

CAPITAL GAINS TAXATION INFORMATION

for DEXUS Property Group
stapled security holders



Background

DEXUS Property Group is the collective name of the listed stapled security units in four trusts: DEXUS Diversified Trust (DDF), DEXUS Industrial Trust (DIT), DEXUS Office Trust (DOT) and the DEXUS Operations Trust (DXO). In this guide, stapled units in DDF, DIT, DOT and DXO are collectively referred to as DXS stapled securities.

This capital gains taxation guide is designed primarily for the following groups of investors:

- investors who held units in DDF, DIT and/or DOT on the stapling record date of 12 October 2004 and consequently on 19 October 2004 received DXS stapled securities
- investors who participated in the Exchange Facility and received DXS stapled securities on 19 October 2004
- new or existing investors who have acquired, been issued or have disposed of DXS stapled securities since 6 October 2004, being the date when trading in DXS commenced on the ASX

This booklet is aimed at assisting you in determining the:

- capital gains tax (CGT) cost base of your DXS stapled securities
- the determination of any capital gains on the disposal of your DXS stapled securities

In reading and considering the following information, it is important that you are aware of the following:

- we are not aware of your personal circumstances and as such any information provided in this booklet is of a general nature only and does not constitute legal, taxation or financial advice
- this booklet has only been prepared for Australian resident taxpayers who hold their units on capital account
- how the gains on disposal of your DXS stapled securities can be calculated. No comment is provided as to the treatment of those gains in your tax return, including eligibility for the CGT discount or indexation or how to deal with capital losses

This guide is not relevant to former DDF, DIT and DOT unitholders who participated in the cash sale facility. Those unitholders should refer to the statement that was sent to participating sale facility investors in November 2004.

You should seek professional taxation and financial advice when considering the information in this booklet.

What is stapling?

Using DEXUS Property Group itself as an example, stapling is where the unitholders of DDF, DIT, DOT and DXO, together on 27 September 2004, agreed that whenever a unit in one of the Trusts is sold or transferred, then a unit in each of the other three Trusts must also be sold or transferred. As a result, the four Trusts trade as one single security on the ASX called DEXUS Property Group with an ASX code of DXS.

While in many ways DXS will act and will be publicly seen as if it were one single entity, legally and from a taxation point of view, DXS is actually four separate Trusts, that is DDF, DIT, DOT and DXO. Your investment in each Trust will have its own distributions, acquisition dates, cost bases and capital gains tax calculations.

Consequently, while you may monitor your DXS investment as a single security, when you administer your investment in DXS, particularly for taxation purposes, you will need to maintain records for each of the four Trusts that make up DXS.

The stapled structure of DXS is generally no different to any other stapled security listed on the ASX, particularly other listed property securities. The main difference is that DXS has four stapled Trusts while others often have fewer stapled Trusts or have a company within the stapled security.

The capital gains taxation information that you will be required to record as an investor will be:

- the tax deferred distributions received during a tax year
- the ongoing cost base of the four units comprising the DXS stapled security

To assist you with this activity, each year DEXUS Funds Management Limited (DXFM) as the Responsible Entity of each of the stapled Trusts, will send to you an annual taxation statement. The annual taxation statement will contain:

- details of any taxable income received. This information will be required for your annual income taxation return
- details of any tax deferred distributions

DXFM will also maintain various distribution history and issue price schedules that will enable you to access the history of the distributions of your Trusts. You can obtain a copy of these documents by either contacting DXFM or downloading them from the Investor Information – Tax page of the DEXUS website at www.dexus.com.

How was the DXS stapling implemented?

The objective of the actual stapling process was two fold:

- it ensured the number of issued units in DDF, DIT, DOT and DXO was the same as at the stapling record date, 12 October 2004
- on 12 October 2004, investors who held units in one of the Trusts, acquired the same number of units in the three other Trusts

To achieve this, the following stapling steps were followed:

- the number of issued units you held on the stapling date was multiplied by the relevant Trust's stapling ratio as shown in table 1 (rounded to the nearest whole number). Please note that this did not result in a capital gains tax event

Table 1	Stapling ratio
DEXUS Diversified Trust	1.0000000000
DEXUS Industrial Trust	1.5110759679
DEXUS Office Trust	0.9317613987

- then each Trust paid a (non-cash) stapling capital distribution. The proceeds of this stapling capital distribution were applied on your behalf to acquire units in each of the other three Trusts, thereby ensuring you held the same number of units in each of the four Trusts

The stapling capital distribution for each Trust and how it was applied to acquire units in each of the Trusts is shown in the following table 2.

Table 2		Stapling capital distribution per unit			
Distributing trust	Stapling distribution amount	Usage of the stapling distribution			
		DDF	DIT	DOT	DXO
DDF	\$0.362	n/a	\$0.16	\$0.20	\$0.002
DIT	\$0.402	\$0.20	n/a	\$0.20	\$0.002
DOT	\$0.362	\$0.20	\$0.16	n/a	\$0.002

The stapling capital distribution made to you by each of the Trusts will not be included in your assessable income. This stapling capital distribution is a tax deferred amount for tax purposes (refer section 5 for treatment of tax deferred amounts).

Example 1:

Mary held 5,000 units in DIT on the stapling record date, 12 October 2004. Following the stapling process she was issued 7,555 stapled securities. This is determined by multiplying 5,000 by DIT's stapling ratio of 1.5110759679. Her stapling capital distribution was \$3,037.11 that is 7,555 multiplied by \$0.402. The stapling capital distribution was applied on her behalf to acquire 7,555 DDF units, 7,555 DOT units and 7,555 DXO units. As all her stapling capital distribution was used to apply for DDF, DOT and DXO units she did not receive a cash payment.

Determining your revised CGT cost base upon stapling

As a result of the stapling process:

- if you were a DIT unitholder the number of DIT units you held will have increased and you will own the same number of new units in DDF, DOT and DXO. If you were a DOT unitholder the number of DOT units you held will have decreased and you will own the same number of new units in DDF, DIT and DXO. If you were a DDF unitholder the number of DDF units you held remains unchanged and you will own the same number of new units in DIT, DOT and DXO
- the stapling capital distribution will impact the capital gains cost base of the units you held on the stapling record date
- you need to record the cost base of the new units you acquired

The cost base of the Trust units you held on the stapling record date will be adjusted firstly by the stapling ratio and then reduced by the stapling capital distribution. The cost base of the new units you acquired will be the price you paid for them as outlined in table 2.

Example 2:

Following on from example 1, Mary originally acquired her 5,000 DIT units on 1 October 2003 for \$8,400 or \$1.68 each (inclusive of acquisition costs). Since that date and up to the date of stapling she received tax deferred distributions totalling \$334.09.

Consequently she has recalculated the cost base of her existing DIT units and the cost base of her new DDF, DOT and DXO units as follows:

	DDF	DIT	DOT	DXO
Opening units		5,000		
Purchase price		\$8,400.00		
Less tax deferred distributions received since purchase		\$334.09		
Pre stapling cost base		\$8,065.91		
Less stapling distribution		\$3,037.11		
Post stapling cost base		\$5,028.80		
Application for units	\$1,511.00		\$1,511.00	\$15.11
DXS stapled securities	7,555	7,555	7,555	7,555
Post stapling cost base	\$1,511.00	\$5,028.80	\$1,511.00	\$15.11
Post stapling cost base per unit	\$0.200	\$0.666	\$0.200	\$0.002

Please note that Mary's cost base for her DIT units pre-stapling was \$8,065.91 which is the same as the aggregate of her post stapling cost bases of the four DXS Trusts.

How distributions impact your cost base

At the end of each financial year you will receive an annual taxation statement that outlines in detail the components of DXS's distributions paid during that year. In particular, it will highlight the taxable and tax deferred components of the distributions for each of the four Trusts. It is the tax deferred component that will impact the cost base of your units in the DXS group of Trusts.

Tax deferred amounts

Tax deferred amounts will generally represent the component of the distribution that arose as a result of depreciation of plant and equipment, building allowances, tax timing differences or returns of capital. As a result you will not normally pay income tax on the tax deferred component of distributions.

If you receive tax deferred distributions from either DDF, DIT, DOT or DXO and acquired your units after 20 September 1985, you will be required to deduct the tax deferred distributions from the cost base of your units in the Trust when determining any capital gain or loss on the disposal of those units.

If the aggregate of the tax deferred amounts received from a trust exceeds your cost of the units in that trust, a capital gain equal to the excess will need to be included in your assessable income.

Example 3:

Following on from example 2, Mary received \$793.28 of distributions of which \$330.31 was a tax deferred amount, during the year ended 30 June 2005. Assuming that the tax deferred distribution from DDF was \$1.81, DIT \$133.26 and DOT \$195.24, the revised cost base of her DXS units would be as follows:

	DDF	DIT	DOT	DXO
Number of units	7,555	7,555	7,555	7,555
Post stapling cost base	\$1,511.00	\$5,028.80	\$1,511.00	\$15.11
Less tax deferred distributions received	\$1.81	\$133.26	\$195.24	–
Revised closing cost base	\$1,509.19	\$4,895.54	\$1,315.76	\$15.11
Revised closing cost base per unit	\$0.20	\$0.648	\$0.174	\$0.002

Please note that when the cost base of any of your units is reduced to zero, any further tax deferred amounts received from that Trust will be subject to capital gains in the year of receipt.

Some stapled security holders may have had their pre-CGT DDF units stapled to DIT, DOT and DXO units to become DXS stapled securities. Tax deferred distributions arising from these DDF units will not cause the cost base of these pre-CGT DDF units to change. However, investors will be required to adjust the cost base of the DIT, DOT and DXO units that were stapled to these pre-CGT DDF units on 19 October 2004.

Investors who participated in the exchange facility

As part of the stapling process all unitholders were offered the ability to participate in the Exchange Facility. Unitholders had to make a specific election to participate in this facility by 25 September 2004. When the stapling was completed, all the Exchange Facility participants each received a separate confirmation statement about their participation in this facility.

If you elected to participate in the Exchange Facility your participation is considered to be a disposal of your units on 30 September 2004 for capital gains tax purposes.

Disposal

It has been agreed with the Australian Taxation office (ATO) that the disposal consideration was the volume weighted average price for DXS stapled securities traded on the ASX during the five days following the commencement of deferred settlement trading of DXS securities (5 Day DXS VWAP), multiplied by the applicable stapling ratio.

The 5 Day DXS VWAP was A\$1.3253421533 per DXS security. Therefore, the consideration which a DDF, DIT or DOT unitholder is regarded as having received for the disposal of their units under the exchange facility is as outlined in table 3.

Trust	CGT Consideration (per unit)
DDF unitholders	A\$1.3253421533 per DDF unit
DIT unitholders	A\$2.0026926771 per DIT unit
DOT unitholders	A\$1.2349026585 per DOT unit

Note: the CGT consideration shown above takes into account the necessary stapling ratio adjustment.

Acquisition

As a result of participating in the Exchange Facility you also received DXS stapled securities.

The acquisition date of each underlying DXS unit is 30 September 2004.

The relevant purchase price of these DXS stapled securities is again the 5 Day DXS VWAP. The Australian Taxation Office has confirmed that the apportionment of the purchase price should be the stapling percentages. On this basis the applicable CGT cost base for each of the four units will be as outlined in table 4.

Table 4	Exchange facility acquisition cost base
Trust	CGT consideration allocation (per unit)
DDF	A\$0.5134567555
DIT	A\$0.2620217464
DOT	A\$0.5478636515
DXO	A\$0.002

Example 4:

Jane acquired 5,000 DDF units on 21 September 2001 for \$5,800 or \$1.16 each (inclusive of acquisition costs). While holding her DDF units she received \$602.81 of tax deferred distributions. Jane elected to participate in the Exchange Facility.

The effect of her election was that she was deemed to have sold her 5,000 DDF units for \$1.3253421533 each and acquired 5,000 DXS stapled securities for \$1.3253421533 each. The number of DXS securities she received was her original DDF holding of 5,000 multiplied by DDF's stapling ratio of 1.

Jane's calculation of the gain or loss on the disposal of her DDF units is as follows:

	DDF
Number of DDF units	5,000
Original purchase price	\$5,800.00
Less tax deferred distribution received	\$602.81
Adjusted cost base	\$5,197.19
Disposal price per DDF unit for CGT purposes	\$1.3253421533
Total disposal consideration	\$6,626.71
Gain on the disposal of DDF units	\$1,429.52

Jane acquired each of her DXS stapled securities for \$1.3253421533 each for a total of \$6,626.71 on 30 September 2004. The apportionment of her acquisition price across the DDF, DIT, DOT and DXO as follows:

	DDF	DIT	DOT	DXO
Number of stapled securities acquired on 30 September 2004	5,000	5,000	5,000	5,000
Apportionment of the acquisition cost per unit (refer to table 4)	\$0.5134567555	\$0.2620217464	\$0.5478636515	\$0.002
Total apportionment by holding	\$2,567.28	\$1,310.11	\$2,739.32	\$10.00

Investors who acquire stapled securities after 6 October 2004

You may acquire DXS securities either on or off market, or by being issued DXS securities through either the distribution reinvestment plan (DRP), the Security Purchase Plan (SPP) or another offer made by DXFM. In each of these circumstances you will need to apportion the purchase price of the DXS stapled security you acquired over the four Trusts that make up the stapled security. This allocation must be done using a reasonable basis of apportionment.

One possible basis for apportioning the purchase price is to use the relative net asset value (NAV) of each of the stapled Trusts that comprise DXS. (Please note that prior to 30 June 2008 NAV equalled Net tangible assets.)

DXFM periodically publishes taxation information on its website, under the Investor Information – Tax menu bar.

Please refer to the DXS cost base apportionment information section.

The correct allocation percentage to be used depends on the relevant date of the specific transaction.

Using the relevant apportionment percentage outlined in the 'DXS cost base apportionment information table', you will then calculate the cost base of each of the four Trusts that comprise DXS by applying each Trust's apportionment percentage to your acquisition cost.

Example 5:

Following on from example 3, on 28 February 2005, Mary acquired an additional parcel of 307 DXS stapled securities through the December 2004 DRP for \$392.68 or \$1.2791 each. Mary's determination of the cost base of this parcel of units is as follows:

	DDF	DIT	DOT	DXO
Number of units held	307	307	307	307
NAV allocation percentage applicable for the acquisition date	37.05%	21.27%	41.47%	0.21%
Acquisition cost base as at 28 February 2005	\$145.49	\$83.52	\$162.85	\$0.82
Acquisition cost base per unit	\$0.4739	\$0.2721	\$0.5304	\$0.0027

Investors who sold stapled securities

You may have sold your DXS securities either on or off market since 6 October 2004.

If you have sold your DXS securities you will need to apportion the sale price over the four Trusts that make up the stapled security. This allocation must be done using a reasonable basis of apportionment.

One possible basis for apportioning the purchase price is to use the relative net asset value (NAV) of each of the stapled Trusts that comprise DXS.

The DXS cost base apportionment information table shown in our website outlines the apportionment percentages that would apply if you used NAV as a basis of apportionment. The correct allocation percentage to be used will depend on the relevant date of the specific transaction.

Using the relevant apportionment percentage you will then calculate the consideration you received for each of the four Trusts that comprise DXS by applying each Trust's apportionment percentage to your net disposal consideration.

Example 6:

Following on from example 4, Jane sold all her 5,000 DXS stapled securities on the ASX for a net consideration of \$6,550 or \$1.31 per DXS on 15 December 2004. She will determine her capital gain or loss on sale as follows:

	DDF	DIT	DOT	DXO
Number of units held	5,000	5,000	5,000	5,000
Closing cost base prior to sale per unit (refer to example 4)	\$0.513	\$0.262	\$0.548	\$0.002
Closing cost base prior to sale	\$2,567.28	\$1,310.11	\$2,739.32	\$10.00
NAV allocation percentage for the period 6/10/04 to 30/12/04	38.15%	20.88%	40.79%	0.18%
Allocated proceeds of sale per unit	\$2,498.83	\$1,367.64	\$2,671.74	\$11.79
Gain (loss) for capital gains tax purposes on the disposal per unit	(\$68.45)	\$57.53	(\$67.58)	\$1.79

Please note that prior to 30 June 2008 NAV equalled Net tangible assets.