>

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.

**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
<b>Goodwill</b>				
Opening balance as at 1 July	2,767	2,937	–	–
Impairment	(242)	(170)	–	–
<b>Closing balance as at 30 June</b>	<b>2,525</b>	<b>2,767</b>	<b>–</b>	<b>–</b>
Cost	2,998	2,998	–	–
Accumulated impairment	(473)	(231)	–	–
<b>Total goodwill</b>	<b>2,525</b>	<b>2,767</b>	<b>–</b>	<b>–</b>
<b>Total non-current assets – intangible assets</b>	<b>225,525</b>	<b>213,267</b>	<b>–</b>	<b>–</b>

**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
<b>Total non-current assets – other</b>	<b>4,104</b>	<b>5,965</b>	<b>368</b>	<b>895</b>

**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	–
<b>Total current liabilities – payables</b>	<b>130,207</b>	<b>98,410</b>	<b>36,176</b>	<b>19,503</b>

## Note 23. Interest bearing liabilities

	Notes	Consolidated		Parent entity	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>Current</b>					
<b>Secured</b>					
Bank loans	(c), (d)	49,831	724	–	–
<b>Total secured</b>		<b>49,831</b>	<b>724</b>	<b>–</b>	<b>–</b>
<b>Unsecured</b>					
US senior notes		122,023	–	–	–
Bank loan	(b)	–	131,161	–	–
Medium-term notes		27,227	250,000	–	–
<b>Total unsecured</b>		<b>149,250</b>	<b>381,161</b>	<b>–</b>	<b>–</b>
Deferred borrowing costs		(85)	(212)	–	–
<b>Total current liabilities – interest bearing liabilities</b>		<b>198,996</b>	<b>381,673</b>	<b>–</b>	<b>–</b>
<b>Non-current</b>					
<b>Secured</b>					
Bank loans	(c), (d), (e)	568,182	639,897	–	–
<b>Total secured</b>		<b>568,182</b>	<b>639,897</b>	<b>–</b>	<b>–</b>
<b>Unsecured</b>					
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	–	–
<b>Total unsecured</b>		<b>1,485,671</b>	<b>1,497,628</b>	<b>350,685</b>	<b>–</b>
Deferred borrowing costs		(12,767)	(10,186)	(5,504)	–
<b>Total non-current liabilities – interest bearing liabilities</b>		<b>2,041,086</b>	<b>2,127,339</b>	<b>345,181</b>	<b>–</b>
<b>Total interest bearing liabilities</b>		<b>2,240,082</b>	<b>2,509,012</b>	<b>345,181</b>	<b>–</b>

**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
<b>Total</b>					<b>2,252,825</b>	<b>3,374,930</b>
Bank guarantee utilised					7,040	
<b>Unused at balance date</b>					<b>1,115,065</b>	

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
<b>Current</b>				
Provision for distribution	118,110	164,529	65,885	90,389
Provision for employee benefits	16,389	13,089	–	–
<b>Total current liabilities – provisions</b>	<b>134,499</b>	<b>177,618</b>	<b>65,885</b>	<b>90,389</b>

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
<b>Provision for distribution</b>				
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)
<b>Closing balance as at 30 June</b>	<b>118,110</b>	<b>164,529</b>	<b>65,885</b>	<b>90,389</b>

### 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
<b>Non-current</b>				
Provision for employee benefits	16,524	13,533	–	–
<b>Total non-current liabilities – provisions</b>	<b>16,524</b>	<b>13,533</b>	<b>–</b>	<b>–</b>

## Note 25. Current liabilities – other

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Other borrowing costs	132	281	–	–
<b>Total current liabilities – other</b>	<b>132</b>	<b>281</b>	<b>–</b>	<b>–</b>

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For the year ended 30 June 2010

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## Note 26. Non-current liabilities – deferred tax liabilities

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>The balance comprises temporary differences attributable to:</b>				
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	–	–
<b>Total non-current liabilities – deferred tax liabilities</b>	<b>11,296</b>	<b>9,975</b>	<b>–</b>	<b>–</b>
<b>Movements</b>				
Opening balance as at 1 July	9,975	76,543	–	–
Movements in deferred income tax arising from:				
Temporary differences	1,321	5,756	–	–
<b>Charged to Statements of Comprehensive Income</b>	<b>1,321</b>	<b>5,756</b>	<b>–</b>	<b>–</b>
Movements in deferred withholding tax arising from:				
Temporary differences	–	(101,227)	–	–
Foreign currency translation	–	28,903	–	–
<b>Credited to Statements of Comprehensive Income</b>	<b>–</b>	<b>(72,324)</b>	<b>–</b>	<b>–</b>
<b>Closing balance as at 30 June</b>	<b>11,296</b>	<b>9,975</b>	<b>–</b>	<b>–</b>

## 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	–	–
<b>Total non-current liabilities – other</b>	<b>7,409</b>	<b>8,789</b>	<b>369</b>	<b>877</b>



## 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)
<b>Closing balance as at 30 June</b>	<b>1,789,973</b>	<b>1,741,211</b>	<b>1,789,973</b>	<b>1,741,211</b>

### (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)	–	–
<b>Closing balance as at 30 June</b>	<b>3,008,241</b>	<b>2,966,643</b>	<b>–</b>	<b>–</b>

### (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
<b>Closing balance as at 30 June</b>	<b>4,820,821,799</b>	<b>4,700,841,666</b>	<b>4,820,821,799</b>	<b>4,700,841,666</b>

#### 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.

**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	–	–
<b>Total reserves</b>	<b>(30,228)</b>	<b>(23,432)</b>	<b>–</b>	<b>–</b>
<b>Movements:</b>				
<b>Foreign currency translation reserve</b>				
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)	–	–
<b>Total movement in foreign currency translation reserve</b>	<b>(6,796)</b>	<b>(53,814)</b>	<b>–</b>	<b>–</b>
<b>Closing balance as at 30 June</b>	<b>(72,967)</b>	<b>(66,171)</b>	<b>–</b>	<b>–</b>
<b>Asset revaluation reserve</b>				
Opening balance as at 1 July	42,739	63,294	–	–
Transfer to retained profits	–	(20,555)	–	–
<b>Total movement in asset revaluation reserve</b>	<b>–</b>	<b>(20,555)</b>	<b>–</b>	<b>–</b>
<b>Closing balance as at 30 June</b>	<b>42,739</b>	<b>42,739</b>	<b>–</b>	<b>–</b>

**(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)
<b>Closing balance as at 30 June</b>	<b>33,186</b>	<b>255,023</b>	<b>71,162</b>	<b>205,567</b>

### Note 30. Other non-controlling interests

	Consolidated		Parent entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>Interest in</b>				
Contributed equity	200,530	200,503	–	–
Reserves	60,304	51,696	–	–
Accumulated losses	(55,559)	(45,427)	–	–
<b>Total other non-controlling interests</b>	<b>205,275</b>	<b>206,772</b>	<b>–</b>	<b>–</b>

### 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
	<b>244,411</b>	<b>296,648</b>	<b>132,806</b>	<b>138,238</b>

#### (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	–	–
	<b>10,302</b>	<b>13,749</b>	<b>–</b>	<b>–</b>
<b>Total distributions</b>	<b>254,713</b>	<b>310,397</b>	<b>132,806</b>	<b>138,238</b>

#### (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
<b>Total distributions</b>	<b>5.10</b>	<b>7.30</b>	<b>2.77</b>	<b>3.30</b>

**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)	–	–	–
<b>Closing balance as at 30 June</b>	<b>19,730</b>	<b>21,380</b>	<b>–</b>	<b>–</b>

**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](http://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 <sup>1</sup>	2,252,934	2,519,410	350,685	–
Total tangible assets <sup>2</sup>	7,419,252	7,881,793	2,350,946	2,143,619
<b>Gearing ratio</b>	<b>30.4%</b>	<b>32.0%</b>	<b>14.9%</b>	<b>0.0%</b>

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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## 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	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	25,010	–	–	–	35,816	–	–	–
Payables	130,207	–	–	–	98,410	–	–	–
	(105,197)	–	–	–	(62,594)	–	–	–
<b>Interest bearing liabilities</b>								
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	–
<b>Total interest bearing liabilities<sup>1</sup></b>	<b>199,081</b>	<b>547,484</b>	<b>1,215,970</b>	<b>290,290</b>	<b>381,885</b>	<b>817,731</b>	<b>1,094,051</b>	<b>225,629</b>
<b>Derivative financial instruments</b>								
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
<b>Total net derivative financial instruments<sup>2</sup></b>	<b>(35,567)</b>	<b>(22,668)</b>	<b>(82,320)</b>	<b>(27,349)</b>	<b>(28,012)</b>	<b>(87,858)</b>	<b>(245,165)</b>	<b>(194,325)</b>

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	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	68,162	–	–	–	17,752	–	–	–
Payables	36,176	–	–	–	19,503	–	–	–
	31,986	–	–	–	(1,751)	–	–	–
<b>Loans with related parties</b>	–	–	–	796,642	–	–	–	408,583
<b>Interest bearing liabilities</b>								
Fixed interest rate liabilities	–	–	350,685	–	–	–	–	–
<b>Derivative financial instruments</b>								
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
<b>Total net derivative financial instruments<sup>1</sup></b>	<b>(1,691)</b>	<b>482</b>	<b>(4,987)</b>	<b>(5,211)</b>	<b>14,381</b>	<b>(663)</b>	<b>(15,877)</b>	<b>(25,330)</b>

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.

<b>Consolidated 30 June 2010</b>	<b>June 2011 \$'000</b>	<b>June 2012 \$'000</b>	<b>June 2013 \$'000</b>	<b>June 2014 \$'000</b>	<b>&gt; June 2015 \$'000</b>
<b>Fixed rate debt</b>					
A\$ fixed rate debt <sup>1</sup>	192,308	180,000	180,000	180,000	82,500
US\$ fixed rate debt <sup>1</sup>	708,038	614,870	571,303	519,508	50,603
<b>Interest rate swaps</b>					
A\$ hedged <sup>1</sup>	525,550	570,033	461,667	380,000	171,875
A\$ hedge rate (%) <sup>2</sup>	4.74%	4.91%	5.39%	5.74%	6.11%
US\$ hedged <sup>1</sup>	221,115	228,414	399,450	469,867	418,132
US\$ hedge rate (%) <sup>2</sup>	5.49%	6.10%	5.53%	5.45%	5.05%
€ hedged <sup>1</sup>	137,500	127,500	105,000	70,000	23,056
€ hedge rate (%) <sup>2</sup>	4.40%	4.43%	4.55%	4.86%	4.12%
C\$ hedged <sup>1</sup>	50,000	50,000	50,000	50,000	28,472
C\$ hedge rate (%) <sup>2</sup>	5.41%	5.41%	5.41%	5.41%	5.41%
<b>Combined fixed debt and swaps (A\$ equivalent)</b>	<b>2,060,753</b>	<b>1,977,849</b>	<b>1,986,802</b>	<b>1,876,834</b>	<b>869,096</b>
<b>Hedge rate (%)</b>	<b>5.11%</b>	<b>5.48%</b>	<b>5.40%</b>	<b>5.51%</b>	<b>5.38%</b>

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.



**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	2009	2010	2009
		(+/-) \$'000	(+/-) \$'000	(+/-) \$'000	(+/-) \$'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\$	–	–	–	–
<b>Total A\$ equivalent</b>		<b>760</b>	<b>856</b>	<b>(1,830)</b>	<b>154</b>

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	2009	2010	2009
		(+/-) \$'000	(+/-) \$'000	(+/-) \$'000	(+/-) \$'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	–	–
<b>Total A\$ equivalent</b>		<b>38,762</b>	<b>56,607</b>	<b>9,545</b>	<b>(2,402)</b>

## (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 <sup>1</sup>	1,187,770	1,311,445	413,241	374,110
US\$ net borrowings <sup>2</sup>	(1,184,295)	(966,477)	(298,889)	–
US\$ cross currency swaps <sup>3</sup>	–	(251,700)	–	(221,700)
<b>US\$ denominated net investment</b>	<b>3,475</b>	<b>93,268</b>	<b>114,352</b>	<b>152,410</b>
<b>% hedged</b>	<b>100%</b>	<b>93%</b>	<b>72%</b>	<b>59%</b>
€ assets <sup>1</sup>	137,350	138,675	–	–
€ net borrowings <sup>2</sup>	(54,952)	(39,305)	–	–
€ cross currency swaps <sup>3</sup>	(80,000)	(100,000)	–	–
<b>€ denominated net investment</b>	<b>2,398</b>	<b>(630)</b>	<b>–</b>	<b>–</b>
<b>% hedged</b>	<b>98%</b>	<b>100%</b>	<b>–</b>	<b>–</b>
C\$ assets <sup>1</sup>	55,650	51,600	–	–
C\$ net borrowings <sup>2</sup>	–	–	–	–
C\$ cross currency swaps <sup>3</sup>	(50,000)	(70,000)	–	–
<b>C\$ denominated net investment</b>	<b>5,650</b>	<b>(18,400)</b>	<b>–</b>	<b>–</b>
<b>% hedged</b>	<b>90%</b>	<b>136%</b>	<b>–</b>	<b>–</b>
NZ\$ assets <sup>1</sup>	128,484	130,000	–	–
NZ\$ net borrowings <sup>2</sup>	–	–	–	–
NZ\$ cross currency swaps <sup>3</sup>	–	–	–	–
<b>NZ\$ denominated net investment</b>	<b>128,484</b>	<b>130,000</b>	<b>–</b>	<b>–</b>
<b>% hedged</b>	<b>0%</b>	<b>0%</b>	<b>–</b>	<b>–</b>
<b>Total foreign net investment (A\$ equivalent)</b>	<b>116,066</b>	<b>198,835</b>	<b>134,169</b>	<b>187,839</b>
<b>Total % hedged</b>	<b>93%</b>	<b>90%</b>	<b>72%</b>	<b>59%</b>

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.

**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 currency<sup>1</sup>. The cents per currency has been applied to the spot rates prevailing at 30 June 2010<sup>2</sup>. 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 swaps<sup>1</sup>. 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	–	–
<b>Total A\$ equivalent</b>		<b>26</b>	<b>138</b>	<b>3</b>	<b>42</b>

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 currency<sup>1</sup>. The cents per currency has been applied to the spot rates prevailing at 30 June 2010<sup>2</sup>. 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:

<b>Consolidated</b>	<b>2010 Carrying amount<sup>1</sup> \$'000</b>	<b>2010 Fair value<sup>2</sup> \$'000</b>	<b>2009 Carrying amount<sup>1</sup> \$'000</b>	<b>2009 Fair value<sup>2</sup> \$'000</b>
<b>Financial assets</b>				
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
<b>Total financial assets</b>	<b>235,753</b>	<b>235,753</b>	<b>326,152</b>	<b>326,152</b>
<b>Financial liabilities</b>				
Trade payables	130,207	130,207	98,410	98,410
Derivative liabilities	322,161	322,161	386,224	386,224
<b>Interest bearing liabilities</b>				
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
<b>Total financial liabilities</b>	<b>2,705,302</b>	<b>2,882,163</b>	<b>3,004,044</b>	<b>3,088,718</b>
<b>Parent entity</b>				
	<b>2010 Carrying amount<sup>1</sup> \$'000</b>	<b>2010 Fair value<sup>2</sup> \$'000</b>	<b>2009 Carrying amount<sup>1</sup> \$'000</b>	<b>2009 Fair value<sup>2</sup> \$'000</b>
<b>Financial assets</b>				
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
<b>Total financial assets</b>	<b>937,595</b>	<b>937,595</b>	<b>551,408</b>	<b>551,408</b>
<b>Financial liabilities</b>				
Trade payables	36,176	36,176	19,503	19,503
Derivative liabilities	78,496	78,496	149,545	149,545
<b>Interest bearing liabilities</b>				
Fixed interest bearing liabilities	350,685	429,541	–	–
Loans with related parties	34,332	34,332	34,332	34,332
<b>Total financial liabilities</b>	<b>499,689</b>	<b>578,545</b>	<b>203,380</b>	<b>203,380</b>

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.

<b>Consolidated financial assets and liabilities</b>	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>2010 \$'000</b>
<b>Financial assets</b>				
Derivative assets				
Interest rate derivatives	–	122,219	–	122,219
Cross currency swaps	–	21,252	–	21,252
Forward exchange contracts	–	2,853	–	2,853
	–	<b>146,324</b>	–	<b>146,324</b>
<b>Financial liabilities</b>				
Interest bearing liabilities				
Fixed interest bearing liabilities	–	1,263,432	–	1,263,432
Floating interest bearing liabilities	–	1,166,254	–	1,166,254
	–	<b>2,429,686</b>	–	<b>2,429,686</b>
<b>Derivative liabilities</b>				
Interest rate derivatives	–	308,946	–	308,946
Cross currency swaps	–	12,898	–	12,898
Forward exchange contracts	–	317	–	317
	–	<b>322,161</b>	–	<b>322,161</b>
<b>Parent financial assets and liabilities</b>				
	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>2010 \$'000</b>
<b>Financial assets</b>				
Derivative assets				
Interest rate derivatives	–	69,497	–	69,497
Forward exchange contracts	–	1,131	–	1,131
	–	<b>70,628</b>	–	<b>70,628</b>
<b>Financial liabilities</b>				
Interest bearing liabilities				
Fixed interest bearing liabilities	–	429,541	–	429,541
	–	<b>429,541</b>	–	<b>429,541</b>
<b>Derivative liabilities</b>				
Interest rate derivatives	–	73,338	–	73,338
Cross currency swaps	–	5,065	–	5,065
Forward exchange contracts	–	93	–	93
	–	<b>78,496</b>	–	<b>78,496</b>

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 <sup>1</sup>	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	–	–
<b>Total contingent liabilities</b>	<b>7,040</b>	<b>9,545</b>	<b>3,601</b>	<b>2,000</b>

<sup>1</sup> 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.

## Notes to the Financial Statements

For the year ended 30 June 2010

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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
<b>Not longer than one year</b>				
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	–	–	–
	<b>167,106</b>	<b>160,026</b>	<b>126,784</b>	<b>110,302</b>
<b>Later than one year but no later than five years</b>				
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
	<b>2,000</b>	<b>54,415</b>	<b>–</b>	<b>66,272</b>
<b>Total capital commitments</b>	<b>169,106</b>	<b>214,441</b>	<b>126,784</b>	<b>176,574</b>

**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
<b>Total lease payable commitments</b>	<b>19,135</b>	<b>8,132</b>	<b>7,840</b>	<b>8,132</b>

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
<b>Total lease receivable commitments</b>	<b>2,824,770</b>	<b>3,046,577</b>	<b>159,114</b>	<b>542,728</b>

**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	–	–

**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<sup>1,4,5</sup>

E A Alexander AM, BComm, FCA, FAICD, FCPA<sup>1,2,6</sup>

B R Brownjohn, BComm<sup>1,2,5,6</sup>

J C Conde AO, BSc, BE (Hons), MBA<sup>1,3,4</sup>

S F Ewen OAM<sup>1,4</sup>

V P Hoog Antink, BComm, MBA, FCA, FAPI, FRICS, MAICD

B E Scullin, BEc<sup>1,3,7</sup>

P B St George, CA(SA), MBA<sup>1,2,5,6</sup>

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:

<b>Name</b>	<b>Position</b>
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.

	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
<b>Compensation</b>		
Short-term employee benefits	<b>9,174,298</b>	7,910,223
Post-employment benefits	<b>328,058</b>	563,665
Other long-term benefits	<b>3,797,553</b>	1,509,929
	<b>13,299,909</b>	<b>9,984,817</b>

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
<b>30 June 2010</b>								
<b>Segment performance measures</b>								
Property revenue	335,336	137,213	146,843	–	–	43,676	–	<b>663,068</b>
Management fee revenue	–	–	–	51,588	–	–	–	<b>51,588</b>
Interest revenue	–	–	–	–	1,484	–	–	<b>1,484</b>
Inter-segment revenue	199	–	–	28,987	–	–	(29,186)	–
<b>Total operating segment revenue</b>	<b>335,535</b>	<b>137,213</b>	<b>146,843</b>	<b>80,575</b>	<b>1,484</b>	<b>43,676</b>	<b>(29,186)</b>	<b>716,140</b>
<b>Net operating income (NOI)</b>	<b>245,106</b>	<b>109,939</b>	<b>99,135</b>	<b>–</b>	<b>–</b>	<b>30,227</b>	<b>–</b>	<b>484,407</b>
<b>Management company EBIT</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>6,121</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>6,121</b>
Finance costs	–	–	–	–	(190,685)	–	–	<b>(190,685)</b>
Compensation related expenses	–	–	–	(58,978)	–	–	–	<b>(58,978)</b>
Net fair value loss of investment property <sup>1</sup>	(57,530)	(47,878)	(113,104)	–	–	(17,098)	–	<b>(235,610)</b>
Reversal of previous impairment	–	–	–	–	–	13,307	–	<b>13,307</b>
Net loss on sale of investment property	(508)	(3,514)	(49,320)	–	–	–	–	<b>(53,342)</b>
Net fair value loss on derivatives	–	–	–	–	5,401	–	–	<b>5,401</b>
<b>Segment asset measures</b>								
Direct property portfolio	4,109,029	1,547,938	1,452,809	–	–	196,809	–	<b>7,306,585</b>
Additions to investment property	199,971	55,294	30,759	–	–	2,947	–	<b>288,971</b>
Acquisition of investment property	–	94,852	236,713	–	–	–	–	<b>331,565</b>
<b>Segment liability measures</b>								
Interest bearing liabilities	–	–	–	–	2,240,082	–	–	<b>2,240,082</b>

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.

## FINANCIAL STATEMENTS

### Notes to the Financial Statements

For the year ended 30 June 2010

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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
<b>30 June 2009</b>								
<b>Segment performance measures</b>								
Property revenue	331,567	135,256	188,691	–	–	52,992	–	<b>708,506</b>
Management fee revenue	–	–	–	63,663	–	–	–	<b>63,663</b>
Interest revenue	–	–	–	–	3,225	–	–	<b>3,225</b>
Inter-segment revenue	1,383	–	–	30,936	–	–	(32,319)	–
<b>Total operating segment revenue</b>	<b>332,950</b>	<b>135,256</b>	<b>188,691</b>	<b>94,599</b>	<b>3,225</b>	<b>52,992</b>	<b>(32,319)</b>	<b>775,394</b>
<b>Net operating income (NOI)</b>	<b>246,707</b>	<b>109,245</b>	<b>132,750</b>	–	–	<b>39,241</b>	–	<b>527,943</b>
<b>Management company EBIT</b>	–	–	–	<b>21,025</b>	–	–	–	<b>21,025</b>
Finance costs	–	–	–	–	(384,241)	–	–	<b>(384,241)</b>
Compensation related expenses	–	–	–	(59,282)	–	–	–	<b>(59,282)</b>
Net fair value loss of investment property <sup>1</sup>	(604,608)	(226,413)	(697,917)	–	–	(115,515)	–	<b>(1,644,453)</b>
Impairment of management rights	–	–	–	–	–	(41,110)	–	<b>(41,110)</b>
Net (loss)/gain on sale of investment property	(541)	104	(1,393)	–	–	(50)	–	<b>(1,880)</b>
Net fair value gain/loss on derivatives	–	–	–	–	(21,209)	–	–	<b>(21,209)</b>
<b>Segment asset measures</b>								
Direct property portfolio	4,046,070	1,504,619	1,674,038	–	–	511,132	–	<b>7,735,859</b>
Additions to investment properties	135,258	85,515	67,143	–	–	5,360	–	<b>293,276</b>
Acquisition of investment properties	–	27,165	–	–	–	–	–	<b>27,165</b>
<b>Segment liability measures</b>								
Interest bearing liabilities	–	–	–	–	2,509,012	–	–	<b>2,509,012</b>

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)
<b>Total revenue from ordinary activities</b>	<b>716,140</b>	<b>775,394</b>

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.

**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 <sup>1</sup>	(8,908)	(6,078)
<b>Net operating income (NOI)</b>	<b>484,407</b>	<b>527,943</b>
<b>Add: management company EBIT</b>	<b>6,121</b>	<b>21,025</b>
Less: Internal management fees <sup>2</sup>	(19,048)	(22,704)
Less: Inter-segment eliminations	(1,031)	(2,154)
Other income and expense <sup>3</sup>	(9,140)	(9,591)
<b>Operating EBIT</b>	<b>461,309</b>	<b>514,519</b>
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 <sup>4</sup>	(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)
<b>Net profit/(loss) attributable to stapled security holders</b>	<b>31,420</b>	<b>(1,459,111)</b>

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 <sup>1</sup>	–	431,891
Investment property (accounted for using the equity method) <sup>2</sup>	96,650	85,204
<b>Direct property portfolio</b>	<b>7,306,585</b>	<b>7,735,859</b>
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 <sup>3</sup>	14,353	18,544
<b>Total assets</b>	<b>7,871,028</b>	<b>8,351,110</b>

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.

## 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
<b>Change in operating assets and liabilities</b>				
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)	–	–
<b>Net cash inflow from operating activities</b>	<b>340,174</b>	<b>359,577</b>	<b>100,802</b>	<b>149,520</b>

## (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)
<b>Net profit/(loss) attributable to the unitholders of the Trust used in calculating basic and diluted earnings per unit</b>	<b>16,121</b>	<b>(300,486)</b>

##### (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

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.

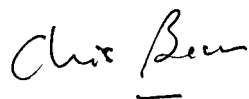
In the Directors' opinion:

- (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





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**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.

Handwritten signature of PricewaterhouseCoopers in cursive script.

PricewaterhouseCoopers

Handwritten signature of JA Dunning in 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
	<b>Total top 20</b>	<b>4,216,215,129</b>	<b>87.46</b>
	<b>Balance of register</b>	<b>604,606,670</b>	<b>12.54</b>
	<b>Total</b>	<b>4,820,821,799</b>	<b>100.00</b>

## 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
<b>Total</b>	<b>4,820,821,799</b>	<b>100.00</b>	<b>22,257</b>

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

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Email: [ir@dexus.com](mailto:ir@dexus.com)

[www.dexus.com](http://www.dexus.com)

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Phone: +1 949 783 2801  
Fax: +1 949 433 9124  
Email: [ir@dexus.com](mailto:ir@dexus.com)

[www.dexus.com/us](http://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](mailto:ir@dexus.com)  
Website: [www.dexus.com](http://www.dexus.com)

## Security registry

Link Market Services Limited  
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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](mailto:registrars@linkmarketservices.com.au)  
Website: [www.linkmarketservices.com.au](http://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](http://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**  
ANNUAL REPORT

