

DEXUS OPERATIONS TRUST

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2009

The Directors of DEXUS Funds Management Limited (DXFM) as Responsible Entity of DEXUS Operations Trust (DXO or the Trust) and its consolidated entities present their Directors' Report together with the consolidated Financial Statements for the year ended 30 June 2009.

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

1. Directors and Secretaries

1.1 Directors

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

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

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

1.2 Company Secretaries

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

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

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

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

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

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

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

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

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

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

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

1 Appointed 29 April 2009.

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

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

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

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

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

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

1 Appointed 29 April 2009.

2 Resigned 29 April 2009.

3. Directors' interests

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

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

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

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

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

4. Directors' directorships in other listed entities

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

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

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

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

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

5. Principal activities

During the year the principal activity of the Trust was to be a trading Trust. There were no significant changes in the nature of the Trust's activities during the year.

6. Total value of Trust assets

The total value of the assets of Trust as at 30 June 2009 was \$438.6 million (2008: \$439.1 million). Details of the basis of this valuation are outlined in note 1 of the Notes to the Financial Statements and form part of this Directors' Report.

7. Review and results of operations

A review of the results, financial position, operations including business strategies and the expected results of operations of the Trust, are set out in the Chief Executive Officer's Report of the DEXUS Property Group 2009 Security Holder Review and forms part of this Directors' Report.

8. Likely developments and expected results of operations

In the opinion of the Directors, disclosure of any further information regarding business strategies and the future developments or results of the Trust, other than the information already outlined in this Directors' Report or the Financial Statements accompanying this Directors' Report would be unreasonably prejudicial to the Trust.

9. Significant changes in the state of affairs

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

10. Matters subsequent to the end of the financial year

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

11. Dividends

Dividends paid or payable by the Trust for the year ended 30 June 2009 were nil (2008: \$9.2 million).

12. DXFM's fees and associate interests

Details of fees paid or payable by the Trust to DXFM for the year ended 30 June 2009 are outlined in note 31 of the Notes to the Financial Statements and form part of this Directors' Report.

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

13. Units on issue

The movement in units on issue during the year and the number of units on issue as at 30 June 2009 are detailed in note 25 of the Notes to the Financial Statements and form part of this Directors' Report.

14. Environmental regulation

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

15. Indemnification and insurance

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

16. Audit

16.1 Auditor

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

16.2 Non-audit services

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

Details of the amounts paid or payable to the Auditor, for audit and non-audit services provided during the year are set out in note 8 of the Notes to the Financial Statements.

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

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

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

16.3 Auditor's Independence Declaration

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

17. Corporate governance

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

18. Rounding of amounts and currency

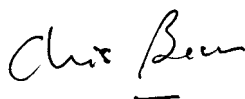
The Trust is a registered scheme of the kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in this Directors' Report and the Financial Statements. Amounts in this Directors' Report and Financial Statements have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

19. Management representation

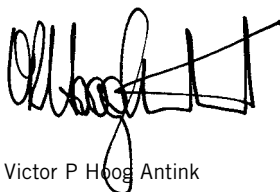
The Chief Executive Officer and Chief Financial Officer have reviewed the Trust's Financial Reporting processes, policies and procedures together with its risk management and internal control and compliance policies and procedures. Following that review it is their opinion that the Trust's financial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

20. Directors' authorisation

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



Christopher T Beare
Chair
17 August 2009



Victor P Hoog Antink
Chief Executive Officer
17 August 2009



PricewaterhouseCoopers
ABN 52 780 433 757

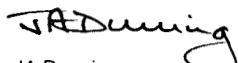
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Auditor's Independence Declaration

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

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

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


JA Dunning
Partner
PricewaterhouseCoopers

17 August 2009

**DEXUS OPERATIONS TRUST
INCOME STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

	Notes	Consolidated		Parent entity	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Revenue from ordinary activities					
Property revenue	2	2,734	3,790	–	–
Dividend revenue		–	–	–	5,224
Interest revenue	3	874	4,557	12,738	12,515
Interest revenue from the Trusts		–	79,917	–	–
Recoverables from the Trusts		–	2,419	–	356
Management fee revenue	4	93,869	37,080	–	–
Total revenue from ordinary activities		97,477	127,763	12,738	18,095
Share of net profits of associates accounted for using the equity method	18	–	2,892	–	–
Other income		121	–	470	–
Total income		97,598	130,655	13,208	18,095
Expenses					
Property expenses		(1,424)	(1,403)	–	–
Responsible Entity fees	31	–	(282)	(581)	–
Finance costs	5	(24,288)	(97,543)	(24,270)	(8,928)
Depreciation and amortisation		(4,742)	(3,001)	(1)	(1)
Impairment		(75,161)	(61)	(33,463)	–
Employee benefits expense		(59,283)	(23,342)	–	–
Other expenses	7	(10,124)	(5,801)	(624)	(846)
Total expenses		(175,022)	(131,433)	(58,939)	(9,775)
(Loss)/profit before tax		(77,424)	(778)	(45,731)	8,320
Tax (expense)/benefit					
Income tax (expense)/benefit	6 (a)	(2,682)	987	3,701	(890)
Total tax (expense)/benefit		(2,682)	987	3,701	(890)
(Loss)/profit after tax		(80,106)	209	(42,030)	7,430
Earnings per unit					
		Cents	Cents		
Basic earnings per unit on (loss)/profit attributable to equity holders of the parent entity	37	(2.16)	0.01		
Diluted earnings per unit on (loss)/profit attributable to equity holders of the parent entity	37	(2.16)	0.01		

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

DEXUS OPERATIONS TRUST
BALANCE SHEETS
AS AT 30 JUNE 2009

	Notes	Consolidated		Parent entity	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Current assets					
Cash and cash equivalents	9	13,765	14,892	259	298
Receivables	10	16,195	21,743	1,158	1,522
Non-current assets classified as held for sale	11	55,000	–	–	–
Loans with related parties	12	–	–	10,062	9,196
Derivative financial instruments	13	–	1,173	–	1,173
Other financial assets	14	–	–	51,936	51,936
Current tax assets		1,422	124	802	702
Other	15	649	373	–	–
Total current assets		87,031	38,305	64,217	64,827
Non-current assets					
Property, plant and equipment	16	123,078	135,911	116,348	73,499
Other financial assets	17	–	–	98,752	98,752
Loans with related parties	12	–	–	97,592	114,953
Deferred tax assets	19	15,152	9,749	5,796	139
Intangible assets	20	213,267	255,113	–	–
Other	21	66	67	61	62
Total non-current assets		351,563	400,840	318,549	287,405
Total assets		438,594	439,145	382,766	352,232
Current liabilities					
Payables	22	5,284	3,577	565	785
Loans with related parties	12	48,932	48,932	48,932	48,932
Provisions	23	13,089	16,836	–	4,910
Derivative financial instruments	13	9,520	–	9,520	–
Total current liabilities		76,825	69,345	59,017	54,627
Non-current liabilities					
Loans with related parties	12	325,867	273,108	325,867	273,108
Deferred tax liabilities	24	6,360	4,218	2,670	714
Provisions	23	13,533	9,818	–	–
Total non-current liabilities		345,760	287,144	328,537	273,822
Total liabilities		422,585	356,489	387,554	328,449
Net assets		16,009	82,656	(4,788)	23,783
Equity					
Contributed equity	25	26,335	12,876	26,335	12,876
Reserves	26	42,738	63,293	–	–
Undistributed income	26	(53,064)	6,487	(31,123)	10,907
Total equity		16,009	82,656	(4,788)	23,783

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

DEXUS OPERATIONS TRUST
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2009

	Notes	Consolidated		Parent entity	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Total equity at the beginning of the year		82,656	12,994	23,783	19,517
Asset revaluation reserve		–	63,293	–	–
Net income recognised directly in equity		–	63,293	–	–
Net (loss)/profit for the year		(80,106)	209	(42,030)	7,430
Total recognised income and expense for the year		(80,106)	63,502	(42,030)	7,430
Transactions with equity holders in their capacity as equity holders:					
Contributions of equity, net of transaction costs	25	13,459	6,028	13,459	6,028
Dividends provided for or paid	27	–	(9,192)	–	(9,192)
Undistributed income acquired		–	402	–	–
Deconsolidation of investment		–	8,922	–	–
Total transactions with equity holders		13,459	6,160	13,459	(3,164)
Total equity at the end of the year		16,009	82,656	(4,788)	23,783
Total recognised income and expense for the year is attributable to:					
Equity holders of the parent		(80,106)	63,502	(42,030)	7,430
Total recognised income and expense for the year		(80,106)	63,502	(42,030)	7,430

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

DEXUS OPERATIONS TRUST
CASH FLOW STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

	Notes	Consolidated		Parent entity	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Cash flows from operating activities					
Receipts in the course of operations (inclusive of GST)		113,338	48,781	10	1,234
Payments in the course of operations (inclusive of GST)		(76,540)	(23,261)	(2,157)	(1,871)
Interest received		882	3,942	5,794	5,935
Finance costs paid to financial institutions		(1,930)	(54,229)	(1,913)	(25)
Dividends received		–	3,250	–	11,724
Income and withholding taxes paid		(7,241)	(4,650)	(98)	(2,543)
Net cash inflow/(outflow) from operating activities	35	28,509	(26,167)	1,636	14,454
Cash flows from investing activities					
Payments for acquisition of investments net of cash		–	(68,012)	(27,165)	(81,675)
Payments for property, plant and equipment		(27,165)	(72,300)	(41,711)	(72,300)
Payments for capital expenditure on property, plant and equipment		(44,906)	(3,663)	–	–
Deconsolidation of investment		–	(1,832)	–	–
Net cash outflow from investing activities		(72,071)	(145,807)	(68,876)	(153,975)
Cash flows from financing activities					
Establishment expenses and unit issue cost		(380)	(4)	(380)	(4)
Borrowings provided to entities within DXS		(74,884)	(856,327)	(14,668)	(158,864)
Borrowings provided by entities within DXS		108,770	1,189,670	73,320	302,366
Issue of units		12,275	289	12,275	–
Proceeds from borrowings		–	807,446	–	–
Repayment of borrowings		–	(893,500)	–	–
Repayment of loan notes		–	(51,936)	–	–
Dividends paid to unitholders		(3,346)	(3,827)	(3,346)	(3,827)
Dividends paid to related parties		–	(5,974)	–	–
Net cash inflow from financing activities		42,435	185,837	67,201	139,671
Net increase/(decrease) in cash and cash equivalents		(1,127)	13,863	(39)	150
Cash and cash equivalents at the beginning of the year		14,892	1,029	298	148
Cash and cash equivalents at the end of the year	9	13,765	14,892	259	298

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

Note 1. Summary of significant accounting policies

(a) Basis of preparation

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 unstack 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 parent entity had a net assets deficiency of \$4.8 million. The accounts have been prepared on a going concern basis due to the existence of cross guarantee arrangements with other entities within the DXS group. Gearing is managed centrally for DXS. The gearing ratio as disclosed in the 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(u) and 1(v)).

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(u) and 1(v), no key assumptions concerning the future or other estimation of uncertainty at the reporting date have a significant risk of causing material adjustments to the Financial Statements in the next annual reporting period.

(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.

(c) Revenue recognition

(i) Rent

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

(ii) Management Fee Revenue

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

(iii) Interest revenue

Interest 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.

(iv) Dividends and distribution revenue

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

(d) Expenses

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

(i) Property expenses

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

Note 1. Summary of significant accounting policies (continued)

(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 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 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 DXO 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 the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Cash flows are included in the 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

The Trust is liable for income tax and applies the following policy in determining the tax expense, assets and liabilities:

- The income tax expense for the year is the tax payable on the current year's taxable income based on a tax rate of 30% adjusted for changes in deferred tax assets and liabilities and unused tax losses;
- Deferred tax assets and liabilities are recognised for temporary differences arising from differences between the carrying amount of assets and liabilities and the corresponding tax base of those items. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax assets or liabilities. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss;
- Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses;
- Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future; and
- Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation

DXH is the head entity in the DXH tax consolidated group comprising DEXUS Funds Management Limited, DEXUS Property Services Pty Limited, DEXUS Financial Services Pty Limited and DEXUS Wholesale Property Limited. The implementation date for the tax consolidated group was 1 October 2004. During the year DEXUS CMBS Issuer Pty Limited was formed and joined the tax consolidated group.

The entities in the DXH tax consolidated group entered into a Tax Sharing Deed on 29 June 2007 (effective 1 July 2006). In the opinion of the Directors, this limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, DXH.

DXH and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. These notional tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right pursuant to the Tax Funding Deed entered into on 29 June 2007 (effective 1 July 2006).

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

(h) Dividends

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

(i) Repairs and maintenance

Plant is required to be overhauled on a regular basis and is managed as part of an ongoing major cyclical maintenance program. The costs of this maintenance are charged as expenses as incurred, except where they relate to the replacement of a component of an asset, in which case the replaced component will be derecognised and the replacement costs capitalised. 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 as 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) Non-current assets (or disposal groups) held for sale and discontinued operations

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

(m) Other financial assets

Interests held by the Trust in controlled entities are measured at cost. The carrying amount of these investments is reviewed annually to ensure they are not in excess of the recoverable amount of the investments.

(n) Property, plant and equipment

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

All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to its acquisition. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the 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 (t)).

(o) Depreciation of property, plant and equipment

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

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

(p) Leasing fees

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

Note 1. Summary of significant accounting policies (continued)

(q) Lease incentives

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

(r) Investments accounted for using the equity method

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

(s) 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 (refer note 1(t)). 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.

(t) Impairment of assets

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

(u) Intangible assets

(i) Goodwill

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

(ii) Management rights

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

(v) Financial assets and liabilities

(i) Classification

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

Financial Asset/Liability	Classification	Valuation Basis	Reference
Cash and cash equivalents	Fair value through profit or loss	Fair value	Refer note 1(j)
Receivables	Loans and receivables	Amortised cost	Refer note 1(k)
Other financial assets	Loans and receivables	Amortised cost	Refer note 1(e)
Payables	Financial liability at amortised cost	Amortised cost	Refer note 1(w)
Interest bearing liabilities	Financial liability at amortised cost	Amortised cost	Refer note 1(x)
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 and cross currency swaps are calculated as the present value of the estimated future cash flows, the fair value of forward exchange rate contracts is determined using forward exchange market rates at the balance sheet date, and the fair value of interest rate option contracts are calculated as the present value of the estimated future cash flows taking into account the time value and implied volatility of the underlying instrument.

(w) Payables

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

(x) 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.

(y) Employee benefits

(i) Wages, salaries and annual leave

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

(ii) Long service leave

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

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

(z) 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.

(aa) 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.

(ab) 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.

Note 1. Summary of significant accounting policies (continued)

(ac) 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 statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs must be expensed. This is different to the Trust's current policy. 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 119 (Amendment) *Employee Benefits* (effective from 1 January 2009).

The amendments relevant to the Trust includes:

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

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

AASB 123 (Amendment) *Borrowing Costs*.

The definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in AASB 139 *Financial Instruments: Recognition and Measurement*. This eliminates the inconsistency of terms between AASB 139 and AASB 123. The 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 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.

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

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

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

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

DEXUS OPERATIONS TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

CONTINUED

Note 2. Property revenue

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Rent and recoverable outgoings	2,442	3,732	–	–
Other revenue	292	58	–	–
Total property revenue	2,734	3,790	–	–

Note 3. Interest revenue

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Interest revenue from financial institutions	874	863	81	204
Interest revenue from related parties	–	3,694	12,657	12,311
Total interest revenue	874	4,557	12,738	12,515

Note 4. Management fee revenue

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Responsible Entity fees	40,012	14,638	–	–
Asset management fees	11,209	4,467	–	–
Property management fees	19,985	4,986	–	–
Capital works and development fees	9,851	11,075	–	–
Wages recovery and other fees	12,812	1,914	–	–
Total management fee revenue	93,869	37,080	–	–

Note 5. Finance costs

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Interest paid/payable	–	90,597	–	–
Interest paid to related parties	18,868	–	18,868	11,275
Amount capitalised	(7,203)	(1,198)	(7,203)	(1,198)
Other finance costs	19	2,775	1	24
Net fair value loss/(gain) of interest rate swaps	12,604	5,369	12,604	(1,173)
Total finance costs	24,288	97,543	24,270	8,928

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

Note 6. Income tax

(a) Income tax benefit/(expense)

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Current tax	5,943	3,647	–	317
Deferred tax	(3,261)	(4,634)	(3,701)	573
Income tax expense/(benefit)	2,682	(987)	(3,701)	890
Deferred income tax expense/(benefit) included in income tax benefit/(expense) comprises:				
(Increase) in deferred tax assets	(5,403)	(5,434)	(5,657)	(139)
Increase in deferred tax liabilities	2,142	800	1,956	712
	(3,261)	(4,634)	(3,701)	573

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

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Profit before tax	(77,424)	(778)	(45,731)	8,320
Profit not subject to income tax (note 1(g))	–	–	–	–
	(77,424)	(778)	(45,731)	8,320
Prima facie tax (benefit)/expense at the Australian tax rate of 30% (2008: 30%)	(23,227)	(234)	(13,719)	2,496
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:				
Depreciation and amortisation	51	17	–	–
Share of net profits of associates	–	700	–	–
Tax offsets from franked dividends	–	(1,567)	–	(1,567)
Sundry items	17	25	(21)	–
Unused tax losses	3,470	–	–	–
Impairment	22,371	–	10,039	–
	25,909	(825)	10,018	(1,567)
Under/(over) provision in prior year	–	72	–	(39)
Income tax expense/(benefit)	2,682	(987)	(3,701)	890

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Note 7. Other expenses

	Note	Consolidated		Parent entity	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Audit and other fees	8	709	655	233	220
Custodian fees		15	12	15	12
Legal and other professional fees		1,115	806	66	27
Consultancy fees		1,003	505	–	3
Registry costs and listing fees		65	26	65	26
Occupancy expenses		267	461	–	–
Administration expenses		3,987	1,180	–	–
Other staff expenses		2,417	1,171	–	5
Other expenses		546	985	245	553
Total other expenses		10,124	5,801	624	846

Note 8. 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 <i>Corporations Act 2001</i>	204,094	205,387	131,121	152,370
PwC fees paid in relation to outgoing audit ¹	–	23,200	–	–
Remuneration for audit services to PwC	204,094	228,587	131,121	152,370
Fees paid to non-PwC audit firms	180,455	312,776	–	–
Total remuneration for assurance services	384,549	541,363	131,121	152,370

(b) Taxation services

Fees paid to PwC Australia	242,760	105,744	88,855	60,260
Remuneration for taxation services to PwC	242,760	105,744	88,855	60,260
Fees paid to non-PwC taxation firms	81,962	31,161	13,119	6,898
Total remuneration for taxation services²	324,722	136,905	101,974	67,158
Total audit and taxation fees¹	709,271	678,268	233,095	219,528

(c) Fees paid to PwC for transaction services

PwC assurance services in respect of capital raisings	7,563	–	7,563	–
PwC taxation services	1,449	–	1,449	–
PwC other transaction and advisory fees	53,841	–	53,841	–
Total transaction service fees	62,853	–	62,853	–
Total audit, taxation and transaction service fees	772,124	678,268	295,948	219,528

1 Fees paid in relation to outgoing audits are included in property expenses. Therefore, total audit and taxation fees included in other expenses is \$709,000.

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 9. Current assets – cash and cash equivalents

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Cash at bank	3,079	4,194	259	298
Short-term deposits	10,686	10,698	–	–
Total current assets – cash and cash equivalents	13,765	14,892	259	298

Note 10. Current assets – receivables

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Fees receivable	11,895	15,175	–	–
GST receivable	616	903	1,158	1,522
Receivables from related entities	3,386	5,218	–	–
Interest receivable	31	40	–	–
Other receivables	267	407	–	–
Total current assets – receivables	16,195	21,743	1,158	1,522

Note 11. Non-current assets classified as held for sale

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Property, plant and equipment held for sale	55,000	–	–	–
Total non-current assets classified as held for sale	55,000	–	–	–

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

Refer note 33 for further discussion regarding these forthcoming disposals.

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Note 12. Loan with related parties

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Current assets – loan with related parties				
Non-interest bearing loans with controlled entities	–	–	10,062	9,196
Total current-assets – loans with related parties	–	–	10,062	9,196
Non-current assets – loan with related parties				
Interest bearing loans with controlled entities	–	–	97,592	114,953
Total non-current assets – loan with related parties	–	–	97,592	114,953
Current liabilities – loan with related parties				
Non-interest bearing loans with the Trusts ¹	48,932	48,932	48,932	48,932
Total current liabilities – loan with related parties	48,932	48,932	48,932	48,932
Non-current liabilities – loan with related parties				
Intercompany loan ²	325,867	273,108	325,867	273,108
Total non-current liabilities – loan with related parties	325,867	273,108	325,867	273,108

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

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

Note 13. Derivative financial instruments

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Current assets				
Interest rate swap contracts	–	1,173	–	1,173
Total current assets – derivative financial instruments	–	1,173	–	1,173
Current liabilities				
Interest rate swap contracts	9,520	–	9,520	–
Total current liabilities – derivative financial instruments	9,520	–	9,520	–
Net current derivative financial instruments	(9,520)	1,173	(9,520)	1,173

Refer note 28 for further discussion regarding derivative financial instruments.

Note 14. Other financial assets

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Loan notes receivable from DEXUS Holdings Pty Limited	–	–	51,936	51,936
Total current assets – other financial assets	–	–	51,936	51,936

On 27 September 2004, DEXUS Holdings Pty Limited (DXH) issued an equal amount of loan notes to its two owners – First Australian Property Group Holdings Pty Limited (FAP) and DEXUS Operations Trust (DXO), in order to fund its 100% acquisition of DEXUS Funds Management Limited (DXFM). On 31 October 2006, DXH issued further loan notes of equal amounts to its two owners to fund the acquisition of DEXUS Wholesale Property Limited (DWPL) (the Responsible Entity of DEXUS Wholesale Property Fund). These loan notes pay a coupon of 11% per annum, mature on 1 October 2024. On 21 February 2008 DXH redeemed the loan notes on issue to FAP.

Note 15. Current assets – other

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Prepayments	649	373	–	–
Total current assets – other	649	373	–	–

Note 16. Non-current assets – property, plant and equipment

(a) Property, plant and equipment

30 June 2009

	Consolidated				Parent entity			
	Construction in progress	Land and freehold buildings	IT and office	Total	Construction in progress	Land and freehold buildings	IT and office	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance as at 1 July 2008	31,999	97,873	6,039	135,911	31,999	41,500	–	73,499
Additions	49,088	29,617	1,521	80,226	49,088	27,224	–	76,312
Depreciation charge	–	(2,375)	(1,801)	(4,176)	–	–	–	–
Transfer to non-current assets classified as held for sale	–	(55,000)	–	(55,000)	–	–	–	–
Impairment	(33,463)	(420)	–	(33,883)	(33,463)	–	–	(33,463)
Closing balance as at 30 June 2009	47,624	69,695	5,759	123,078	47,624	68,724	–	116,348
Cost	81,087	78,211	8,145	167,443	81,087	68,724	–	149,811
Accumulated depreciation	–	(8,096)	(2,386)	(10,482)	–	–	–	–
Impairment	(33,463)	(420)	–	(33,883)	(33,463)	–	–	(33,463)
Net book value as at 30 June 2009	47,624	69,695	5,759	123,078	47,624	68,724	–	116,348

30 June 2008

	Consolidated				Parent entity			
	Construction in progress	Land and freehold buildings	IT and office	Total	Construction in progress	Land and freehold buildings	IT and office	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance as at 1 July 2007	–	56,906	–	56,906	–	–	–	–
Additions	31,999	43,177	6,624	81,800	31,999	41,500	–	73,499
Depreciation charge	–	(2,210)	(585)	(2,795)	–	–	–	–
Closing balance as at 30 June 2008	31,999	97,873	6,039	135,911	31,999	41,500	–	73,499
Cost	31,999	103,594	6,624	142,217	31,999	41,500	–	73,499
Accumulated depreciation	–	(5,721)	(585)	(6,306)	–	–	–	–
Net book value as at 30 June 2008	31,999	97,873	6,039	135,911	31,999	41,500	–	73,499

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Note 16. Non-current assets – property, plant and equipment (continued)

(b) Impairment

During the year, DXO carried out a review of the recoverable amount of its development properties resulting in the recognition of an impairment loss of \$33.9 million that has been recognised in the Income Statements.

The total impairment comprises \$33.5 million for Greystanes and \$0.4 million in relation to 343 George Street.

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.

(c) Acquisitions and developments

Southern Employment Lands, Greystanes Estate, NSW

The Greystanes site has a gross land area of 47.62 hectares acquired from Boral in 4 stages. Acquisition of Stage 2 and 3 occurred during the year with a total cost of \$27.2 million. The final stage is expected to be acquired in the second half of 2009/10. Total development costs excluding land acquisition to 30 June 2009 are \$81.1 million.

Note 17. Non-current assets – other financial assets

Name of entity	Principal activity	Ownership Interest		Parent entity	
		2009 %	2008 %	2009 \$'000	2008 \$'000
Held by parent entity					
Barrack Street Trust	Commercial property investment	100.0	100.0	99	99
DEXUS Holdings Pty Limited ¹	Financial services	100.0	100.0	98,652	98,652
DEXUS Finance Pty Limited ²	Financial services	25.0	25.0	1	1
Total non-current assets – other financial assets				98,752	98,752

1 On 21 February 2008, DXO purchased the remaining 50% interest in DXH from First Australian Property Group Holdings Pty Limited. From this date DXH became a wholly owned subsidiary of DXO and is therefore consolidated.

2 On 27 June 2008, DEXUS Finance Pty Limited issued 3 additional units to DDF, DIT and DOT for \$96,400 each. Prior to this date, the entity was wholly owned and therefore consolidated by DXO.

Both the parent entity and the subsidiary entities were formed in Australia.

Reconciliation

	Parent entity	
	2009 \$'000	2008 \$'000
Opening balance as at 1 July 2008	98,752	100
Amount transferred as equity accounted investments	–	18,054
Acquisitions	–	80,598
Closing balance as at 30 June 2009	98,752	98,752

Note 18. Non-current assets – investments accounted for using the equity method

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

Information relating to these entities is set out below.

Name of entity	Principal activity	Ownership Interest		Consolidated		Parent entity	
		2009 %	2008 %	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Held by parent entity							
DEXUS Holdings Pty Limited ¹	Asset, property and funds management	100.0	100.0	–	–	–	–
Total				–	–	–	–

Both the parent entity and the consolidated entities were formed in Australia.

¹ On 21 February 2008, DXO purchased the remaining 50% interest in DXH from First Australian Property Group Holdings Pty Limited. From this date DXH became a wholly owned subsidiary of DXO and is therefore consolidated.

	Consolidated	
	2009 \$'000	2008 \$'000
Movements in carrying amounts of investments accounted for using the equity method		
Opening balance as at 1 July 2008	–	17,886
Share of net profits after tax	–	2,892
Dividends received	–	(2,724)
Transfer to other financial assets	–	(18,054)
Closing balance as at 30 June 2009	–	–
Results attributable to associates		
Operating profits before income tax	–	4,168
Income tax expense	–	(1,276)
Operating profits after income tax	–	2,892
Less: Dividends received	–	(2,724)
	–	168
Undistributed income attributable to associates as at 1 July 2008	–	35
Undistributed income attributable to associates as at 30 June 2009	–	203

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	–	2,892
Assets	–	–
Liabilities	–	–
Share of associates' expenditure commitments		
Capital commitments	–	–

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Note 19. Non-current assets – deferred tax assets

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
The balance comprises temporary differences attributable to:				
Derivative financial instruments	2,650	–	2,650	–
Tax losses	3,081	2,552	3,081	–
Employee provision	8,390	6,849	–	–
Other	1,031	348	65	139
Net deferred tax assets	15,152	9,749	5,796	139
Movements				
Opening balance at 1 July 2008	9,749	3,607	139	–
Acquisition	–	4,810	–	–
Deconsolidation	–	(4,102)	–	–
Credited to the Income Statements	5,403	5,434	5,657	139
Closing balance at 30 June 2009	15,152	9,749	5,796	139

Note 20. Intangible assets

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Management rights				
Opening balance as at 1 July 2008	252,176	–	–	–
Additions	–	252,382	–	–
Amortisation charge	(566)	(206)	–	–
Impairment	(41,110)	–	–	–
Closing balance as at 30 June 2009	210,500	252,176	–	–
Cost	252,382	252,382	–	–
Accumulated amortisation	(772)	(206)	–	–
Impairment	(41,110)	–	–	–
Total management rights	210,500	252,176	–	–

Management rights represent the asset management rights owned by DXH which entitle it to management fee revenue from both finite life trusts (\$9,223,164) and indefinite life trusts (\$201,276,836). Those rights that are deemed to have a finite useful life are measured at cost and amortised using the straight-line method over their estimated useful lives which vary from six to 22 years.

Impairment of Management Rights

During the period, DXS carried out a review of the recoverable amount of its intangible assets resulting in the recognition through the Income Statements of an impairment loss of \$41.1 million in relation to management rights.

The value in use has been determined using management forecasts in a five year discounted cash flow model. Forecasts were based on projected returns of the business in light of current market conditions. The performance in year five has been used as a terminal value. The cash flows have been discounted at 8.2%.

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Goodwill				
Opening balance as at 1 July 2008	2,937	–	–	–
Additions	–	2,998	–	–
Impairment	(170)	(61)	–	–
Closing balance as at 30 June 2009	2,767	2,937	–	–
Cost	2,998	2,998	–	–
Accumulated impairment	(231)	(61)	–	–
Total goodwill	2,767	2,937	–	–
Total intangibles	213,267	255,113	–	–

Note 21. Non-current assets – other

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Tenant and other bonds	5	5	–	–
Other	61	62	61	62
Total non-current assets – other	66	67	61	62

Note 22. Current liabilities – payables

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Trade creditors	297	75	19	12
Accruals	1,904	1,704	267	773
Accrued capital expenditure	1,048	98	233	–
Prepaid income	374	244	–	–
Responsible Entity fee payable	–	–	46	–
Employee related expenses	1,661	1,456	–	–
Total current liabilities – payables	5,284	3,577	565	785

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Note 23. Provisions

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Current				
Provision for distribution	–	4,910	–	4,910
Provision for employee benefits	13,089	11,926	–	–
	13,089	16,836	–	4,910

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

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Provision for distribution				
Opening balance as at 1 July 2008	4,910	5,576	4,910	5,576
Additional provisions	–	9,192	–	9,192
Payments and reinvestment of distributions	(4,910)	(9,858)	(4,910)	(9,858)
Closing balance as at 30 June 2009	–	4,910	–	4,910

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Non-current				
Provision for employee benefits	13,533	9,818	–	–
	13,533	9,818	–	–

Note 24. Non-current liabilities – deferred tax liabilities

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
The balance comprises temporary differences attributable to:				
Derivative financial instruments	–	352	–	352
Goodwill	2,767	2,937	–	–
Property, plant and equipment	2,670	–	2,670	–
Other	923	929	–	362
Total non-current liabilities – deferred tax liabilities	6,360	4,218	2,670	714
Movements				
Opening balance at 1 July 2008	4,218	27	714	1
Acquisition	–	3,391	–	–
(Debited)/credited to Income Statements	2,142	800	1,956	713
Closing balance at 30 June 2009	6,360	4,218	2,670	714

Note 25. Contributed equity

(a) Contributed equity of equity holders

	Consolidated	
	2009 \$'000	2008 \$'000
Opening balance as at 1 July 2008	12,876	6,848
Distributions reinvested	1,564	6,032
Issue of units	12,275	–
Cost of issuing units	(380)	(4)
Closing balance as at 30 June 2009	26,335	12,876

(b) Number of units 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

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 1.1 cents per unit.

On 6 February 2009 pursuant to a security purchase plan 16.4 million securities were issued at a price of 1.0 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 units were issued at a price of 0.7 cents per unit.

On 28 May 2009 pursuant to a retail entitlement offer 127.2 million units were issued at a price of 0.7 cents per unit.

(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 \$0.0346 in relation to the June 2008 distribution period.

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

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

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

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

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Note 26. Reserves and undistributed income

(a) Reserves

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Asset revaluation reserve	42,738	63,293	–	–
Total reserves	42,738	63,293	–	–
Movements:				
Asset revaluation reserve				
Opening balance as at 1 July 2008	63,293	–	–	–
Revaluation increment on investment	–	63,293	–	–
Transfer to undistributed income	(20,555)	–	–	–
Total movement in asset revaluation reserve	(20,555)	63,293	–	–
Closing balance as at 30 June 2009	42,738	63,293	–	–

(b) Nature and purpose of reserves

Asset revaluation reserve

The asset revaluation reserve is used to record the fair value adjustment arising on a business combination (refer note 32).

(c) Undistributed income

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Undistributed income as at 1 July 2008	6,487	6,146	10,907	12,669
Net (loss)/profit attributable to unit holders	(80,106)	209	(42,030)	7,430
Acquisition of investment	–	402	–	–
Deconsolidation of investment	–	8,922	–	–
Distributions provided for or paid	–	(9,192)	–	(9,192)
Transfer from revaluation reserve	20,555	–	–	–
Undistributed income as at 30 June 2009	(53,064)	6,487	(31,123)	10,907

Note 27. Dividends paid and payable

(a) Dividends paid/payable to unit holders

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
31 December (paid 27 February 2009)	–	4,282	–	4,282
30 June (payable 28 August 2009)	–	4,910	–	4,910
	–	9,192	–	9,192

(b) Dividend 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)	–	0.15	–	0.15
30 June (payable 28 August 2009)	–	0.16	–	0.16
Total dividends	–	0.31	–	0.31

(c) Franked dividends

The franked portions of the final dividends recommended after 30 June 2009 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ended 30 June 2009.

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Franking credits				
Opening balance as at 1 July 2008	14,139	3,512	6,855	3,512
Franking credits arising during the year on payment of tax at 30%	7,241	4,694	98	2,543
Franking debits arising from payment of interim dividend	–	(5,297)	–	(4,225)
Franking credits arising on receipt of dividend	–	5,025	–	5,025
Franking credits on acquisition	–	6,205	–	–
Closing balance as at 30 June 2009	21,380	14,139	6,953	6,855

Note 28. Financial risk management

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

The Capital Markets Committee is a management committee that is accountable to both the Board Finance Committee and the 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 Trust's 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 12), cash and cash equivalents, and equity attributable to security holders. The capital structure is monitored and managed in consideration of a range of factors including:

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

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Note 28. Financial risk management (continued)

(1) Capital risk management (continued)

The gearing ratio at 30 June 2009 was 156.1% (as detailed below).

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Gearing ratio				
Interest bearing liabilities ¹	325,867	273,108	325,867	273,108
Total tangible assets ²	208,753	172,986	256,951	350,218
Gearing ratio³	156.1%	157.9%	126.8%	78.0%

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 is rated BBB+ by Standard and Poor's (affirmed in April 2009). The Trust considers potential impacts upon the rating when assessing the strategy and activities of the Trust and regards those impacts as an important consideration in its management of the Trust's capital structure.

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

DWPL, a wholly owned entity, has also been issued with an AFSL as it is the Responsible Entity for DEXUS Wholesale Property Fund. It is subject to the same requirements.

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

(2) Financial risk management

The Trust's activities expose it to a variety of financial risks: credit risk, market risk (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, 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	Expiring between one and two years	Expiring between two and five years	Expiring after five years	Expiring within one year	Expiring between one and two years	Expiring between two and five years	Expiring after five years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Receivables	16,195	–	–	–	21,743	–	–	–
Payables	5,284	–	–	374,799	3,577	–	–	–
	10,911	–	–	(374,799)	18,166	–	–	–
Derivative financial instruments								
Derivative assets	3,591	1,234	–	–	391	457	80	–
Derivative liabilities	4,841	5,975	5,860	49	–	–	–	–
Total net derivative financial instruments¹	(1,250)	(4,741)	(5,860)	(49)	391	457	80	–

¹ For interest rate swaps, only the net interest cash flows (not the notional principal) are included. For derivative assets and liabilities that have floating interest cash flows, future cash flows have been calculated using static interest rates prevailing at 30 June 2009. Refer to note 13 Derivative Financial Instruments for fair value of derivatives.

	Parent entity 30 June 2009				Parent entity 30 June 2008			
	Expiring within one year	Expiring between one and two years	Expiring between two and five years	Expiring after five years	Expiring within one year	Expiring between one and two years	Expiring between two and five years	Expiring after five years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Receivables	11,220	–	–	–	10,718	–	–	–
Payables	565	–	–	374,799	785	–	–	–
	10,655	–	–	(374,799)	9,933	–	–	–
Derivative financial instruments								
Derivative assets	3,591	1,234	–	–	391	457	80	–
Derivative liabilities	4,841	5,975	5,860	49	–	–	–	–
Total net derivative financial instruments¹	(1,250)	(4,741)	(5,860)	(49)	391	457	80	–

¹ For interest rate swaps, only the net interest cash flows (not the notional principal) are included. For derivative assets and liabilities that have floating interest cash flows, future cash flows have been calculated using static interest rates prevailing at 30 June 2009. Refer to note 13 Derivative Financial Instruments for fair value of derivatives.

Note 28. Financial risk management (continued)

(2) Financial risk management (continued)

(b) Market risk

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

(i) Interest rate risk

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

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

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

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

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

Consolidated 30 June 2009	June 2010 \$'000	June 2011 \$'000	June 2012 \$'000	June 2013 \$'000	> June 2014 \$'000
Fixed rate debt					
A\$ fixed rate debt ¹	–	–	–	–	–
Interest rate swaps					
A\$ hedged ¹	110,000	143,333	59,167	50,000	10,000
A\$ hedge rate (%) ²	7.61%	7.42%	7.03%	6.75%	6.81%

1 Average amounts for the period. Hedged amounts above do not include potential hedges that are cancellable at the counterparty's option.

2 The above hedge rates do not include margins payable on borrowings.

Sensitivity on interest expense

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

		Consolidated		Parent entity	
		2009 (+/-) \$'000	2008 (+/-) \$'000	2009 (+/-) \$'000	2008 (+/-) \$'000
+/- 0.50% (50 basis points)	A\$	1,079	1,366	1,079	1,366

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

		Consolidated		Parent entity	
		2009 (+/-) \$'000	2008 (+/-) \$'000	2009 (+/-) \$'000	2008 (+/-) \$'000
+/- 0.50% (50 basis points)	A\$	1,736	1,698	1,736	1,698

(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.

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): 16,189 (0-30 days), 6 (31-60 days), nil (61-90 days), nil (91+ days). The ageing analysis of loans and receivables net of provisions at 30 June 2008 is (\$'000): 11,252 (0-30 days), 8,315 (31-60 days), 1,216 (61-90 days), 960 (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): 11,220 (0-30 days), nil (31-60 days), nil (61-90 days), nil (91+ days). The ageing analysis of loans and receivables net of provisions for the parent entity at 30 June 2008 is (\$'000): 10,718 (0-30 days), nil (31-60 days), nil (61-90 days), nil (91+ days). Amounts over 31 days are past due, however, no receivables are impaired.

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

DEXUS OPERATIONS TRUST
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Note 28. Financial risk management (continued)

(2) Financial risk management (continued)

(d) Fair value of financial instruments

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

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

	Consolidated		Consolidated	
	2009	2009	2008	2008
	Carrying amount ¹ \$'000	Fair value ² \$'000	Carrying amount ¹ \$'000	Fair value ² \$'000
Financial assets				
Cash and cash equivalents	13,765	13,765	14,892	14,892
Loans and receivables (current)	16,195	16,195	21,743	21,743
Derivative assets	–	–	1,173	1,173
Total financial assets	29,960	29,960	37,808	37,808
Financial liabilities				
Trade payables	5,284	5,284	3,577	3,577
Derivative liabilities	9,520	9,520	–	–
Loans with related parties	48,932	48,932	48,932	48,932
Intercompany loans	325,867	325,867	273,108	273,108
Total financial liabilities	389,603	389,603	325,617	325,617

	Parent entity		Parent entity	
	2009	2009	2008	2008
	Carrying amount ¹ \$'000	Fair value ² \$'000	Carrying amount ¹ \$'000	Fair value ² \$'000
Financial assets				
Cash and cash equivalents	259	259	298	298
Loans and receivables (current)	63,156	88,846	62,654	81,346
Loans and receivables (non-current)	97,592	97,592	114,953	114,953
Derivative assets	–	–	1,173	1,173
Total financial assets	161,007	186,697	179,078	197,770
Financial liabilities				
Trade payables	565	565	785	785
Loans with related parties	48,932	48,932	48,932	48,932
Intercompany loans	325,867	325,867	273,108	273,108
Total financial liabilities	375,364	375,364	322,825	322,825

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 3.11% to 4.60% for US\$ and 7.81% to 7.93% for A\$. The fair value of floating rate interest bearing liabilities have been determined by adjusting for transaction costs where appropriate. Refer note 1(u) for fair value methodology for financial assets and liabilities.

Note 29. Contingent liabilities

The Trust together with DDF, DIT and DOT 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 30. 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				
Southern Employment Lands, Greystanes	27,174	63,848	27,174	63,848
	27,174	63,848	27,174	63,848
Later than one year but not later than five years				
Southern Employment Lands, Greystanes	–	27,174	–	27,174
	–	27,174	–	27,174
Total capital commitments	27,174	91,022	27,174	91,022

(b) Lease receivable commitments

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
The future minimum lease payments receivable by the Trust are:				
Within one year	4,790	4,310	–	–
Later than one year but not later than five years	10,116	9,951	–	–
Total lease receivable commitments	14,906	14,261	–	–

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Note 31. Related parties

Responsible Entity

DXFM is the Responsible Entity of the Trust.

DXFM is also the Responsible Entity of Abbotsford Property Trust, Abbotsford Property Investment Trust, Gordon Property Trust, Gordon Property Investment Trust, Northgate Property Trust and Northgate Property Investment Trust (collectively known as "the Syndicates"). On 29 June 2008, Abbotsford Property Trust and Abbotsford Property Investment Trust were wound up.

DXH is the parent entity of DEXUS Wholesale Property Limited (DWPL), the Responsible Entity for DWPF.

Responsible Entity fees

Under the terms of the Trust's Constitutions, the Responsible Entities are entitled to receive fees in relation to the management of the Trust.

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

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 a related party on this date.

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	-	-	580,797	-
Loan note interest earned from DXH	-	3,693,880	5,712,993	5,728,645
Property management fees to DXPS	-	350,584	946,667	350,584
Recovery of administration expenses paid to DXH	-	129,129	715,755	115,071
Aggregate amounts payable to the Responsible Entity at reporting date	-	-	45,889	-
Property management fees payable at reporting date	-	-	232,910	-
Administration expenses payable at reporting date	-	-	4,937	-
Loan notes receivable	-	-	51,936,300	51,936,300

DEXUS Wholesale Property Fund¹

	Consolidated		Parent entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Responsible Entity fee income	16,164,383	6,200,512	-	-
Property management fee income	5,800,897	993,255	-	-
Recovery of administration expenses	674,901	797,068	-	-
Aggregate amount receivable at reporting date	2,043,432	1,853,954	-	-

¹ Amounts in 2008 reflect transactions between 21 February 2008 and 30 June 2008.

The Syndicates¹

	Consolidated		Parent entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Responsible Entity fee income	1,722,262	742,994	–	–
Property management fee income	1,830,193	235,080	–	–
Recovery of administration expenses	196,542	300,100	–	–
Aggregate amount receivable at reporting date	759,443	329,230	–	–

Bent Street Trust¹

	Consolidated		Parent entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Property management fee income	5,418,913	6,400,740	–	–
Recovery of administration expenses	17,928	18,286	–	–
Aggregate amount receivable at reporting date	–	3,446,957	–	–

Deutsche Bank AG²

Deals 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.

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

	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	–	6,406	–	–
Interest received on swaps for whom the counterparty was Deutsche Bank AG	–	7,329	–	–
Other transactions with Deutsche Bank AG:				
Interest paid and payable to FAP	–	–	–	–
Purchase of DXH shares	–	79,829,700	–	–
Redemption of loan notes	–	51,936,300	–	–
Dividends paid	–	5,974,000	–	–

1 Amounts in 2008 reflect transactions between 21 February 2008 and 30 June 2008.

2 Amounts in 2008 reflect transactions between 1 July 2007 and 20 February 2008.

DEXUS OPERATIONS TRUST
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Note 31. Related parties (continued)

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

Directors

C T Beare, BSc, BE (Hons), MBA, PhD, FAICD^{1,4,5}

E A Alexander AM, BComm, FCA, FAICD, CPA^{1,2,6,8,9}

B R Brownjohn, BComm^{1,2,5,6}

S F Ewen OAM^{1,4}

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

C B Leitner III, BA¹⁷

B E Scullin, BEc^{1,3,4,7,10}

A J Fay, 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.

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.

DEXUS OPERATIONS TRUST
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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.

Remuneration component	2009			2008		
	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	<ul style="list-style-type: none"> ■ 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	<ul style="list-style-type: none"> ■ prescribed and salary sacrifice superannuation contributions, including insurance premiums (if required).
Performance payments – STPP & LTPP	
	<ul style="list-style-type: none"> ■ 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 assets 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.

DEXUS OPERATIONS TRUST
NOTES TO THE FINANCIAL STATEMENTS
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CONTINUED

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 assets 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 2004¹ (% per annum)
Period to 30 June 2009				
DEXUS Property Group	-37.3%	-31.1%	-12.1%	-2.5%
S&P/ASX 200 Property Accumulation Index	-42.3%	-39.4%	-22.7%	-10.3%
DEXUS Composite Total Return	-24.2%	-16.1%	-4.0%	3.4%
Composite Performance Benchmark	-27.3%	-19.6%	-8.2%	0.3%

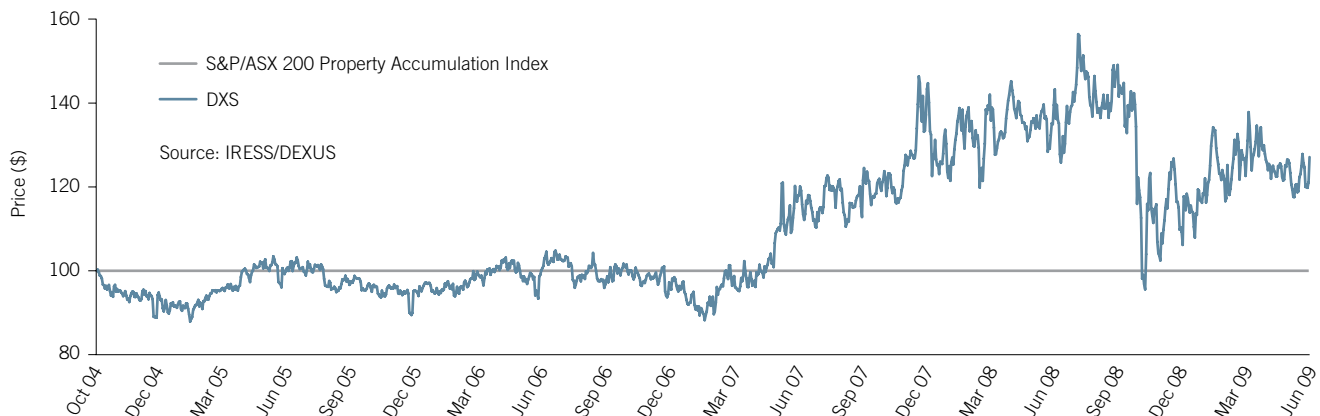
¹ DEXUS's inception date is 1 October 2004.

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

Total return of DEXUS securities

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

6/10/2004 = 100



* 6 October 2004 to 30 June 2009

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

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

7. Service agreements

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

CEO – Victor P Hoog Antink

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

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

Executives (other than the CEO)

The principal terms of Executive employment contracts are as follows:

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

DEXUS OPERATIONS TRUST
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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.

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

Name	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	
	\$	\$	\$	\$	\$	\$	\$	\$
Louise J Martin⁴								
2009	405,000	175,000	–	95,000	175,000	(60,625)	–	789,375
2008	116,607	225,000	–	1,250	250,000	–	–	592,857
Craig D Mitchell								
2009	500,000	325,000	–	50,000	325,000	(60,625)	–	1,139,375
2008	273,768	250,000	162,592	42,899	250,000	–	–	979,259
Paul G Say								
2009	486,255	200,000	–	13,745	200,000	(60,625)	–	839,375
2008	466,871	225,000	–	13,129	250,000	–	–	955,000
Mark F Turner								
2009	400,015	135,000	–	49,985	135,000	(103,635)	–	616,365
2008	377,172	200,000	–	42,828	200,000	(22,669)	–	797,331
Andrew P Whiteside⁵								
2009	461,255	135,000	–	13,745	135,000	(24,250)	–	720,750
2008	61,228	200,000	–	3,282	100,000	–	–	364,510
Total								
2009	4,756,710	2,271,000	–	429,624	2,399,000	(889,071)	–	8,967,263
2008	3,482,390	2,410,000	162,592	266,776	2,345,000	(159,362)	1,105,000	9,612,396

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

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

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

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

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

6 This is the LTPP allocation for the current year which is deferred for three years as described on pages 160 to 161.

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

8 Termination payment.

DEXUS OPERATIONS TRUST
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Remuneration Report (continued)

8. Remuneration of key management personnel (continued)

Long-term performance payments

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

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

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

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

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

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

Non-Executive Director board and committee fees

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

	Directors Fees		Committee Fees						Total cash salary and fees
	Board	Chair DWPL	Board Audit	Board Risk	Board Compliance	Board Nom & Rem	Board Treasury Policy	Board Finance	
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Name									
Christopher T Beare									
2009	300,000	–	–	–	–	–	–	–	300,000
2008	300,000	–	–	–	–	–	–	–	300,000
Elizabeth A Alexander¹									
2009	130,000	–	15,000	15,000	6,250	–	–	6,250	172,500
2008	130,000	–	15,000	15,000	8,125	–	–	5,625	173,750
Barry R Brownjohn²									
2009	130,000	–	7,500	7,500	–	–	–	15,000	160,000
2008	130,000	–	7,500	7,500	–	–	–	15,000	160,000
John C Conde AO³									
2009	22,652	–	–	–	1,250	1,250	–	–	25,152
2008	–	–	–	–	–	–	–	–	–
Stewart F Ewen									
2009	130,000	–	–	–	–	7,500	–	–	137,500
2008	130,000	–	–	–	–	7,500	–	–	137,500
Charles B Leitner III⁴									
2009	–	–	–	–	–	–	–	–	–
2008	–	–	–	–	–	–	–	–	–
Brian E Scullin									
2009	130,000	30,000	6,250	6,250	15,000	7,500	–	–	195,000
2008	130,000	30,000	7,500	7,500	16,250	7,500	–	–	198,750
Peter B St George⁵									
2009	22,652	–	1,250	1,250	–	–	–	1,250	26,402
2008	–	–	–	–	–	–	–	–	–
Total									
2009	865,304	30,000	30,000	30,000	22,500	16,250	–	22,500	1,016,554
2008	820,000	30,000	30,000	30,000	24,375	15,000	–	20,625	970,000

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

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

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

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

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

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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				
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 32. Business Combinations

(a) Summary of acquisition

There were no transactions or events resulting in a business combination in the current period to 30 June 2009.

During the prior period, on 21 February 2008, DXO acquired the remaining 50% interest in DXH.

Prior to this acquisition DXO held a 50% share in DXH and accounted for DXH on an equity accounting basis. The acquisition of the remaining 50% has resulted in DXO effectively controlling DXH and thus this acquisition was accounted for as a 'business combination achieved in stages' as described in *AASB 3 Business Combinations*. The acquisition resulted in goodwill of \$2.998 million.

The acquired business contributed revenues of \$37.428 million and net profit of \$2.278 million to the Trusts for the period from 21 February 2008 to 30 June 2008. If the acquisition had occurred on 1 July 2007, consolidated revenue and consolidated profit for the year ended 30 June 2008 would have been \$943.197 million and \$441.169 million respectively. These amounts have been calculated using the Trust's accounting policies.

	2008 \$'000
Purchase consideration (refer to (b) below):	
Cash paid ¹	79,830
Direct costs related to acquisition	768
Total purchase price	80,598
Fair value of net identifiable assets acquired (refer below)	77,600
Goodwill	2,998

¹ Represents consideration for the remaining 50% of DXH shares. In addition to this \$51,936,300 of loan notes were repaid resulting in total cash outlay of \$131,766,000.

(b) Purchase consideration

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Outflow of cash to acquire subsidiary, net of cash acquired				
Cash consideration	–	79,830	–	79,830
Less: Cash balances acquired	–	12,486	–	12,486
Outflow of cash	–	67,344	–	67,344

(c) Assets and liabilities acquired

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount \$'000	Fair value \$'000
Property, plant and equipment	4,529	4,529
Deferred tax assets	1,467	1,467
Intangible assets – management rights	125,796	252,382
Other non-current assets	40	40
Cash and cash equivalents	12,486	12,486
Receivables	22,688	22,688
Other current assets	877	877
Provisions	(14,556)	(14,556)
Payables	(13,360)	(13,360)
Interest bearing liabilities	(111,353)	(111,353)
Net assets	28,614	155,200
Identifiable net assets acquired	–	77,600

DEXUS OPERATIONS TRUST
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Note 33. Events occurring after reporting date

In July 2009, DXO entered into an unconditional contract to sell 343 George Street, Sydney for \$55.0 million. Settlement is to occur in October 2009. The property has been reclassified as held for sale at 30 June 2009.

Since the end of the year, other than the matter discussed above, the Directors are not aware of any matter or circumstance not otherwise dealt with in their Directors' Report or the Financial Statements that has significantly or may significantly affect the operations of the Trust, the results of those operations, or state of the Trust's affairs in future financial periods.

Note 34. Segment information

Business segments

The Trust's associate and wholly owned entities are involved in property development and provide funds management to trusts within DXS, and to other clients.

Geographical segments

The Trust operates solely in Australia.

	Financial Services	Property Development	Investments in Funds Management Company	Eliminations/unallocated	Consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000
2009					
Property revenue	–	5,117	–	(2,383)	2,734
Interest revenue	–	25	768	81	874
Management fee revenue	–	–	94,599	(730)	93,869
Other income	–	–	112	9	121
Total segment revenue/income	–	5,142	95,479	(3,023)	97,598
Segment result	–	(5,786)	8,827	(83,147)	(80,106)
Segment assets	–	174,708	257,311	6,575	438,594
Segment liabilities	–	70,061	127,463	225,061	422,585
Additions of property, plant and equipment	–	78,705	1,521	–	80,226
Depreciation and amortisation expense	–	2,374	2,368	–	4,742
Impairment	–	33,883	41,278	–	75,161

	Financial Services	Property Development	Investments in Funds Management Company	Eliminations/unallocated	Consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000
2008					
Property revenue	–	4,819	–	(1,029)	3,790
Interest revenue	246	35	377	3,899	4,557
Interest revenue from the Trust	90,600	–	–	(10,683)	79,917
Recoverables from the Trust	2,992	–	4	(577)	2,419
Management fee revenue	–	–	37,043	37	37,080
Share of net profits/(losses) of associates accounted for using the equity method	–	–	–	2,892	2,892
Total segment revenue/income	93,838	4,854	37,424	(5,461)	130,655
Segment result	(4,386)	(2,777)	2,280	5,092	209
Segment assets	–	134,919	302,248	1,978	439,145
Segment liabilities	–	65,481	140,118	150,890	356,489
Additions of property, plant and equipment	–	73,498	6,624	1,678	81,800
Depreciation and amortisation expense	–	2,211	789	1	3,001

Note 35. Reconciliation of net (loss)/profit to net cash inflow from operating activities

Reconciliation

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Net (loss)/profit	(80,106)	209	(42,030)	7,430
Capitalised interest	(7,203)	(1,198)	(7,203)	(1,198)
Depreciation and amortisation	4,742	3,001	1	1
Impairments	75,161	61	33,463	–
Share of net profits of associates accounted for using the equity method	–	(2,892)	–	–
Net fair value (loss)/gain of derivatives	10,007	–	10,007	–
Change in operating assets and liabilities				
Decrease/(increase) in receivables	5,553	2,490	(498)	4,980
(Increase)/decrease in prepaid expenses	(276)	(2,154)	–	–
(Increase) in other current assets	–	(2,491)	–	(702)
(Increase) in current tax assets	(1,298)	–	(100)	–
(Increase)/decrease in other non-current assets	–	(34,138)	–	1,110
(Increase) in deferred tax assets	(4,872)	–	(5,657)	–
Increase/(decrease) in payables	757	(6,221)	(454)	497
Increase/(decrease) in current liabilities	1,850	2,496	687	(2,727)
Increase in other non-current liabilities	22,583	13,958	11,464	4,351
Increase in deferred tax liabilities	1,611	712	1,956	712
Net cash inflow/(outflow) from operating activities	28,509	(26,167)	1,636	14,454

Note 36. Non-cash financing and investing activities

	Note	Consolidated		Parent entity	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Distributions reinvested	25	1,564	6,032	1,564	6,032

DEXUS OPERATIONS TRUST
NOTES TO THE FINANCIAL STATEMENTS
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Note 37. Earnings per unit

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

	Consolidated	
	2009	2008
	cents	restated cents
	(2.16)	0.01

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

	Consolidated	
	2009	2008
	cents	restated cents
	(2.16)	0.01

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

	Consolidated	
	2009	2008
	\$'000	\$'000
Net (loss)/profit	(80,106)	209
Net (loss)/profit attributable to the unitholders of the Trust used in calculating basic and diluted earnings per unit	(80,106)	209

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

	Consolidated	
	2009	2008
	Units	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

The Directors of DEXUS Funds Management Limited as Responsible Entity of DEXUS Operations Trust (the Trust) declare that the Financial Statements and notes set out on pages 123 to 172:

- (i) comply with applicable Australian Equivalents to International Financial Reporting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- (ii) give a true and fair view of the consolidated entity's financial position as at 30 June 2009 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date.

In the Directors' opinion:

- (a) the Financial Statements and notes are in accordance with the *Corporations Act 2001*;
- (b) there are reasonable grounds to believe that the Trust and its consolidated entities will be able to pay their debts as and when they become due and payable; and
- (c) the Trust has operated in accordance with the provisions of the Constitution dated 11 August 2004 (as amended) during the year ended 30 June 2009.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Directors.



Christopher T Beare
Chair
17 August 2009



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**Independent auditor's report to the equity holders of
DEXUS Operations Trust**

Report on the financial report

We have audited the accompanying financial report of DEXUS Operations Trust (the Trust), which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both DEXUS Operations Trust and the DEXUS Operations Trust Group (the consolidated entity). The consolidated entity comprises the Trust and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of DEXUS Funds Management Limited, as responsible entity of the Trust, are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Liability limited by a scheme approved under Professional Standards Legislation