Note 1. Summary of significant accounting policies

(a) Basis of preparation

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

DEXUS Funds Management Limited as Responsible Entity for each entity within DXS may only unstaple if approval is obtained by a special resolution of the stapled security holders.

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

As at 30 June 2009, the Trust had a net current assets deficiency of $150.1 million. The accounts have been prepared on a going concern basis due to the existence of cross guarantee arrangements with other entities within the DXS group. Gearing is managed centrally for DXS. The gearing ratio as disclosed in the DEXUS Property Group Annual Report 2009 is 32% (refer note 30 (1) of the DXS Financial Statements).

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

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

Critical accounting estimates

The preparation of Financial Statements in conformity with AIFRS may require the use of certain critical accounting estimates and management to exercise its judgement in the process of applying the Trust's accounting policies. Other than the estimation described in notes 1(e), 1(m), 1(n), and 1(t), no key assumptions concerning the future or other estimation of uncertainty at the reporting date have a significant risk of causing material adjustments to the Financial Statements in the next annual reporting period.

Uncertainty around property valuations

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

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

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

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

(b) Principles of consolidation

(i) Controlled entities

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

(ii) Partnerships and joint ventures

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

(c) Revenue recognition

(i) Rent

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

(ii) Interest revenue

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

(iii) Distribution revenue

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

(d) Expenses

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

(i) Property expenses

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

(ii) Borrowing costs

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

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

(e) Derivatives and other financial instruments

(i) Derivatives

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

(ii) Embedded derivatives

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

(iii) Debt and equity instruments issued by the Trust

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

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

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

(iv) Financial guarantee contracts

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

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

(v) Other financial assets

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

(f) Goods and services tax/value added tax

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

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

(g) Taxation

Under current Australian income tax legislation, DOT is not liable for income tax provided they satisfy certain legislative requirements. DOT may be liable for income tax in jurisdictions where foreign property is held (i.e. New Zealand).

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

(h) Distributions

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

Note 1. Summary of significant accounting policies (continued)

(i) Repairs and maintenance

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

(j) Cash and cash equivalents

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

(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 Trust will not be able to collect all amounts due according to the original terms of the receivables.

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

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

(m) Property, plant and equipment

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

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

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

(n) Investment properties

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

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

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

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

Subsequent redevelopment and refurbishment costs (other than repairs and maintenance) are capitalised to the investment property where they result in an enhancement in the future economic benefits of the property. Repairs and maintenance are accounted for in accordance with 1(i).

(o) Leasing fees

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

(p) Lease incentives

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

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

(q) Investments accounted for using the equity method

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

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

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

(r) Business combinations

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

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

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

(s) Impairment of assets

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

(t) Financial assets and liabilities

(i) Classification

DOT has classified its financial assets and liabilities as follows:

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

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

(ii) Fair value estimation of financial assets and liabilities

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

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

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

Note 1. Summary of significant accounting policies (continued)

(u) Payables

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

(v) Interest bearing liabilities

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

(w) Earnings per unit

Earnings per unit are determined by dividing the net profit attributable to equity holders of the parent entity by the weighted average number of ordinary units outstanding during the year.

(x) Foreign currency

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

(i) Foreign currency transactions

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

(ii) Foreign operations

Foreign operations are located in New Zealand. These operations have a functional currency of NZ Dollars, which is translated into the presentation currency.

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

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

(y) Segment reporting

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

(z) Rounding of amounts

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

(aa) New accounting standards and interpretations

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

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

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

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

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

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

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

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

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

The revised AASB 3 continues to apply the acquisition method to business combinations, but with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the Income Statements. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs must be expensed. This is different to the Trust's current policy which is set out in note 1(s) above. For example, under the new rules:

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

(v) AASB 2008-7 *Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* (effective 1 July 2009).
In July 2008, the AASB approved amendments to AASB 1 *First-time Adoption of International Financial Reporting Standards* and AASB 127 Consolidated and Separate Financial Statements. The Trust will apply the revised rules prospectively from 1 July 2009. After that date, all dividends received from investments in subsidiaries, jointly controlled entities or associates will be recognised as revenue, even if they are paid out of pre-acquisition profits, but the investments may need to be tested for impairment as a result of the dividend payment. Under the entity's current policy, these dividends are deducted from the cost of the investment. Furthermore, when a new intermediate parent entity is created in internal reorganisations it will measure its investment in subsidiaries at the carrying amounts of the net assets of the subsidiary rather than the subsidiary's fair value.

(vi) AASB 2008-5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project.*
In July 2008, AASB 2008-5 was issued comprising amendments to various standards arising from the annual improvements project. The amendments are effective for reporting periods beginning on or after 1 January 2009. The following amendments are considered relevant to the Trust:

AASB 101 (Amendment) *Presentation of Financial Statements.*
The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with AASB 139 *Financial Instruments: Recognition and Measurement* are examples of current assets and liabilities respectively. The Trust will apply the AASB 139 (Amendment) from 1 July 2009. This clarification will enable the Trust to distinguish between current and non-current derivative balances.

AASB 123 (Amendment) *Borrowing Costs*.
The definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in AASB 139 *Financial Instruments: Recognition and Measurement*. This eliminates the inconsistency of terms between AASB 139 and AASB 123. The Trust will apply the AASB 123 (Amendment) prospectively to the capitalisation of borrowing costs on qualifying assets from 1 July 2009. This is not expected to have any impact on the amounts recognised in the entity's Financial Statements.

AASB 127 (Amendment) *Consolidated and Separate Financial Statements* (effective from 1 January 2009).
Where an investment in a subsidiary that is accounted for under AASB 139 *Financial Instruments: Recognition and Measurement* is classified as held for sale under AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*, AASB 139 would continue to be applied. The amendment will not have an impact on the Trust's operations because it is the Trust's policy for an investment in subsidiary to be recorded at fair value through profit or loss in the standalone accounts of each entity.

AASB 128 (Amendment) *Investments in Associates* (and consequential amendments to AASB 132 *Financial Instruments: Presentation and AASB 7 Financial Instruments: Disclosures*) (effective from 1 January 2009).
An investment in associate is treated as a single asset for the purposes of impairment testing and any impairment loss is not allocated to specific assets included within the investment, for example, goodwill. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. The Trust will apply the AASB 128 (Amendment) to impairment tests related to investment in associates and any related impairment losses from 1 July 2009. Due to the prospective application this will not affect any of the amounts recognised at 30 June 2009.

AASB 131 (Amendment) *Interests in Joint Ventures* (and consequential amendments to AASB 132 and AASB 7) (effective from 1 January 2009).
Where an investment in a joint venture is accounted for in accordance with AASB 139, only certain, rather than all, disclosure requirements in AASB 131 need to be made in addition to disclosures required by AASB 132 and AASB 7. This amendment will not have an impact on the Trust's operations.

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

Note 1. Summary of significant accounting policies (continued)

(aa) New accounting standards and interpretations (continued)

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

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

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

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

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

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

Note 2. Property revenue

	Consolidated		Parent entity	
	2009 $'000	**2008 $'000**	**2009 $'000**	**2008 $'000**
Rent and recoverable outgoings	257,807	246,945	165,168	153,635
Incentive amortisation	(25,468)	(24,863)	(17,940)	(17,384)
Other revenue	9,050	11,226	4,237	8,714
Total property revenue	**241,389**	**233,308**	**151,465**	**144,965**

Note 3. Interest revenue

	Consolidated		Parent entity	
	2009 $'000	**2008 $'000**	**2009 $'000**	**2008 $'000**
Interest income from financial institutions	631	1,261	382	587
Interest income from related parties	–	971	8,355	9,096
Total interest revenue	**631**	**2,232**	**8,737**	**9,683**

Note 4. Finance costs

	Consolidated		Parent entity	
	2009 $'000	**2008 $'000**	**2009 $'000**	**2008 $'000**
Interest paid/payable	29,242	38,415	29,242	42,635
Interest paid to related parties	12,270	14,390	12,270	14,390
Amount capitalised	(8,311)	(584)	(1,390)	(584)
Other finance costs	2,083	1,551	1,316	(75)
Net fair value loss/(gain) of interest rate swaps	63,232	(18,662)	63,232	(18,662)
Total finance costs	**98,516**	**35,110**	**104,670**	**37,704**

The average capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 6.90% (2008: 6.40%).

Note 5. Other expenses

		Consolidated		Parent entity	
	Note	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Audit and other fees	6	465	475	397	344
Custodian fees		242	248	215	223
Legal and other professional fees		284	7	284	7
Registry costs and listing fees		338	210	258	145
Other expenses		484	670	433	639
Total other expenses		**1,813**	**1,610**	**1,587**	**1,358**

Note 6. Audit and advisory fees

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

(a) Assurance services

	Consolidated		Parent entity	
	2009 $	2008 $	2009 $	2008 $
Audit services				
PwC audit and review of financial reports and other audit work under the *Corporations Act 2001*	328,580	346,293	306,095	317,453
PwC fees paid in relation to outgoings audit[1]	60,193	60,797	31,425	28,218
Remuneration for audit services to PwC	**388,773**	**407,090**	**337,520**	**345,671**
Total remuneration for assurance services	**388,773**	**407,090**	**337,520**	**345,671**

(b) Taxation services

Fees paid to PwC Australia	136,270	128,238	90,848	26,130
Total remuneration for taxation services[2]	**136,270**	**128,238**	**90,848**	**26,130**
Total audit and taxation fees[1]	**525,043**	**535,328**	**428,368**	**371,801**

(c) Fees paid to PwC for transaction services

PwC assurance services in respect of capital raisings	254,594	–	254,594	–
PwC taxation services	101,444	–	54,314	–
PwC other transaction and advisory fees	96,421	–	57,821	–
Total transaction service fees	**452,459**	**–**	**366,729**	**–**
Total audit, taxation and transaction service fees	**977,502**	**535,328**	**795,097**	**371,801**

1 Fees paid in relation to outgoing audits are included in property expenses. Therefore total audit and taxation fees included in other expenses is $465,000.
2 These services include general compliance work, one off project work and advice with respect to the management of day to day tax affairs of the Trust.

Note 7. Current assets – cash and cash equivalents

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Cash at bank	8,289	12,532	3,728	4,194
Total current assets – cash and cash equivalents	**8,289**	**12,532**	**3,728**	**4,194**

Note 8. Current assets – receivables

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Rent receivable	1,748	1,757	762	1,547
Less: provision for doubtful debts	(165)	(5)	(165)	(5)
Total rental receivables	**1,583**	**1,752**	**597**	**1,542**
Receivables from related parties	16	241	–	–
Other receivables	5,115	2,556	4,493	1,650
Total other receivables	**5,131**	**2,797**	**4,493**	**1,650**
Total current assets – receivables	**6,714**	**4,549**	**5,090**	**3,192**

Note 9. Loans with related parties

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Current assets – loans with related parties				
Non-interest bearing loans with controlled entities	–	–	115,033	158,610
Interest bearing loans with controlled entities	–	–	147,120	120,316
Total current assets – loans with related parties	**–**	**–**	**262,153**	**278,926**
Non-current assets – loans with related parties				
Intercompany loan[1]	41,049	–	41,049	–
Total non-current assets – loans with related parties	**41,049**	**–**	**41,049**	**–**
Current liabilities – loans with related parties				
Non-interest bearing loans with the Trusts[2]	55,684	55,684	55,684	55,684
Interest bearing loans with controlled entities	–	–	–	500,000
Total current liabilities – loans with related parties	**55,684**	**55,684**	**55,684**	**555,684**
Non-current liabilities – loans with related parties				
Intercompany loan[1]	–	244,894	–	244,684
Interest bearing loans with controlled entities	–	–	248,038	–
Total non-current liabilities – loans with related parties	**–**	**244,894**	**248,038**	**244,684**

1 The intercompany loans represent interest-bearing loans with DEXUS Finance Pty Limited (DXF) to or from the Trust. These loan balances eliminate on consolidation.
2 Non-interest bearing loans with the Trusts were created to effect the stapling of the Trust, DIT, DDF and DXO. These loan balances eliminate on consolidation.

Note 10. Derivative financial instruments

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Current assets				
Interest rate swap contracts	13,558	59,501	13,558	59,501
Forward foreign exchange contracts	227	921	227	921
Total current assets – derivative financial instruments	**13,785**	**60,422**	**13,785**	**60,422**
Current liabilities				
Interest rate swap contracts	24,025	4,759	24,025	4,759
Total current liabilities – derivative financial instruments	**24,025**	**4,759**	**24,025**	**4,759**
Net current derivative financial instruments	**(10,240)**	**55,663**	**(10,240)**	**55,663**

Refer note 25 for further discussion regarding derivative financial instruments.

Note 11. Current assets – other

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Prepayments	2,702	1,867	1,851	1,299
Total current assets – other	**2,702**	**1,867**	**1,851**	**1,299**

Note 12. Non-current assets – investment properties

(a) Reconciliation

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Opening balance as at 1 July 2009	3,325,300	3,129,783	2,305,243	2,079,811
Additions	21,635	23,862	17,008	16,368
Lease incentives	14,000	30,707	8,473	16,779
Amortisation of lease incentives	(25,468)	(24,863)	(17,940)	(17,384)
Rent straightlining	3,666	3,536	2,744	3,861
Transfer to equity accounted investment[1]	–	(54,478)	–	–
Net (loss)/gain from fair value adjustments	(449,463)	234,248	(323,528)	205,808
Foreign exchange differences on foreign currency translation	1,933	(17,495)	–	–
Closing balance as at 30 June 2009	**2,891,603**	**3,325,300**	**1,992,000**	**2,305,243**

1 On 15 October 2007, the Bent Street Trust was transferred to equity accounted investments due to the sale of 31.8% to DEXUS Wholesale Property Fund (DWPF).

Key valuation assumptions

Details of key valuation assumptions in relation to investment properties are outlined in note 13 of the DXS Financial Statements.

(b) Developments

60 Miller Street, North Sydney, NSW

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

Note 13. Non-current assets – property, plant and equipment

(a) Property, plant and equipment

30 June 2009

	Consolidated			Parent entity		
	Construction in progress $'000	Land and freehold buildings $'000	Total $'000	Construction in progress $'000	Land and freehold buildings $'000	Total $'000
Opening balance as at 1 July 2008	997	27,530	28,527	–	–	–
Additions	1,036	–	1,036	–	–	–
Impairment	–	(11,413)	(11,413)	–	–	–
Closing balance as at 30 June 2009	**2,033**	**16,117**	**18,150**	**–**	**–**	**–**
Cost	2,033	27,530	29,563	–	–	–
Impairment	–	(11,413)	(11,413)	–	–	–
Net book value as at 30 June 2009	**2,033**	**16,117**	**18,150**	**–**	**–**	**–**

30 June 2008

	Consolidated			Parent entity		
	Construction in progress $'000	Land and freehold buildings $'000	Total $'000	Construction in progress $'000	Land and freehold buildings $'000	Total $'000
Opening balance as at 1 July 2007	–	27,530	27,530	–	–	–
Additions	997	–	997	–	–	–
Closing balance as at 30 June 2008	**997**	**27,530**	**28,527**	**–**	**–**	**–**
Cost	997	27,530	28,527	–	–	–
Net book value as at 30 June 2008	**997**	**27,530**	**28,527**	**–**	**–**	**–**

(b) Non-current assets pledged as security

Refer to note 18 for information on non-current assets pledged as security by the parent entity and its controlled entities.

(c) Impairment

During the period, DOT carried out a review of the recoverable amount of its properties. This resulted in the recognition of an impairment loss of $11.4 million for 144 Wicks Road, North Ryde, NSW, which has been recognised in the Income Statements.

The value in use has been determined using management forecasts in a 10 year discounted cash flow model. Forecasts were based on projected returns of the project in light of current market conditions which include estimates of operating cash flows, sales values and total project costs. Year 10 earnings have been used to determine terminal value. The cash flows have been discounted at the cost of capital for each project.

(d) Acquisitions and developments

144 Wicks Road, North Ryde, NSW

In November 2006, DOT (through its sub-trust Wicks Road Trust), acquired a 50% ownership interest in the former Peter Board High School site, 144 Wicks Road, North Ryde, NSW for a consideration of $25.9 million. The DA for stage 1 (estimated 26,000 square metres net lettable area) is expected to be approved by October 2009. Demolition of the former high school building was completed by December 2008.

Note 14. Non-current assets – other financial assets at fair value through profit or loss

Investments are adjusted to their fair value through the Income Statements.

Name of entity	Principal activity	Ownership Interest		Parent entity	
		2009 %	2008 %	2009 $'000	2008 $'000
Controlled Entities					
DOT Commercial Trust	Commercial property investment	100.0	100.0	485,701	610,870
DOT NZ Sub-trust No 1	Commercial property investment	100.0	100.0	25,154	44,682
DOT NZ Sub-trust No 2	Commercial property investment	100.0	100.0	55	55
Total non-current assets – other financial assets at fair value through profit or loss				**510,910**	**655,607**

Reconciliation

	Parent entity	
	2009 $'000	2008 $'000
Opening balance as at 1 July 2008	655,607	682,945
Acquisitions	–	96
Fair value loss	(144,697)	(27,434)
Closing balance as at 30 June 2009	**510,910**	**655,607**

All controlled entities are wholly owned by the Trust. Both the parent entity and the controlled entities were formed in Australia.

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

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

Information relating to these entities is set out below.

Name of entity	Principal activity	Ownership Interest		Consolidated		Parent entity	
		2009 %	2008 %	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Held by controlled entities							
Bent Street Trust[1]	Commercial property investment	34.9	68.2	84,165	111,946	–	–
Total				**84,165**	**111,946**	**–**	**–**

This entity was formed in Australia.

1 On 15 October 2007, the Bent Street Trust was transferred from investment properties due to the sale of 31.8% to DWPF. On 5 February 2009, a further 33.3% of the Bent Street Trust was sold to CBUS Property.

Note 15. Non-current assets – investments accounted for using the equity method (continued)

	Consolidated	
	2009 $'000	**2008 $'000**
Movements in carrying amounts of investments accounted for using the equity method		
Opening balance as at 1 July 2008	111,946	40,750
Interest acquired and additions	32,916	67,077
Interest sold during the year	(60,712)	–
Transfer from investment properties	–	54,478
Share of net profits after tax	31	(4,013)
Distributions received	(16)	(5,483)
Wind up of investment	–	(40,863)
Closing balance as at 30 June 2009	**84,165**	**111,946**
Results attributable to associates		
Operating profits before income tax	31	(4,013)
Operating profits after income tax	**31**	**(4,013)**
Less: Distributions/Dividends received	(16)	(5,483)
	15	(9,496)
Undistributed income attributable to associates as at 1 July 2008	(6,367)	3,129
Undistributed income attributable to associates as at 30 June 2009	**(6,352)**	**(6,367)**

Summary of the performance and financial position of investments accounted for using the equity method
The Trust's share of aggregate profits, assets and liabilities of investments accounted for using the equity method are:

	Consolidated	
	2009 $'000	**2008 $'000**
Profits from ordinary activities after income tax expense	31	(4,013)
Assets	86,075	121,242
Liabilities	1,910	9,296
Share of associates' expenditure commitments		
Capital commitments	96,318	191,742

Note 16. Non-current assets – other

	Consolidated		Parent entity	
	2009 $'000	**2008 $'000**	**2009 $'000**	**2008 $'000**
Tenant and other bonds	96	402	74	272
Other	289	289	289	289
Total non-current assets – other	**385**	**691**	**363**	**561**

Note 17. Current liabilities – payables

	Consolidated		Parent entity	
	2009 $'000	**2008 $'000**	**2009 $'000**	**2008 $'000**
Trade creditors	9,013	15,883	5,586	10,870
Accruals	2,529	1,615	2,281	1,493
Amount payable to other minority interest	2,244	4,631	–	–
Accrued capital expenditure	2,274	799	341	246
Prepaid income	5,705	1,735	4,237	2,716
Responsible Entity fee payable	827	876	1,696	608
GST payable	1,385	978	687	561
Accrued interest	3,713	8,132	3,713	8,132
Total current liabilities – payables	**27,690**	**34,649**	**18,541**	**24,626**

Note 18. Interest bearing liabilities

Current

		Consolidated		Parent entity	
	Note	**2009 $'000**	**2008 $'000**	**2009 $'000**	**2008 $'000**
Secured					
Commercial mortgage backed securities	(a)	–	500,000	–	–
Total secured		**–**	**500,000**	**–**	**–**
Deferred borrowing costs		–	(210)	–	–
Total current liabilities – interest bearing liabilities		**–**	**499,790**	**–**	**–**

Non-current

Secured					
Bank loans	(b)	250,000	–	–	–
Total secured		**250,000**	**–**	**–**	**–**
Deferred borrowing costs		(1,962)	–	–	–
Total non-current liabilities – interest bearing liabilities		**248,038**	**–**	**–**	**–**
Total interest bearing liabilities		**248,038**	**499,790**	**–**	**–**

Note 18. Interest bearing liabilities (continued)

Financing arrangements

					Consolidated	
					2009 $'000	2009 $'000
Type of Facility	**Note**	**Currency**	**Security**	**Maturity Date**	**Utilised**	**Facility Limit**
Bank debt – secured	(b)	A$	Secured	Jul 11–Oct 11	250,000	500,000
Total					**250,000**	**500,000**
Bank guarantee utilised					–	–
Unused at balance date					**250,000**	**–**

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

The current debt facilities will be refinanced as at/or prior to their maturity.

(a) Commercial mortgage backed securities and commercial paper

During the period, $500 million of commercial mortgage backed securities (CMBS) was repaid and associated mortgages discharged.

(b) Bank loans – secured

This includes two facilities of $250 million each comprising an:

(i) A$250 million secured bank loan maturing in October 2011. The loan is secured by mortgages over one DDF investment property and two DOT investment properties totalling A$825 million as at 30 June 2009.

(ii) A$250 million secured facility maturing in July 2011. When utilised, the facility will be secured over investment properties to the value no more than A$625 million, to be finalised prior to first utilisation. The facility ceases to be available if it is not drawn by February 2010.

Note 19. Provisions

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Current				
Provision for distribution	74,141	57,847	74,141	57,847
	74,141	**57,847**	**74,141**	**57,847**

Movements in provision for distribution is set out below:

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Provision for distribution				
Opening balance as at 1 July 2008	57,847	63,946	57,847	63,946
Additional provisions	114,209	89,092	114,209	89,092
Payments and reinvestment of distributions	(97,915)	(95,191)	(97,915)	(95,191)
Closing balance as at 30 June 2009	**74,141**	**57,847**	**74,141**	**57,847**

Provision for distribution

Provision is made for distributions to be paid for the period ended 30 June 2009 payable on 28 August 2009.

Note 20. Non-current liabilities – other

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Tenant bonds	96	401	74	271
Other	–	3	–	–
Total non-current liabilities – other	**96**	**404**	**74**	**271**

Note 21. Contributed equity

(a) Contributed equity of equity holders

	Consolidated	
	2009 $'000	2008 $'000
Opening balance as at 1 July 2008	1,506,188	1,453,980
Distributions reinvested	31,262	52,291
Issue of units	494,817	–
Cost of issuing units	(17,075)	(83)
Closing balance as at 30 June 2009	**2,015,192**	**1,506,188**

(b) Number of securities on issue

	Consolidated	
	2009 No. of units	2008 No. of units
Opening balance as at 1 July 2008	3,040,019,487	2,894,600,006
Distributions reinvested	100,368,579	145,419,481
Issue of units	1,560,453,600	–
Closing balance as at 30 June 2009	**4,700,841,666**	**3,040,019,487**

Terms and conditions

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

Each stapled security entitles the holder to one vote, either in person or by proxy, at a meeting of each of the Trusts.

(c) Issue of securities

During the current year DXS carried out two separate security issue programs issuing a total of 1,560.5 million securities to raise $1,062.2 million excluding equity raising costs of $32.7 million. This comprised of the following:

December 2008 Institutional placement and share purchase plan

On 10 December 2008 pursuant to an institutional placement 391.7 million securities were issued at a price of 33.5 cents per unit.

On 6 February 2009 pursuant to a security purchase plan 16.4 million securities were issued at a price of 30.7 cents per unit.

May 2009 Institutional placement, institutional entitlement offer and the retail entitlement offer

On 6 May 2009 pursuant to an institutional placement, institutional entitlement offer and the retail entitlement offer for which valid applications were received, a total of 1025.1 million securities were issued at a price of 31.1 cents per unit.

On 28 May 2009 pursuant to a retail entitlement offer 127.2 million securities were issued at a price of 31.1 cents per unit.

Note 21. Contributed equity (continued)

(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 29 August 2008, 45,087,887 units were issued at a unit price of $0.4086 in relation to the June 2008 distribution period.

On 27 February 2009, 55,280,692 units were issued at a unit price of $0.2322 in relation to the December 2008 distribution period.

Approval of issues of Stapled Securities to an underwriter in connection with issues under a Distribution Reinvestment Plan

At the Extraordinary General Meeting held on 6 February 2009 by DXFM, as Responsible Entity for DDF, DIT, DOT and DXO, security holders resolved to authorise DXFM, as Responsible Entity, to issue stapled securities, each comprising a unit in each of the above mentioned trusts (Stapled Securities), to an underwriter or persons procured by an underwriter within a period of 24 months from the date of the meeting in connection with any issue of Stapled Securities under the DXS distribution reinvestment plan.

Such an issue will not be counted for the purposes of the calculation of DXS' annual placement limit of 15% under the ASX Listing Rules.

Note 22. Reserves and undistributed income

(a) Reserves

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Foreign currency translation reserve	(11,718)	(13,787)	–	–
Total reserves	**(11,718)**	**(13,787)**	**–**	**–**
Movements:				
Foreign currency translation reserve				
Opening balance as at 1 July 2008	(13,787)	4,008	–	–
Exchange difference arising from the translation of the financial statements of foreign operations	2,069	(17,795)	–	–
Total movement in foreign currency translation reserve	**2,069**	**(17,795)**	**–**	**–**
Closing balance as at 30 June 2009	**(11,718)**	**(13,787)**	**–**	**–**

(b) Nature and purpose of reserves

Foreign currency translation reserve

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

(c) Undistributed income

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Undistributed income as at 1 July 2008	951,335	700,392	915,385	691,904
Net (loss)/profit attributable to unitholders	(397,449)	353,382	(405,942)	312,573
Transfer of capital reserve of minority interest	(10,008)	(13,347)	–	–
Distributions provided for or paid	(114,209)	(89,092)	(114,209)	(89,092)
Undistributed income as at 30 June 2009	**429,669**	**951,335**	**395,234**	**915,385**

Note 23. Minority interests

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Interest in				
Contributed equity	197,705	197,705	–	–
Reserves	51,721	41,713	–	–
Undistributed income	(45,401)	(35,347)	–	–
Total minority interests	**204,025**	**204,071**	**–**	**–**

Note 24. Distributions paid and payable

(a) Distribution to unit holders

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
31 December (paid 27 February 2009)	40,068	31,245	40,068	31,245
30 June (payable 28 August 2009)	74,141	57,847	74,141	57,847
	114,209	**89,092**	**114,209**	**89,092**

(b) Distribution to other minority interests

DEXUS RENTS Trust (paid 16 October 2008)	4,651	3,978	–	–
DEXUS RENTS Trust (paid 16 January 2009)	4,243	4,202	–	–
DEXUS RENTS Trust (paid 17 April 2009)	2,611	4,304	–	–
DEXUS RENTS Trust (payable 15 July 2009)	2,244	4,632	–	–
	13,749	**17,116**	**–**	**–**
Total distributions	**127,958**	**106,208**	**114,209**	**89,092**

(c) Distribution rate

	Consolidated		Parent entity	
	2009 Cents per unit	2008 Cents per unit	2009 Cents per unit	2008 Cents per unit
31 December (paid 27 February 2009)	1.15	1.07	1.15	1.07
30 June (payable 28 August 2009)	1.57	1.90	1.57	1.90
Total distributions	**2.72**	**2.97**	**2.72**	**2.97**

Note 25. Financial risk management

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

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

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

(1) Capital risk management

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

The capital structure of the Trust consists of debt (see note 18), cash and cash equivalents, and equity attributable to unitholders (including hybrid securities). The capital structure is monitored and managed in consideration of a range of factors including:

- the cost of capital and the financial risks associated with each class of capital;
- gearing levels and other covenants;
- potential impacts on net tangible assets and unitholders equity; and
- other market factors and circumstances.

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

The gearing ratio at 30 June 2009 was 8.2% (as detailed below).

	Consolidated		Parent entity	
	2009 $'000	**2008 $'000**	**2009 $'000**	**2008 $'000**
Gearing ratio				
Interest bearing liabilities[1]	250,000	744,894	250,000	744,684
Total tangible assets[2]	3,053,057	3,485,412	2,817,144	3,249,022
Gearing ratio[3]	**8.2%**	**21.4%**	**8.9%**	**22.9%**

1 Interest bearing liabilities excludes deferred borrowing costs as reported internally to management.
2 Total tangible assets comprise total tangible assets less derivatives and deferred and current tax balances as reported internally to management.
3 Gearing is managed centrally for DXS. The gearing ratio as disclosed in the DEXUS Property Group Annual Report 2009 is 32% (refer note 30 (1) of the DXS Financial Statements).

The Trust is not rated by ratings agencies, however, DXS has been rated BBB+ by Standard and Poor's (affirmed in April 2009). The Trust considers potential impacts upon the rating when assessing the strategy and activities of the Trust and regards those impacts as an important consideration in its management of the Trust's and DXS capital structure.

The Responsible Entity for DOT (DXFM) has been issued with an Australian Financial Services Licence (AFSL). The licence is subject to certain capital requirements including the requirement to hold minimum net tangible assets (of $5 million), and maintaining a minimum level of surplus liquid funds. Furthermore, the Responsible Entity maintains trigger points in accordance with the requirements of the licence. These trigger points maintain a headroom value above the AFSL requirements and the entity has in place a number of processes and procedures should a trigger point be reached.

During the period, the Responsible Entity complied with the AFSL requirements.

(2) Financial risk management

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

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

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

(a) Liquidity risk

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

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

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

Refinancing risk

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

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

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

	Consolidated 30 June 2009				Consolidated 30 June 2008			
	Expiring within one year $'000	Expiring between one and two years $'000	Expiring between two and five years $'000	Expiring after five years $'000	Expiring within one year $'000	Expiring between one and two years $'000	Expiring between two and five years $'000	Expiring after five years $'000
Receivables	6,714	–	–	–	4,549	–	–	–
Payables	27,690	–	–	–	34,649	–	–	–
	(20,976)	**–**	**–**	**–**	**(30,100)**	**–**	**–**	**–**
Loans with related parties	**–**	**–**	**–**	**41,049**	**–**	**–**	**–**	**(244,894)**
Interest bearing liabilities								
Fixed interest rate liabilities	–	–	–	–	155,000	–	–	–
Floating interest bearing liabilities	–	–	250,000	–	345,000	–	–	–
Total interest bearing liabilities[1]	**–**	**–**	**250,000**	**–**	**500,000**	**–**	**–**	**–**
Derivative financial instruments								
Derivative assets	5,723	6,528	9,232	–	20,896	17,012	35,813	3,497
Derivative liabilities	23,298	22,697	52,660	25,064	9,203	3,556	5,325	632
Total net derivative financial instruments[2]	**(17,575)**	**(16,169)**	**(43,428)**	**(25,064)**	**11,693**	**13,456**	**30,488**	**2,865**

1 Refer to note 18 (interest bearing liabilities). Excludes deferred borrowing costs and preference shares.

2 The notional maturities on derivatives are only shown for forward foreign exchange contracts as they are the only instruments where a principal amount is exchanged. For interest rate swaps, only the net interest cash flows (not the notional principal) are included. For derivative assets and liabilities that have floating rate interest cash flows, future cash flows have been calculated using static interest rates prevailing at 30 June 2009. Refer to note 10 Derivative Financial Instruments for fair value of derivatives.

Note 25. Financial risk management (continued)

(2) Financial risk management (continued)

(a) Liquidity risk (continued)

Refinancing risk (continued)

	Parent entity 30 June 2009				Parent entity 30 June 2008			
	Expiring within one year $'000	Expiring between one and two years $'000	Expiring between two and five years $'000	Expiring after five years $'000	Expiring within one year $'000	Expiring between one and two years $'000	Expiring between two and five years $'000	Expiring after five years $'000
Receivables	267,243	–	–	–	282,118	–	–	–
Payables	18,541	–	–	–	24,626	–	–	–
	248,702	**–**	**–**	**–**	**257,492**	**–**	**–**	**–**
Loans with related parties	**–**	**–**	**–**	**248,038**	**–**	**–**	**–**	**744,684**
Derivative financial instruments								
Derivative assets	5,723	6,528	9,232	–	20,896	17,012	35,813	3,497
Derivative liabilities	23,298	22,697	52,660	25,064	9,203	3,556	5,325	632
Total net derivative financial instruments[1]	**(17,575)**	**(16,169)**	**(43,428)**	**(25,064)**	**11,693**	**13,456**	**30,488**	**2,865**

1 The notional maturities on derivatives are only shown for forward foreign exchange contracts as they are the only instruments where a principal amount is exchanged. For interest rate swaps, only the net interest cash flows (not the notional principal) are included. For derivative assets and liabilities that have floating rate interest cash flows, future cash flows have been calculated using static interest rates prevailing at 30 June 2009. Refer to note 10 Derivative Financial Instruments for fair value of derivatives.

(b) Market risk

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

(i) Interest rate risk

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

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

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

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

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

Consolidated 30 June 2009	June 2010 $'000	June 2011 $'000	June 2012 $'000	June 2013 $'000	> June 2014 $'000
Interest rate swaps					
A$ hedged[1]	726,333	694,167	593,333	555,000	271,333
A$ hedge rate (%)[2]	5.49%	5.49%	5.47%	5.81%	6.14%

1 Average amounts for the period. Hedged amounts above do not include potential hedges that are cancellable at the counterparty's option.
2 The above hedge rates do not include margins payable on borrowings.

Sensitivity on interest expense

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

		Consolidated		Parent entity	
		2009 (+/–) $'000	**2008 (+/–) $'000**	**2009 (+/–) $'000**	**2008 (+/–) $'000**
+/– 0.50% (50 basis points)	A$	(1,525)	(336)	(1,525)	(336)

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

Sensitivity on fair value of interest rate swaps

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

		Consolidated		Parent entity	
		2009 (+/–) $'000	**2008 (+/–) $'000**	**2009 (+/–) $'000**	**2008 (+/–) $'000**
+/– 0.50% (50 basis points)	A$	16,366	14,368	16,366	14,368

(ii) Foreign exchange risk

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

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

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

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

Foreign currency assets and liabilities

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

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

Note 25. Financial risk management (continued)

(2) Financial risk management (continued)

(b) Market risk (continued)

(ii) Foreign exchange risk (continued)

Foreign currency assets and liabilities (continued)

The Trust's net foreign currency exposures for net investments in foreign operations and hedging instruments are as follows:

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
NZ$ assets[1]	130,000	157,509	–	–
NZ$ net borrowings[2]	–	–	–	–
NZ$ cross currency swaps[3]	–	–	–	–
NZ$ denominated net investment	**130,000**	**157,509**	**–**	**–**
% hedged	**0%**	**0%**	**–**	**–**

1 Assets excludes working capital and cash as reported internally to management.
2 Net borrowings is equal to interest bearing liabilities less cash.
3 Cross currency swap amounts comprise the foreign currency denominated leg of the cross currency swaps.

Sensitivity on equity (foreign currency translation reserve)

The table below shows the impact on the foreign currency translation reserve for changes in the translated value of foreign currency assets and liabilities for an increase and decrease in foreign exchange rates. The increase and decrease in cents has been based on the historical movements of the Australian dollar relative to the New Zealand dollar[1]. The increase and decrease has been applied to the spot rate prevailing at 30 June 2009 (see footnote below). The impact on the foreign currency translation reserve arises as the translation of the Trust's foreign currency assets and liabilities are recorded (in Australian Dollars) directly in the foreign currency translation reserve.

		Consolidated		Parent entity	
		2009 (+/–) $'000	2008 (+/–) $'000	2009 (+/–) $'000	2008 (+/–) $'000
+ 10.0 cents (8%) (2008: 12.6 cents)	NZ$ (A$ equivalent)	18,636	4,895	–	–
– 10.0 cents (8%) (2008: 12.6 cents)	NZ$ (A$ equivalent)	(27,577)	(5,980)	–	–

1 The sensitivity on market rates has been based on the standard deviation of the annual change in the Australian dollar exchange rate per currency since 1984 or commencement.
2 Exchange rates at 30 June 2009: A$/NZ$ 1.2428 (2008: 1.2609).

Net foreign currency denominated cash flows

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

Forward foreign exchange contracts outstanding at 30 June 2009 are as follows:

	2009 To pay NZ$ million	2009 To receive A$ million	2009 Weighted average exchange rate	2008 To pay NZ$ million	2008 To receive A$ million	2008 Weighted average exchange rate
1 year or less	4.0	3.4	1.1780	7.5	6.6	1.1311
Over 1 and less than 2 years	2.0	1.7	1.1847	4.0	3.4	1.1780
More than 2 years	–	–	–	2.0	1.7	1.1847

Sensitivity on fair value of foreign exchange contracts

The table below shows the impact on the Income Statements for changes in the fair value of forward foreign exchange contracts for an increase and decrease in market rates. The increase and decrease in cents has been based on the historical movements of the Australian dollar relative to the New Zealand dollar[1]. The increase and decrease in cents has been applied to the spot rate prevailing at 30 June 2009 (see footnote below). The sensitivity on the fair value arises from the impact that changes in market rates will have on the mark-to-market valuation of the forward foreign exchange contracts.

Although forward foreign exchange contracts are transacted for the purpose of providing the Trust with an economic hedge, the Trust has elected not to apply hedge accounting to its forward foreign exchange contracts. Accordingly, gains or losses arising from changes in the fair value are reflected in the Income Statements.

		Consolidated		Parent entity	
		2009 (+/–) $'000	**2008 (+/–) $'000**	**2009 (+/–) $'000**	**2008 (+/–) $'000**
+ 10.0 cents (8%) (2008: 12.6 cents)	NZ$ (A$ equivalent)	347	959	–	–
– 10.0 cents (8%) (2008: 12.6 cents)	NZ$ (A$ equivalent)	(408)	(959)	–	–

1 The sensitivity on market rates has been based on the standard deviation of the annual change in the Australian dollar exchange rate per currency since 1984 or commencement.
2 Exchange rates at 30 June 2009: A$/NZ$ 1.2428 (2008: 1.2609).

(c) Credit risk

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

The Trust manages this risk by:

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

A minimum S&P rating of A– (or Moody's and Fitch equivalent) is required to become or remain an approved counterparty. As at 30 June 2009, the lowest rating of counterparties that the Trust is exposed to was A (S&P).

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

The maximum exposure to credit risk at 30 June 2009 is the carrying amount of financial assets recognised on the Balance Sheets of the Trust and parent entity.

As at 30 June 2009, the Trust and the parent entity have no significant concentrations of credit risk for trade receivables. Trade receivable balances and the credit quality of trade debtors are consistently monitored on an ongoing basis. As a result, the Trust and parent entity's exposure to bad debts is not significant.

For the consolidated entity, the ageing analysis of loans and receivables net of provisions at 30 June 2009 is ($'000): 6,339.7 (0-30 days), 320.6 (31-60 days), 84.0 (61-90 days), 29.5 (91+ days). The ageing analysis of loans and receivables net of provisions at 30 June 2008 is ($'000): 8,746.3 (0-30 days), 46.8 (31-60 days), 35.4 (61-90 days), 10.3 (91+ days). Amounts over 31 days are past due, however, no receivables are impaired.

For the parent entity, the ageing analysis for loans and receivables net of provisions at 30 June 2009 is ($'000): 5,124.6 (0-30 days), 22.4 (31-60 days), (4.4) (61-90 days), (52.5) (91+ days). The ageing analysis of loans and receivables net of provisions for the parent entity at 30 June 2008 is ($'000): 3,214.1 (0-30 days), 22.1 (31-60 days), (36.5) (61-90 days), (7.7) (91+ days). Amounts over 31 days are past due, however, no receivables are impaired.

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

Note 25. Financial risk management (continued)

(2) Financial risk management (continued)

(d) Fair value of financial instruments

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

At 30 June 2009, the carrying amounts and fair value of financial assets and liabilities are shown as follows:

	Consolidated		Consolidated	
	2009 Carrying amount[1] $'000	2009 Fair value[2] $'000	2008 Carrying amount[1] $'000	2008 Fair value[2] $'000
Financial assets				
Cash and cash equivalents	8,289	8,289	12,532	12,532
Loans and receivables (current)	6,714	6,714	4,549	4,549
Derivative assets	13,785	13,785	60,422	60,422
Interest bearing assets				
Intercompany loans	41,049	41,049	–	–
Total financial assets	**69,837**	**69,837**	**77,503**	**77,503**
Financial liabilities				
Trade payables	27,690	27,690	34,649	34,649
Derivative liabilities	24,025	24,025	4,759	4,759
Loans with related parties	55,684	55,684	55,684	55,684
Interest bearing liabilities				
Commercial mortgage backed securities	–	–	500,000	494,108
Bank loans	250,000	250,000	–	–
Intercompany loans	–	–	244,894	244,894
Total financial liabilities	**357,399**	**357,399**	**839,986**	**834,094**

	Parent entity		Parent entity	
	2009 Carrying amount[1] $'000	2009 Fair value[2] $'000	2008 Carrying amount[1] $'000	2008 Fair value[2] $'000
Financial assets				
Cash and cash equivalents	3,728	3,728	4,194	4,194
Loans and receivables (current)	267,243	267,243	282,118	282,118
Derivative assets	13,785	13,785	60,422	60,422
Interest bearing assets				
Intercompany loans	41,049	41,049	–	–
Total financial assets	**325,805**	**325,805**	**346,734**	**346,734**
Financial liabilities				
Trade payables	18,541	18,541	24,626	24,626
Derivative liabilities	24,025	24,025	4,759	4,759
Loans with related parties	55,684	55,684	55,684	55,684
Interest bearing liabilities				
Intercompany loans	248,038	248,038	744,684	738,792
Total financial liabilities	**346,288**	**346,288**	**829,753**	**823,861**

1 Carrying value is equal to the value of the financial instruments on the Balance Sheets.
2 Fair value is the amount for which the financial instrument could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction, however, not recognised on the Balance Sheets.

The fair value of fixed rate interest bearing liabilities have been determined by discounting the expected future cash flows by the relevant market rates. The discount rates applied range from 3.08% to 4.78% for A$. Refer note 1(u) for fair value methodology for financial assets and liabilities.

Note 26. Contingent liabilities

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

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Bank guarantees by the Trusts in respect of variations and other financial risks associated with the development of:				
60 Miller Street, North Sydney, NSW	497	496	497	496
Bligh Street, Sydney, NSW[1]	3,820	3,820	–	–
Total contingent liabilities	**4,317**	**4,316**	**497**	**496**

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

The Trust together with DDF, DIT and DXO is also a guarantor of a A$300.0 million and US$210.0 million syndicated bank debt facility and a total of A$1,182.5 million and US$120.0 million (A$147.9 million) of bank bilateral facilities, a total of A$450.0 million of medium-term notes and a total of US$400.0 million (A$493.0 million) of privately placed notes, which have all been negotiated to finance the Trust and other entities within DXS. The guarantees have been given in support of debt outstanding and drawn against these facilities.

The guarantees are issued in respect of the Trust and do not constitute an additional liability to those already existing in interest bearing liabilities on the Balance Sheets.

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

Note 27. Commitments

(a) Capital commitments

The following amounts represent capital expenditure on investment properties contracted at the reporting date but not recognised as liabilities payable:

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Capital expenditure commitments in relation to development works:				
Not longer than one year				
Governor Phillip Tower & Governor Macquarie Tower, 1 Farrer Place, Sydney, NSW	3,310	39	3,310	39
309–321 Kent Street, Sydney, NSW	–	163	–	163
Southgate Complex, 3 Southgate Avenue, Southgate, VIC	74	203	–	–
The Zenith, 821–843 Pacific Highway, Chatswood, NSW	197	1,191	197	1,191
Australia Square Complex, 264–278 George Street, Sydney, NSW	68	–	–	–
60 Miller Street, North Sydney, NSW	195	10,921	195	10,921
144 Wicks Road, Macquarie Park, NSW	–	325	–	–
	3,844	**12,842**	**3,702**	**12,314**
Later than one year but no later than five years				
Southgate Complex, 3 Southgate Avenue, Southgate, VIC	1,066	–	–	–
Governor Phillip Tower & Governor Macquarie Tower, 1 Farrer Place, Sydney, NSW	1,532	7,664	1,532	7,664
	2,598	**7,664**	**1,532**	**7,664**
Total capital commitments	**6,442**	**20,506**	**5,234**	**19,978**

Note 27. Commitments (continued)

(b) Lease receivable commitments

The future minimum lease payments receivable by the Trusts are:

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Within one year	186,048	178,103	121,991	114,519
Later than one year but not later than five years	741,982	720,253	480,071	506,470
Later than five years	259,637	198,811	128,041	149,739
Total lease receivable commitments	**1,187,667**	**1,097,167**	**730,103**	**770,728**

Note 28. Related parties

Responsible Entity

DXFM is the Responsible Entity of the Trust.

Responsible Entity fees

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

Related party transactions

Prior to DXO's acquisition of the remaining 50% interest in DXH on 21 February 2008, all related party transactions were conducted on normal commercial terms and conditions unless otherwise stated. Following the acquisition, Responsible Entity fees in relation to DXS assets moved to cost recovery. All agreements with third party funds remain unchanged.

Investments

On 21 February 2008, DXO purchased the remaining 50% interest in DXH from FAP. Deutsche Bank and RREEF ceased to be related parties on this date. As a result, amounts shown in the current period are nil and amounts shown in the prior period reflect transactions from 1 July 2007 to 20 February 2008.

DEXUS Funds Management Limited and its related entities

There were a number of transactions and balances between the Trust and the Responsible Entity and its related entities as detailed below:

	Consolidated		Parent entity	
	2009 $	2008 $	2009 $	2008 $
Responsible Entity fees paid and payable	10,167,291	13,227,928	7,118,211	9,158,500
Property management fees paid and payable to DXPS	4,708,897	4,477,260	4,047,165	4,477,260
Recovery of administration expenses paid to DXH	7,927,266	2,409,193	7,046,500	2,244,519
Aggregate amounts payable to the Responsible Entity at reporting date	826,897	875,638	580,462	608,238
Property management fees payable at reporting date	1,057,054	621,359	498,038	621,359

Trusts within DXS

Aggregate amounts included in the determination of profit that resulted from transactions with each class of other related parties:

	Consolidated		Parent entity	
	2009 $	2008 $	2009 $	2008 $
Interest income	–	971,033	–	971,033
Interest expense	12,270,083	14,390,284	12,270,083	14,390,284
Aggregate amounts brought to account in relation to other transactions with each class of other related parties:				
Interest bearing loans advanced to Trusts within DXS	671,022,708	518,687,152	671,022,708	518,687,152
Interest bearing loans from Trusts within DXS	373,477,247	840,299,343	373,477,247	840,299,343

Deutsche Bank AG

Dealings with the bank include, not only transactions in its capacity as part owner of the Responsible Entity, but also in the provision of financial services. On 21 February 2008, DXO purchased the remaining 50% interest in DXH from FAP, a subsidiary of Deutsche Bank. Deutsche Bank ceased to be a related party on this date. As a result amounts shown in the current period are nil and amounts shown in the prior period reflect transactions from 1 July 2007 to 20 February 2008.

	Consolidated		Parent entity	
	2009 $	2008 $	2009 $	2008 $
Deutsche Bank AG in its capacity as a financier:				
Interest paid on swaps for whom the counterparty was Deutsche Bank AG	–	5,545,602	–	5,545,602
Interest received on swaps for whom the counterparty was Deutsche Bank AG	–	3,515,145	–	3,515,145

The following persons were Directors or Alternate Directors of DXFM during the whole of the financial year and up to the date of this report, unless otherwise stated:

Directors

C T Beare, BSc, BE (Hons), MBA, PhD, FAICD[1,4,5]

E A Alexander AM, BComm, FCA, FAICD, CPA[1,2,6,8,9]

B R Brownjohn, BComm[1,2,5,6]

S F Ewen OAM[1,4]

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

C B Leitner III, BA[17]

B E Scullin, BEc[1,3,4,7,10]

A J Fay, BAg.Ec (Hons), ASIA (Alternate to C B Leitner III)[17]

P B St George, CA(SA), MBA[11,14,15,16]

J C Conde AO, BSc, BE (Hons), MBA[12,13,16]

1 Independent Director
2 Audit Committee Member
3 Compliance Committee Member
4 Nomination and Remuneration Committee Member
5 Finance Committee Member
6 Risk Committee Member
7 Audit Committee Member from 1 July 2008 to 1 May 2009
8 Compliance Committee Member from 1 July 2008 to 1 May 2009
9 Finance Committee Member from 1 July 2008 to 1 May 2009
10 Risk Committee Member from 1 July 2008 to 1 May 2009
11 Audit Committee Member from 1 May 2009 to 30 June 2009
12 Compliance Committee Member from 1 May 2009 to 30 June 2009
13 Nomination and Remuneration Committee Member from 1 May 2009 to 30 June 2009
14 Finance Committee Member from 1 May 2009 to 30 June 2009
15 Risk Committee Member from 1 May 2009 to 30 June 2009
16 Appointed Independent Director 29 April 2009
17 Resigned 29 April 2009

No Directors held an interest in the Trust as at 30 June 2009 or at the date of this report.

Note 28. Related parties (continued)

Other key management personnel

In addition to the Directors listed above the following persons were deemed by the Board Nomination and Remuneration Committee to be key management personnel during all or part of the financial year and up to the date of this report:

Name	Position	Qualification date of other key management personnel during the 12 months ended 30 June 2009
Victor P Hoog Antink	Chief Executive Officer	
Tanya L Cox	Chief Operating Officer	
Patricia A Daniels	Head of Human Resources	
John C Easy	General Counsel	
Jane Lloyd	Head of Retail	Appointed 14 July 2008
Louise J Martin	Head of Office	
Craig D Mitchell	Chief Financial Officer	
Paul G Say	Head of Corporate Development	
Mark F Turner	Head of Funds Management	
Andrew P Whiteside	Head of Industrial	

No key management personnel or their related parties held an interest in the Trust for the years ended 30 June 2008 and 30 June 2009 or at the date of this report.

There were no loans or other transactions with key management personnel or their related parties during the years ended 30 June 2008 and 30 June 2009 or at the date of this report.

	2009 $	2008 $
Compensation		
Short-term employee benefits	7,910,223	6,891,605
Post-employment benefits	563,665	400,153
Other long-term benefits	1,509,929	3,290,638
	9,983,817	**10,582,396**

Remuneration Report

1. Introduction

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

Key management personnel

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

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

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

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

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

2. Board oversight of remuneration

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

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

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

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

Remuneration Report (continued)

3. Non-Executive Directors' remuneration framework

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

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

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

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

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

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

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

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

4. Approach to Executive remuneration

Philosophy underlying Executive remuneration

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

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

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

(a) market competitiveness and reasonableness;

(b) alignment of Executive performance payments with achievement of the Group's objectives within its risk framework, and reinforcement of DEXUS's values-based culture; and

(c) an appropriate target mix of remuneration, including performance payments linked to security holder returns over the longer term, and the avoidance of incentives that encourage short-term decision taking.

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

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

(a) Market competitiveness and reasonableness

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

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

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

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

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

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

These objectives can include:

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

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

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

(c) Target mix of remuneration

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

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

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

Remuneration Report (continued)

4. Approach to Executive remuneration (continued)

Executive remuneration structure

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

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

Performance payments

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

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

Short-Term Performance Payment (STPP)

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

Long-Term Performance Payment (LTPP)

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

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

The Long-Term Incentive Plan operates as follows:

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

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

Equity options scheme

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

Equity and loan schemes

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

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

Hedging policy

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

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

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

Changes made during the year ended 30 June 2009

Remuneration structure

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

(a) evaluation and revision of the target remuneration mix for Executives;

(b) allocation of performance payments between STPP and LTPP in accordance with the target remuneration mix;

(c) increased focus on the review of appropriate and challenging KPIs for CEO and other Executives by the Committee; and

(d) additional entities incorporated in the comparison group used to benchmark Executive remuneration.

Long-Term Incentive Plan review

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

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

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

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

Termination provisions

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

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

Remuneration Report (continued)

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

Total fixed remuneration

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

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

Performance payments

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

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

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

6. Group performance and the link to remuneration

Total return analysis

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

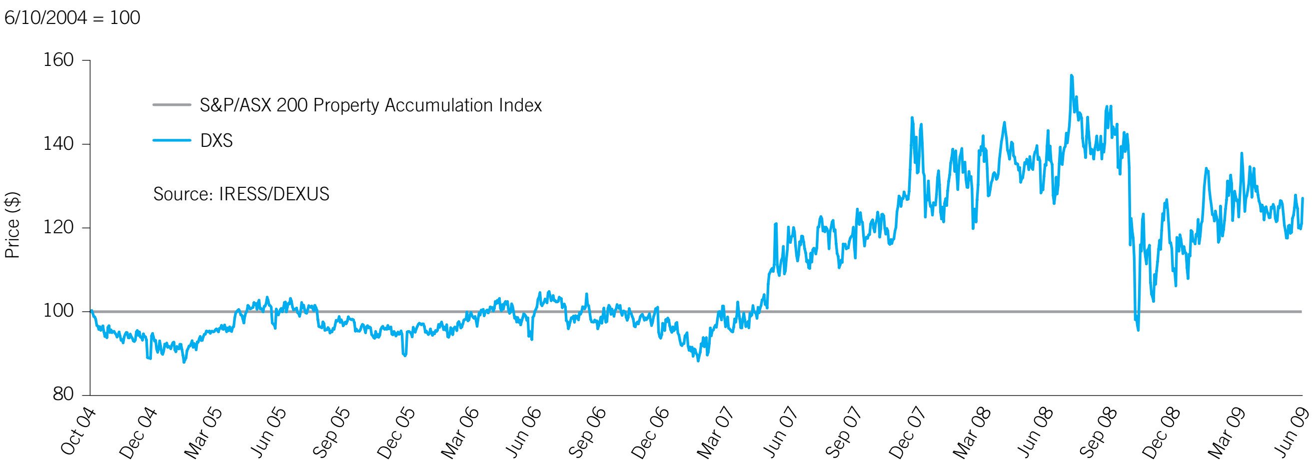
	1 year (% per annum)	2 years (% per annum)	3 years (% per annum)	Since 1 October 2004[1] (% per annum)
Period to 30 June 2009				
DEXUS Property Group	–37.3%	–31.1%	–12.1%	–2.5%
S&P/ASX 200 Property Accumulation Index	–42.3%	–39.4%	–22.7%	–10.3%
DEXUS Composite Total Return	–24.2%	–16.1%	–4.0%	3.4%
Composite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

1 DEXUS's inception date is 1 October 2004.

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

Total return of DEXUS securities

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



* 6 October 2004 to 30 June 2009

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

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

7. Service agreements

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

CEO – Victor P Hoog Antink

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

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

Executives (other than the CEO)

The principal terms of Executive employment contracts are as follows:

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

Remuneration Report (continued)

8. Remuneration of key management personnel

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

	Short-term employee benefits			Post employment benefits	Other long-term benefits			Total
	Cash salary and fees $	Short-term performance payments $	Other short-term benefits $	Pension and super benefits $	Long-term performance payment allocations[6] $	Movement in prior year long-term performance payment allocation values[7] $	Other long-term benefits $	$
Name								
Victor P Hoog Antink								
2009	**1,200,000**	**785,000**	**–**	**100,000**	**915,000**	**(416,600)**	**–**	**2,583,400**
2008	1,100,000	900,000	–	100,000	900,000	(106,947)	–	2,893,053
Tanya L Cox								
2009	**352,086**	**150,000**	**–**	**47,914**	**150,000**	**(80,773)**	**–**	**619,227**
2008	339,059	200,000	–	10,941	175,000	(16,495)	–	708,505
Patricia A Daniels[1]								
2009	**247,589**	**90,000**	**–**	**13,745**	**90,000**	**(24,250)**	**–**	**417,084**
2008	103,470	60,000	–	5,471	100,000	–	–	268,941
John C Easy								
2009	**343,255**	**163,000**	**–**	**31,745**	**162,000**	**(57,688)**	**–**	**642,312**
2008	297,871	150,000	–	37,129	120,000	(13,250)	–	591,750
Ben J Lehmann[2]								
2009	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
2008	346,344	–	–	9,847	–	–	1,105,000[8]	1,461,191
Jane Lloyd[3]								
2009	**361,255**	**113,000**	**–**	**13,745**	**112,000**	**–**	**–**	**600,000**
2008	–	–	–	–	–	–	–	–

	Short-term employee benefits			Post employment benefits	Other long-term benefits			Total
	Cash salary and fees	Short-term performance payments	Other short-term benefits	Pension and super benefits	Long-term performance payment allocations[6]	Movement in prior year long-term performance payment allocation values[7]	Other long-term benefits	
	$	$	$	$	$	$	$	$
Name								
Louise J Martin[4]								
2009	**405,000**	**175,000**	**–**	**95,000**	**175,000**	**(60,625)**	**–**	**789,375**
2008	116,607	225,000	–	1,250	250,000	–	–	592,857
Craig D Mitchell								
2009	**500,000**	**325,000**	**–**	**50,000**	**325,000**	**(60,625)**	**–**	**1,139,375**
2008	273,768	250,000	162,592	42,899	250,000	–	–	979,259
Paul G Say								
2009	**486,255**	**200,000**	**–**	**13,745**	**200,000**	**(60,625)**	**–**	**839,375**
2008	466,871	225,000	–	13,129	250,000	–	–	955,000
Mark F Turner								
2009	**400,015**	**135,000**	**–**	**49,985**	**135,000**	**(103,635)**	**–**	**616,365**
2008	377,172	200,000	–	42,828	200,000	(22,669)	–	797,331
Andrew P Whiteside[5]								
2009	**461,255**	**135,000**	**–**	**13,745**	**135,000**	**(24,250)**	**–**	**720,750**
2008	61,228	200,000	–	3,282	100,000	–	–	364,510
Total								
2009	**4,756,710**	**2,271,000**	**–**	**429,624**	**2,399,000**	**(889,071)**	**–**	**8,967,263**
2008	3,482,390	2,410,000	162,592	266,776	2,345,000	(159,362)	1,105,000	9,612,396

1 Patricia A Daniels qualified as a KMP on 14 January 2008. Actual remuneration received is for a four day week.
2 Ben J Lehmann ceased to qualify as a KMP on 27 March 2008.
3 Jane Lloyd qualified as a KMP on 14 July 2008.
4 Louise J Martin qualified as a KMP on 27 March 2008.
5 Andrew P Whiteside qualified as a KMP on 28 April 2008.
6 This is the LTPP allocation for the current year which is deferred for three years as described on pages 102 to 103.
7 This is the notional change in value of all unvested LTPP allocations from prior year.
8 Termination payment.

Remuneration Report (continued)

8. Remuneration of key management personnel (continued)

Long-term performance payments

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

	Year of grant $	LTPP allocation value $	Movement in LTPP allocation value (since grant date) $	Closing LTPP allocation value as at 30 June 2009 $	Movement in LTPP allocation value at vesting date (due to performance multiplier) $	Vested LTPP as at 30 June 2009 $	Year that LTPP will vest $
Name							
Victor P Hoog Antink	**2009**	**915,000**	**–**	**–**	**–**	**–**	**2012**
	2008	900,000	(218,250)	681,750	–	–	2011
	2007	650,000	(177,580)	472,420	–	–	2010
	2006	250,000	(23,750)	226,250	113,125	339,375	2009
Tanya L Cox	**2009**	**150,000**	**–**	**–**	**–**	**–**	**2012**
	2008	175,000	(42,438)	132,563	–	–	2011
	2007	110,000	(30,052)	79,948	–	–	2010
	2006	60,000	(5,700)	54,300	27,150	81,450	2009
Patricia A Daniels[1]	**2009**	**90,000**	**–**	**–**	**–**	**–**	**2012**
	2008	100,000	(24,250)	75,750	–	–	2011
John C Easy	**2009**	**162,000**	**–**	**–**	**–**	**–**	**2012**
	2008	120,000	(29,100)	90,900	–	–	2011
	2007	75,000	(20,490)	54,510	–	–	2010
	2006	50,000	(4,750)	45,250	22,625	67,875	2009
Jane Lloyd[2]	**2009**	**112,000**	**–**	**–**	**–**	**–**	**2012**
Louise J Martin[3]	**2009**	**175,000**	**–**	**–**	**–**	**–**	**2012**
	2008	250,000	(60,625)	189,375	–	–	2011
Craig D Mitchell	**2009**	**325,000**	**–**	**–**	**–**	**–**	**2012**
	2008	250,000	(60,625)	189,375	–	–	2011
Paul G Say	**2009**	**200,000**	**–**	**–**	**–**	**–**	**2012**
	2008	250,000	(60,625)	189,375	–	–	2011
Mark F Turner	**2009**	**135,000**	**–**	**–**	**–**	**–**	**2012**
	2008	200,000	(48,500)	151,500	–	–	2011
	2007	180,000	(49,176)	130,824	–	–	2010
	2006	70,000	(6,650)	63,350	31,675	95,025	2009
Andrew P Whiteside[4]	**2009**	**135,000**	**–**	**–**	**–**	**–**	**2012**
	2008	100,000	(24,250)	75,750	–	–	2011

1 Patricia A Daniels qualified as a KMP on 14 January 2008.
2 Jane Lloyd qualified as a KMP on 14 July 2008.
3 Louise J Martin qualified as a KMP on 27 March 2008.
4 Andrew P Whiteside qualified as a KMP on 28 April 2008.

Non-Executive Director board and committee fees

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

	Directors Fees	Committee Fees							Total cash salary and fees
	Board $	Chair DWPL $	Board Audit $	Board Risk $	Board Compliance $	Board Nom & Rem $	Board Treasury Policy $	Board Finance $	$
Name									
Christopher T Beare									
2009	**300,000**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**300,000**
2008	300,000	–	–	–	–	–	–	–	300,000
Elizabeth A Alexander[1]									
2009	**130,000**	**–**	**15,000**	**15,000**	**6,250**	**–**	**–**	**6,250**	**172,500**
2008	130,000	–	15,000	15,000	8,125	–	–	5,625	173,750
Barry R Brownjohn[2]									
2009	**130,000**	**–**	**7,500**	**7,500**	**–**	**–**	**–**	**15,000**	**160,000**
2008	130,000	–	7,500	7,500	–	–	–	15,000	160,000
John C Conde AO[3]									
2009	**22,652**	**–**	**–**	**–**	**1,250**	**1,250**	**–**	**–**	**25,152**
2008	–	–	–	–	–	–	–	–	–
Stewart F Ewen									
2009	**130,000**	**–**	**–**	**–**	**–**	**7,500**	**–**	**–**	**137,500**
2008	130,000	–	–	–	–	7,500	–	–	137,500
Charles B Leitner III[4]									
2009	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
2008	–	–	–	–	–	–	–	–	–
Brian E Scullin									
2009	**130,000**	**30,000**	**6,250**	**6,250**	**15,000**	**7,500**	**–**	**–**	**195,000**
2008	130,000	30,000	7,500	7,500	16,250	7,500	–	–	198,750
Peter B St George[5]									
2009	**22,652**	**–**	**1,250**	**1,250**	**–**	**–**	**–**	**1,250**	**26,402**
2008	–	–	–	–	–	–	–	–	–
Total									
2009	**865,304**	**30,000**	**30,000**	**30,000**	**22,500**	**16,250**	**–**	**22,500**	**1,016,554**
2008	820,000	30,000	30,000	30,000	24,375	15,000	–	20,625	970,000

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

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

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

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

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

Remuneration Report (continued)

8. Remuneration of key management personnel (continued)

Non-Executive Director board and committee fees (continued)

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

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

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

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

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

Non-Executive Director Remuneration

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

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

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

Note 29. Events occurring after reporting date

On 31 July 2009, DWPF purchased a further 1.5% of Bent Street Trust from DCT for $3.3 million.

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 Trust, the results of those operations, or state of the Trust's affairs in future financial periods.

Note 30. Segment information

Business segments

The Trust operates solely within the office property sector.

Geographical segments

The Trust's investments are located in Australia and New Zealand.

	Australia $'000	New Zealand $'000	Consolidated $'000
2009			
Property revenue	231,342	10,047	241,389
Interest revenue	525	106	631
Share of net profits of associates accounted for using the equity method	31	–	31
	231,898	**10,153**	**242,051**
Net foreign exchange gain	354	–	354
Other income	82	–	82
Total segment revenue/income	**232,334**	**10,153**	**242,487**
Segment result	**(381,257)**	**(16,192)**	**(397,449)**
Segment assets	2,961,281	105,561	3,066,842
Segment liabilities	349,321	80,353	429,674
Investments accounted for using the equity method	84,165	–	84,165
Acquisitions of property, plant and equipment	1,036	–	1,036
Amortisation expense	25,468	–	25,468

	Australia $'000	New Zealand $'000	Consolidated $'000
2008			
Property revenue	223,501	9,807	233,308
Interest revenue	1,988	244	2,232
Share of net losses of associates accounted for using the equity method	(4,013)	–	(4,013)
	221,476	**10,051**	**231,527**
Net fair value gain of investment properties	225,366	8,882	234,248
Net foreign exchange gain	311	–	311
Other income	105	–	105
Total segment revenue/income	**447,258**	**18,933**	**466,191**
Segment result	**352,082**	**1,300**	**353,382**
Segment assets	3,421,350	124,484	3,545,834
Segment liabilities	818,280	79,747	898,027
Investments accounted for using the equity method	111,946	–	111,946
Acquisitions of property, plant and equipment	997	–	997
Amortisation expense	24,863	–	24,863

Note 31. Reconciliation of net profit to net cash inflow from operating activities

	Consolidated		Parent entity	
	2009 $'000	**2008 $'000**	**2009 $'000**	**2008 $'000**
Net (loss)/profit	(393,754)	357,063	(405,942)	312,573
Capitalised interest	(8,311)	(584)	(1,390)	(584)
Net loss/(gain) on revaluation of investments	460,876	(234,152)	323,528	(178,374)
Share of net profits of associates accounted for using the equity method	(31)	4,013	–	–
Net fair value (loss)/gain of derivatives	63,925	(485)	63,925	(485)
Net foreign exchange loss/(gain)	115	(55)	–	–
Change in operating assets and liabilities				
(Increase) in receivables	(2,150)	(4,065)	(1,898)	(1,112)
Decrease/(increase) in other non-current assets – investments	19,007	24,083	109,837	(46,192)
(Increase) in other current assets	(835)	(35)	(553)	(64)
Decrease in other non-current assets	12,580	608	12,472	2,864
(Decrease)/increase in payables	(6,048)	5,317	(6,180)	3,573
Increase/(decrease) in other current liabilities	1,306	(8,800)	1,306	(8,800)
(Decrease)/increase in other non-current liabilities	(2,060)	10,225	(1,950)	10,221
Net cash inflow from operating activities	**144,620**	**153,133**	**93,155**	**93,620**

Note 32. Non-cash financing and investing activities

	Note	Consolidated		Parent entity	
		2009 $'000	**2008 $'000**	**2009 $'000**	**2008 $'000**
Distributions reinvested	21	31,262	52,291	31,262	52,291

Note 33. Earnings per unit

(a) Basic earnings per unit on (loss)/profit attributable to equity holders of the parent entity

	Consolidated	
	2009 cents	**2008 restated cents**
	(10.73)	11.19

(b) Diluted earnings per unit on (loss)/profit attributable to equity holders of the parent entity

	Consolidated	
	2009 cents	**2008 restated cents**
	(10.73)	11.19

(c) Reconciliation of earnings used in calculating earnings per unit

	Consolidated	
	2009 $'000	**2008 $'000**
Net (loss)/profit	(393,754)	357,063
Net (profit) attributable to minority interests	(3,695)	(3,681)
Net (loss)/profit attributable to the unitholders of the Trust used in calculating basic and diluted earnings per unit	**(397,449)**	**353,382**

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

	Consolidated	
	2009 units	**2008 restated units**
Weighted average number of units outstanding used in calculation of basic and diluted earnings per unit	3,705,637,381	3,156,757,941