

# DEXUS Property Group - ASX release

16 February 2011

**DEXUS Property Group (ASX:DXS) Half year results for the period ending 31 December 2010**

DEXUS Property Group provides the following documents to the ASX Limited:

- Appendix 4D statement - results for announcement to the market
- Financial statements for DEXUS Diversified Trust, DEXUS Industrial Trust, DEXUS Office Trust, and DEXUS Operations Trust for the period ending 31 December 2010, including Independent Auditor's Review Reports from PricewaterhouseCoopers.

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**About DEXUS**

DEXUS is one of Australia's leading property groups specialising in world-class office, industrial and retail properties with total assets under management of \$13.6bn. In Australia, DEXUS is the number 1 owner/manager of office, a market leader in industrial and, on behalf of third party clients, a leading manager and developer of shopping centres. DEXUS is committed to being a market leader in Corporate Responsibility and Sustainability. [www.dexus.com](http://www.dexus.com)

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

# DEXUS Property Group - ASX release

## Results for announcement to the market

DEXUS Property Group (ASX:DXS)

ARSN 089 324 541

Financial reporting for the half ended 31 December 2010

DEXUS Diversified Trust (ARSN 089 324 541)	Note 1		
	31 Dec 2010	31 Dec 2009	% change
	\$'000	\$'000	
Revenue from ordinary activities	343,324	366,628	-6.4%
Operating earnings before interest and tax <sup>1</sup>	219,794	240,486	-8.6%
Net profit/(loss) attributable to security holders after tax	294,426	(107,027)	375.1%
Funds from operations <sup>2</sup>	179,043	181,112	-1.1%
Distribution to security holders	125,331	126,301	-0.8%
	CPS	CPS	
Funds from operations per security	3.70	3.80	-2.6%
Distributions per security	2.59	2.65	-2.3%
	\$'000	\$'000	
Total assets	7,856,925	7,830,582	0.3%
Total borrowings	2,177,910	2,404,551	-9.4%
Security holders equity	4,972,473	4,736,068	5.0%
Market capitalisation	3,847,024	4,051,179	-5.0%
	\$ per unit	\$ per unit	
Net tangible assets (excluding non-controlling interests)	0.98	0.95	3.2%
Securities price	0.795	0.850	-6.5%
Securities on issue ('000)	4,839,024	4,766,093	
Record date	31 Dec 2010	31 Dec 2009	
Payment date	25 Feb 2011	26 Feb 2010	

<sup>1</sup> This is represented by net profit attributable to security holders before tax as adjusted for, property revaluations, impairments, finance costs (including impact of unrealised interest rate swap mark to market movements), derivative mark to market movements and gain/(loss) on sale of investment properties. Refer note 15 of the Group Financial Statements for a reconciliation.

<sup>2</sup> Funds From Operations (FFO) is often used as a measure of real estate operating performance after finance costs and taxes. It represents profit after tax attributable to stapled security holders measured under Australian Accounting Standards and adjusted for property revaluations, impairments, derivative and FX mark to market movements, amortisation of certain tenant incentives, gain/(loss) on sale of assets, straight line rent adjustments, deferred tax expense and DEXUS RENTS Trust capital distribution.

# DEXUS Property Group - ASX release

## Results for announcement to the market

### Distribution Reinvestment Plan (DRP)

As announced on 13 December 2010, the DRP has been suspended until further notice. As a consequence, the DRP will not operate for this distribution payment.

### Associates and Joint Ventures

No new entities or associates were acquired during the half year ended 31 December 2010. For details of associates, refer attached Financial Statements.

### Results commentary

DEXUS Property Group's Funds from Operations (FFO) per security for the half year, while decreasing 2.6% to 3.7 cents per security compared to the 6 months to December 2009, increased by 5.7% compared to the immediately preceding six month period to June 2010. The distribution policy is to pay 70% of Funds From Operation (FFO).

Specific movements in the Consolidated Statement of Comprehensive Income for the half year ended 31 December 2010 were:

Revenue from ordinary activities was \$343 million (2009: \$367 million), down 6.4% primarily as a result of:

- Lower income following the sale of \$259.1 million of US assets (\$220.7 million in late calendar year 2009 and \$38.4 million in late calendar year 2010);
- Lower income following the \$256.8 million sale of Whitford City Shopping Centre in March 2010;
- The impact of translating foreign denominated revenue at the historically stronger Australian dollar exchange rates; and
- Decrease in like-for-like income from the stable North American property portfolio;

offset by:

- The full six month impact of the acquisition of industrial facilities leased to Whirlpool in the US and Canada;
- Increased revenue from the acquisition of industrial facilities at Matraville, NSW and Silverwater, NSW in December 2009 and May 2010 respectively and completed industrial developments; and
- Increases in like-for-like income from the stable domestic property portfolio.

Operating earnings before interest and tax (EBIT) were \$220 million (2009: \$240 million) down 8.6% primarily as a result of:

- The US industrial portfolio income decreased \$12.4 million (5.2% decrease on 2009 operating EBIT) to \$41.6 million. The decrease was driven by:
  - A like-for-like decrease in income of 8.3%. Market conditions continued to place pressure on rents resulting in lower rents at renewal and new lease transaction points however there are early indications of market rents beginning to stabilise. Occupancy by income has improved to 87.4% (June 2010: 84.3%) primarily due to asset sales occurring during the period;

# DEXUS Property Group - ASX release

## Results for announcement to the market

- Lower income following the sale of \$259.1 million of assets (\$220.7 million in late calendar year 2009 and \$38.4 million in late calendar year 2010) partially offset by the full six month impact of the acquisition of industrial facilities leased to Whirlpool in the US and Canada; and
- The impact of translating the US portfolio income at the historically stronger Australian dollar exchange rates. This impact was offset at the net profit line by an approximately equal and opposite impact on the translation of US denominated interest expense.
- Other segments (Retail and Europe) decreased \$10.5 million (4.4% decrease on 2009 operating EBIT) to \$8.1 million. The decrease primarily reflected the \$256.8 million sale of Whitford City Shopping Centre in March 2010; and
- Management business EBIT of \$1.5 million was \$4.8 million lower than the prior year.

offset by:

- Office portfolio income increased \$5.3 million (a 2.2% increase on 2009 operating EBIT) to \$127.2 million. This was primarily a result of a 3.1% increase in like-for-like property income reflecting the positive impacts of fixed and market rental increases on the majority of the portfolio and the commencement of leases on space that was vacant during 6 months ending December 2009; and
- Australian Industrial portfolio income increased \$4.1 million (a 1.7% increase on 2009 operating EBIT) to \$56.8 million. This reflected a 1.4% increase in like-for-like income and contributions from the acquisition of industrial facilities at Matraville, NSW and Silverwater, NSW in December 2009 and May 2010 respectively and completed industrial developments.

From operating EBIT, adjustments are made for finance and tax costs in order to derive FFO.

Net profit attributed to security holders was \$294 million (2009: \$107 million loss) up 375.1%, primarily as a result of:

- The decrease in operating earnings before interest and tax discussed above; and
- A reduction of \$32.9 million in deferred income tax benefits (arising from improving US asset valuations);

offset by:

- An increase in property values of \$67.9 million or 1% during the current period, compared to a decrease of \$259.3 million in the prior period;
- An increase in profit on sale of investments properties to \$4.7 million; and
- A reduction of \$60.2 million in finance costs to an income of \$2.4 million primarily as a result of an increase in the unrealised mark to market gain of financial instruments and a reduction in the finance costs associated with the prior period US asset sales.

# DEXUS Property Group - ASX release

## Results for announcement to the market

Specific movements in the Statements of Financial Position from 31 December 2009 to 31 December 2010 were:

- Total assets increased \$26.3 million (0.3%) over the period to \$7.9 billion as a result of asset acquisitions, capital expenditure and revaluations largely offset by asset sales during the period and the translation impact of the stronger Australian dollar on international assets.
- Total borrowings decreased by \$226.6 million (9.4%) primarily as a result of the translation impact of the stronger Australian dollar on US dollar denominated debt and proceeds from asset sales which were largely offset by acquisitions and capital expenditure.
- Gearing (net of cash) was 29.1% at 31 December 2010 (2009: 31.9%).
- Net tangible assets per security were \$0.98 (2009: \$0.95), an increase of 3.2% primarily as a result of the movements noted above.

For additional information regarding the results of DEXUS Property Group for the half year ended 31 December 2010, refer to the attached ASX Release. Attached with this Appendix 4D is a copy of the Financial Statements for the half year ended 31 December 2010, together with the Independent Auditors Review Report from PricewaterhouseCoopers.

### Notes

**Note 1:** For the purposes of statutory reporting, the stapled entity, known as DXS, must be accounted for as a consolidated group. Accordingly, one of the stapled entities must be the “deemed acquirer” of all other entities in the group. DEXUS Diversified Trust has been chosen as the deemed acquirer of the balance of the DXS stapled entities, comprising DEXUS Industrial Trust, DEXUS Office Trust and DEXUS Operations Trust.

**Note 2:** The distribution for the period 1 July 2010 to 31 December 2010 is the aggregate of the distributions from DEXUS Diversified Trust and DEXUS Office Trust (DEXUS Operations Trust and DEXUS Industrial Trust did not pay a distribution during the period). The Annual Tax Statement, issued as at 30 June 2011, will provide details of the components of DXS’ distributions.

# **FINANCIAL STATEMENTS DEXUS DIVERSIFIED TRUST**

**(ARSN 089 324 541)**

**HALF YEAR ENDED  
31 DECEMBER 2010**

<b>Contents</b>	<b>Page</b>
Directors' Report	1
Auditor's Independence Declaration	3
Consolidated Statement of Comprehensive Income	4
Consolidated Statement of Financial Position	5
Consolidated Statement of Changes in Equity	6
Consolidated Statement of Cash Flows	7
Notes to the Financial Statements	8
Directors' Declaration	35
Independent Auditor's Review Report	36

DEXUS Property Group (ASX Code: DXS), consists of DEXUS Diversified Trust (DDF), DEXUS Industrial Trust (DIT), DEXUS Office Trust (DOT), and DEXUS Operations Trust (DXO), collectively known as DXS or the Group.

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

All press releases, financial reports and other information are available on our website: [www.dexus.com](http://www.dexus.com)

**DEXUS DIVERSIFIED TRUST  
DIRECTORS' REPORT  
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

Page 1 of 37

The Directors of DEXUS Funds Management Limited (DXFM) as Responsible Entity of DEXUS Diversified Trust (DDF or the Trust) and its consolidated entities, DEXUS Property Group (DXS or the Group) present their Directors' Report together with the consolidated Financial Statements for the half year ended 31 December 2010.

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

**Directors**

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

Directors	Notes	Appointed
Christopher T Beare	1, 5, 6	4 August 2004
Elizabeth A Alexander AM	1, 2, 3	1 January 2005
Barry R Brownjohn	1, 2, 3, 6	1 January 2005
John C Conde AO	1, 4, 5	29 April 2009
Stewart F Ewen OAM	1, 5	4 August 2004
Victor P Hoog Antink		1 October 2004
Brian E Scullin	1, 4	1 January 2005
Peter B St George	1, 2, 3, 6	29 April 2009

<sup>1</sup> Independent Director

<sup>2</sup> Audit Committee Member

<sup>3</sup> Risk and Sustainability Committee Member

<sup>4</sup> Board Compliance Committee Member

<sup>5</sup> Nomination and Remuneration Committee Member

<sup>6</sup> Finance Committee Member

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

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

**Principal activities**

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

**Review and results of operations**

The results for the half year ended 31 December 2010 were:

- Profit attributable to stapled security holders was \$294.4 million (December 2009: \$107.0 million loss);
- Funds From Operations (FFO)<sup>1</sup> was \$179.0 million (December 2009: \$181.1 million);
- Distributions paid and payable to stapled security holders was \$125.3 million being 70% of FFO (December 2009: \$126.3 million);
- Total assets were \$7,856.9 million (June 2010: \$7,871.0 million); and
- Net assets were \$5,176.6 million (June 2010: \$5,006.4 million).

<sup>1</sup> Funds From Operations (FFO) or distributable income is often used as a measure of real estate operating performance after finance costs and taxes. DXS's FFO comprises profit/loss after tax attributable to stapled security holders measured under Australian Accounting Standards and adjusted for: property revaluations, impairments, derivative and FX mark to market impacts, amortisation of certain tenant incentives, gain/(loss) on sale of assets, straight line rent adjustments, deferred tax expense/benefit and DEXUS RENTS Trust capital distribution. Refer to the half year results presentation and appendices at [www.dexus.com/Investor-Centre/DXS.aspx](http://www.dexus.com/Investor-Centre/DXS.aspx) for further information.

**Significant changes in the state of affairs**

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

**Rounding of amounts and currency**

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

**Auditor**

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

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 3 and forms part of this Directors' Report.

**Directors' authorisation**

The Directors' Report is made in accordance with a resolution of the Directors. The Financial Statements were authorised for issue by the Directors on 15 February 2011. The Directors have the power to amend and reissue the Financial Statements.



Christopher T Beare  
Chair  
15 February 2011



Victor P Hoog Antink  
Chief Executive Officer  
15 February 2011



PricewaterhouseCoopers  
ABN 52 780 433 757

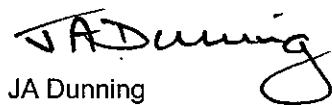
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## Auditor's Independence Declaration

As lead auditor for the review of DEXUS Diversified Trust for the half year ended 31 December 2010, I declare that to the best of my knowledge and belief, there have been:

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

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



JA Dunning  
Partner  
PricewaterhouseCoopers

Sydney  
15 February 2011

**DEXUS DIVERSIFIED TRUST**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

Page 4 of 37

	Notes	31 Dec 2010 \$'000	31 Dec 2009 \$'000
<b>Revenue from ordinary activities</b>			
Property revenue		314,428	338,383
Management fee revenue		28,179	27,478
Interest revenue		717	767
<b>Total revenue from ordinary activities</b>		<b>343,324</b>	<b>366,628</b>
Net fair value gain of investment properties		55,022	-
Share of net profit of associates accounted for using the equity method	8	12,870	-
Net gain on sale of investment properties		4,697	-
Net fair value gain on derivatives		1,932	9,516
Net foreign exchange gain		491	2,481
Other income		641	137
<b>Total income</b>		<b>418,977</b>	<b>378,762</b>
<b>Expenses</b>			
Property expenses		(75,268)	(87,032)
Finance income/(costs)	2	2,424	(57,768)
Share of net loss of associates accounted for using the equity method	8	-	(26,833)
Net fair value loss of investment properties		-	(259,264)
Net loss on sale of investment properties		-	(50,082)
Net loss on sale of investment		-	(15)
Depreciation and amortisation		(1,217)	(2,246)
Impairment		(74)	(168)
Employee benefits expense		(36,093)	(28,867)
Other expenses		(11,367)	(9,848)
<b>Total expenses</b>		<b>(121,595)</b>	<b>(522,123)</b>
<b>Profit/(loss) before tax</b>		<b>297,382</b>	<b>(143,361)</b>
<b>Tax (expense)/ benefit</b>			
Income tax benefit		3,032	2,801
Withholding tax (expense)/benefit		(5,064)	32,383
<b>Total tax (expense)/ benefit</b>		<b>(2,032)</b>	<b>35,184</b>
<b>Profit/(loss) after tax</b>		<b>295,350</b>	<b>(108,177)</b>
<b>Other comprehensive income/(loss):</b>			
Exchange differences on translating foreign operations		(6,995)	(11,610)
<b>Total comprehensive income/(loss) for the period</b>		<b>288,355</b>	<b>(119,787)</b>
<b>Profit/(loss) attributable to:</b>			
Unitholders of parent entity		91,480	(79,454)
Unitholders of other stapled entities (non-controlling interests)		202,946	(27,573)
<b>Stapled security holders</b>		<b>294,426</b>	<b>(107,027)</b>
Other non-controlling interest		924	(1,150)
<b>Total profit/(loss) for the period</b>		<b>295,350</b>	<b>(108,177)</b>
<b>Total comprehensive income/(loss) attributable to:</b>			
Unitholders of parent entity		68,147	(102,388)
Unitholders of other stapled entities (non-controlling interests)		219,284	(15,986)
<b>Stapled security holders</b>		<b>287,431</b>	<b>(118,374)</b>
Other non-controlling interest		924	(1,413)
<b>Total comprehensive income/(loss) for the period</b>		<b>288,355</b>	<b>(119,787)</b>
<b>Earnings per unit</b>		<b>Cents</b>	<b>Cents</b>
Basic earnings per unit on profit/(loss) attributable to unitholders of the parent entity	16	1.89	(1.67)
Diluted earnings per unit on profit/(loss) attributable to unitholders of the parent entity	16	1.89	(1.67)

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

**DEXUS DIVERSIFIED TRUST**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2010**

Page 5 of 37

	Notes	31 Dec 2010 \$'000	30 Jun 2010 \$'000
<b>Current assets</b>			
Cash and cash equivalents	3	44,074	64,419
Receivables		29,408	25,010
Non-current assets classified as held for sale	4	27,900	18,068
Derivative financial instruments		43,104	33,903
Current tax assets		4,688	3,621
Other		7,167	13,555
<b>Total current assets</b>		<b>156,341</b>	<b>158,576</b>
<b>Non-current assets</b>			
Investment properties	5	7,079,753	7,146,397
Property, plant and equipment	6	5,494	5,264
Inventories	7	87,654	45,470
Investments accounted for using the equity method	8	144,952	93,344
Derivative financial instruments		83,808	112,421
Deferred tax assets		70,397	79,927
Intangible assets	9	225,204	225,525
Other		3,322	4,104
<b>Total non-current assets</b>		<b>7,700,584</b>	<b>7,712,452</b>
<b>Total assets</b>		<b>7,856,925</b>	<b>7,871,028</b>
<b>Current liabilities</b>			
Payables		103,261	130,207
Interest bearing liabilities	10	654,873	198,996
Current tax liabilities		2,124	2,271
Provisions		141,395	134,499
Derivative financial instruments		21,300	17,264
Other		-	132
<b>Total current liabilities</b>		<b>922,953</b>	<b>483,369</b>
<b>Non-current liabilities</b>			
Interest bearing liabilities	10	1,523,037	2,041,086
Derivative financial instruments		200,647	304,897
Deferred tax liabilities		13,196	11,296
Provisions		14,243	16,524
Other		6,282	7,409
<b>Total non-current liabilities</b>		<b>1,757,405</b>	<b>2,381,212</b>
<b>Total liabilities</b>		<b>2,680,358</b>	<b>2,864,581</b>
<b>Net assets</b>		<b>5,176,567</b>	<b>5,006,447</b>
<b>Equity</b>			
<b>Equity attributable to unitholders of the parent entity</b>			
Contributed equity	11	1,798,077	1,789,973
Reserves		(97,915)	(74,582)
Retained profits		179,982	151,439
<b>Parent entity unitholders' interest</b>		<b>1,880,144</b>	<b>1,866,830</b>
<b>Equity attributable to unitholders of other stapled entities (non-controlling interests)</b>			
Contributed equity	11	3,014,665	3,008,241
Reserves		60,692	44,354
Retained profits/(accumulated losses)		16,972	(118,253)
<b>Other stapled unitholders' interest</b>		<b>3,092,329</b>	<b>2,934,342</b>
<b>Stapled security holders' interest</b>		<b>4,972,473</b>	<b>4,801,172</b>
<b>Other non-controlling interests</b>		<b>204,094</b>	<b>205,275</b>
<b>Total equity</b>		<b>5,176,567</b>	<b>5,006,447</b>

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

**DEXUS DIVERSIFIED TRUST**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

Page 6 of 37

Notes	Stapled security holders equity						Total equity \$'000
	Contributed equity \$'000	Retained Profits \$'000	Foreign currency translation reserve \$'000	Asset revaluation reserve \$'000	Stapled security- holders' equity \$'000	Other non- controlling interest \$'000	
Opening balance as at 1 July 2009	4,707,854	255,023	(66,171)	42,739	4,939,445	206,772	5,146,217
Comprehensive (loss)/income for the period attributable to:							
Unitholders of the parent entity	-	(79,454)	(22,934)	-	(102,388)	-	(102,388)
Other stapled entities (non-controlling interests)	-	(27,573)	11,587	-	(15,986)	-	(15,986)
Other non-controlling interest	-	-	-	-	-	(1,413)	(1,413)
Total comprehensive (loss)/income	-	(107,027)	(11,347)	-	(118,374)	(1,413)	(119,787)
Transactions with owners in their capacity as owners							
Contributions of equity, net of transaction costs	45,202	-	-	-	45,202	27	45,229
Distributions paid or provided for	-	(126,301)	-	-	(126,301)	(4,672)	(130,973)
Total transactions with owners in their capacity as owners	45,202	(126,301)	-	-	(81,099)	(4,645)	(85,744)
Transfer to/(from) retained profits	-	(3,904)	-	-	(3,904)	3,904	-
Closing balance as at 31 December 2009	4,753,056	17,791	(77,518)	42,739	4,736,068	204,618	4,940,686
Opening balance as at 1 July 2010	4,798,214	33,186	(72,967)	42,739	4,801,172	205,275	5,006,447
Comprehensive income/(loss) for the period attributable to:							
Unitholders of the parent entity	-	91,480	(23,333)	-	68,147	-	68,147
Other stapled entities (non-controlling interests)	-	202,946	16,338	-	219,284	-	219,284
Other non-controlling interest	-	-	-	-	-	924	924
Total comprehensive income/(loss)	-	294,426	(6,995)	-	287,431	924	288,355
Transactions with owners in their capacity as owners							
Contributions of equity, net of transaction costs	14,528	-	-	-	14,528	(1,088)	13,440
Distributions paid or provided for	-	(125,331)	-	-	(125,331)	(6,344)	(131,675)
Total transactions with owners in their capacity as owners	14,528	(125,331)	-	-	(110,803)	(7,432)	(118,235)
Transfer to/(from) retained profits	-	(5,327)	-	-	(5,327)	5,327	-
Closing balance as at 31 December 2010	4,812,742	196,954	(79,962)	42,739	4,972,473	204,094	5,176,567

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

**DEXUS DIVERSIFIED TRUST**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

Page 7 of 37

	31 Dec 2010 \$'000	31 Dec 2009 \$'000
<b>Cash flows from operating activities</b>		
Receipts in the course of operations (inclusive of GST)	393,488	430,741
Payments in the course of operations (inclusive of GST)	(166,001)	(170,703)
Interest received	662	625
Finance costs paid to financial institutions	(79,771)	(104,730)
Distributions received	-	16
Income and withholding taxes paid	(2,254)	(3,157)
Payments for property developments classified as inventory	(37,607)	-
Payments for capex on property developments classified as inventory	(1,995)	-
<b>Net cash inflow from operating activities</b>	<b>106,522</b>	<b>152,792</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of investment properties	44,949	287,558
Proceeds from sale of investment	-	3,288
Payments for capital expenditure on investment properties	(181,142)	(77,285)
Payments for acquisition of investment properties	(14,700)	(285,390)
Payments for acquisition of investments net of cash	(872)	-
Payments for investments accounted for using the equity method	(33,499)	(12,866)
Payments for property, plant and equipment	(1,301)	(305)
<b>Net cash outflow from investing activities</b>	<b>(186,565)</b>	<b>(85,000)</b>
<b>Cash flows from financing activities</b>		
Establishment expenses and unit issue costs	-	(88)
Equity issued to other non-controlling entities	-	27
Proceeds from borrowings	719,765	1,492,999
Repayment of borrowings	(546,501)	(1,447,751)
Distributions paid to security holders	(103,583)	(119,238)
Distributions paid to other non-controlling interests	(6,079)	(4,529)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>63,602</b>	<b>(78,580)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(16,441)</b>	<b>(10,788)</b>
Cash and cash equivalents at the beginning of the period	64,419	84,845
Effects of exchange rate changes on cash and cash equivalents	(3,904)	(3,280)
<b>Cash and cash equivalents at the end of the period</b>	<b>44,074</b>	<b>70,777</b>

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

**Note 1. Summary of significant accounting policies**

**(a) Basis of preparation**

In accordance with Australian Accounting Standards, the entities within DXS must be consolidated. The parent entity and deemed acquirer of DIT, DOT and DXO is DDF.

The DDF result represents the consolidated result of DDF, which comprises DDF and its controlled entities, DIT and its controlled entities, DOT and its controlled entities and DXO and its controlled entities. Equity attributable to other entities stapled to DDF is a form of non-controlling interest in accordance with Australian Accounting Standards and represents the equity of DIT, DOT and DXO. Other non-controlling interests represent the equity attributable to parties external to the Group.

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

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

These general purpose interim Financial Statements for the half year ended 31 December 2010 have been prepared in accordance with the requirements of the Constitution for each of the entities within DXS, AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*.

These Financial Statements are prepared on a going concern basis and in accordance with historical cost conventions and have not been adjusted to take account of either changes in the general purchasing power of the dollar or changes in the values of specific assets, except for the revaluation of certain derivatives, other financial instruments and investment properties and the impairment of intangible assets and property, plant and equipment.

As at 31 December 2010, DXS had a current net asset deficiency of \$766.6 million. These Financial Statements are prepared on a going concern basis as DXS has sufficient working capital and cash flow due to the existence of unutilised facilities of \$621.7 million and the extension of \$200 million of maturing facilities as set out in note 10.

These Financial Statements do not include notes of the type normally included in an annual financial report. Accordingly these statements should be read in conjunction with the annual Financial Statements for the year ended 30 June 2010 and any public pronouncements made by DXS during the half year in accordance with the continuous disclosure requirements of the *Corporations Act 2001*. The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

**(b) Critical accounting estimates**

The preparation of Financial Statements requires the use of certain critical accounting estimates and management to exercise its judgment in the process of applying the Group's accounting policies. Other than the estimation of fair values relating to derivatives and other financial instruments, investment properties and intangible assets, no key assumptions concerning the future or other estimation of uncertainty at the end of each reporting period have a significant risk of causing material adjustments to the Financial Statements in the next reporting period.

**Uncertainty around property valuations**

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

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

**(c) Management rights**

During the period, DXS changed the accounting policy for the testing of impairment of management rights associated with indefinite life trusts. These management rights are tested for impairment annually in accordance with *AASB136: Impairment of Assets*. Previously testing was performed at the end of each reporting period. There is no adjustment required to current or prior periods as a result of the change in policy. As at the date of this report, there were no events or circumstances identified that would indicate an impairment during the period to 31 December 2010.

**(d) Comparative figures**

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current period.

**(e) Rounding of amounts**

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

**Note 2. Finance income/(costs)**

	31 Dec 2010 \$'000	31 Dec 2009 \$'000
Interest paid/payable	(60,824)	(60,772)
Amount capitalised	29,123	18,286
Other finance costs	(2,128)	(2,471)
Net fair value gain/(loss) of interest rate swaps	36,253	(3,631)
	<u>2,424</u>	<u>(48,588)</u>
Finance costs attributable to asset disposal programme <sup>1</sup>	-	(9,180)
Total finance income/(costs)	<u>2,424</u>	<u>(57,768)</u>

<sup>1</sup> As a result of the US Phase I asset sale programme in the half year ended 31 December 2009, debt was repaid and associated finance costs were recognised in the Consolidated Statement of Comprehensive Income.

The average capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 7.74% (2009: 6.70%).

**Note 3. Current assets – cash and cash equivalents**

	31 Dec 2010 \$'000	30 Jun 2010 \$'000
Cash at bank	33,438	54,365
Short-term deposits	10,636	10,054
Total current-assets - cash and cash equivalents	<u>44,074</u>	<u>64,419</u>



**Note 4. Non-current assets classified as held for sale**

**(a) Non-current assets held for sale**

	31 Dec 2010 \$'000	30 Jun 2010 \$'000
Investment properties held for sale	27,900	18,068
<b>Total non-current assets classified as held for sale</b>	<b>27,900</b>	<b>18,068</b>

**(b) Reconciliation**

	31 Dec 2010 \$'000	30 Jun 2010 \$'000
Opening balance at the beginning of the period	18,068	98,054
Disposals	(15,623)	(98,035)
Transfer from investment property	27,900	18,068
Foreign exchange differences on foreign currency translation	(2,445)	-
Additions, amortisation and other	-	(19)
<b>Closing balance at the end of the period</b>	<b>27,900</b>	<b>18,068</b>

As part of the asset sale program, three North American assets have been classified as non-current assets held for sale and are carried at fair value. One Australian asset has been classified as non-current assets held for sale and is carried at fair value.

**Disposals**

On 19 November 2010, Atlantic Corporate Park, Sterling, Northern Virginia was disposed of for US\$22.6 million (A\$22.9 million).

DEXUS DIVERSIFIED TRUST  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE HALF YEAR ENDED 31 DECEMBER 2010

Note 5. Non-current assets - investment properties

(a) Properties

	Ownership	Acquisition date	Independent valuation date	Independent valuation amount \$'000	Independent valuer	Book value 31 Dec 2010 \$'000	Book value 30 June 2010 \$'000
Kings Park Industrial Estate, Bowmans Road, Marayong, NSW	100%	May 1990	Dec 2009	88,000	(i)	88,306	88,030
Target Distribution Centre, Lot 1, Tara Avenue, Altona North, VIC	100%	Oct 1995	Dec 2009	28,900	(e)	28,964	28,964
Axess Corporate Park, 164 - 180 Forster Road, 11 & 21 - 45 Gilby Road, 307 - 355 Ferntree Gully Road, Mount Waverley, VIC	100%	Oct 1996	Jun 2010	179,400	(g)	180,267	179,400
Knoxfield Industrial Estate, 20 Henderson Road, Knoxfield, VIC	100%	Aug 1996	Jun 2009	33,000	(a)	34,600	33,164
12 Frederick Street, St Leonards, NSW	100%	Jul 2000	Jun 2009	33,100	(e)	33,481	33,463
2 Alsop Place, Eastern Creek, NSW	100%	Mar 2004	Dec 2008	24,800	(f)	24,300	23,300
108-120 Silverwater Road, NSW	100%	May 2010	n/a	-	n/a	25,882	25,798
40 Talavera Road, North Ryde, NSW	100%	Oct 2002	Jun 2009	29,200	(f)	26,500	26,603
44 Market Street, Sydney, NSW	100%	Sep 1987	Jun 2010	192,700	(d)	193,627	192,700
8 Nicholson Street, Melbourne, VIC	100%	Nov 1993	Jun 2009	85,000	(i)	80,013	80,000
130 George Street, Parramatta, NSW	100%	May 1997	Dec 2010	77,000	(f)	77,000	74,320
Flinders Gate Complex, 172 Flinders Street & 189 Flinders Lane, Melbourne, VIC	100%	Mar 1999	Dec 2008	25,150	(i)	27,000	24,747
383 - 395 Kent Street, Sydney, NSW	100%	Sep 1987	Jun 2010	122,000	(i)	123,071	122,000
14 Moore Street, Canberra, ACT**	100%	May 2002	Jun 2010	37,000	(i)	35,000	37,000
Sydney CBD Floor Space <sup>1</sup>	100%	Jul 2000	n/a	-	n/a	130	129
34 - 60 Little Collins Street, Melbourne, VIC**	100%	Nov 1984	Dec 2008	40,900	(i)	34,077	34,077
32 - 44 Flinders Street, Melbourne, VIC	100%	Jun 1998	Dec 2008	38,800	(i)	27,018	27,010
Flinders Gate Carpark, 172 - 189 Flinders Street, Melbourne, VIC	100%	Mar 1999	Dec 2008	54,600	(i)	50,999	49,043
383 - 395 Kent Street Car Park, Sydney, NSW	100%	Sep 1987	Jun 2010	60,000	(i)	60,000	60,000
2 - 4 Military Rd Matraville, NSW	100%	Dec 2009	n/a	-	n/a	48,754	48,751

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

The title to all properties is freehold, with the exception of the properties marked \*\* which are leasehold.

DEXUS DIVERSIFIED TRUST  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE HALF YEAR ENDED 31 DECEMBER 2010

Page 13 of 37

Note 5. Non-current assets - investment properties (continued)

(a) Properties (continued)							
	Ownership	Acquisition date	Independent valuation date	Independent valuation amount	Independent valuer	Book value 31 Dec 2010	Book value 30 June 2010
				\$'000		\$'000	\$'000
79-99 St Hilliers Road, Auburn, NSW	100%	Sep 1997	Jun 2009	40,000	(e)	38,000	40,168
3 Brookhollow Avenue, Baulkham Hills, NSW	100%	Dec 2002	Jun 2010	40,000	(e)	40,094	40,000
1 Garigal Road, Belrose, NSW	100%	Dec 1998	Jun 2009	24,000	(f)	22,000	22,000
2 Minna Close, Belrose, NSW	100%	Dec 1998	Jun 2009	27,600	(f)	27,217	27,213
114 - 120 Old Pittwater Road, Brookvale, NSW	100%	Sep 1997	Dec 2008	48,000	(f)	43,900	41,800
145 - 151 Arthur Street, Flemington, NSW	100%	Sep 1997	Jun 2009	30,750	(g)	29,100	31,078
436 - 484 Victoria Road, Gladesville, NSW	100%	Sep 1997	Jun 2009	46,000	(a)	46,895	46,804
1 Foundation Place, Greystanes, NSW	100%	Feb 2003	Jun 2010	41,500	(f)	41,500	41,500
5 - 15 Roseberry Avenue & 25 - 55 Rothschild Avenue, Rosebery, NSW	100%	Apr 1998 & Oct 2001	Dec 2010	89,000	(f)	89,000	89,795
10 - 16 South Street, Rydalmere, NSW	100%	Sep 1997	Dec 2008	44,000	(e)	40,054	39,636
19 Chifley Street, Smithfield, NSW	100%	Dec 1998	Jun 2008	18,350	(i)	-	15,000
Pound Road West, Dandenong, VIC	100%	Jan 2004	Jun 2010	77,300	(i)	80,100	77,300
DEXUS Industrial Estate, Boundary Road, Laverton North, VIC <sup>1</sup>	100%	Jul 2002	Dec 2010	118,300	(g)	120,300	115,400
250 Forest Road, South Lara, VIC	100%	Dec 2002	Dec 2010	50,000	(i)	50,000	50,700
15 - 23 Whicker Road, Gillman, SA	100%	Dec 2002	Dec 2010	25,500	(a)	25,500	25,712
25 Donkin Street, Brisbane, QLD	100%	Dec 1998	Dec 2010	27,000	(f)	27,000	32,234
52 Holbeche Road, Arndell Park, NSW	100%	Jul 1998	Dec 2009	11,500	(a)	12,004	12,000
330 - 32 Bessemer Street, Blacktown, NSW	100%	May 1997	Dec 2008	16,300	(e)	15,875	15,400
27 - 29 Liberty Road, Huntingwood, NSW	100%	Jul 1998	Dec 2010	8,000	(i)	8,000	8,154
154 O'Riordan Street, Mascot, NSW	100%	Jun 1997	Dec 2008	15,000	(i)	13,674	13,592
11 Talavera Road, North Ryde, NSW	100%	Jun 2002	Jun 2010	127,000	(g)	129,000	127,000
DEXUS Industrial Estate, Egerton Street, Silverwater, NSW	100%	May 1997	Dec 2009	39,500	(e)	41,983	41,900
114 Fairbank Road, Clayton, VIC	100%	Jul 1997	Dec 2010	14,900	(f)	14,900	14,600
330 Bellrick Street, Acacia Ridge, QLD	100%	Jun 1997	Jun 2010	19,600	(d)	20,300	19,600
ZZone Industrial Epone II, Epone	100%	Jul 2006	Dec 2010	7,022	(e)	7,022	6,462
19 rue de Bretagne, Saint-Quentin Fallavier	100%	Jul 2006	Dec 2010	7,336	(e)	7,336	9,056
21 rue du Chemin Blanc, Champlan	100%	Jul 2006	Jun 2010	7,924	(e)	-	7,924
32 avenue de l'Océantie, Villejust	100%	Jul 2006	Dec 2010	9,167	(e)	9,167	10,173

<sup>1</sup> The property is made up of 2 sub-divisions. For the period ended 31 December 2010, one sub-division of this property was externally valued for \$70.3 million, the remaining sub-division of property was externally valued at 30 June 2010 for \$48 million.

DEXUS DIVERSIFIED TRUST  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE HALF YEAR ENDED 31 DECEMBER 2010

Page 14 of 37

Note 5. Non-current assets - investment properties (continued)

(a) Properties (continued)

	Ownership	Acquisition date	Independent valuation date	Independent valuation amount \$'000	Independent valuer	Book value 31 Dec 2010 \$'000	Book value 30 June 2010 \$'000
RN 19 ZAC de L'Ormes Road, Servon (1)	100%	Jul 2006	Dec 2010	10,370	(e)	10,370	11,907
RN 19 ZAC de L'Ormes Road, Servon (2)	100%	Jul 2006	Dec 2010	4,943	(e)	4,943	5,488
Im Holderbusch 3, Industriestraße, Sulmstraße, Ellhofen - Weinsberg	100%	Dec 2006	Dec 2010	15,496	(e)	15,496	17,194
Schillerstraße 51 Ellhofen	100%	Dec 2006	Dec 2010	10,789	(e)	10,789	12,036
Schillerstraße 42, 42a, Bahnhofstraße 44, 50 Ellhofen	100%	Dec 2006	Dec 2010	6,310	(e)	6,310	7,093
Im Gewerbegebiet 18 Friedewald	100%	Dec 2006	Dec 2010	4,087	(e)	4,087	4,442
Im Steinbruch 4, 6, Kneitzgau	100%	Dec 2006	Dec 2010	8,762	(e)	8,762	9,636
Carl-Leverkus-Straße 3-5, Winkelsweg 182-184, Langenfeld	100%	Dec 2006	Dec 2010	9,579	(e)	9,579	10,532
Schneiderstraße 82, Langenfeld 3	100%	Dec 2006	Dec 2010	5,558	(e)	5,558	6,233
Über der Dingelstelle, Langenweddingen	100%	Dec 2006	Dec 2010	5,754	(e)	5,754	6,305
Former Straße 6, Unna	100%	Dec 2006	Dec 2010	14,777	(e)	14,777	16,191
Niedesheimer Straße 24, Worms	100%	Dec 2006	Dec 2010	4,185	(e)	4,185	4,657
Liverpooler-/Kopenhagener-/Osloer Straße, Duisburg	100%	Dec 2006	Dec 2010	23,473	(e)	23,473	23,642
Bremer Ring, Hansestraße, Berlin-Wustermark	100%	Dec 2006	Dec 2010	10,200	(e)	10,200	11,212
Theodorstraße, Düsseldorf	100%	Dec 2006	Dec 2010	15,104	(e)	15,104	16,621
13201 South Orange Avenue, Orlando	100%	Jun 2007	Dec 2010	25,583	(a)	25,583	28,593
6241 Shook Road, Columbus, Franklin County	100%	Jul 2009	Dec 2010	60,022	(a)	60,022	68,256
3722 Redlands Avenue, Perris, Riverside County	100%	Jan 2008	Dec 2010	105,284	(a)	105,284	107,767
8574 Boston Church Road, Milton, Ontario, Canada	100%	Dec 2007	Dec 2010	68,211	(a)	68,211	61,999
Governor Philip Tower & Governor Macquarie Tower Office Complex, 1 Farrer Place, Sydney, NSW <sup>1</sup>	50%	Dec 1998	Dec 2010	643,000	(d)	643,000	624,744
45 Clarence Street, Sydney, NSW	100%	Dec 1998	Jun 2009	250,000	(d)	257,537	254,834
309 - 321 Kent Street, Sydney, NSW <sup>1</sup>	50%	Dec 1998	Dec 2010	182,500	(f)	182,500	178,645
1 Margaret Street, Sydney, NSW	100%	Dec 1998	Dec 2009	162,500	(f)	170,000	162,719
Victoria Cross 60 Miller Street, North Sydney, NSW	100%	Dec 1998	Dec 2008	124,800	(f)	130,881	128,881
The Zenith, 821 - 843 Pacific Highway, Chatswood, NSW <sup>1</sup>	50%	Dec 1998	Jun 2010	107,500	(e)	110,848	107,500
Woodside Plaza, 240 St Georges Terrace, Perth, WA	100%	Jan 2001	Jun 2010	425,000	(e)	425,087	425,000
30 The Bond, 30 - 34 Hickson Road, Sydney, NSW	100%	May 2002	Dec 2010	145,000	(a)	145,000	150,000
Southgate Complex, 3 Southgate Avenue, Southgate, VIC	100%	Aug 2000	Jun 2009	340,000	(f)	346,374	340,372
201 - 217 Elizabeth Street, Sydney, NSW <sup>1</sup>	50%	Aug 2000	Jun 2009	140,000	(f)	141,571	140,989

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

**Note 5. Non-current assets - Investment properties (continued)**

**(a) Properties (continued)**

	Ownership	Acquisition date	Independent valuation date	Independent valuation amount \$'000	Independent valuer	Book value 31 Dec 2010 \$'000	Book value 30 June 2010 \$'000
Garema Court, 140 - 180 City Walk, Civic, ACT ** Australia Square Complex, 264 - 278 George Street, Sydney, NSW <sup>1</sup>	100%	Aug 2000	Mar 2009	50,600	(i)	38,680	38,083
Lumley Centre, 88 Shortland Street, Auckland, New Zealand	50%	Aug 2000	Dec 2009	264,250	(d)	268,341	265,340
Town Park Drive, Atlanta	100%	Sep 2005	Jun 2010	104,404	(d)	93,400	104,404
Williams Drive, Atlanta	100%	Sep 2004	Jun 2010	5,067	(a)	4,757	6,042
MD Food Park, Baltimore	100%	Sep 2004	Jun 2010	6,593	(a)	8,310	7,861
West Nursery, Baltimore	100%	Sep 2004	Dec 2010	16,137	(a)	16,137	19,975
Cabot Techs, Baltimore	100%	Sep 2004	Jun 2010	5,678	(a)	5,259	6,771
9112 Guildford Road, Baltimore	100%	Sep 2004	Dec 2010	14,572	(a)	14,572	19,975
8155 Slayton Drive, Baltimore	100%	Sep 2004	Jun 2010	6,396	(a)	6,961	7,626
Patuxent Range Road, Baltimore	100%	Sep 2004	Jun 2010	6,101	(a)	5,810	7,274
Bristol Court, Baltimore	100%	Sep 2004	Jun 2010	8,659	(a)	9,038	10,325
NE Baltimore	100%	Sep 2004	Jun 2010	8,167	(a)	9,234	9,738
1181 Portal, 1831 Portal and 6615 Tributary, Baltimore	100%	Sep 2004	Jun 2010	6,140	(a)	6,543	7,321
9900 Brookford Street, Charlotte	100%	Jun 2005	Dec 2010	9,682	(a)	9,682	11,985
Westinghouse, Charlotte	100%	Sep 2004	Jun 2010	3,050	(a)	2,558	3,637
Airport Exchange, Cincinnati	100%	Sep 2004	Jun 2010	15,547	(a)	14,154	18,538
Empire Drive, Cincinnati	100%	Sep 2004	Dec 2010	1,732	(a)	1,732	2,351
International Way, Cincinnati	100%	Sep 2004	Dec 2010	3,945	(a)	3,945	5,437
Kentucky Drive, Cincinnati	100%	Sep 2004	Jun 2010	9,052	(a)	9,199	10,794
Spiral Drive, Cincinnati	100%	Sep 2004	Dec 2010	10,361	(a)	10,361	13,018
Turfway Road, Cincinnati	100%	Sep 2004	Dec 2010	3,149	(a)	3,149	5,262
124 Commerce, Cincinnati	100%	Sep 2004	Jun 2010	4,060	(a)	-	4,060
Kenwood Road, Cincinnati	100%	Sep 2004	Dec 2010	2,066	(a)	2,066	2,692
		Sep 2004	Dec 2010	13,874	(a)	13,874	16,438

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

The title to all properties is freehold, with the exception of the properties marked \*\* which are leasehold.

DEXUS DIVERSIFIED TRUST  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE HALF YEAR ENDED 31 DECEMBER 2010

Page 16 of 37

Note 5. Non-current assets - investment properties (continued)

(a) Properties (continued)

	Ownership	Acquisition date	Independent valuation date	Independent valuation amount \$'000	Independent valuer	Book value 31 Dec 2010 \$'000	Book value 30 June 2010 \$'000
World Park, Cincinnati	100%	Sep 2004	Dec 2010	6,888	(a)	6,888	8,336
Equity/Westbelt/Dividend, Columbus	100%	Sep 2004	Dec 2010	17,624	(a)	17,624	32,160
2700 International Street, Columbus	100%	Sep 2004	Dec 2010	2,558	(a)	2,558	3,054
SE Columbus, Columbus	100%	Sep 2004	Dec 2010	2,506	(a)	2,506	8,113
Arlington, Dallas	100%	Sep 2004	Jun 2010	7,206	(a)	6,715	8,592
1900 Diplomat Drive, Dallas	100%	Sep 2004	Jun 2010	3,149	(a)	3,101	3,755
2055 Diplomat Drive, Dallas	100%	Sep 2004	Jun 2010	2,952	(a)	2,731	3,520
North Lake, Dallas	100%	Sep 2004	Jun 2010	9,731	(a)	10,637	11,604
555 Airline Drive, Dallas	100%	Sep 2004	Jun 2010	4,625	(a)	5,068	5,514
Hillguard, Dallas	100%	Sep 2004	Jun 2010	7,005	(a)	7,694	8,353
11011 Regency Crest Drive, Dallas	100%	Sep 2004	Jun 2010	6,199	(a)	6,362	7,392
East Collins, Dallas	100%	Sep 2004	Jun 2010	3,149	(a)	3,175	3,755
3601 East Plano/1000 Shiloh, Dallas	100%	Sep 2004	Dec 2010	13,480	(a)	13,480	14,326
East Plano Parkway, Dallas	100%	Sep 2004	Dec 2010	21,549	(a)	21,549	24,933
820-860 Avenue F, Dallas	100%	Sep 2004	Jun 2010	4,920	(a)	5,323	5,866
10th Street, Dallas	100%	Sep 2004	Jun 2010	10,617	(a)	10,706	12,680
Capital Avenue Dallas	100%	Sep 2004	Jun 2010	5,748	(a)	5,815	6,854
CTC @ Valwood, Dallas	100%	Sep 2004	Jun 2010	3,739	(a)	3,386	4,459
Brackbill, Harrisburg	100%	Sep 2004	Jun 2010	13,962	(a)	-	13,962
Glendale, Los Angeles	100%	Sep 2004	Dec 2010	56,902	(a)	56,902	62,009
14489 Industry Circle, Los Angeles	100%	Sep 2004	Dec 2010	7,331	(a)	7,331	9,105
14555 Alondra/6530 Altura, Los Angeles	100%	Sep 2004	Dec 2010	16,245	(a)	16,245	19,799
San Fernando Valley, Los Angeles	100%	Sep 2004	Dec 2010	20,211	(a)	20,211	23,302
2950 Lexington Avenue S, Minneapolis	100%	Sep 2004	Dec 2010	7,380	(a)	7,380	7,403
Mounds View, Minneapolis (2222-2228 Wooddale Drive)	100%	Sep 2004	Dec 2010	12,077	(a)	12,077	15,323
6105 Trenton Lane, Minneapolis	100%	Sep 2004	Jun 2010	6,553	(a)	6,317	7,814

Note 5. Non-current assets - investment properties (continued)

(a) Properties (continued)

	Ownership	Acquisition date	Independent valuation date	Independent valuation amount \$'000	Independent valuer	Book value 31 Dec 2010 \$'000	Book value 30 June 2010 \$'000
8575 Monticello Lane, Minneapolis	100%	Sep 2004	Jun 2010	1,525	(a)	1,535	1,819
CTC @ Dulles, Northern Virginia	100%	Sep 2004	Jun 2010	22,533	(a)	23,345	26,868
Alexandria, Northern Virginia	100%	Sep 2004	Jun 2010	40,707	(a)	39,526	48,540
Guildford, Northern Virginia	100%	Sep 2004	Jun 2010	14,464	(a)	15,905	17,247
Orlando Central Park, Orlando	100%	Sep 2004	Dec 2010	54,216	(a)	54,216	59,897
7500 Exchange Drive, Orlando	100%	Sep 2004	Jun 2010	3,739	(a)	3,848	4,459
105-107 South 41st Avenue, Phoenix	100%	Sep 2004	Dec 2010	10,041	(a)	10,041	12,947
1429-1439 South 40th Avenue, Phoenix	100%	Sep 2004	Dec 2010	8,461	(a)	8,461	9,040
10397 West Van Buren St., Phoenix	100%	Sep 2004	Dec 2010	8,462	(a)	8,462	8,782
844 44th Avenue, Phoenix	100%	Sep 2004	Dec 2010	6,002	(a)	6,002	6,494
220 South 9th Street, Phoenix	100%	Sep 2004	Dec 2010	5,874	(a)	5,874	6,840
431 North 47th Avenue, Phoenix	100%	Sep 2004	Jun 2010	5,313	(a)	5,407	6,336
601 South 55th Avenue, Phoenix	100%	Sep 2004	Jun 2010	4,182	(a)	4,049	4,987
1000 South Priest Drive, Phoenix	100%	Sep 2004	Dec 2010	2,558	(a)	2,558	2,149
1120-1150 W. Alameda Drive, Phoenix	100%	Sep 2004	Dec 2010	4,566	(a)	4,566	7,063
Chino, Riverside	100%	Sep 2004	Dec 2010	6,160	(a)	6,160	7,333
Mira Loma, Riverside	100%	Sep 2004	Dec 2010	11,906	(a)	11,906	13,927
Ontario, Riverside	100%	Sep 2004	Dec 2010	23,792	(a)	23,792	28,071
4190 East Santa Ana Street, Riverside	100%	Sep 2004	Dec 2010	4,280	(a)	4,280	5,338
Rancho Cucamonga, Riverside	100%	Sep 2004	Dec 2010	20,455	(a)	20,455	26,057
12000 Jersey Court, Rancho Cucamonga, Riverside	100%	Sep 2004	Dec 2010	3,778	(a)	3,778	5,614
7510-7520 Airway Road, San Diego	100%	Sep 2004	Dec 2010	7,970	(a)	7,970	9,668
Kent West, Seattle	100%	Sep 2004	Jun 2010	24,107	(a)	26,690	28,746

DEXUS DIVERSIFIED TRUST  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE HALF YEAR ENDED 31 DECEMBER 2010

Page 18 of 37

Note 5. Non-current assets - investment properties (continued)

(a) Properties (continued)

	Ownership	Acquisition date	Independent valuation date	Independent valuation amount \$'000	Independent valuer	Book value 31 Dec 2010 \$'000	Book value 30 June 2010 \$'000
26507 79th Avenue South, Seattle	100%	Sep 2004	Jun 2010	2,657	(a)	2,900	3,168
8005 South 266th Street, Seattle	100%	Sep 2004	Jun 2010	7,183	(a)	6,981	8,565
Calvert/Murry's, Northern Virginia	100%	Sep 2004	Jun 2010	4,428	(a)	4,332	5,280
7700 68th Avenue, Brooklyn Park	100%	Nov 2005	Jun 2010	2,696	(a)	2,536	3,215
7500 West 78th Street, Bloomington	100%	Nov 2005	Jun 2010	4,054	(a)	3,526	4,834
1285 & 1301 Corporate Center Drive, 1230 & 1270 Eagan	100%	Nov 2005	Jun 2010	12,959	(a)	12,240	15,452
8151 & 8161 Interchange Parkway, San Antonio	100%	Jul 2007	Jun 2010	10,106	(a)	12,974	12,051
Cornerstone I and II, 5411 Interstate 10 East and 1228 Cornerway Boulevard, San Antonio	100%	Aug 2007	Jun 2010	12,275	(a)	13,540	14,637
302 and 402 Tayman Road, Port of San Antonio	100%	Oct 2007	Dec 2010	14,996	(a)	14,996	20,785
1803 Grandstand Avenue, Alamo Downs, San Antonio	100%	Aug 2007	Jun 2010	5,791	(a)	8,029	6,905
195 King Mill Road, McDonough	100%	Nov 2009	Dec 2010	60,710	(a)	60,710	70,398
19700 38th Avenue East, Spanaway	100%	Oct 2009	Dec 2010	55,594	(a)	55,594	64,649
1100 Hatcher Ave and 17521 & 17531 Railroad Street, California	100%	Oct 2010	n/a	-	n/a	14,279	-
Summit Oaks, Valencia, California	100%	Dec 2006	Jun 2010	30,995	(a)	34,290	36,959
Tri-County 5, Tri-County Parkway, Schertz, Texas <sup>1</sup>	100%	July 2007	Jun 2010	1,140	(a)	1,077	-
Tri-County 6, Tri-County Parkway, Schertz, Texas <sup>1</sup>	100%	July 2007	Jun 2010	1,912	(a)	1,812	-
202 S Tayman Street, San Antonio, Texas <sup>1</sup>	100%	Nov 2007	Jun 2010	8,620	(a)	7,675	-

Total investment properties excluding development properties

6,493,681 6,536,055 6,706,218

Add: Development properties under construction for future use as investment property

543,698 440,179

Total investment properties

7,079,753 7,146,397

<sup>1</sup> These properties were transferred from development properties under construction for future use as investment properties during the period.

- (a) Colliers International
- (b) Landmark White
- (c) Cushman & Wakefield
- (d) Jones Lang LaSalle
- (e) Knight Frank Valuations
- (f) FPD Savills
- (g) M3 Property
- (h) Weiser Realty Advisors (USA)
- (i) CB Richard Ellis



**Note 5. Non-current assets - investment properties (continued)**

**Valuation basis**

The basis of valuation of investment properties is fair value, being the amounts for which the assets could be exchanged between knowledgeable willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases. In relation to development properties under construction for future use as investment property, fair value is determined based on the market value of the property on the assumption it had already been completed at the valuation date less costs still required to complete the project, including an appropriate adjustment for profit and risk. Properties independently valued in the last 12 months were based on independent assessments by a member of the Australian Property Institute, the New Zealand Institute of Valuers, the Appraisal Institute in the United States of America, the French Real Estate Valuation Institution or the Society of Property Researchers, Germany or the Appraisal Institute in Canada.

**Acquisitions**

- On 8 October 2010, 1100 Hatcher Ave and 17521 & 17531 Railroad Street, California was acquired for US\$14.4 million (A\$14.7 million).

**Disposals**

- On 21 December 2010, 21 rue du Chemin Blanc, Champlan was disposed of for €5.7 million (A\$7.6 million).
- On 23 December 2010, 3368- 3372 Turfway Road, Cincinnati was disposed of for US\$3.5 million (A\$3.5 million).
- On 29 December 2010, 6350 & 6360 Brackbill Blvd, Harrisburg was disposed of for US\$12.0 million (A\$12.0 million).

**(b) Reconciliation**

	Notes	31 Dec 2010 \$'000	30 Jun 2010 \$'000
Opening balance at the beginning of the period		7,146,397	7,120,710
Additions		158,987	200,365
Acquisitions		14,746	331,565
Transfer from property, plant and equipment <sup>1</sup>	6	-	431,891
Lease incentives		45,971	55,885
Amortisation of lease incentives		(30,441)	(48,469)
Rent straightlining		(3,763)	2,858
Disposals		(23,549)	(541,541)
Transfer to non-current assets classified as held for sale	4	(27,900)	(18,068)
Transfer to inventories <sup>2</sup>		-	(45,135)
Net gain/(loss) from fair value adjustments		55,022	(209,367)
Foreign exchange differences on foreign currency translation		(255,717)	(134,297)
<b>Closing balance at the end of the period</b>		<b>7,079,753</b>	<b>7,146,397</b>

<sup>1</sup> During the year ended 30 June 2010, DXS adopted the amendments to AASB140 *Investment Property*. Transfers from property, plant and equipment therefore included \$431.9 million of development property under construction for future use as investment property.

<sup>2</sup> During the year ended 30 June 2010, DEXUS Projects Pty Limited (DXP), a wholly owned subsidiary of DXO, purchased the undeveloped land at Laverton VIC from DIT. DXP initiated the development of part of the land with an intention to sell and therefore classified this portion of the asset as inventory.

**(c) Non-current assets pledged as security**

Refer to note 10 for information on non-current assets pledged as security.

Note 6. Non-current assets - property, plant and equipment

31 December 2010

	Construction in progress \$'000	Land and freehold buildings \$'000	IT and office \$'000	Total \$'000
Opening balance as at 1 July 2010	-	-	5,264	5,264
Additions	-	-	1,442	1,442
Depreciation charge	-	-	(970)	(970)
Foreign exchange differences on foreign currency translation	-	-	(242)	(242)
<b>Closing balance as at 31 December 2010</b>	<b>-</b>	<b>-</b>	<b>5,494</b>	<b>5,494</b>
Cost	-	-	11,591	11,591
Accumulated depreciation	-	-	(6,097)	(6,097)
<b>Net book value as at 31 December 2010</b>	<b>-</b>	<b>-</b>	<b>5,494</b>	<b>5,494</b>

30 June 2010

	Construction in progress \$'000	Land and freehold buildings \$'000	IT and office \$'000	Total \$'000
Opening balance as at 1 July 2009	248,824	183,067	6,729	438,620
Additions	-	-	1,136	1,136
Depreciation charge	-	-	(2,601)	(2,601)
Transfer to investment properties	(248,824)	(183,067)	-	(431,891)
<b>Closing balance as at 30 June 2010</b>	<b>-</b>	<b>-</b>	<b>5,264</b>	<b>5,264</b>
Cost	-	-	10,251	10,251
Accumulated depreciation	-	-	(4,987)	(4,987)
<b>Net book value as at 30 June 2010</b>	<b>-</b>	<b>-</b>	<b>5,264</b>	<b>5,264</b>

**Note 7. Non-current assets – inventories**

**(a) Land and properties held for resale**

	31 Dec 2010 \$'000	30 Jun 2010 \$'000
Land and properties held for resale	87,654	45,470
<b>Total non-current asset - inventories</b>	<b>87,654</b>	<b>45,470</b>

**(b) Reconciliation**

	31 Dec 2010 \$'000	30 Jun 2010 \$'000
Opening balance at the beginning of the period	45,470	-
Transfer from investment property	-	45,135
Acquisitions	37,614	-
Additions and other	4,570	335
<b>Closing balance at the end of the period</b>	<b>87,654</b>	<b>45,470</b>

**Acquisitions**

- On 16 August 2010, DEXUS Projects Pty Limited, a wholly owned subsidiary of DXO acquired undeveloped land at 1-23 Templar Road, Erskine Park NSW, for \$15.9 million.
- On 1 November 2010, DEXUS Projects Pty Limited acquired, with an intention to develop and sell, land and property at 57-101 Balham Road, Archerfield QLD, for \$21.7 million.

**Note 8. 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.

Information relating to this entity is set out below.

Name of entity	Principal activity	Ownership interest	Ownership interest	31 Dec 2010 \$'000	30 Jun 2010 \$'000
		31 Dec 2010 %	30 Jun 2010 %		
Bent Street Trust	Office property investment	33.3	33.3	144,952	93,344
<b>Total</b>				<b>144,952</b>	<b>93,344</b>

The Bent Street Trust was formed in Australia.

**Note 8. Non-current assets - investments accounted for using the equity method (continued)**

**Movements in carrying amounts of investments accounted for using the equity method**

	31 Dec 2010 \$'000	30 Jun 2010 \$'000
Opening balance at the beginning of the period	93,344	84,165
Interest acquired and additions	38,758	38,739
Share of net profit/(loss) after tax <sup>1</sup>	12,870	(26,243)
Distributions received	(20)	(15)
Disposal of investment <sup>2</sup>	-	(3,302)
<b>Closing balance at the end of the period</b>	<b>144,952</b>	<b>93,344</b>
<b>Results attributable to associates</b>		
Operating profit/(loss) before income tax	12,870	(26,243)
<b>Operating profit/(loss) after income tax</b>	<b>12,870</b>	<b>(26,243)</b>
Less: distributions received	(20)	(15)
	12,850	(26,258)
Accumulated losses attributable to associates at the beginning of the period	(32,610)	(6,352)
<b>Accumulated losses attributable to associates at the end of the period</b>	<b>(19,760)</b>	<b>(32,610)</b>

<sup>1</sup> Share of net profit after tax includes a fair value gain of \$12.9 million (30 June 2010: loss after tax includes a fair value loss of \$26.2 million) in relation to DXS's share of the Bligh Street development.

<sup>2</sup> On the 31 July 2009, DEXUS Wholesale Property Fund (DWPF) acquired a further 1.6 percent interest in the Bent Street Trust from DOT Commercial Trust, a wholly owned subsidiary of DOT.

**Note 9. Non-current assets - intangible assets**

	31 Dec 2010 \$'000	30 Jun 2010 \$'000
<b>Management rights</b>		
Opening balance at the beginning of the period	223,000	210,500
Amortisation charge	(247)	(807)
Reversal of previous impairment	-	13,307
<b>Closing balance at the end of the period</b>	<b>222,753</b>	<b>223,000</b>
<b>Cost</b>	<b>252,382</b>	<b>252,382</b>
Accumulated amortisation	(1,826)	(1,579)
Accumulated impairment	(27,803)	(27,803)
<b>Total management rights</b>	<b>222,753</b>	<b>223,000</b>
<b>Goodwill</b>		
Opening balance at the beginning of the period	2,525	2,767
Impairment	(74)	(242)
<b>Closing balance at the end of the period</b>	<b>2,451</b>	<b>2,525</b>
<b>Cost</b>	<b>2,998</b>	<b>2,998</b>
Accumulated impairment	(547)	(473)
<b>Total goodwill</b>	<b>2,451</b>	<b>2,525</b>
<b>Total intangibles</b>	<b>225,204</b>	<b>225,525</b>

Management rights represent the asset management rights owned by DEXUS Holdings Pty Limited (DXH) which entitle it to management fee revenue from both finite life trusts (\$8,169,005) and indefinite life trusts (\$214,584,150). Those rights that are deemed to have a finite useful life, are measured at cost and amortised using the straight line method over their estimated useful lives which vary from six to 22 years.

**Impairment of management rights**

During the period to 31 December 2010 management did not identify any events or circumstances that would indicate an impairment of management rights associated with indefinite life trusts.

During the year ended 30 June 2010, DXO carried out a review of the recoverable amount of its management rights. As part of the process, the estimated fair value of assets under management, which are used to derive the future expected management fee income, were adjusted to better reflect market conditions. This resulted in the recognition of a reversal of previous impairment of \$13.3 million in that year.

The value in use was determined using management forecasts in a five year discounted cash flow model. Forecasts were based on projected returns of the business in light of market conditions. The performance in year five was used as a terminal value. The cash flows were discounted at 8.6%.

Note 10. Interest bearing liabilities

	Notes	31 Dec 2010 \$'000	30 Jun 2010 \$'000
<b>Current</b>			
<b>Secured</b>			
Bank loans	(b), (c), (d)	470,604	49,831
<b>Total secured</b>		<u>470,604</u>	<u>49,831</u>
<b>Unsecured</b>			
US senior notes		164,322	122,023
Medium term notes		21,100	27,227
<b>Total unsecured</b>		<u>185,422</u>	<u>149,250</u>
Deferred borrowing costs		(1,153)	(85)
<b>Total current interest bearing liabilities</b>		<u>654,873</u>	<u>198,996</u>
<b>Non-current</b>			
<b>Secured</b>			
Bank loans	(b)	86,764	568,182
<b>Total secured</b>		<u>86,764</u>	<u>568,182</u>
<b>Unsecured</b>			
US senior notes		523,468	697,980
Bank loans	(a)	584,874	447,582
Medium term notes		340,000	340,000
Preference shares	(e)	91	109
<b>Total unsecured</b>		<u>1,448,433</u>	<u>1,485,671</u>
Deferred borrowing costs		(12,160)	(12,767)
<b>Total non-current interest bearing liabilities</b>		<u>1,523,037</u>	<u>2,041,086</u>
<b>Total interest bearing liabilities</b>		<u>2,177,910</u>	<u>2,240,082</u>

**Note 10. Interest bearing liabilities (continued)**

**Financing arrangements**

Type of Facility	Notes	Currency	Security	Maturity Date	31 Dec 2010	
					\$'000	\$'000
					Utilised	Facility Limit
US senior notes (144A)		USD	Unsecured	Oct-14	294,205	294,205
US senior notes (USPP)		USD	Unsecured	Feb-11 to Mar-17	393,585	393,585
Medium term notes		AUD	Unsecured	Feb-11 to Apr-17	361,100	361,100
Multi-option revolving credit facilities	(a)	Multi Currency	Unsecured	Sep-11 to Dec-15	584,874	1,215,575
Bank debt – secured	(b)	USD	Secured	Feb-14	87,769	87,769
Bank debt – secured	(c)	USD	Secured	Feb-11 to Sep-11	219,599	219,599
Bank debt – secured	(d)	AUD	Secured	Oct-11	250,000	250,000
<b>Total</b>					<b>2,191,132</b>	<b>2,821,833</b>
Bank guarantee utilised					8,994	
Unused at balance date					<u>621,707</u>	

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

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

**(a) Multi-option revolving credit facilities**

This includes 14 facilities maturing between September 2011 and December 2015 with a weighted average maturity of June 2013. The total facility limit comprises US\$120.0 million (A\$118.1 million) and A\$1,097.5 million. Of the total facility limit, A\$8.3 million and US\$0.7 million (A\$0.7 million) are utilised as bank guarantees for developments.

**(b) Bank loans – secured**

This includes a US\$89.2 million (A\$87.8 million) secured bank debt facility that amortises over the life of the loan through monthly principal payments (\$1.0 million payable within 12 months) with a final maturity date of February 2014. The facility is secured by mortgages over investment properties totalling US\$135.1 million (A\$133.0 million) as at 31 December 2010.

**(c) Bank loans – secured**

This includes a total of US\$223.2 million (A\$219.6 million) secured interest only bank facilities with US\$41.0 million (A\$40.3 million) maturing in February 2011. The bank facilities have a weighted average maturity of July 2011. The facilities are secured by mortgages over investment properties totalling US\$391.8 million (A\$385.5 million) as at 31 December 2010.

**(d) Bank loans – secured**

Comprises a A\$250.0 million secured bank loan maturing in October 2011. This loan is secured by mortgages over one DDF investment property and two DOT investment properties totalling A\$773.4 million as at 31 December 2010.

**(e) Preferred shares**

US REIT has issued US\$92,550 (A\$91,066) of preferred shares as part of the requirement to be classified as a Real Estate Investment Trust (REIT) under US tax legislation. These preferred shares will remain on issue until such time that the Board decides that it is no longer in DXS's interest to qualify as a REIT.

The Group has a credit approved commitment for \$200 million to extend an existing facility from its current maturity date within the next 12 months to a date that is up to six years from the signing of this new commitment. Signing is expected to be complete by the end of the first quarter of calendar 2011.

**Note 11. Contributed equity**

	31 Dec 2010 \$'000	30 Jun 2010 \$'000
<b>(a) Contributed equity of unitholders of the parent</b>		
Opening balance at the beginning of the period	1,789,973	1,741,211
Distributions reinvested	8,104	48,762
<b>Closing balance at the end of the period</b>	<b>1,798,077</b>	<b>1,789,973</b>
<b>(b) Contributed equity of unitholders of other stapled entities</b>		
Opening balance at the beginning of the period	3,008,241	2,966,643
Distributions reinvested	6,424	41,598
<b>Closing balance at the end of the period</b>	<b>3,014,665</b>	<b>3,008,241</b>
	<b>31 Dec 2010</b>	<b>30 Jun 2010</b>
<b>(c) Number of securities on issue</b>	<b>No. of securities</b>	<b>No. of securities</b>
Opening balance at the beginning of the period	4,820,821,799	4,700,841,666
Distributions reinvested	18,202,377	119,980,133
<b>Closing balance at the end of the period</b>	<b>4,839,024,176</b>	<b>4,820,821,799</b>

**Terms and conditions**

Each stapled security ranks equally with all other stapled securities for the purposes of distributions and on termination of the Group. Each stapled security entitles the holder to one vote, either in person or by proxy, at a meeting of each of DDF, DIT, DOT and DXO.

**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 27 August 2010, 18,202,377 units were issued at a unit price of 79.8 cents in relation to the June 2010 distribution period.

On 13 December 2010, the Group announced the suspension of the DRP until further notice.



**Note 11. Contributed equity (continued)**

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

Such an issue will not be counted for the purposes of the calculation of the 15% limit under ASX Listing Rule 7.1.

**Note 12. Distributions paid and payable**

	31 Dec 2010 \$'000	31 Dec 2009 \$'000
<b>(a) Distribution to security holders</b>		
31 December 2010 (payable 25 February 2011)	125,331	126,301
	<u>125,331</u>	<u>126,301</u>
<b>(b) Distribution to other non-controlling interests</b>		
DEXUS RENTS Trust (paid 18 October 2010)	3,162	2,285
DEXUS RENTS Trust (payable 18 January 2011)	3,182	2,387
	<u>6,344</u>	<u>4,672</u>
<b>Total distributions</b>	<u><u>131,675</u></u>	<u><u>130,973</u></u>
	31 Dec 2010 Cents per security	31 Dec 2009 Cents per security
<b>(c) Distribution rate</b>		
31 December 2010 (payable 25 February 2011)	2.59	2.65
<b>Total</b>	<u><u>2.59</u></u>	<u><u>2.65</u></u>

**Note 12. Distributions paid and payable (continued)**

**(d) Franked dividends**

	31 Dec 2010 \$'000	31 Dec 2009 \$'000
<b>Franking credits</b>		
Opening balance at the beginning of the period	19,730	21,380
Franking credits arising on payment of tax at 30%	993	2,955
Franking debits arising on refund of tax at 30%	-	(6,646)
<b>Closing balance at the end of the period</b>	<b>20,723</b>	<b>17,689</b>

**Note 13. Contingent liabilities**

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

	31 Dec 2010 \$'000	30 Jun 2010 \$'000
Bank guarantees by the Group in respect of variations and other financial risks associated with the development of:		
1 Bligh Street, Sydney, NSW <sup>1</sup>	2,650	2,650
123 Albert Street, Brisbane, QLD	5,683	3,601
Beaumeade, Ashburn, Northern Virginia, USA	661	789
<b>Total contingent liabilities</b>	<b>8,994</b>	<b>7,040</b>

<sup>1</sup> Bank guarantee held in relation to an equity accounted investment. (Refer note 8).

DDF together with DIT, DOT and DXO is also a guarantor of a total of A\$1,097.5 million and US\$120.0 million (A\$118.1 million) of bank bi-lateral facilities, a total of A\$361.1 million of medium term notes, a total of US\$400.0 million (A\$393.6 million) of privately placed notes, and a total of US\$300.0 million (A\$295.2 million) public 144A senior notes, which have all been negotiated to finance the Group and other entities within DXS. The guarantees have been given in support of debt outstanding and drawn against these facilities, and may be called upon in the event that a borrowing entity has not complied with certain requirements such as failure to pay interest or repay a borrowing, whichever is earlier. During the period no guarantees were called.

The Trust together with DIT, DOT and DXO is also guarantor, on a subordinated basis, of RENTS (Real-estate perpetual ExchAngable sTep-up Securities). The guarantee has been given in support of payments that become due and payable to the RENTS holders and ranks ahead of the Group's distribution payments, but subordinated to the claims of senior creditors.

The guarantees are issued in respect of the Group and do not constitute an additional liability to those already existing in interest bearing liabilities on the Consolidated Statement of Financial Position.

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

**Note 14. Events occurring after reporting date**

On 3 January 2011, DEXUS Industrial Properties Inc. disposed of 1999 Westbelt drive, Columbus, Ohio for US\$5.2 million (A\$5.2 million).

On 14 January 2011 DEXUS Industrial Properties Inc. disposed of Interchange North 1, San Antonio for US\$4.0 million (A\$4.0 million).

On 14 January 2011 DEXUS Industrial Properties Inc. acquired Living Spaces Building at 14501 Artesia Boulevard, La Mirada, California for US\$26.3 million (A\$25.8 million).

During January 2011 the land surrounding the Brisbane River experienced severe flooding. As a result of this, access and use of three DXS properties located in the Brisbane CBD and the surrounding suburbs were restricted. The extent of damage to these properties, the associated restoration costs and potential impact on valuations and earnings are still being assessed at the date of this report. 25 Donkin Street and 57-101 Balham Road are fully insured for flood damage and loss of rental income. Albert Street is fully insured for flood damage however the impact on the completion date of this development and future income is still being assessed.

Since the end of the period, other than the matters discussed above, the Directors of the Responsible Entity are not aware of any matter or circumstance not otherwise dealt within their report or the Financial Statements that has significantly or may significantly affect the operations of the Group, the results of those operations, or state of the Group's affairs in future periods.

**Note 15. Operating segments**

**(a) Description of segments**

The Chief Operating Decision Maker (CODM) has been identified as the Board of Directors as they are responsible for the strategic decision making within the Group. DXS management has identified the Group's operating segments based on the sectors analysed within the management reports reviewed by the CODM in order to monitor performance across the Group and to appropriately allocate resources. Refer to the table below for a brief description of the Group's operating segments.

Office - Australia and New Zealand	This operating segment comprises office space with any associated retail space; as well as car-parks and office developments in Australia and New Zealand.
Industrial – Australia	This operating segment comprises domestic industrial properties, industrial estates and industrial developments in Australia.
Industrial - North America	This comprises industrial properties, industrial estates and industrial developments in the United States as well as one industrial asset in Canada.
Management Business	The domestic and US based management businesses are responsible for asset, property and development management of Office, Industrial and Retail properties for DXS and the third party funds management business.
Financial Services	The treasury function of DXS is managed through a centralised treasury department. As a result, all treasury related financial information relating to borrowings, finance costs as well as fair value movements in derivatives, are prepared and monitored separately.
All other segments	This comprises the European industrial and retail portfolios. These operating segments do not meet the quantitative thresholds set out in AASB 8 <i>Operating Segments</i> due to their relatively small scale. As a result these non-core operating segments have been included in 'all other segments' in the operating segment information shown below.

Note 15. Operating Segments (continued)

b) Segment information provided to the CODM

The segment information provided to the CODM for the reportable segments for the period ended 31 December 2010 and 31 December 2009 includes the following:

31 December 2010		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Segment performance measures									
Property revenue	172,885	70,853	59,432	552	-	10,706	-	-	314,428
Management fee revenue	-	-	-	28,179	-	-	-	-	28,179
Interest revenue	-	-	-	-	717	-	-	-	717
Inter-segment revenue	(9)	-	-	17,272	-	-	-	(17,263)	-
Total operating segment revenue	172,876	70,853	59,432	46,003	717	10,706	-	(17,263)	343,324
Net operating income (NOI)	127,166	56,790	41,601	-	-	8,098	-	-	233,655
Management business EBIT	-	-	-	1,516	-	-	-	-	1,516
31 December 2010									
Segment asset measures									
Direct property portfolio	4,307,824	1,521,687	1,252,901	87,654	-	172,911	-	-	7,342,977

Note 15. Operating Segments (continued)

b) Segment information provided to the CODM (continued)

	Office Australia & New Zealand \$'000	Industrial Australia \$'000	Industrial North America \$'000	Management Business \$'000	Financial Services \$'000	All other segments \$'000	Eliminations \$'000	Total \$'000
<b>31 December 2009</b>								
<b>Segment performance measures</b>								
Property revenue	165,862	66,302	80,260	-	-	25,959	-	338,383
Management fee revenue	-	-	-	27,478	-	-	-	27,478
Interest revenue	-	-	-	-	767	-	-	767
Inter-segment revenue	247	-	-	14,610	-	-	(14,857)	-
Total operating segment revenue	166,109	66,302	80,260	42,088	767	25,959	(14,857)	366,628
<b>30 June 2010</b>								
<b>Segment asset measures</b>								
Net operating income (NOI)	121,910	52,659	53,996	-	-	18,635	-	247,200
Management business EBIT	-	-	-	6,273	-	-	-	6,273
<b>Direct property portfolio</b>								
	4,109,029	1,547,938	1,452,809	-	-	196,809	-	7,306,585

**Note 15. Operating Segments (continued)**

**(c) Other segment information**

*(i) Net operating income (NOI) and operating earnings before interest and tax (operating EBIT)*

The Board assesses the performance of each operating sector based on a measure of NOI, which is determined as property revenue less attributable property expenses. The performance indicator predominantly used as a measure of the management business's performance is the management business EBIT, which comprises management fee revenue less compensation related expenses and other management operating expenses. Both the property NOI and the management business's EBIT exclude the effects of finance costs, taxation and non-cash items such as unrealised fair value adjustments, which are monitored by management separately. The reconciliation below reconciles these profit measures to the loss attributable to stapled security holders.

**Reconciliation of net operating income and management business EBIT to Group net profit/(loss) attributable to stapled security holders:**

	31 Dec 2010	31 Dec 2009
	\$'000	\$'000
Property revenue per Statement of comprehensive income	314,428	338,383
Property expenses per Statement of comprehensive income	(75,268)	(87,032)
Intercompany property expenses <sup>1</sup>	(5,505)	(4,151)
<b>Net operating income (NOI)</b>	<b>233,655</b>	<b>247,200</b>
<b>Add: management business EBIT</b>	<b>1,516</b>	<b>6,273</b>
Less: Internal Responsible Entity fees <sup>2</sup>	(11,832)	(10,212)
Less: other inter-segment eliminations	(405)	(247)
Other income and expense <sup>3</sup>	(3,140)	(2,528)
<b>Operating EBIT</b>	<b>219,794</b>	<b>240,486</b>
Interest revenue	717	767
Finance revenue/(costs)	2,424	(57,768)
Share of net profit/(loss) of associates accounted for using the equity method	12,870	(26,833)
Net fair value gain/(loss) of investment property	55,022	(259,264)
Net gain/(loss) on sale of assets	4,697	(50,097)
Net fair value gains of derivatives	1,932	9,516
Impairment	(74)	(168)
Tax (expense)/benefit	(2,032)	35,184
Other non-controlling interests	(924)	1,150
<b>Net profit/(loss) attributable to stapled security holders</b>	<b>294,426</b>	<b>(107,027)</b>

<sup>1</sup> Includes property income of \$0.5 million included in the management business EBIT, and internal property expenses of \$5.0 million included in NOI for management reporting purposes but eliminated for statutory accounting purposes. The internal property management expenses comprise of property management fees included in the management business EBIT.

<sup>2</sup> Elimination of internally generated Responsible Entity fees of \$9.2 million and \$2.6 million other internal management fees.

<sup>3</sup> Other income and expenses comprise of foreign exchange gains; depreciation, other income and expenses excluding amounts included in the management business's EBIT.

**Note 15. Operating Segments (continued)**

**(c) Other segment information (continued)**

*(ii) Segment assets*

The amounts provided to the CODM as a measure of segment assets is the direct property portfolio. The direct property portfolio values are allocated based on the physical location of the asset and is measured in a manner consistent with the Statement of Financial Position. The direct property portfolio comprises investment properties, all development properties and the Group's share of properties held through equity accounted investments. The reconciliation below reconciles the total direct property portfolio balance to total assets in the Statement of Financial Position.

DXS is domiciled in Australia. Total non-current assets other than financial instruments and deferred tax assets located in Australia is \$6,130.8 million (30 June 2010: \$5,868.1 million), and the amount located in other countries is \$1,415.6 million (30 June 2010: \$1,652.1 million). This includes \$1,242.7 million (30 June 2010: \$1,455.2 million) attributable to the United States portfolio.

**Reconciliation of direct property portfolio to Group total assets in the Statement of Financial Position:**

Segment assets	31 Dec 2010	30 Jun 2010
	\$'000	\$'000
Investment property	7,079,753	7,146,397
Non-current assets held for sale	27,900	18,068
Inventories	87,654	45,470
Investment property (accounted for using the equity method) <sup>1</sup>	147,670	96,650
<b>Direct property portfolio</b>	<b>7,342,977</b>	<b>7,306,585</b>
Cash	44,074	64,419
Receivables	29,408	25,010
Intangible assets	225,204	225,525
Derivative financial instruments	126,912	146,324
Deferred tax asset	70,397	79,927
Current tax receivable	4,688	3,621
Property, plant and equipment (IT and office equipment)	5,494	5,264
Prepayments & other assets <sup>2</sup>	7,771	14,353
<b>Total assets</b>	<b>7,856,925</b>	<b>7,871,028</b>

<sup>1</sup> This represents DXS's portion of the investment property accounted for using the equity accounted method.

<sup>2</sup> Other assets include the Group's share of total net assets of its investments accounted for using the equity accounted method less the Group's share of the investment property value which is included in the direct property portfolio.

**Note 16. Earnings per unit**

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

31 Dec 2010 cents	31 Dec 2009 cents
1.89	(1.67)

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

31 Dec 2010 cents	31 Dec 2009 cents
1.89	(1.67)

**(c) Basic earnings per unit on profit/(loss) attributable to stapled security holders**

31 Dec 2010 cents	31 Dec 2009 cents
6.09	(2.26)

**(d) Diluted earnings per unit on profit/(loss) attributable to stapled security holders**

31 Dec 2010 cents	31 Dec 2009 cents
6.09	(2.26)

**(e) Reconciliation of earnings used in calculating earnings per unit**

	31 Dec 2010 \$'000	31 Dec 2009 \$'000
Net profit/(loss) for the period	295,350	(108,177)
Net (profit)/loss attributable to unitholders of other stapled entities (non-controlling interests)	(202,946)	27,573
Net (profit)/loss attributable to other non-controlling interests	(924)	1,150
<b>Net profit/(loss) attributable to the unitholders of the Trust used in calculating basic and diluted earnings per unit</b>	<b>91,480</b>	<b>(79,454)</b>

**(f) Weighted average number of units used as a denominator**

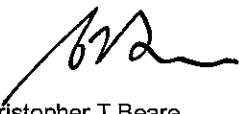
	31 Dec 2010	31 Dec 2009
Weighted number of units outstanding used in calculation of basic and diluted earnings per unit	4,833,286,470	4,745,524,827



In the Directors' opinion:

- (a) the Financial Statements and notes set out on pages 4 to 34 are in accordance with the *Corporations Act 2001*, including;
  - a. complying with applicable Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - b. give a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half year ended on that date, and
- (b) there are reasonable grounds to believe that DEXUS Diversified Trust will be able to pay its debts as and when they become due and payable; and
- (c) the Group has operated in accordance with the provisions of the Constitution dated 15 August 1984 (as amended) during the half year ended 31 December 2010.

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



Christopher T Beare  
Chair  
15 February 2011

PricewaterhouseCoopers  
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Independent auditor's review report to the members of  
DEXUS Diversified Trust

**Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of DEXUS Diversified Trust, which comprises the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the DEXUS Diversified Trust Group (the consolidated entity). The consolidated entity comprises both DEXUS Diversified Trust (the trust) and the entities it controlled during that half-year, including DEXUS Office Trust, DEXUS Industrial Trust, DEXUS Operations Trust and their subsidiaries.

*Directors' responsibility for the half-year financial report*

The directors of the DEXUS Funds Management Limited (the Responsible Entity of the Trust) are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

*Auditor's responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of DEXUS Diversified Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

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

**Independent auditor's review report to the members of  
DEXUS Diversified Trust (continued)**

*Matters relating to the electronic presentation of the reviewed financial report*

This review report relates to the financial report of the DEXUS Diversified Trust for the half-year ended 31 December 2010 included on DEXUS Diversified Trust's web site. The Responsible Entity's directors are responsible for the integrity of the DEXUS Diversified Trust's web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

*Independence*

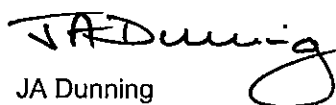
In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of DEXUS Diversified Trust is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

  
PricewaterhouseCoopers

  
JA Dunning  
Partner

Sydney  
15 February 2011

# **FINANCIAL STATEMENTS DEXUS INDUSTRIAL TRUST**

**(ARSN 090 879 137)**

**HALF YEAR ENDED  
31 DECEMBER 2010**

<b>Contents</b>	<b>Page</b>
Directors' Report	1
Auditor's Independence Declaration	3
Consolidated Statement of Comprehensive Income	4
Consolidated Statement of Financial Position	5
Consolidated Statement of Changes in Equity	6
Consolidated Statement of Cash Flows	7
Notes to the Financial Statements	8
Directors' Declaration	16
Independent Auditor's Review Report	17

DEXUS Property Group (ASX Code: DXS), consists of DEXUS Diversified Trust (DDF), DEXUS Industrial Trust (DIT), DEXUS Office Trust (DOT), and DEXUS Operations Trust (DXO), collectively known as DXS or the Group.

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

All press releases, financial reports and other information are available on our website: [www.dexus.com](http://www.dexus.com)

**DEXUS INDUSTRIAL TRUST  
DIRECTORS' REPORT  
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

Page 1 of 18

The Directors of DEXUS Funds Management Limited (DXFM) as Responsible Entity of DEXUS Industrial Trust (DIT or the Trust) and its consolidated entities present their Directors' Report together with the consolidated Financial Statements for the half year ended 31 December 2010.

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

**Directors**

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

<b>Directors</b>	<b>Notes</b>	<b>Appointed</b>
Christopher T Beare	1, 5, 6	4 August 2004
Elizabeth A Alexander AM	1, 2, 3	1 January 2005
Barry R Brownjohn	1, 2, 3, 6	1 January 2005
John C Conde AO	1, 4, 5	29 April 2009
Stewart F Ewen OAM	1, 5	4 August 2004
Victor P Hoog Antink		1 October 2004
Brian E Scullin	1, 4	1 January 2005
Peter B St George	1, 2, 3, 6	29 April 2009

<sup>1</sup> Independent Director

<sup>2</sup> Audit Committee Member

<sup>3</sup> Risk and Sustainability Committee Member

<sup>4</sup> Compliance Committee Member

<sup>5</sup> Nomination and Remuneration Committee Member

<sup>6</sup> Finance Committee Member

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

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

**Principal Activities**

During the half year, the principal activity of the Trust was to own, manage and develop high quality real estate assets. There were no significant changes in the nature of the Trust's activities during this period.

**Review and results of operations**

The results for the half year ended 31 December 2010 were:

- Profit attributable to unitholders was \$79.1 million (December 2009: \$74.7 million loss);
- Total assets were \$1,894.4 million (June 2010: \$1,958.8 million)
- Net assets were \$547.1 million (June 2010: \$444.7 million)

**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 periods.

**Rounding of amounts and currency**

DIT is a registered scheme of the kind referred to in Class Order 98/0100, issued by the Australian Securities and 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.

**DEXUS INDUSTRIAL TRUST  
DIRECTORS' REPORT (continued)  
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

**Page 2 of 18**

**Auditor**

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

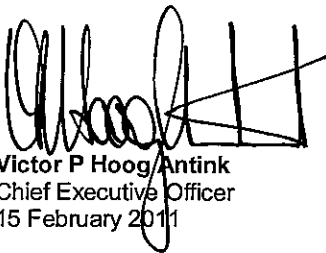
A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 3 and forms part of this Directors' Report.

**Directors' authorisation**

The Directors' Report is made in accordance with a resolution of the Directors. The Financial Statements were authorised for issue by the Directors on 15 February 2011. The Directors have the power to amend and reissue the Financial Statements.



**Christopher T Beare**  
Chair  
15 February 2011



**Victor P Hoog Antink**  
Chief Executive Officer  
15 February 2011

PricewaterhouseCoopers  
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## Auditor's Independence Declaration

As lead auditor for the review of DEXUS Industrial Trust for the half year ended 31 December 2010, I declare that to the best of my knowledge and belief, there have been:

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

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



JA Dunning  
Partner  
PricewaterhouseCoopers

Sydney  
15 February 2011

**DEXUS INDUSTRIAL TRUST**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

Page 4 of 18

	Notes	31 Dec 2010 \$'000	31 Dec 2009 \$'000
<b>Revenue from ordinary activities</b>			
Property revenue		73,030	77,606
Interest revenue		957	1,231
<b>Total revenue from ordinary activities</b>		<b>73,987</b>	<b>78,837</b>
Net fair value gain of investment properties		22,925	-
Share of net profit of associates accounted for using the equity method		11,474	-
Net fair value gain on derivatives		1,335	7,418
Net foreign exchange gain		1,099	992
Other income		25	-
<b>Total income</b>		<b>110,845</b>	<b>87,247</b>
<b>Expenses</b>			
Property expenses		(14,459)	(15,955)
Responsible entity fees		(2,065)	(2,292)
Finance costs	2	(14,404)	(33,090)
Net fair value loss of investment properties		-	(38,683)
Net loss on sale of investment properties		(117)	(1,668)
Share of net loss of associates accounted for using the equity method		-	(69,677)
Other expenses		(885)	(1,650)
<b>Total expenses</b>		<b>(31,930)</b>	<b>(163,015)</b>
<b>Profit/(loss) before tax</b>		<b>78,915</b>	<b>(75,768)</b>
<b>Tax benefit/(expense)</b>			
Income tax benefit/(expense)		13	(4)
Withholding tax benefit		206	1,042
<b>Total tax benefit</b>		<b>219</b>	<b>1,038</b>
<b>Profit/(loss) after tax</b>		<b>79,134</b>	<b>(74,730)</b>
<b>Other comprehensive profit/(loss):</b>			
Exchange differences on translating foreign operations		23,278	10,935
<b>Total comprehensive profit/(loss) for the period</b>		<b>102,412</b>	<b>(63,795)</b>
<b>Earnings per unit</b>		<b>Cents</b>	<b>Cents</b>
Basic earnings per unit on profit/(loss) attributable to unitholders	13	1.64	(1.57)
Diluted earnings per unit on profit/(loss) attributable to unitholders	13	1.64	(1.57)

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



**DEXUS INDUSTRIAL TRUST**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2010**

Page 5 of 18

	Notes	31 Dec 2010 \$'000	30 June 2010 \$'000
<b>Current assets</b>			
Cash and cash equivalents		9,767	16,537
Receivables		3,567	4,604
Non-current assets classified as held for sale	3	15,127	-
Loans with related parties	7	138,948	138,948
Derivative financial instruments		29,637	9,657
Current tax asset		150	73
Other		258	2,737
<b>Total current assets</b>		<b>197,454</b>	<b>172,556</b>
<b>Non-current assets</b>			
Investment properties	4	1,418,929	1,462,007
Investments accounted for using the equity method	6	113,597	122,627
Loans with related parties	7	127,423	151,942
Derivative financial instruments		28,302	39,261
Deferred tax assets		8,371	10,080
Other		371	305
<b>Total non-current assets</b>		<b>1,696,993</b>	<b>1,786,222</b>
<b>Total assets</b>		<b>1,894,447</b>	<b>1,958,778</b>
<b>Current liabilities</b>			
Payables		44,728	44,545
Interest bearing liabilities	8	40,112	47,796
Current tax liabilities		973	973
Derivative financial instruments		7,655	7,139
<b>Total current liabilities</b>		<b>93,468</b>	<b>100,453</b>
<b>Non-current liabilities</b>			
Loans with related parties	7	1,147,362	1,257,916
Derivative financial instruments		105,693	154,833
Other		811	875
<b>Total non-current liabilities</b>		<b>1,253,866</b>	<b>1,413,624</b>
<b>Total liabilities</b>		<b>1,347,334</b>	<b>1,514,077</b>
<b>Net assets</b>		<b>547,113</b>	<b>444,701</b>
<b>Equity</b>			
Contributed equity	9	925,116	925,116
Reserves		35,441	12,163
Accumulated losses		(413,444)	(492,578)
<b>Total equity</b>		<b>547,113</b>	<b>444,701</b>

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

**DEXUS INDUSTRIAL TRUST**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

Page 6 of 18

	Contributed equity	Accumulated losses	Foreign currency translation reserve	Total equity
	\$'000	\$'000	\$'000	\$'000
Opening balance as at 1 July 2009	925,116	(395,880)	4,791	534,027
Total comprehensive loss for the period	-	(74,730)	10,935	(63,795)
Closing balance as at 31 December 2009	925,116	(470,610)	15,726	470,232
Opening balance as at 1 July 2010	925,116	(492,578)	12,163	444,701
Total comprehensive income for the period	-	79,134	23,278	102,412
Closing balance as at 31 December 2010	925,116	(413,444)	35,441	547,113

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

**DEXUS INDUSTRIAL TRUST**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

Page 7 of 18

	31 Dec 2010 \$'000	31 Dec 2009 \$'000
<b>Cash flows from operating activities</b>		
Receipts in the course of operations (inclusive of GST)	79,469	87,320
Payments in the course of operations (inclusive of GST)	(28,288)	(31,170)
Interest received	910	1,025
Finance costs paid to financial institutions	(18,960)	(19,562)
Dividends received	-	1,932
Income and withholding taxes paid	(242)	(323)
<b>Net cash inflow from operating activities</b>	<b>32,889</b>	<b>39,222</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of investment properties	7,578	33,154
Payments for capital expenditure on investment properties	(13,200)	(5,564)
Payments for acquisition of investment properties	-	(80,262)
Payments for investments accounted for using the equity method	-	(54,368)
<b>Net cash outflow from investing activities</b>	<b>(5,622)</b>	<b>(107,040)</b>
<b>Cash flows from financing activities</b>		
Borrowings provided to entities within DXS	(61,843)	(274,369)
Borrowings provided by entities within DXS	29,237	249,162
Proceeds from borrowings	-	91,165
<b>Net cash (outflow)/inflow from financing activities</b>	<b>(32,606)</b>	<b>65,958</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(5,339)</b>	<b>(1,860)</b>
Cash and cash equivalents at the beginning of the period	16,537	13,042
Effects of exchange rate changes on cash and cash equivalents	(1,431)	(740)
<b>Cash and cash equivalents at the end of the period</b>	<b>9,767</b>	<b>10,442</b>

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

**Note 1. Summary of significant accounting policies**

**(a) Basis of preparation**

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

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

These general purpose interim Financial Statements for the half year ended 31 December 2010 have been prepared in accordance with the requirements of the Trust's Constitution, AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*.

These Financial Statements are prepared on a going concern basis and in accordance with historical cost conventions and have not been adjusted to take account of either changes in the general purchasing power of the dollar or changes in the values of specific assets, except for the revaluation of certain derivatives, other financial instruments, investment properties and property, plant and equipment.

These Financial Statements do not include notes of the type normally included in an annual financial report. Accordingly these statements should be read in conjunction with the annual Financial Statements for the year ended 30 June 2010 and any public pronouncements made by DXS during the half year in accordance with the continuous disclosure requirements of the *Corporations Act 2001*. The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

**(b) Critical accounting estimates**

The preparation of Financial Statements requires the use of certain critical accounting estimates and management to exercise its judgement in the process of applying the Trust's accounting policies. Other than the estimation of fair values relating to derivatives and other financial instruments and investment properties, no key assumptions concerning the future or other estimation of uncertainty at the end of each reporting period have a significant risk of causing material adjustments to the Financial Statements in the next reporting period.

**Uncertainty around property valuations**

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

**(c) Comparative figures**

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current period.

**(d) Rounding of amounts**

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

**Note 2. Finance costs**

	31 Dec 2010 \$'000	31 Dec 2009 \$'000
Interest paid/payable	811	1,034
Interest paid to related parties	37,677	37,531
Amount capitalised	(500)	(2,885)
Other finance costs	78	141
Net fair value gain on interest rate swaps	(23,662)	(2,732)
<b>Total finance costs</b>	<b>14,404</b>	<b>33,090</b>

The average capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 7.83% (2009: 6.90%).

**Note 3. Non-current assets classified as held for sale**

**Reconciliation**

	31 Dec 2010 \$'000	30 Jun 2010 \$'000
Opening balance at the beginning of the period	-	-
Transfer from investment properties	15,127	-
<b>Closing balance at the end of the period</b>	<b>15,127</b>	<b>-</b>

One Australian asset has been classified as current assets held for sale and is carried at fair value.

**Note 4. Non-current assets - investment properties**

**Reconciliation**

	Note	31 Dec 2010 \$'000	30 Jun 2010 \$'000
Opening balance at the beginning of the period		1,462,007	1,425,178
Additions		8,771	17,169
Acquisitions		-	80,262
Transfer from property, plant and equipment	5	-	94,007
Lease incentives		8,920	4,254
Amortisation of lease incentives		(3,388)	(4,793)
Net fair value gain/(loss) of investment properties		22,926	(24,581)
Rent straightlining		473	1,072
Disposals		(7,308)	(80,019)
Transfer to non-current assets classified as held for sale		(15,127)	-
Foreign exchange differences on foreign currency translation		(58,345)	(50,542)
<b>Closing balance at the end of the period</b>		<b>1,418,929</b>	<b>1,462,007</b>

**Disposals**

- On 21 December 2010, 21 rue du Chemin Blanc, Champlan was disposed of for €5.7 million (A\$7.6 million).

**Note 5. Non-current assets - property, plant and equipment**

**31 December 2010**

	Construction in progress \$'000	Land and freehold buildings \$'000	Total \$'000
Opening balance at the beginning of the period	-	-	-
Transfers to investment properties	-	-	-
<b>Closing balance at the end of the period</b>	<b>-</b>	<b>-</b>	<b>-</b>

**30 June 2010**

	Construction in progress \$'000	Land and freehold buildings \$'000	Total \$'000
Opening balance at the beginning of the period	44,282	49,725	94,007
Transfers to investment properties	(44,282)	(49,725)	(94,007)
<b>Closing balance at the end of the period</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Note 6. 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.

Information relating to this entity is set out below.

Name of entity	Principal activity	Ownership interest 31 Dec 2010 %	Ownership interest 30 Jun 2010 %	31 Dec 2010 \$'000	30 Jun 2010 \$'000
DEXUS Industrial Properties Inc. <sup>1</sup>	Asset, property and funds management	50.0	50.0	113,597	122,627
<b>Total</b>				<b>113,597</b>	<b>122,627</b>

<sup>1</sup> The remaining 50% of this entity is owned by DDF. As a result, this entity is classed as controlled on a DDF consolidated basis.

DEXUS Industrial Properties Inc. was formed in the United States.

**Movements in carrying amounts of investments accounted for using the equity method**

	31 Dec 2010 \$'000	30 Jun 2010 \$'000
Carrying amount at the beginning of the period	122,627	138,276
Interest acquired during the period	-	54,937
Share of net profit/(loss) after tax	11,474	(59,285)
Dividends received	-	(517)
Foreign exchange difference on foreign currency translation	(20,504)	(10,784)
<b>Carrying amount at the end of the period</b>	<b>113,597</b>	<b>122,627</b>

**Note 7. Loans with related parties**

	31 Dec 2010 \$'000	30 Jun 2010 \$'000
<b>Current assets - loans with related parties</b>		
Non-interest bearing loans with entities with DXS <sup>1</sup>	138,948	138,948
<b>Total current assets - loans with related parties</b>	<b>138,948</b>	<b>138,948</b>
<b>Non-current assets - loans with related parties</b>		
Interest bearing loans with entities within DXS	127,423	151,942
<b>Total non-current assets - loans with related parties</b>	<b>127,423</b>	<b>151,942</b>
<b>Non-current liabilities - loans with related parties</b>		
Interest bearing loans with related parties <sup>2</sup>	1,058,863	1,152,388
Interest bearing loans with entities within DXS	88,499	105,528
<b>Total non-current liabilities - loans with related parties</b>	<b>1,147,362</b>	<b>1,257,916</b>

<sup>1</sup> Non-interest bearing loans with entities within DXS were created to effect the stapling of DDF, DIT, DOT and DXO. These loan balances eliminate on consolidation within DXS.

<sup>2</sup> Interest bearing loans with DEXUS Finance Pty Limited (DXF). These loan balances eliminate on consolidation within DXS.

**Note 8. Current liabilities - interest bearing liabilities**

	Note	31 Dec 2010 \$'000	30 Jun 2010 \$'000
<b>Current</b>			
<b>Secured</b>			
Bank loans	(a)	40,293	48,046
<b>Total secured</b>		<b>40,293</b>	<b>48,046</b>
Deferred borrowing costs		(181)	(250)
<b>Total interest bearing liabilities</b>		<b>40,112</b>	<b>47,796</b>

**(a) Bank Loans - Secured**

Comprises a US\$41.0 million (A\$40.3 million) secured interest only bank facility with a maturity of February 2011. This facility is secured by a mortgage over one investment property totaling US\$61.0 million (A\$60.0 million).

**Note 9. Contributed equity**

	31 Dec 2010 \$'000	30 Jun 2010 \$'000
<b>(a) Contributed equity of unitholders</b>		
Opening balance at the beginning of the period	925,116	925,116
Distributions reinvested	-	-
<b>Closing balance at the end of the period</b>	<b>925,116</b>	<b>925,116</b>
	31 Dec 2010 No. of units	30 Jun 2010 No. of units
<b>(b) Number of units on issue</b>		
Opening balance at the beginning of the period	4,820,821,799	4,700,841,666
Distributions reinvested	18,202,377	119,980,133
<b>Closing balance at the end of the period</b>	<b>4,839,024,176</b>	<b>4,820,821,799</b>

**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 entities within DXS.

**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 27 August 2010, 18,202,377 units were issued at a unit price of nil in relation to the June 2010 distribution period.

On 13 December 2010, the Group announced the suspension of the DRP.

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

Such an issue will not be counted for the purposes of the calculation of the 15% limit under ASX Listing Rule 7.1.



**Note 10. Contingent liabilities**

The Trust together with DDF, DOT and DXO, is also a guarantor of a total of A\$1,097.5 million and US\$120.0 million (A\$118.1 million) of bank bi-lateral facilities, a total of A\$361.1 million of medium term notes, a total of US\$400.0 million (A\$393.6 million) of privately placed notes, and a total of US\$300.0 million (A\$295.2 million) public 144A senior notes, which have all been negotiated to finance the Trust and other entities within DXS. The guarantees have been given in support of debt outstanding and drawn against these facilities, and may be called upon in the event that a borrowing entity has not complied with certain requirements such as failure to pay interest or repay a borrowing, whichever is earlier. During the period no guarantees were called.

The Trust together with DDF, DOT and DXO is also guarantor, on a subordinated basis, of RENTS (Real-estate perpetual ExchaNgable sTep-up Securities). The guarantee has been given in support of payments that become due and payable to the RENTS holders and ranks ahead of the Group's distribution payments, but subordinated to the claims of senior creditors.

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

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

**Note 11. Events occurring after reporting date**

During January 2011 the land surrounding the Brisbane River experienced severe flooding. As a result of this, access and use of 25 Donkin Street (a property owned by DIT) was restricted. The extent of damage to this property, the associated restoration costs and potential impact on valuations and earnings are still being assessed at the date of this report. The property is fully insured for flood damage and loss of rental income.

Since the end of the period, other than the matter discussed above, the Directors of the Responsible Entity are not aware of any matter or circumstance not otherwise dealt within their 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 periods.

**Note 12. Segment information**

The Chief Operating Decision Maker (CODM) has been identified as the Board of Directors as they are responsible for the strategic decision making within the Group. DXS management has identified the Group's operating segments based on the sectors analysed within the management reports reviewed by the CODM in order to monitor performance across the Group and to appropriately allocate resources. Refer to the table below for a brief description of the Group's operating segments.

Office - Australia and New Zealand	This operating segment comprises office space with any associated retail space; as well as car-parks and office developments in Australia and New Zealand.
Industrial – Australia	This operating segment comprises domestic industrial properties, industrial estates and industrial developments in Australia.
Industrial - North America	This comprises industrial properties, industrial estates and industrial developments in the United States as well as one industrial asset in Canada.
Management Business	The domestic and US based management businesses are responsible for asset, property and development management of Office, Industrial and Retail properties for DXS and the third party funds management business.
Financial Services	The treasury function of DXS is managed through a centralised treasury department. As a result, all treasury related financial information relating to borrowings, finance costs as well as fair value movements in derivatives, are prepared and monitored separately.
All other segments	This comprises the European industrial and retail portfolios. These operating segments do not meet the quantitative thresholds set out in AASB 8 <i>Operating Segments</i> due to their relatively small scale. As a result these non-core operating segments have been included in 'all other segments' in the operating segment information.

Consistent with how the CODM manages the business, the operating segments within the Group are reviewed on a consolidated basis and are not monitored at an individual trust level. The results of the individual trusts are not limited to any one of the segments described above.

Disclosures concerning the DXS's operating segments as well as the operating segments key financial information provided to the CODM are presented in the Group's Financial Statements.

Note 13. Earnings per unit

(a) Basic earnings per unit on profit/(loss) attributable to unitholders

31 Dec 2010 cents	31 Dec 2009 cents
1.64	(1.57)

(b) Diluted earnings per unit on profit/(loss) attributable to unitholders

31 Dec 2010 cents	31 Dec 2009 cents
1.64	(1.57)

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

	31 Dec 2010 \$'000	31 Dec 2009 \$'000
Net profit/(loss)	79,134	(74,730)
Net profit/(loss) attributable to the unitholders of the Trust used in calculating basic and diluted earnings per unit	<u>79,134</u>	<u>(74,730)</u>

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

	31 Dec 2010 units	31 Dec 2009 units
Weighted number of units outstanding used in calculation of basic earnings per unit	4,833,286,470	4,745,524,827

**DEXUS INDUSTRIAL TRUST  
DIRECTORS' DECLARATION  
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

Page 16 of 18

In the Directors' opinion:

- (a) the Financial Statements and notes set out on pages 4 to 15 are in accordance with the *Corporations Act 2001*, including;
  - i. complying with applicable Accounting 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 31 December 2010 and of its performance for the half year ended on that date, and
- (b) there are reasonable grounds to believe that DEXUS Industrial Trust will be able to pay its debts as and when they become due and payable; and
- (c) the Trust has operated in accordance with the provisions of the Constitution dated 1 August 1997 (as amended) during the half year ended 31 December 2010.

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



Christopher T Beare  
Chair  
15 February 2011

PricewaterhouseCoopers  
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Independent auditor's review report to the members of  
DEXUS Industrial Trust

**Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of DEXUS Industrial Trust, which comprises the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the DEXUS Industrial Trust Group (the consolidated entity). The consolidated entity comprises both DEXUS Industrial Trust (the trust) and the entities it controlled during that half-year.

*Directors' responsibility for the half-year financial report*

The directors of the DEXUS Funds Management Limited (the Responsible Entity of the Trust) are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

*Auditor's responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of DEXUS Industrial Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

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

**Independent auditor's review report to the members of  
DEXUS Industrial Trust (continued)**

*Matters relating to the electronic presentation of the reviewed financial report*

This review report relates to the financial report of the DEXUS Industrial Trust for the half-year ended 31 December 2010 included on DEXUS Industrial Trust's web site. The Responsible Entity's directors are responsible for the integrity of the DEXUS Industrial Trust's web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

*Independence*


In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of DEXUS Industrial Trust is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

  
PricewaterhouseCoopers

  
JA Dunning  
Partner

Sydney  
15 February 2011

# **FINANCIAL STATEMENTS DEXUS OFFICE TRUST**

**(ARSN 090 768 531)**

**HALF YEAR ENDED  
31 DECEMBER 2010**

<b>Contents</b>	<b>Page</b>
Directors' Report	1
Auditor's Independence Declaration	3
Consolidated Statement of Comprehensive Income	4
Consolidated Statement of Financial Position	5
Consolidated Statement of Changes in Equity	6
Consolidated Statement of Cash Flows	7
Notes to the Financial Statements	8
Directors' Declaration	17
Independent Auditor's Review Report	18

DEXUS Property Group (ASX Code: DXS), consists of DEXUS Diversified Trust (DDF), DEXUS Industrial Trust (DIT), DEXUS Office Trust (DOT), and DEXUS Operations Trust (DXO), collectively known as DXS or the Group.

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

All press releases, financial reports and other information are available on our website: [www.dexus.com](http://www.dexus.com)

**DEXUS OFFICE TRUST  
DIRECTORS' REPORT  
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

Page 1 of 19

The Directors of DEXUS Funds Management Limited (DXFM) as Responsible Entity of DEXUS Office Trust (DOT or the Trust) and its consolidated entities present their Directors' Report together with the consolidated Financial Statements for the half year ended 31 December 2010.

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

**Directors**

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

<b>Directors</b>	<b>Notes</b>	<b>Appointed</b>
Christopher T Beare	1, 5, 6	4 August 2004
Elizabeth A Alexander AM	1, 2, 3	1 January 2005
Barry R Brownjohn	1, 2, 3, 6	1 January 2005
John C Conde AO	1, 4, 5	29 April 2009
Stewart F Ewen OAM	1, 5	4 August 2004
Victor P Hoog Antink		1 October 2004
Brian E Scullin	1, 4	1 January 2005
Peter B St George	1, 2, 3, 6	29 April 2009

<sup>1</sup> Independent Director

<sup>2</sup> Audit Committee Member

<sup>3</sup> Risk and Sustainability Committee Member

<sup>4</sup> Compliance Committee Member

<sup>5</sup> Nomination and Remuneration Committee Member

<sup>6</sup> Finance Committee Member

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

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

**Principal activities**

During the half year, the principal activity of the Trust was investment in real estate assets. There were no significant changes in the nature of the Trust's activities during this period.

**Review and results of operations**

The results for the half year ended 31 December 2010 were:

- Profit attributable to unitholders was \$138.5 million (December 2009: \$52.4 million);
- Total assets were \$3,162.5 million (June 2010: \$3,105.6 million); and
- Net assets were \$2,751.2 million (June 2010: \$2,684.4 million).

**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 periods.



**Rounding of amounts and currency**

DOT is a registered scheme of the kind referred to in Class Order 98/0100, issued by the Australian Securities and 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.

**Auditor**

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


A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 3 and forms part of this Directors' Report.

**Directors' authorisation**

The Directors' Report is made in accordance with a resolution of the Directors. The Financial Statements were authorised for issue by the Directors on 15 February 2011. The Directors have the power to amend and reissue the Financial Statements.



**Christopher T Beare**  
Chair  
15 February 2011



**Victor P Hoog Antink**  
Chief Executive Officer  
15 February 2011

PricewaterhouseCoopers  
ABN 52 780 433 757

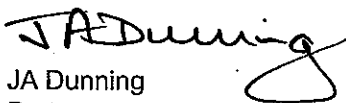
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## Auditor's Independence Declaration

As lead auditor for the review of DEXUS Office Trust for the half year ended 31 December 2010, I declare that to the best of my knowledge and belief, there have been:

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

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



JA Dunning  
Partner  
PricewaterhouseCoopers

Sydney  
15 February 2011

**DEXUS OFFICE TRUST**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

Page 4 of 19

	Notes	31 Dec 2010 \$'000	31 Dec 2009 \$'000
<b>Revenue from ordinary activities</b>			
Property revenue		128,934	121,706
Interest revenue		189	140
<b>Total revenue from ordinary activities</b>		<b>129,123</b>	<b>121,846</b>
Net foreign exchange gain		26	43
Finance income/(costs)	2	8,472	(2,348)
Share of net profit of associates accounted for using the equity method	5	12,870	-
Net fair value gain/(loss) of investment properties		28,331	(827)
Net fair value gain/(loss) of derivatives		29	(10)
Other income		89	-
<b>Total income</b>		<b>178,940</b>	<b>118,704</b>
<b>Expenses</b>			
Property expenses		(34,185)	(32,796)
Responsible entity fees		(4,609)	(4,503)
Share of net loss of associates accounted for using the equity method	5	-	(26,833)
Net loss on sale of investments		-	(15)
Other expenses		(743)	(1,260)
<b>Total expenses</b>		<b>(39,537)</b>	<b>(65,407)</b>
<b>Profit before tax</b>		<b>139,403</b>	<b>53,297</b>
<b>Other comprehensive income:</b>			
Exchange differences on translating foreign operations		(6,940)	654
<b>Total comprehensive income for the period</b>		<b>132,463</b>	<b>53,951</b>
<b>Profit attributable to:</b>			
Unitholders of DEXUS Office Trust		138,493	52,413
Non-controlling interests		910	884
<b>Total profit for the period</b>		<b>139,403</b>	<b>53,297</b>
<b>Total comprehensive income for the period attributable to:</b>			
Unitholders of DEXUS Office Trust		131,553	53,067
Non-controlling interests		910	884
<b>Total comprehensive income for the period</b>		<b>132,463</b>	<b>53,951</b>
<b>Earnings per unit</b>		<b>Cents</b>	<b>Cents</b>
Basic earnings per unit on profit attributable to unitholders	13	2.87	1.10
Diluted earnings per unit on profit attributable to unitholders	13	2.87	1.10

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

**DEXUS OFFICE TRUST**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2010**

Page 5 of 19

	Notes	31 Dec 2010 \$'000	30 Jun 2010 \$'000
<b>Current assets</b>			
Cash and cash equivalents		4,046	8,766
Receivables		3,391	3,737
Derivative financial instruments		76	46
Other		1,748	3,462
<b>Total current assets</b>		<b>9,261</b>	<b>16,011</b>
<b>Non-current assets</b>			
Investment properties	3	2,971,189	2,939,511
Investments accounted for using the equity method	5	144,952	93,344
Loans with related parties	6	30,439	49,637
Derivative financial instruments		5,808	6,064
Other		815	997
<b>Total non-current assets</b>		<b>3,153,203</b>	<b>3,089,553</b>
<b>Total assets</b>		<b>3,162,464</b>	<b>3,105,564</b>
<b>Current liabilities</b>			
Payables		32,140	41,782
Loans with related parties	6	55,684	55,684
Provisions		65,698	52,225
Interest bearing liabilities	7	249,164	-
Derivative financial instruments		799	1,083
<b>Total current liabilities</b>		<b>403,485</b>	<b>150,774</b>
<b>Non-current liabilities</b>			
Interest bearing liabilities	7	-	248,618
Derivative financial instruments		7,229	21,083
Other		524	708
<b>Total non-current liabilities</b>		<b>7,753</b>	<b>270,409</b>
<b>Total liabilities</b>		<b>411,238</b>	<b>421,183</b>
<b>Net assets</b>		<b>2,751,226</b>	<b>2,684,381</b>
<b>Equity</b>			
Contributed equity	8	2,063,214	2,056,790
Reserves		(17,495)	(10,555)
Retained profits		501,413	433,945
		<b>2,547,132</b>	<b>2,480,180</b>
Non-controlling interests		204,094	204,201
<b>Total equity</b>		<b>2,751,226</b>	<b>2,684,381</b>

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

DEXUS OFFICE TRUST  
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF YEAR ENDED 31 DECEMBER 2010

Page 6 of 19

	Notes	Contributed equity \$'000	Retained profits \$'000	Foreign currency translation reserve \$'000	Unitholders equity \$'000	Non-controlling interests \$'000	Total equity \$'000
<b>Opening balance as at 1 July 2009</b>							
Comprehensive income for the period		2,015,192	429,669	(11,718)	2,433,143	204,025	2,637,168
Transactions with owners in their capacity as owners			52,413	654	53,067	884	53,951
Contributions of equity, net of transaction costs		20,373	-	-	20,373	-	20,373
Distributions paid or provided for	9	-	(59,381)	-	(59,381)	(4,672)	(64,053)
Transfer to retained profits		-	(3,904)	-	(3,904)	3,904	-
<b>Closing balance as at 31 December 2009</b>		<b>2,035,565</b>	<b>418,797</b>	<b>(11,064)</b>	<b>2,443,298</b>	<b>204,141</b>	<b>2,647,439</b>
<b>Opening balance as at 1 July 2010</b>							
Comprehensive income for the period		2,056,790	433,945	(10,555)	2,480,180	204,201	2,684,381
Transactions with owners in their capacity as owners		-	138,493	(6,940)	131,553	910	132,463
Contributions of equity, net of transaction costs	8	6,424	-	-	6,424	-	6,424
Distributions paid or provided for	9	-	(65,698)	-	(65,698)	(6,344)	(72,042)
Transfer to retained profits		-	(5,327)	-	(5,327)	5,327	-
<b>Closing balance as at 31 December 2010</b>		<b>2,063,214</b>	<b>501,413</b>	<b>(17,495)</b>	<b>2,547,132</b>	<b>204,094</b>	<b>2,751,226</b>

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

**DEXUS OFFICE TRUST**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

Page 7 of 19

	31 Dec 2010 \$'000	31 Dec 2009 \$'000
<b>Cash flows from operating activities</b>		
Receipts in the course of operations (inclusive of GST)	148,465	149,078
Payments in the course of operations (inclusive of GST)	(48,274)	(51,343)
Interest received	189	139
Finance costs paid to financial institutions	(9,087)	(10,281)
Distributions received	-	16
<b>Net cash inflow from operating activities</b>	<b>91,293</b>	<b>87,609</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of investments	-	3,287
Payments for investments accounted for using the equity method	(33,499)	(12,866)
Payments for capital expenditure on investment properties	(28,819)	(16,377)
<b>Net cash outflow from investing activities</b>	<b>(62,318)</b>	<b>(25,956)</b>
<b>Cash flows from financing activities</b>		
Establishment expenses and unit issue costs	-	(36)
Borrowings provided to entities within DXS	(78,662)	(76,496)
Borrowings provided by entities within DXS	96,906	70,036
Distributions paid to unitholders	(45,802)	(53,732)
Distributions paid to non-controlling interests	(6,079)	(4,529)
<b>Net cash outflow from financing activities</b>	<b>(33,637)</b>	<b>(64,757)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(4,662)</b>	<b>(3,104)</b>
Cash and cash equivalents at the beginning of the period	8,766	8,289
Effects of exchange rate changes on cash and cash equivalents	(58)	5
<b>Cash and cash equivalents at the end of the period</b>	<b>4,046</b>	<b>5,190</b>

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

**Note 1. Summary of significant accounting policies**

**(a) Basis of preparation**

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

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

These general purpose interim Financial Statements for the half year ended 31 December 2010 have been prepared in accordance with the requirements of the Trust's Constitution, AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*.

These Financial Statements are prepared on a going concern basis and in accordance with historical cost conventions and have not been adjusted to take account of either changes in the general purchasing power of the dollar or changes in the values of specific assets, except for the revaluation of certain derivatives, other financial instruments and investment properties and property, plant and equipment.

As at 31 December 2010, DOT had a net current asset deficiency of \$394.2 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.

These Financial Statements do not include notes of the type normally included in an annual financial report. Accordingly these statements should be read in conjunction with the annual Financial Statements for the year ended 30 June 2010 and any public pronouncements made by DXS during the half year in accordance with the continuous disclosure requirements of the *Corporations Act 2001*. The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

**(b) Critical accounting estimates**

The preparation of Financial Statements requires the use of certain critical accounting estimates and management to exercise its judgement in the process of applying the Trust's accounting policies. Other than the estimation of fair values relating to derivatives and other financial instruments and investment properties, no key assumptions concerning the future or other estimation of uncertainty at the end of each reporting period have a significant risk of causing material adjustments to the Financial Statements in the next reporting period.

**(c) Comparative figures**

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current period.

**(d) Rounding of amounts**

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

**Note 2. Finance income/(costs)**

	31 Dec 2010 \$'000	31 Dec 2009 \$'000
Interest paid/payable	(6,939)	(5,225)
Interest received from related parties	1,265	1,499
Amount capitalised	5,258	3,438
Other finance costs	(1,844)	(2,247)
Net fair value gain/(loss) of interest rate swaps	10,732	187
<b>Total finance income/(costs)</b>	<b>8,472</b>	<b>(2,348)</b>

The average capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 7.83% (2009: 6.90%).

**Note 3. Non-current assets - investment properties**

**Reconciliation**

	Note	31 Dec 2010 \$'000	30 Jun 2010 \$'000
Opening balance at the beginning of the period		2,939,511	2,891,603
Additions		10,872	17,845
Lease incentives		11,969	27,736
Amortisation of lease incentives		(13,045)	(25,267)
Rent straightlining		396	1,131
Transfers from property, plant and equipment	4	-	18,150
Net fair value gain of investment properties		28,331	7,297
Foreign exchange differences on foreign currency translation		(6,845)	1,016
<b>Closing balance at the end of the period</b>		<b>2,971,189</b>	<b>2,939,511</b>

**Note 4. Non-current assets - property, plant and equipment**

**31 December 2010**

	Construction in progress \$'000	Land and freehold buildings \$'000	Total \$'000
Opening balance at the beginning of the period	-	-	-
Transfers to investment properties	-	-	-
<b>Closing balance at the end of the period</b>	<b>-</b>	<b>-</b>	<b>-</b>

**30 June 2010**

	Construction in progress \$'000	Land and freehold buildings \$'000	Total \$'000
Opening balance at the beginning of the period	2,033	16,117	18,150
Transfers to investment properties	(2,033)	(16,117)	(18,150)
<b>Closing balance at the end of the period</b>	<b>-</b>	<b>-</b>	<b>-</b>



**Note 5. 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.

Information relating to this entity is set out below.

Name of entity	Principal activity	Ownership interest	Ownership interest		
		31 Dec 2010 %	30 Jun 2010 %	31 Dec 2010 \$'000	30 Jun 2010 \$'000
Bent Street Trust	Office property investment	33.3	33.3	144,952	93,344
<b>Total</b>				<b>144,952</b>	<b>93,344</b>

The Bent Street Trust was formed in Australia.

**Movements in carrying amounts of investments accounted for using the equity method**

	31 Dec 2010 \$'000	30 Jun 2010 \$'000
Opening balance at the beginning of the period	93,344	84,165
Interest acquired and additions	38,758	38,739
Share of net profit/(loss) after tax <sup>1</sup>	12,870	(26,243)
Distributions received	(20)	(15)
Disposal of investment <sup>2</sup>	-	(3,302)
<b>Closing balance at the end of the period</b>	<b>144,952</b>	<b>93,344</b>
<b>Results attributable to associates</b>		
Operating profit/(loss) before income tax	12,870	(26,243)
<b>Operating profit/(loss) after income tax</b>	<b>12,870</b>	<b>(26,243)</b>
Less: distributions received	(20)	(15)
	12,850	(26,258)
Accumulated losses attributable to associates at the beginning of the period	(32,610)	(6,352)
<b>Accumulated losses attributable to associates at the end of the period</b>	<b>(19,740)</b>	<b>(32,610)</b>

<sup>1</sup> Share of net profit after tax includes a fair value gain of \$12.9 million (30 June 2010: loss after tax includes a fair value loss of \$26.2 million) in relation to DXS's share of the Bligh Street development.

<sup>2</sup> On the 31 July 2009, DEXUS Wholesale Property Fund (DWPF) acquired a further 1.6 percent interest in the Bent Street Trust from DOT Commercial Trust, a wholly owned subsidiary of DOT.

**Note 6. Loans with related parties**

	31 Dec 2010 \$'000	30 Jun 2010 \$'000
<b>Non-current assets - loans with related parties</b>		
Interest bearing loans with related parties <sup>1</sup>	30,439	49,637
<b>Total non-current assets - loans with related parties</b>	<b>30,439</b>	<b>49,637</b>
<b>Current liabilities - loans with related parties</b>		
Non-interest bearing loans with the entities within DXS <sup>2</sup>	55,684	55,684
<b>Total current liabilities - loans with related parties</b>	<b>55,684</b>	<b>55,684</b>

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

<sup>2</sup> Non-interest bearing loans with entities within DXS were created to effect the stapling of DDF, DIT, DOT and DXO. These loan balances eliminate on consolidation within DXS.

**Note 7. Interest bearing liabilities**

	Note	31 Dec 2010 \$'000	30 Jun 2010 \$'000
<b>Current</b>			
<b>Secured</b>			
Bank Loans	(a)	250,000	-
<b>Total secured</b>		<b>250,000</b>	<b>-</b>
Deferred borrowing costs		(836)	-
<b>Total current interest bearing liabilities</b>		<b>249,164</b>	<b>-</b>
<b>Non-current</b>			
<b>Secured</b>			
Bank Loans	(a)	-	250,000
<b>Total secured</b>		<b>-</b>	<b>250,000</b>
Deferred borrowing costs		-	(1,382)
<b>Total non-current interest bearing liabilities</b>		<b>-</b>	<b>248,618</b>
<b>Total interest bearing liabilities</b>		<b>249,164</b>	<b>248,618</b>

**(a) Bank loans - secured**

Comprises a \$250.0 million secured bank loan maturing in October 2011. The loan is secured by mortgages over one DDF investment property and two DOT investment properties totaling \$773.4 million as at 31 December 2010.

**Note 8. Contributed equity**

	31 Dec 2010 \$'000	30 Jun 2010 \$'000
<b>(a) Contributed equity of unitholders</b>		
Opening balance at the beginning of the period	2,056,790	2,015,192
Distributions reinvested	6,424	41,598
<b>Closing balance at the end of the period</b>	<b>2,063,214</b>	<b>2,056,790</b>

	31 Dec 2010 No. of units	30 Jun 2010 No. of units
<b>(b) Number of units on issue</b>		
Opening balance at the beginning of the period	4,820,821,799	4,700,841,666
Distributions reinvested	18,202,377	119,980,133
<b>Closing balance at the end of the period</b>	<b>4,839,024,176</b>	<b>4,820,821,799</b>

**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 entities within DXS.

**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 27 August 2010, 18,202,377 units were issued at a unit price of 35.3 cents in relation to the June 2010 distribution period.

On 13 December 2010, the Group announced the suspension of the DRP.

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

Such an issue will not be counted for the purposes of the calculation of the 15% limit under ASX Listing Rule 7.1.

**Note 9. Distributions paid and payable**

	31 Dec 2010 \$'000	31 Dec 2009 \$'000
<b>(a) Distribution to stapled security holders</b>		
31 December 2010 (payable 25 February 2011)	65,698	59,381
	<u>65,698</u>	<u>59,381</u>
<b>(b) Distribution to minority interests</b>		
DEXUS RENTS Trust (paid 18 October 2010)	3,162	2,285
DEXUS RENTS Trust (payable 18 January 2011)	3,182	2,387
	<u>6,344</u>	<u>4,672</u>
<b>Total distributions</b>	<u><u>72,042</u></u>	<u><u>64,053</u></u>
<b>(c) Distribution rate</b>		
	31 Dec 2010 Cents per unit	31 Dec 2009 Cents per unit
31 December 2010 (payable 25 February 2011)	1.36	1.25
<b>Total</b>	<u><u>1.36</u></u>	<u><u>1.25</u></u>

**Note 10. Contingent liabilities**

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

	31 Dec 2010 \$'000	30 Jun 2010 \$'000
Bank guarantees by the Trust in respect of variations and other financial risks associated with the development of:		
Bligh Street, Sydney, NSW <sup>1</sup>	2,650	3,820
<b>Total contingent liabilities</b>	<b>2,650</b>	<b>3,820</b>

<sup>1</sup> Bank guarantee held in relation to an equity accounted investment (Refer note 5).

The Trust together with DDF, DIT and DXO is also a guarantor of a total of A\$1,097.5 million and US\$120.0 million (A\$118.1 million) of bank bi-lateral facilities, a total of A\$361.1 million of medium term notes, a total of US\$400.0 million (A\$393.6 million) of privately placed notes, and a total of US\$300.0 million (A\$295.2 million) public 144A senior notes, which have all been negotiated to finance the Group and other entities within DXS. The guarantees have been given in support of debt outstanding and drawn against these facilities, and may be called upon in the event that a borrowing entity has not complied with certain requirements such as failure to pay interest or repay a borrowing, whichever is earlier. During the period no guarantees were called.

The Trust together with DDF, DIT and DXO is also guarantor, on a subordinated basis, of RENTS (Real-estate perpetual Exchangeable Step-up Securities). The guarantee has been given in support of payments that become due and payable to the RENTS holders and ranks ahead of the Group's distribution payments, but subordinated to the claims of senior creditors.

The guarantees are issued in respect of the Group and do not constitute an additional liability to those already existing in interest bearing liabilities on the Consolidated Statement of Financial Position.

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

**Note 11. Events occurring after reporting date**

Since the end of the period, the Directors of the Responsible Entity are not aware of any matter or circumstance not otherwise dealt with in their 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 periods.

**Note 12. Segment information**

The Chief Operating Decision Maker (CODM) has been identified as the Board of Directors as they are responsible for the strategic decision making within the Group. DXS management has identified the Group's operating segments based on the sectors analysed within the management reports reviewed by the CODM in order to monitor performance across the Group and to appropriately allocate resources. Refer to the table below for a brief description of the Group's operating segments:

Office - Australia and New Zealand	This operating segment comprises office space with any associated retail space; as well as car-parks and office developments in Australia and New Zealand.
Industrial - Australia	This operating segment comprises domestic industrial properties, industrial estates and industrial developments.
Industrial - North America	This comprises industrial properties, industrial estates and industrial developments in the United States as well as one industrial asset in Canada.
Management Business	The domestic and US based management businesses are responsible for asset, property and development management of Office, Industrial and Retail properties for DXS and the third party funds management business.
Financial Services	The treasury function of DXS is managed through a centralised treasury department. As a result, all treasury related financial information relating to borrowings, finance costs as well as fair value movements in derivatives, are prepared and monitored separately.
All other segments	This comprises the European industrial and retail portfolios. These operating segments do not meet the quantitative thresholds set out in AASB 8 <i>Operating Segments</i> due to their relatively small scale. As a result these non-core operating segments have been included in 'all other segments' in the operating segment information.

Consistent with how the CODM manages the business, the operating segments within the Group are reviewed on a consolidated basis and are not monitored at an individual trust level. The results of the individual trusts are not limited to any one of the segments described above.

Disclosures concerning the DXS's operating segments as well as the operating segments key financial information provide to the CODM are presented in the Group's Financial Statements.

**Note 13. Earnings per unit**

**(a) Basic earnings per unit on profit attributable to unitholders**

31 Dec 2010 cents	31 Dec 2009 cents
2.87	1.10

**(b) Diluted earnings per unit on profit attributable to unitholders**

31 Dec 2010 cents	31 Dec 2009 cents
2.87	1.10

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

31 Dec 2010 \$'000	31 Dec 2009 \$'000
-----------------------	-----------------------

Net profit

139,403 53,297

Net profit attributable to non-controlling interests

(910) (884)

**Net profit attributable to the unitholders of the Trust used in calculating basic and diluted earnings per unit**

**138,493 52,413**

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

31 Dec 2010 units	31 Dec 2009 units
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Weighted number of units outstanding used in calculation of basic and diluted earnings per unit

4,833,286,470 4,745,524,827

**DEXUS OFFICE TRUST  
DIRECTORS DECLARATION  
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

Page 17 of 19

In the Directors' opinion:

- (a) the Financial Statements and notes set out on pages 4 to 16 are in accordance with the *Corporations Act 2001*, including;
  - i. complying with applicable Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - ii. giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half year ended on that date, and
- (b) there are reasonable grounds to believe that DEXUS Office Trust will be able to pay its debts as and when they become due and payable; and
- (c) the Trust has operated in accordance with the provisions of the Constitution dated 17 June 1998 (as amended) during the half year ended 31 December 2010.

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



Christopher T Beare  
Chair  
15 February 2011



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Independent auditor's review report to the members of  
DEXUS Office Trust

**Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of DEXUS Office Trust, which comprises the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the DEXUS Office Trust Group (the consolidated entity). The consolidated entity comprises both DEXUS Office Trust (the trust) and the entities it controlled during that half-year.

*Directors' responsibility for the half-year financial report*

The directors of the DEXUS Funds Management Limited (the Responsible Entity of the Trust) are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

*Auditor's responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of DEXUS Office Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

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

**Independent auditor's review report to the members of  
DEXUS Office Trust (continued)**

*Matters relating to the electronic presentation of the reviewed financial report*

This review report relates to the financial report of the DEXUS Office Trust for the half-year ended 31 December 2010 included on DEXUS Office Trust's web site. The Responsible Entity's directors are responsible for the integrity of the DEXUS Office Trust's web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

*Independence*


In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of DEXUS Office Trust is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

  
PricewaterhouseCoopers

  
JA Dunning  
Partner

Sydney  
15 February 2011

# **FINANCIAL STATEMENTS DEXUS OPERATIONS TRUST (ARSN 110 521 223)**

**HALF YEAR ENDED  
31 DECEMBER 2010**

<b>Contents</b>	<b>Page</b>
Directors' Report	1
Auditor's Independence Declaration	3
Consolidated Statement of Comprehensive Income	4
Consolidated Statement of Financial Position	5
Consolidated Statement of Changes in Equity	6
Consolidated Statement of Cash Flows	7
Notes to the Financial Statements	8
Directors' Declaration	17
Independent Auditor's Review Report	18

DEXUS Property Group (ASX Code: DXS), consists of DEXUS Diversified Trust (DDF), DEXUS Industrial Trust (DIT), DEXUS Office Trust (DOT), and DEXUS Operations Trust (DXO), collectively known as DXS or the Group.

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

All press releases, financial reports and other information are available on our website: [www.dexus.com](http://www.dexus.com)

**DEXUS OPERATIONS TRUST  
DIRECTORS' REPORT  
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

Page 1 of 19

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 half year ended 31 December 2010.

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

**Directors**

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

<b>Directors</b>	<b>Notes</b>	<b>Appointed</b>
Christopher T Beare	1, 5, 6	4 August 2004
Elizabeth A Alexander AM	1, 2, 3	1 January 2005
Barry R Brownjohn	1, 2, 3, 6	1 January 2005
John C Conde AO	1, 4, 5	29 April 2009
Stewart F Ewen OAM	1, 5	4 August 2004
Victor P Hoog Antink		1 October 2004
Brian E Scullin	1, 4	1 January 2005
Peter B St George	1, 2, 3, 6	29 April 2009

<sup>1</sup> Independent Director

<sup>2</sup> Audit Committee Member

<sup>3</sup> Risk and Sustainability Committee Member

<sup>4</sup> Compliance Committee Member

<sup>5</sup> Nomination and Remuneration Committee Member

<sup>6</sup> Finance Committee Member

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

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

**Principal activities**

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

**Review and results of operations**

The results for the half year ended 31 December 2010 were:

- Loss attributable to stapled security holders was \$23.4 million (December 2009: \$4.7 million);
- Total assets were \$569.8 million (June 2010: \$500.4 million); and
- Net asset deficiency was \$15.6 million (June 2010: \$7.7 million net assets).

**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 periods.

**Rounding of amounts and currency**

DXO is a registered scheme of the kind referred to in Class Order 98/0100, issued by the Australian Securities and 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.

**DEXUS OPERATIONS TRUST  
DIRECTORS' REPORT (continued)  
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

**Page 2 of 19**

**Auditor**

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

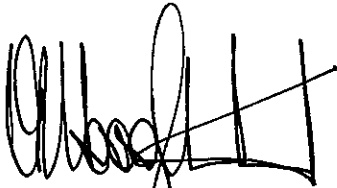
A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 3 and forms part of this Directors' Report.

**Directors' authorisation**

The Directors' Report is made in accordance with a resolution of the Directors. The Financial Statements were authorised for issue by the Directors on 15 February 2011. The Directors have the power to amend and reissue the Financial Statements.



**Christopher T Beare**  
Chair  
15 February 2011



**Victor P Hoog Antink**  
Chief Executive Officer  
15 February 2011

PricewaterhouseCoopers  
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### Auditor's Independence Declaration

As lead auditor for the review of DEXUS Operations Trust for the half year ended 31 December 2010, I declare that to the best of my knowledge and belief, there have been:

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

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



JA Dunning  
Partner  
PricewaterhouseCoopers

Sydney  
15 February 2011

**DEXUS OPERATIONS TRUST**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

Page 4 of 19

	Notes	31 Dec 2010 \$'000	31 Dec 2009 \$'000
<b>Revenue from ordinary activities</b>			
Property revenue		1,163	911
Interest revenue		366	286
Management fee revenue		42,397	41,831
<b>Total revenue from ordinary activities</b>		<b>43,926</b>	<b>43,028</b>
Other income		216	137
<b>Total income</b>		<b>44,142</b>	<b>43,165</b>
<b>Expenses</b>			
Property expenses		(201)	(689)
Finance costs	2	(7,764)	(4,586)
Net fair value loss of investment properties		(18,909)	(6,198)
Net loss on sale of investment properties		-	(506)
Depreciation and amortisation		(1,104)	(2,246)
Impairment		(74)	(168)
Employee benefits expense		(34,523)	(28,867)
Net foreign exchange loss		(13)	-
Other expenses		(6,887)	(4,999)
<b>Total expenses</b>		<b>(69,475)</b>	<b>(48,259)</b>
<b>Loss before tax</b>		<b>(25,333)</b>	<b>(5,094)</b>
<b>Tax benefit</b>			
Income tax benefit		1,938	399
<b>Total tax benefit</b>		<b>1,938</b>	<b>399</b>
<b>Net loss after tax</b>		<b>(23,395)</b>	<b>(4,695)</b>
<b>Total comprehensive loss for the period</b>		<b>(23,395)</b>	<b>(4,695)</b>
<b>Earnings per unit</b>		<b>Cents</b>	<b>Cents</b>
Basic earnings per unit on loss attributable to unitholders	13	(0.48)	(0.10)
Diluted earnings per unit on loss attributable to unitholders	13	(0.48)	(0.10)

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

**DEXUS OPERATIONS TRUST**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2010**

Page 5 of 19

	Notes	31 Dec 2010 \$'000	30 Jun 2010 \$'000
<b>Current assets</b>			
Cash and cash equivalents		13,282	12,897
Receivables		28,443	21,364
Current tax assets		4,541	3,547
Other		852	357
<b>Total current assets</b>		<b>47,118</b>	<b>38,165</b>
<b>Non-current assets</b>			
Investment properties	3	184,088	170,011
Property, plant and equipment	4	4,556	4,898
Inventories	5	87,654	45,470
Deferred tax assets		21,148	16,248
Intangible assets	6	225,204	225,525
Other		65	66
<b>Total non-current assets</b>		<b>522,715</b>	<b>462,218</b>
<b>Total assets</b>		<b>569,833</b>	<b>500,383</b>
<b>Current liabilities</b>			
Payables		10,376	4,930
Loans with related parties	7	48,932	48,932
Derivative financial instruments		2,264	-
Provisions		16,042	16,389
<b>Total current liabilities</b>		<b>77,614</b>	<b>70,251</b>
<b>Non-current liabilities</b>			
Loans with related parties	7	478,842	389,675
Derivative financial instruments		2,174	6,558
Deferred tax liabilities		12,588	9,627
Provisions		14,243	16,524
Other		19	-
<b>Total non-current liabilities</b>		<b>507,866</b>	<b>422,384</b>
<b>Total liabilities</b>		<b>585,480</b>	<b>492,635</b>
<b>Net assets</b>		<b>(15,647)</b>	<b>7,748</b>
<b>Equity</b>			
Contributed equity	8	26,335	26,335
Reserves		42,738	42,738
Accumulated losses		(84,720)	(61,325)
<b>Total equity</b>	1	<b>(15,647)</b>	<b>7,748</b>

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



**DEXUS OPERATIONS TRUST**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

Page 6 of 19

	Contributed equity \$'000	Asset revaluation reserve \$'000	Accumulated losses \$'000	Total equity \$'000
<b>Opening balance as at 1 July 2009</b>	26,335	42,738	(53,064)	16,009
Comprehensive loss for the period	-	-	(4,695)	(4,695)
Transactions with owners in their capacity as owners				
Contributions of equity, net of transaction costs	(3)	-	-	(3)
<b>Closing balance as at 31 December 2009</b>	<b>26,332</b>	<b>42,738</b>	<b>(57,759)</b>	<b>11,311</b>
<b>Opening balance as at 1 July 2010</b>	26,335	42,738	(61,325)	7,748
Comprehensive loss for the period	-	-	(23,395)	(23,395)
Transactions with owners in their capacity as owners				
Contributions of equity, net of transaction costs	-	-	-	-
<b>Closing balance as at 31 December 2010</b>	<b>26,335</b>	<b>42,738</b>	<b>(84,720)</b>	<b>(15,647)</b>

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

**DEXUS OPERATIONS TRUST**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

Page 7 of 19

	31 Dec 2010 \$'000	31 Dec 2009 \$'000
<b>Cash flows from operating activities</b>		
Receipts in the course of operations (inclusive of GST)	40,051	41,792
Payments in the course of operations (inclusive of GST)	(46,474)	(35,494)
Payments for development property classified as inventory	(37,607)	-
Payments for capital expenditure on inventory	(1,995)	-
Interest received	339	278
Finance costs paid to financial institutions	(1,565)	(2,423)
Income taxes paid	(993)	(2,955)
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(48,245)</b>	<b>1,198</b>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(681)	(304)
Payments for capital expenditure on investment properties	(25,182)	(1,484)
Proceeds from sale of investment properties	-	54,020
<b>Net cash (outflow)/inflow from investing activities</b>	<b>(25,863)</b>	<b>52,232</b>
<b>Cash flows from financing activities</b>		
Establishment expenses and unit issue costs	-	(3)
Borrowings provided to entities within DXS	(31,706)	(87,250)
Borrowings provided by entities within DXS	106,199	33,601
<b>Net cash inflow/(outflow) from financing activities</b>	<b>74,493</b>	<b>(53,652)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>385</b>	<b>(222)</b>
Cash and cash equivalents at the beginning of the period	12,897	13,765
<b>Cash and cash equivalents at the end of the period</b>	<b>13,282</b>	<b>13,543</b>

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes

**Note 1. Summary of significant accounting policies**

**(a) Basis of preparation**

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

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

These general purpose interim Financial Statements for the half year ended 31 December 2010 have been prepared in accordance with the requirements of the Trust's Constitution, AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*.

These Financial Statements are prepared on a going concern basis and in accordance with historical cost conventions and have not been adjusted to take account of either changes in the general purchasing power of the dollar or changes in the values of specific assets, except for the revaluation of certain derivatives, other financial instruments and investment properties and the impairment of intangible assets and property, plant and equipment.

As at 31 December 2010, DXO had a net current asset deficiency of \$30.5 million and a net asset deficiency of \$15.6 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.

These Financial Statements do not include notes of the type normally included in an annual financial report. Accordingly these statements should be read in conjunction with the annual Financial Statements for the year ended 30 June 2010 and any public pronouncements made by DXS during the half year in accordance with the continuous disclosure requirements of the *Corporations Act 2001*. The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

**(b) Critical accounting estimates**

The preparation of Financial Statements requires the use of certain critical accounting estimates and management to exercise its judgement in the process of applying the Trust's accounting policies. Other than the estimation of fair values relating to certain derivatives and other financial instruments, investment properties and intangible assets, no key assumptions concerning the future or other estimation of uncertainty at the end of each reporting period have a significant risk of causing material adjustments to the Financial Statements in the next reporting period.

**(c) Comparative Figures**

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current period.

**(d) Management Rights**

During the period, DXS changed the accounting policy for the testing of impairment of management rights associated with indefinite life trusts. These management rights are tested for impairment annually in accordance with AASB 136: *Impairment of Assets* under the new policy where previously testing was performed at the end of each reporting period. There is no adjustment required to current or prior periods as a result of the change in policy. As at the date of this report, there were no events or circumstances identified that would indicate an impairment during the period to 31 December 2010.

**(e) Rounding of amounts**

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

**Note 2. Finance costs**

	31 Dec 2010 \$'000	31 Dec 2009 \$'000
Interest paid to related parties	18,013	10,140
Amount capitalised	(9,694)	(5,290)
Other finance costs	9	10
Net fair value gain of interest rate swaps	(564)	(274)
<b>Total finance costs</b>	<b>7,764</b>	<b>4,586</b>

The average capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 7.83% (2009: 6.70%).

**Note 3. Non-current assets - investment properties**

**Reconciliation**

	Note	31 Dec 2010 \$'000	30 Jun 2010 \$'000
Opening balance at the beginning of the period		170,011	-
Additions		32,347	33,745
Acquisitions		-	40,050
Lease incentives		688	-
Lease incentives amortisation		(49)	-
Transfers from property, plant and equipment	4	-	116,348
Net fair value loss of investment properties		(18,909)	(20,132)
<b>Closing balance at the end of the period</b>		<b>184,088</b>	<b>170,011</b>

**Note 4. Non-current assets - property, plant and equipment**

**31 December 2010**

	Construction in progress \$'000	Land and freehold buildings \$'000	IT and office \$'000	Total \$'000
Opening balance as at 1 July 2010	-	-	4,898	4,898
Additions	-	-	676	676
Depreciation charge	-	-	(1,018)	(1,018)
<b>Closing balance as at 31 December 2010</b>	<b>-</b>	<b>-</b>	<b>4,556</b>	<b>4,556</b>
Cost	-	-	11,385	11,385
Accumulated depreciation	-	-	(6,829)	(6,829)
<b>Net book value as at 31 December 2010</b>	<b>-</b>	<b>-</b>	<b>4,556</b>	<b>4,556</b>

**30 June 2010**

	Construction in progress \$'000	Land and freehold buildings \$'000	IT and office \$'000	Total \$'000
Opening balance as at 1 July 2009	47,624	69,695	5,759	123,078
Additions	-	-	769	769
Depreciation charge	-	(809)	(1,792)	(2,601)
Transfer to IT and Office	-	(162)	162	-
Transfer to investment properties	(47,624)	(68,724)	-	(116,348)
<b>Closing balance as at 30 June 2010</b>	<b>-</b>	<b>-</b>	<b>4,898</b>	<b>4,898</b>
Cost	114,611	90,155	10,547	215,313
Accumulated depreciation	-	(809)	(5,811)	(6,620)
Transfer to IT and Office	-	(162)	162	-
Transfer to investment properties	(114,611)	(89,184)	-	(203,795)
<b>Net book value as at 30 June 2010</b>	<b>-</b>	<b>-</b>	<b>4,898</b>	<b>4,898</b>

**Note 5. Non-current assets – inventories**

**(a) Land and properties held for resale**

	31 Dec 2010 \$'000	30 Jun 2010 \$'000
Land and properties held for resale	87,654	45,470
<b>Total non-current assets - inventories</b>	<b>87,654</b>	<b>45,470</b>

**(b) Reconciliation**

	31 Dec 2010 \$'000	30 Jun 2010 \$'000
Opening balance at the beginning of the period	45,470	-
Acquisitions	37,614	45,135
Additions and other	4,570	335
<b>Closing balance at the end of the period</b>	<b>87,654</b>	<b>45,470</b>

**Acquisitions**

- On 16 August 2010, DEXUS Projects Pty Limited (DXP), a wholly owned subsidiary of DXO, acquired undeveloped land at 1-23 Templar Road, Erskine Park NSW, for \$15.9 million.
- On 1 November 2010, DEXUS Projects Pty Limited acquired, with an intention to develop and sell, land and property at 57-101 Balham Road, Archerfield QLD, for \$21.7 million.

**Note 6. Non-current assets - intangible assets**

	31 Dec 2010 \$'000	30 Jun 2010 \$'000
<b>Management rights</b>		
Opening balance at the beginning of the period	223,000	210,500
Amortisation charge	(247)	(807)
Reversal of previous impairment	-	13,307
<b>Closing balance at the end of the period</b>	<b>222,753</b>	<b>223,000</b>
<b>Cost</b>	<b>252,382</b>	<b>252,382</b>
Accumulated amortisation	(1,826)	(1,579)
Accumulated impairment	(27,803)	(27,803)
<b>Total management rights</b>	<b>222,753</b>	<b>223,000</b>

Management rights represent the asset management rights owned by DEXUS Holdings Pty Limited (DXH) which entitle it to management fee revenue from both finite life trusts (\$8,169,005) and indefinite life trusts (\$214,584,150). Those rights that are deemed to have a finite useful life are measured at cost and amortised using the straight line method over their estimated useful lives which vary from six to 22 years.

**Note 6. Non-current assets - intangible assets (continued)**

**Impairment of management rights**

During the period to 31 December 2010 management did not identify any events or circumstances that would indicate an impairment of management rights associated with indefinite life trusts.

During the year ended 30 June 2010, DXO carried out a review of the recoverable amount of its management rights. As part of the process, the estimated fair value of assets under management, which are used to derive the future expected management fee income, were adjusted to better reflect market conditions. This resulted in the recognition of a reversal of previous impairment of \$13.3 million in that year.

The value in use was determined using management forecasts in a five year discounted cash flow model. Forecasts were based on projected returns of the business in light of market conditions. The performance in year five was used as a terminal value. The cash flows were discounted at 8.6%.

	31 Dec 2010 \$'000	30 Jun 2010 \$'000
<b>Goodwill</b>		
Opening balance at the beginning of the period	2,525	2,767
Impairment	(74)	(242)
<b>Closing balance at the end of the period</b>	<b>2,451</b>	<b>2,525</b>
<b>Cost</b>	<b>2,998</b>	<b>2,998</b>
Accumulated impairment	(547)	(473)
<b>Total goodwill</b>	<b>2,451</b>	<b>2,525</b>
<b>Total intangibles</b>	<b>225,204</b>	<b>225,525</b>

**Note 7. Loans with related parties**

	31 Dec 2010 \$'000	30 Jun 2010 \$'000
<b>Current liabilities</b>		
Non interest bearing loans with entities within DXS <sup>1</sup>	48,932	48,932
<b>Total current liabilities</b>	<b>48,932</b>	<b>48,932</b>
<b>Non current liabilities</b>		
Interest bearing loans with related parties <sup>2</sup>	478,842	389,675
<b>Total non current liabilities</b>	<b>478,842</b>	<b>389,675</b>

<sup>1</sup> Non-interest bearing loans with entities within DXS were created to effect the stapling of DDF, DIT, DOT and DXO. These loan balances eliminate on consolidation with DXS.

<sup>2</sup> The interest bearing loans with related parties represent loans with DEXUS Finance Pty Ltd (DXF). These loan balances eliminate on consolidation with DXS.

**Note 8. Contributed equity**

	31 Dec 2010 \$'000	30 Jun 2010 \$'000
<b>(a) Contributed equity of unitholders</b>		
Opening balance at the beginning of the period	26,335	26,335
Distributions reinvested	-	-
<b>Closing balance at the end of the period</b>	<b>26,335</b>	<b>26,335</b>
	31 Dec 2010 No. of units	30 Jun 2010 No. of units
<b>(b) Number of units on issue</b>		
Opening balance at the beginning of the period	4,820,821,799	4,700,841,666
Distributions reinvested	18,202,377	119,980,133
<b>Closing balance at the end of the period</b>	<b>4,839,024,176</b>	<b>4,820,821,799</b>

**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 entities within DXS.

**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 27 August 2010, 18,202,377 units were issued at a unit price of nil in relation to the June 2010 distribution period.

On 13 December 2010, the Group announced the suspension of the DRP.

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

Such an issue will not be counted for the purposes of the calculation of the 15% limit under ASX Listing Rule 7.1.



**Note 9. Distributions paid and payable**

<b>Franking credits</b>	<b>31 Dec 2010</b>	<b>31 Dec 2009</b>
	<b>\$'000</b>	<b>\$'000</b>
Opening balance at the beginning of the period	19,730	21,380
Franking credits on payment of tax at 30%	993	2,955
Franking debits arising on refund of tax at 30%	-	(6,646)
<b>Closing balance at the end of the period</b>	<b>20,723</b>	<b>17,689</b>

**Note 10. Contingent liabilities**

DDF together with DIT, DOT and DXO is also a guarantor of a total of A\$1,097.5 million and US\$120.0 million (A\$118.1 million) of bank bi-lateral facilities, a total of A\$361.1 million of medium term notes, a total of US\$400.0 million (A\$393.6 million) of privately placed notes, and a total of US\$300.0 million (A\$295.2 million) public 144A senior notes, which have all been negotiated to finance the Group and other entities within DXS. The guarantees have been given in support of debt outstanding and drawn against these facilities, and may be called upon in the event that a borrowing entity has not complied with certain requirements such as failure to pay interest or repay a borrowing, whichever is earlier. During the period no guarantees were called.

The Trust together with DIT, DOT and DXO is also guarantor, on a subordinated basis, of RENTS (Real-estate perpetual Exchangeable Step-up Securities). The guarantee has been given in support of payments that become due and payable to the RENTS holders and ranks ahead of the Group's distribution payments, but subordinated to the claims of senior creditors.

The guarantees are issued in respect of the Group and do not constitute an additional liability to those already existing in interest bearing liabilities on the Consolidated Statement of Financial Position.

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

**Note 11. Events occurring after reporting date**

During January 2011 the land surrounding the Brisbane River experienced severe flooding. As a result of this, access and use of 57-101 Balham Road (a property owned by DXP) was restricted. The extent of damage to this property, the associated restoration costs and potential impact on valuations and earnings are still being assessed at the date of this report. The property is fully insured for flood damage and loss of rental income.

Since the end of the period, other than the matter discussed above, the Directors of the Responsible Entity are not aware of any matter or circumstance not otherwise dealt within their 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 periods.

**Note 12. Operating segments**

The Chief Operating Decision Maker (CODM) has been identified as the Board of Directors of DXFM as they are responsible for the strategic decision making for the Group. The Group's operating segments have been identified based on the segments analysed within the management reports reviewed by the CODM in order to monitor performance across the Group and to appropriately allocate resources. The operating segments of the Group have been identified as follows:

Office - Australia and New Zealand	This operating segment comprises office space with any associated retail space; as well as car-parks and office developments in Australia and New Zealand.
Industrial - Australia	This operating segment comprises domestic industrial properties, industrial estates and industrial developments.
Industrial - North America	This comprises industrial properties, industrial estates and industrial developments in the United States as well as one industrial asset in Canada.
Management Business	The domestic and US based management businesses are responsible for asset, property and development management of Office, Industrial and Retail properties for DXS and the third party funds management business.
Financial Services	The treasury function of DXS is managed through a centralised treasury department. As a result, all treasury related financial information relating to borrowings, finance costs as well as fair value movements in derivatives, are prepared and monitored separately.
All other segments	This comprises the European industrial and retail portfolios. These operating segments do not meet the quantitative thresholds set out in AASB 8 <i>Operating Segments</i> due to their relatively small scale. As a result these non-core operating segments have been included in 'all other segments' in the operating segment information.

Consistent with how the CODM manages the business, the operating segments within the Group are reviewed on a consolidated basis and are not monitored at an individual trust level. The results of the individual trusts are not limited to any one of the segments described above.

Disclosures concerning the DXS's operating segments as well as the operating segments key financial information provided to the CODM are presented in the Group's Financial Statements.

**Note 13. Earnings per unit**

**(a) Basic earnings per unit on loss attributable to unitholders**

31 Dec 2010 cents	31 Dec 2009 cents
(0.48)	(0.10)

**(b) Diluted earnings per unit on loss attributable to unitholders**

31 Dec 2010 cents	31 Dec 2009 cents
(0.48)	(0.10)

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

31 Dec 2010 \$'000	31 Dec 2009 \$'000
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Net loss for the period	(23,395)	(4,695)
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**Net loss attributable to the unitholders of the Trust used in calculating basic and diluted earnings per unit**

(23,395)	(4,695)
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**(d) Weighted average number of units used as a denominator**

31 Dec 2010 units	31 Dec 2009 units
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Weighted number of units outstanding used in calculation of basic and diluted earnings per unit	4,833,286,470	4,745,524,827
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**DEXUS OPERATIONS TRUST  
DIRECTORS' DECLARATION  
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

Page 17 of 19

In the Directors' opinion:

- (a) the Financial Statements and notes set out on pages 4 to 16 are in accordance with the *Corporations Act 2001*, including;
  - a. complying with applicable Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - b. giving a true and fair view of the Trust's financial position as at 31 December 2010 and of its performance for the half year ended on that date, and
- (b) there are reasonable grounds to believe that DEXUS Operations Trust will be able to pay its 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 half year ended 31 December 2010.

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



Christopher T Beare  
Chair  
15 February 2011

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Independent auditor's review report to the members of  
DEXUS Operations Trust

**Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of DEXUS Operations Trust, which comprises the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the DEXUS Operations Trust Group (the consolidated entity). The consolidated entity comprises both DEXUS Operations Trust (the trust) and the entities it controlled during that half-year.

*Directors' responsibility for the half-year financial report*

The directors of the DEXUS Funds Management Limited (the Responsible Entity of the Trust) are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

*Auditor's responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of DEXUS Operations Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

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

**Independent auditor's review report to the members of  
DEXUS Operations Trust (continued)**

*Matters relating to the electronic presentation of the reviewed financial report*

This review report relates to the financial report of the DEXUS Operations Trust for the half-year ended 31 December 2010 included on DEXUS Operations Trust's web site. The Responsible Entity's directors are responsible for the integrity of the DEXUS Operations Trust's web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

*Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

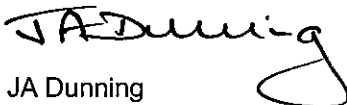
*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of DEXUS Operations Trust is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



PricewaterhouseCoopers



JA Dunning  
Partner

Sydney  
15 February 2011