

# ASX Announcement

30 September 2010

**BROOKFIELD PRIME PROPERTY FUND (ASX CODE: BPACB)  
DESPATCH OF 2010 ANNUAL REPORT**

In accordance with ASX Listing Rule 3.17 please find attached a copy of the 2010 Annual Report which is being sent to unitholders who have elected to receive the report.

-- ends --

**Brookfield Multiplex Customer Service**  
Phone: 1800 570 000  
Email: [clientservices@brookfieldmultiplex.com](mailto:clientservices@brookfieldmultiplex.com)



# BROOKFIELD PRIME PROPERTY FUND


(formerly known as Multiplex Prime Property Fund)

ARSN 110 096 663

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## Annual Report 2010

Responsible Entity  
Brookfield Capital  
Management Limited  
ACN 094 936 866  
AFSL 223809



**Brookfield Prime Property Fund owns an interest in four commercial property assets – American Express House, Sydney (100%); Ernst & Young Centre, Sydney (50%); Southern Cross East Tower, Melbourne (25%) and Defence Plaza, Melbourne (100%). The total direct property portfolio is valued at \$585.0 million.**

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# Message from the Chairman

On behalf of the Board, I present the 2010 Annual Report for Brookfield Prime Property Fund (formerly Multiplex Prime Property Fund) (BPA or the Fund) for the year ended 30 June 2010.

## ENTITLEMENT OFFER AND CONSOLIDATION

In order to remedy covenant breaches and strengthen the capital structure of the Fund, an Entitlement Offer was completed in November 2009 and \$50.2 million was raised. Subsequently, a consolidation of units on a 1 for 1,000 basis took effect on 21 June 2010.

## FINANCIAL RESULTS

The Fund reported a net profit of \$14.8 million for the period, primarily due to an increase in value of the direct property portfolio. As at 30 June 2010, the Fund's Net Tangible Asset (NTA) per unit was \$2.07 (excluding the final instalment).

The Fund is currently in compliance with all debt covenants.

## BROOKFIELD ASSET MANAGEMENT INC.

Approximately 78% of the Fund is owned by Brookfield related entities.

Brookfield Asset Management (BAM) is a global asset manager focused on property, renewable power and infrastructure assets with approximately US\$100 billion of assets under management. BAM has 100 offices, 400 investment professionals and 15,000 staff worldwide in operations in Australia, New Zealand, Europe, North America, South America and the Middle East. BAM's portfolio comprises:

- US\$31 billion of property assets
- US\$15 billion of renewable power assets
- US\$15 billion of timberlands and electricity transmission assets
- US\$37 billion of specialty funds and advisory services
- Development and construction projects on five continents.

BAM is listed on the New York, Toronto and Amsterdam stock exchanges and is focused on owning and managing high-quality assets that produce sustainable cash flows and generate attractive long-term returns. The combination of Brookfield and Multiplex has created a company with an extraordinary history of success in Australasia, global financial strength and world-leading expertise.

## BOARD AND MANAGEMENT

The Responsible Entity of the Fund recently changed its name from Brookfield Multiplex Capital Management Limited to Brookfield Capital Management Limited (BCML).

During the year, there were some changes to the BCML Board. Peter Morris (Chairman) and Robert McCuaig, both independent directors, announced their retirement after overseeing the restoration of a number of Brookfield Multiplex's retail funds to a more stable financial position during the global financial crisis. During their eight years of service on the Board, Peter and Robert made significant contributions on behalf of the various funds' unitholders.

In addition, Mark Wilson, executive director, announced his resignation as Brookfield Multiplex's CEO Funds Management and Infrastructure. Mark played an instrumental role in restructuring the funds' business. Brian Kingston also resigned from the Board following his appointment as CEO of Prime Infrastructure. Appointments to the BCML Board during the period included independent directors Barbara Ward and myself (Chairman); as well as Tim Harris and Russell Proutt as executive directors.

Details of the directors of BCML are included in the financial report.

## OUTLOOK

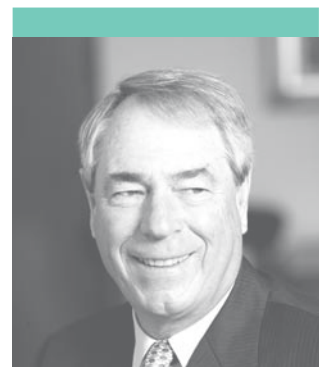
The final instalment of \$2.237 per unit is due on 15 June 2011 and BCML will communicate to investors well in advance of this due date.

Following the Fund's recapitalisation and consolidation of units, the Fund is now in a more stable position. BCML will focus on the portfolio's lease expiry terms and ongoing asset management.

On behalf of the Board, I would like to thank you for your support throughout the year.



**F. Allan McDonald,**  
Independent Chairman



# Year in Review

Brookfield Capital Management Limited (BCML), the Responsible Entity of Brookfield Prime Property Fund (the Fund) provides a review of the year ended 30 June 2010.

## ENTITLEMENT OFFER AND CONSOLIDATION

In November 2009, the Fund completed an Entitlement Offer which raised \$50.2 million. This served to stabilise the capital structure of the Fund. Subsequently, a consolidation of units on a 1 for 1,000 basis took effect on 21 June 2010. The total number of units on issue is now 50,435,806.

## FINANCIAL RESULTS

The Fund reported a net profit of \$14.8 million compared to a net loss of \$86.3 million for the prior corresponding period (pcp). The profitability during the period is primarily due to an increase in value of the direct property portfolio by \$17.6 million and a \$6.6 million revaluation gain relating to financial derivatives.

At 30 June 2010, the Fund's Net Tangible Asset (NTA) per unit was \$2.07 (excluding the final instalment).

The Fund is currently in compliance with all debt covenants. As at 30 June 2010, the Loan to Value (LVR) ratio including the Partly Paid facility was 80.6%.

## ASSET MANAGEMENT

BCML continues to maintain its practice of externally revaluing the properties each reporting period. The direct property portfolio was independently valued during the period by Colliers International. Their valuation of \$585 million represents an increase of 3.1% on the previous corresponding period.

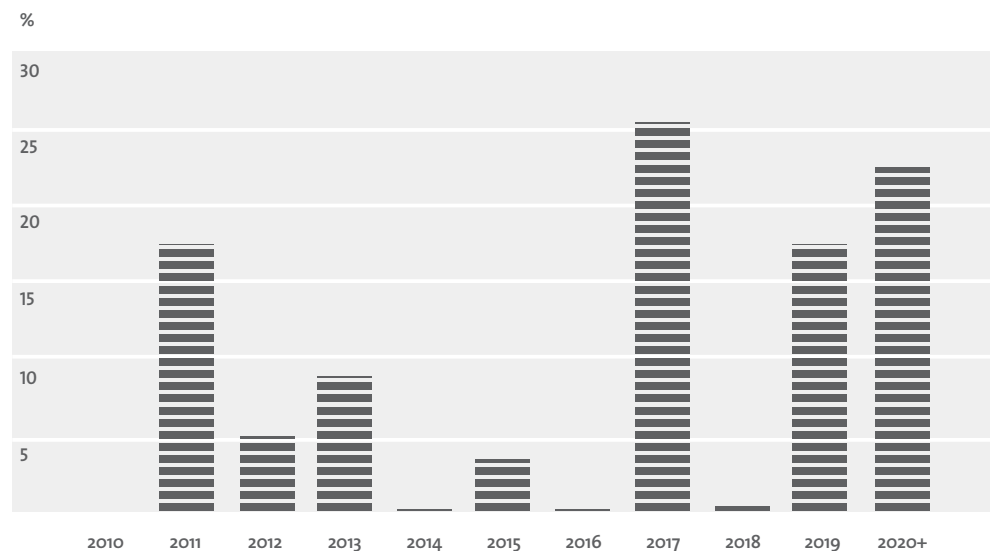
The portfolio's weighted average initial yield decreased to 7.27% from 7.49% as at June 2009 primarily due to the uplift in value across the portfolio.

The portfolio remains 100% occupied with a weighted average lease expiry (by area) of 6.2 years.

The value of the A-REIT portfolio as at 30 June 2010 was unchanged at \$5.1 million.

## Portfolio Analysis

LEASE EXPIRY PROFILE (by income)



**DISTRIBUTIONS**

There were no distributions declared during the period and the Board will continue to give consideration to restoring the Fund's distributions during the next financial year.

**PARTLY PAID FINAL INSTALMENT**

It is important for investors to be aware that the final instalment of \$2.237 per unit is due on 15 June 2011. Subsequently, the Partly Paid facility will be repaid which will reduce the Fund's gearing to approximately 61% (based on 30 June 2010 valuations). BCML will communicate with all investors well in advance of the partly paid instalment being due.

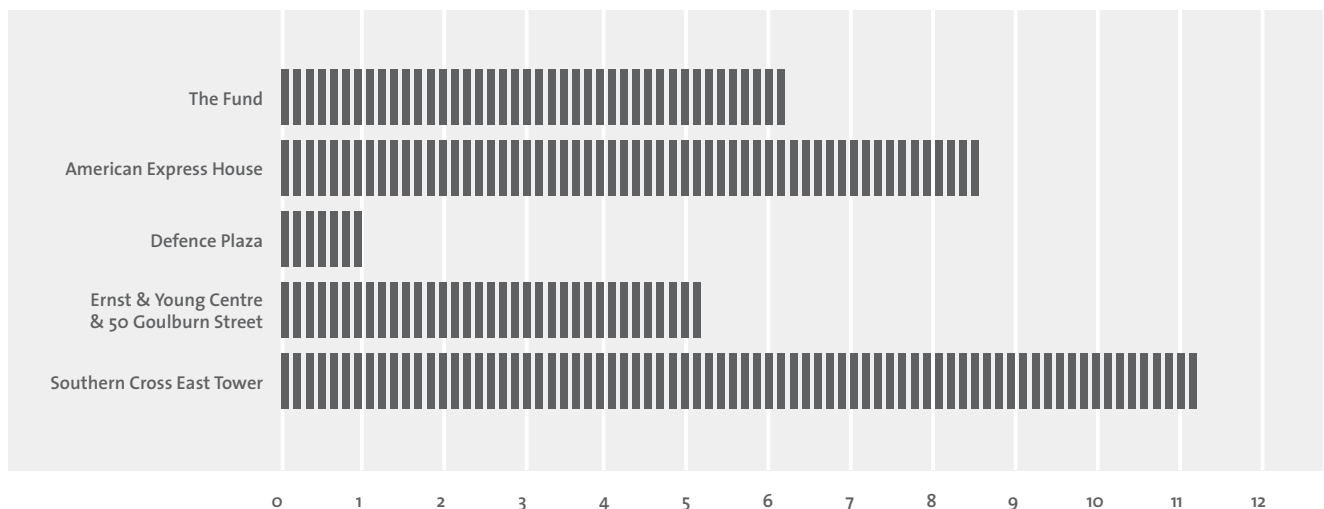
**OUTLOOK**

With the quality of the underlying property portfolio, and as the Australian economy continues to improve, the Fund is in a solid position to benefit from improving office market fundamentals.

BCML will continue to focus on near and mid-term leasing requirements and ongoing asset management of the portfolio. We will continue to keep investors updated on developments relating to the Fund during the course of the year.

**The portfolio remains 100% occupied with a weighted average lease expiry (by area) of 6.2 years.**

**WEIGHTED AVERAGE LEASE EXPIRY BY AREA (years)**



# Property Analysis

## FUND SNAPSHOT (as at 30 June 2010)

Market capitalisation	\$52.5 million
Funds under management	\$607.6 million
Listing date	15 September 2006
NTA per unit (cpu) (excluding final instalment)	\$2.07
Portfolio occupancy	100%
Portfolio weighted average lease term	6.2 years
Portfolio weighted average capitalisation rate	7.27%
Distributions	currently suspended
Loan to value ratio (including Partly Paid Facility)	80.6%
Debt covenants	in compliance with all debt covenants
Management fee	0.666% <sup>1</sup> pa (excluding GST) of gross asset value
Performance fee	Tier 1 – 5%, Tier 2 – 15% (excluding GST) of benchmark <sup>2</sup> outperformance

### Notes:

- 1 From 1 July 2008.
- 2 UBS Commercial Property Accumulation (2008) Index.

## PROPERTY SUMMARY

PROPERTY	LOCATION	FUND SHARE (%)	VALUATION DATE	VALUATION \$M	VALUATION CAP RATE %	PREVIOUS VALUATION \$M*	PREVIOUS CAP RATE %*	INCREASE/ (DECREASE) %	% OF PORTFOLIO
Ernst & Young Centre and 50 Goulburn Street	Sydney	50	30 Jun 10	262.5	7.27	259.2	7.38	1.3	44.9
American Express House	Sydney	100	30 Jun 10	127.0	7.00	124.4	7.25	2.1	21.7
Southern Cross East Tower	Melbourne	25	30 Jun 10	137.5	7.13	127.1	7.50	8.2	23.5
Defence Plaza	Melbourne	100	30 Jun 10	58.0	8.25	56.7	8.50	2.3	9.9
<b>Total</b>				<b>585.0</b>	<b>7.27</b>	<b>567.4</b>	<b>7.49</b>	<b>3.1</b>	<b>100.0</b>

\* Previous valuation and cap rate as at 30 June 2009



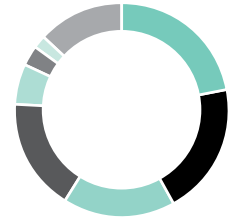
**GEOGRAPHIC ALLOCATION (by value)**

- 67% New South Wales
- 33% Victoria



**TENANCY MIX (by income)**

- 22% Ernst & Young
- 20% Victorian State Government
- 17% American Express
- 17% Commonwealth Government
- 6% AAPT
- 3% Parsons Brinckerhoff
- 2% Austereo
- 13% Other



**NET ASSETS RECONCILIATION**





# Property Analysis

## PROPERTY DESCRIPTION

Ernst & Young Centre is a landmark commercial office tower within the southern periphery of the midtown precinct of the Sydney CBD. The property comprises a substantial lobby with two retail areas and 35 upper levels of office accommodation incorporating low, mid, high and sky rise.

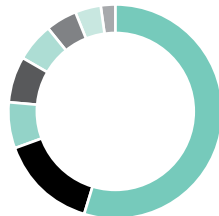
50 Goulburn Street is a six level commercial building situated on the corner of George Street and Goulburn Street, incorporating ground floor, four levels of office accommodation, a small rooftop terrace and car parking for 28 vehicles. The property's services are integrated with the Ernst & Young Centre and the property is serviced with retail and transport facilities in close proximity.

## PROPERTY DETAILS

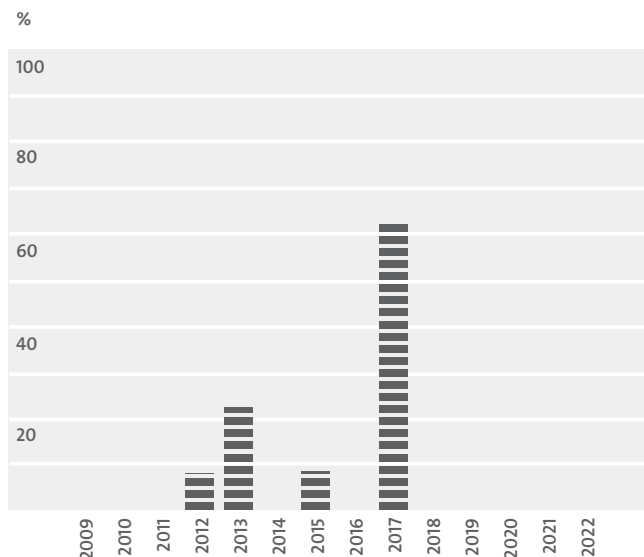
Ownership (%)	50
Net lettable area – whole building (sqm)	67,978
Occupancy (%)	100
Weighted average lease expiry (years)	5.2
Valuation(100%)	\$262.5 million
Valuation date	30 June 2010

## TENANCY MIX (by income)

- 56% Ernst & Young
- 15% AAPT
- 7% Link Market Services
- 7% Parsons Brinckerhoff
- 6% Austereo
- 5% Flairview Travel
- 4% Other



## LEASE EXPIRY (by area)



## Ernst & Young Centre and 50 Goulburn Street, Sydney

**PROPERTY DESCRIPTION**

Southern Cross East Tower is a landmark A-grade office building with premium grade services. The building comprises a ground level foyer and retail tenancies, 36 upper levels of office accommodation and basement parking for 950 vehicles.

The property is located at the eastern end of the Melbourne CBD, bordering Exhibition, Bourke and Little Collins Streets. Public transport facilities include tram and bus services and Parliament Railway Station is situated 100 metres to the west.

**PROPERTY DETAILS**

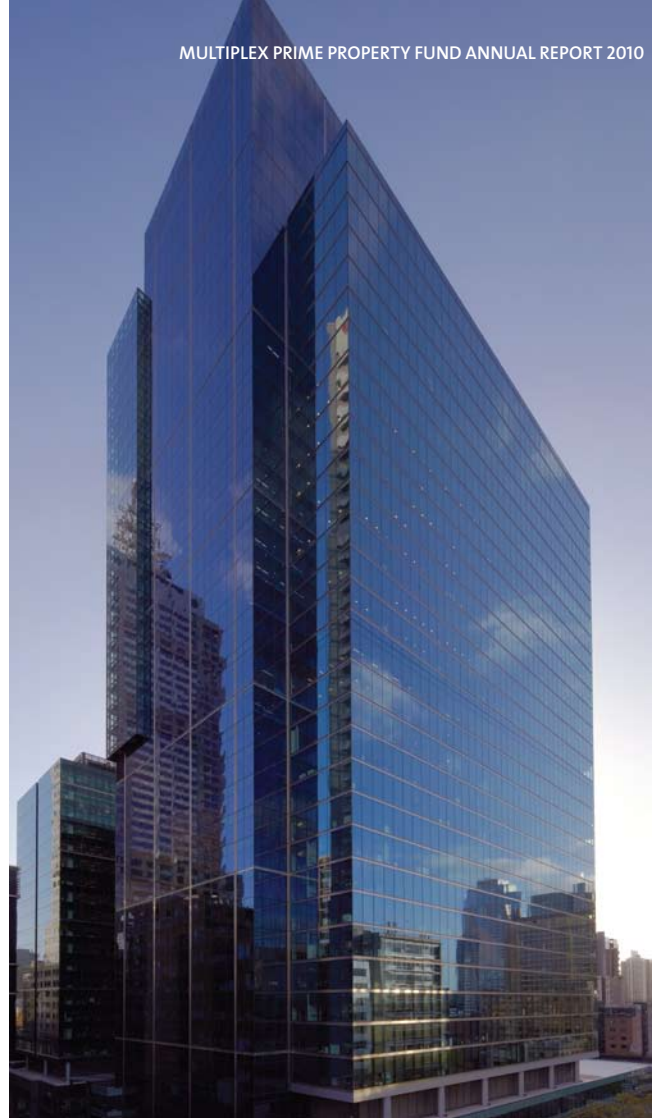
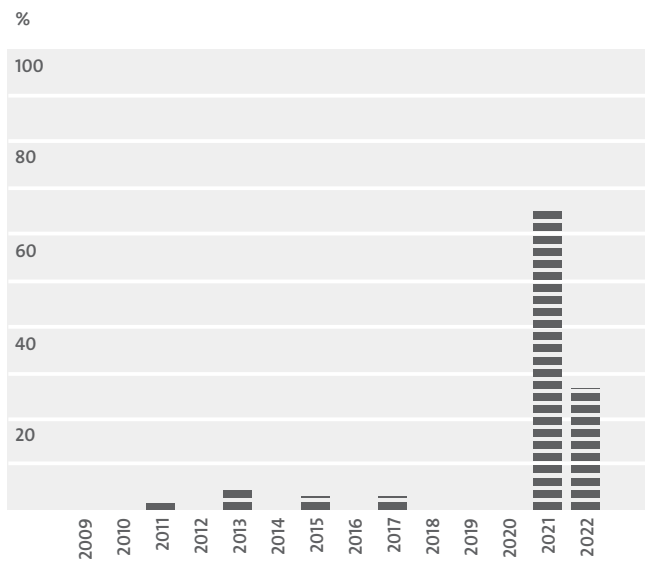
Ownership (%)	25
Net lettable area – whole building (sqm)	80,267
Occupancy (%)	100
Weighted average lease expiry (years)	11.0
Valuation (100%)	\$137.5 million
Valuation date	30 June 2010

**TENANCY MIX (by income)**

- 62% Victorian State Government (Other)
- 25% Victorian State Government (DOI)
- 13% Other



**LEASE EXPIRY (by area)**



**Southern Cross East Tower, Melbourne**

# Property Analysis

## PROPERTY DESCRIPTION

This A-grade property is a commercial building constructed in circa 1990 consisting of ground floor retail and other accommodation, together with nine upper levels of office accommodation.

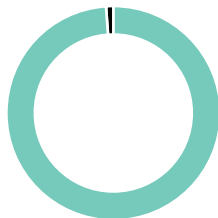
The property has two street frontages, with the main entrance on Bourke Street, and the floors provide good natural light. The property is situated in the western fringe of the Melbourne CBD within 100 metres of Southern Cross Railway Station. Also located nearby are Docklands and Etihad Stadium.

## PROPERTY DETAILS

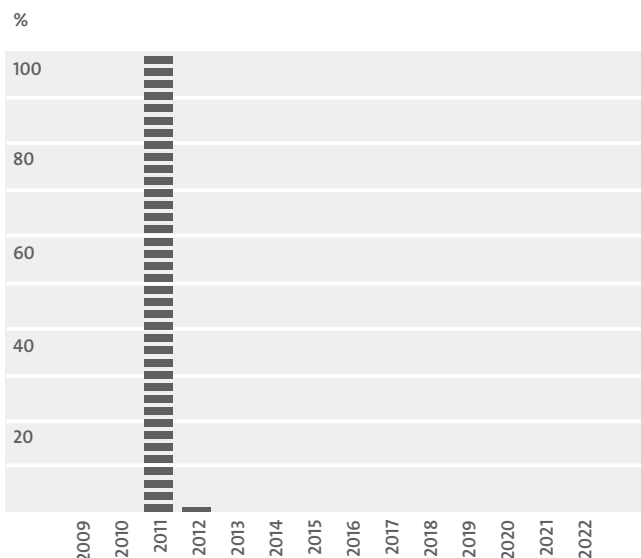
Ownership (%)	100
Net lettable area – whole building (sqm)	19,089
Occupancy (%)	100
Weighted average lease expiry (years)	0.96
Valuation (100%)	\$58.0 million
Valuation date	30 June 2010

## TENANCY MIX (by income)

- 99% Commonwealth Government of Australia
- 1% Other



## LEASE EXPIRY (by area)



## Defence Plaza, Melbourne



**PROPERTY DESCRIPTION**

American Express House is an A-grade commercial office building completed in late 2007. The property is comprised of 10 levels of commercial office, fully occupied by American Express, with ancillary retail and underground parking for 69 vehicles.

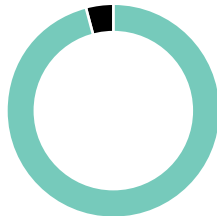
The property is located within the western corridor precinct of the Sydney CBD with frontage on Shelley Street. American Express House is proximate to Wynyard Railway Station and Bus Interchange, King Street Wharf public ferry terminal, and the retail and restaurants at King Street Wharf.

**PROPERTY DETAILS**

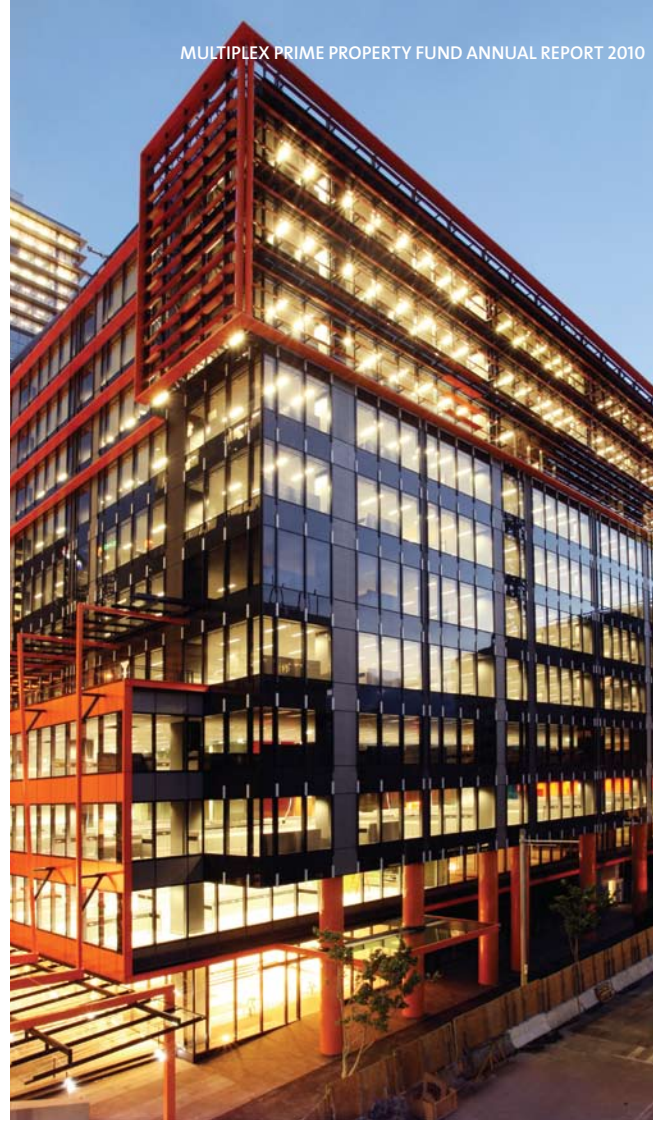
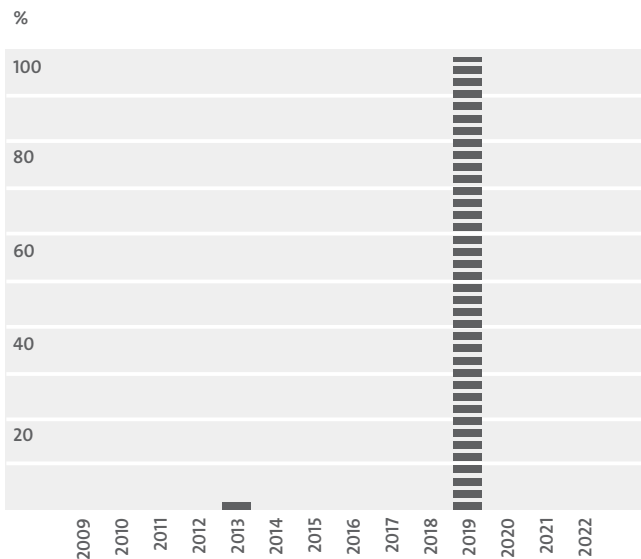
Ownership (%)	100
Net lettable area – whole building (sqm)	14,974
Occupancy (%)	100
Weighted average lease expiry (years)	8.4
Valuation (100%)	\$127.0 million
Valuation date	30 June 2010

**TENANCY MIX (by income)**

- 96% American Express
- 4% Other



**LEASE EXPIRY (by area)**



**American Express House, Sydney**

# A-REIT Analysis

## A-REIT ANALYSIS

LISTED INVESTMENTS	LOCATION	SECTOR	VALUE AT MARKET \$M	PURCHASE PRICE \$M	UNREALISED GAIN/(LOSS) \$M	UNREALISED GAIN/(LOSS) %	INVESTMENT ALLOCATION %
Abacus Property Group	Australia	Diversified	1.0	3.7	(2.7)	(73.7)	19
APN European Retail Property Group	Europe	Retail	0.2	8.7	(8.5)	(97.7)	4
Centro Retail Group	Australia/US	Retail	0.8	8.4	(7.6)	(90.9)	15
Challenger Diversified Property Group	Australia	Diversified	0.8	1.5	(0.7)	(48.0)	15
Charter Hall Office REIT	Australia/US/ Europe	Office	1.1	6.2	(5.1)	(82.4)	21
Charter Hall Retail REIT	Australia/US/ Europe	Retail	0.7	2.3	(1.7)	(71.6)	13
EDT Retail Trust			0.2	3.9	(3.7)	(95.5)	3
ING Real Estate Community Living Group		Other	0.3	7.1	(6.8)	(96.0)	6
Mirvac Industrial Trust		Industrial	0.2	4.5	(4.3)	(96.4)	3
Rubicon Europe Trust*	Europe		–	6.2	(6.2)	(100.0)	0
Rubicon Japan Trust*	Japan		–	5.1	(5.1)	(100.0)	0
Valad Property Group			0.0	0.7	(0.7)	(93.2)	1
			5.1	58.3	(53.2)	(91.2)	100%

\* Delisted from the Australian Securities Exchange

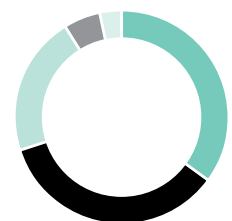
## GEOGRAPHIC ALLOCATION

- 52% Australia
- 38% United States
- 10% Europe



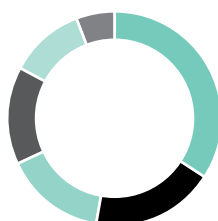
## SECTOR ALLOCATION

- 35% Retail
- 35% Diversified
- 21% Office
- 6% Other
- 3% Industrial

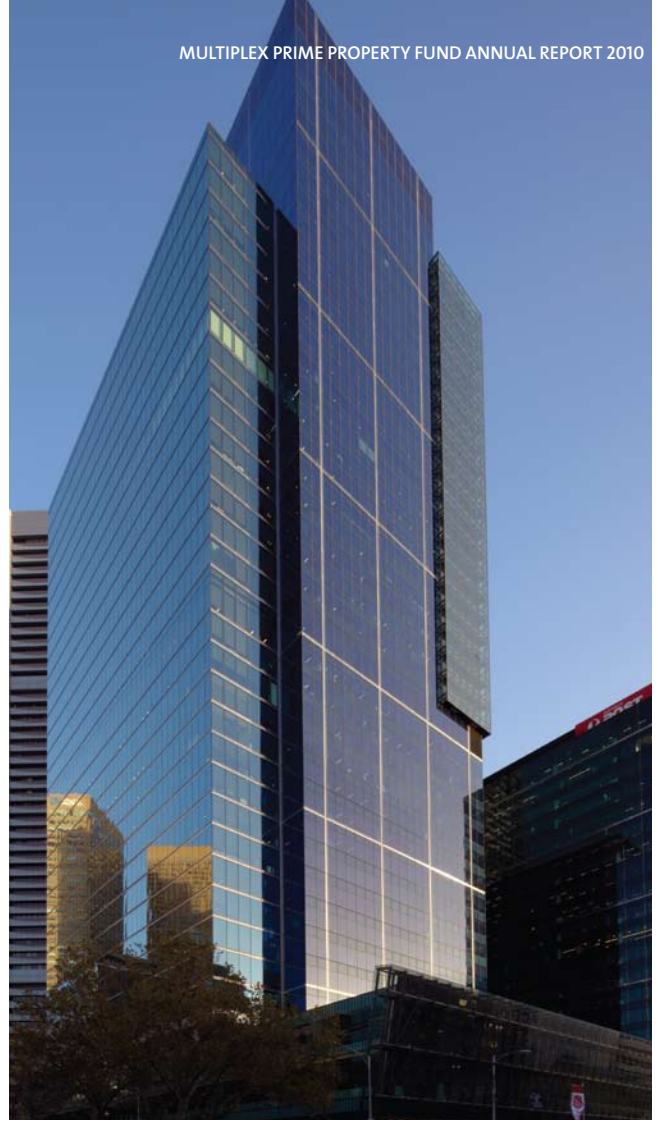


## TOP 5 MANAGERS BY FUNDS INVESTED

- 34% Charter Hall
- 19% Abacus
- 15% Challenger
- 15% Centro
- 11% Other
- 6% ING



Defence Plaza, Melbourne



Southern Cross East Tower, Melbourne



American Express House, Sydney





American Express House, Sydney



Ernst & Young Centre, Sydney



Southern Cross East Tower, Melbourne





# Investor Relations

## ASX LISTING

Brookfield Prime Property Fund is listed on the ASX under the code BPACB (formerly MAFCB). Daily unit prices can be found in all major Australian newspapers, on the ASX website and at [www.brookfieldmultiplex.com](http://www.brookfieldmultiplex.com).

## ONLINE SERVICES

Accessing investments online is one of the many ways that Brookfield Multiplex is ensuring convenience and accessibility to unitholder investment holdings. Links to the registry providers are available via the Brookfield Multiplex website. Unitholders can access their account balance, transaction history and distribution details.

## E-COMMUNICATIONS

The default for Brookfield Multiplex annual and interim reports is now electronic. Online versions of the annual and interim reports are available at [www.brookfieldmultiplex.com](http://www.brookfieldmultiplex.com).

Investors who have elected to receive hard copy reports will continue to receive them. Should you wish to change your preference, please contact the share registry on 1800 685 455.

## CONTACT THE REGISTRY

Queries relating to individual unit holdings or requests to change investment record details such as:

- change of address (issuer sponsored holdings only)
- update method of payment for receiving distributions
- tax file number notification
- annual report election

should be addressed to:

Link Market Services Limited  
Level 12, 68o George Street  
Sydney NSW 2000  
Freecall: 1800 685 455  
Email: [registrars@linkmarketservices.com.au](mailto:registrars@linkmarketservices.com.au)

## INVESTOR SERVICES

Investors wishing to register a complaint should direct it to:

The Manager  
Brookfield Multiplex  
GPO Box 172  
Sydney NSW 2001

## CONTACT US

Brookfield Multiplex has personnel to assist with all investor and financial adviser enquiries.

There are several ways of accessing information about the fund and providing feedback to Customer Service:

### By post

GPO Box 172  
Sydney NSW 2001

### By phone

1800 570 000 (within Australia)  
+61 2 9322 2000 (outside Australia)

### By fax

+61 2 9322 2001

### By email

[clientenquiries@au.brookfield.com](mailto:clientenquiries@au.brookfield.com)

### By internet

The Brookfield Multiplex website provides investors with up-to-date information on all funds as well as reports, media releases, fund performance, unit price information and corporate governance guidelines.

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



# Financial Report 2010

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# Directors' Report

For the year ended 30 June 2010

## Introduction

The Directors of Brookfield Multiplex Capital Management Limited (ABN 32 094 936 866), the Responsible Entity of Multiplex Prime Property Fund (ARSN 110 096 663) (Fund), present their report together with the financial statements of the Consolidated Entity, being the Fund and its subsidiaries and the Consolidated Entity's interest in associates (together referred to as the Consolidated Entity), for the year ended 30 June 2010 and the Independent Auditor's Report thereon.

## Responsible Entity

The Responsible Entity of the Fund is Brookfield Multiplex Capital Management Limited (BMCML), which has been the Responsible Entity since inception of the Fund. The registered office and principal place of business of the Responsible Entity and the Fund is Level 22, 135 King Street, Sydney NSW 2000.

## Directors

The following persons were Directors of the Responsible Entity at any time during or since the end of the financial year:

Name	Capacity
F. Allan McDonald (appointed 1 January 2010)	Non-Executive Independent Chairman
Brian Motteram (appointed 21 February 2007)	Non-Executive Independent Director
Barbara Ward (appointed 1 January 2010)	Non-Executive Independent Director
Tim Harris (appointed 17 March 2010)	Executive Director
Russell Proutt (appointed 1 January 2010)	Executive Director
Peter Morris (appointed 14 April 2004 – resigned 1 January 2010)	Non-Executive Independent Chairman
Robert McCuaig (appointed 31 March 2004 – resigned 1 January 2010)	Non-Executive Independent Director
Mark Wilson (appointed 27 August 2008 – resigned 1 January 2010)	Executive Director
Brian Kingston (appointed 27 August 2008 – resigned 17 March 2010)	Executive Director

## Information on Directors

### F. Allan McDonald (BEcon, FCPA, FAIM, FCIS), Non-Executive Independent Chairman

Allan was appointed the Non-Executive Independent Chairman of Brookfield Multiplex Capital Management Limited on 1 January 2010 and also performs that role for Brookfield Multiplex Funds Management Limited (BMFML). Allan has had extensive experience in the role of chairman and is presently associated with a number of companies as a consultant and company director. BMCML is also the Responsible Entity for listed funds Multiplex European Property Fund (MUE) and Multiplex Acumen Property Fund (MPF). BMFML is the Responsible Entity for the listed Multiplex SITES Trust. Allan's other directorships of listed entities are Astro Japan Property Management Limited (responsible entity of Astro Japan Property Trust) (appointed November 2004), Billabong International Limited (appointed July 2000), and Ross Human Directions Limited (appointed April 2000). During the past three years, Allan has also served as a director of the following listed company: Multiplex Limited (December 2003 to October 2007 – delisted December 2007). Age 70.

### Brian Motteram (BBus, CA), Non-Executive Independent Director

Brian has in excess of 40 years of experience working in the area of finance and accounting. He has worked with international accounting firms, in his own private practice, and during the last 19 years in private enterprise in both the mining and property industries. He spent eight years (from 1996 to 2004) as an executive of a Perth-based property company in the position of Chief Financial Officer and, later, as Financial Director. BMCML is also the Responsible Entity for listed funds MUE and MPF. Brian is a fully qualified Chartered Accountant, having trained with KPMG and Deloitte. Age 57.

### Barbara Ward (BEcon, MPolEcon, MAICD), Non-Executive Independent Director

Barbara was appointed as a Non-Executive Independent Director of Brookfield Multiplex Capital Management Limited on 1 January 2010 and also performs that role for Brookfield Multiplex Funds Management Limited. Barbara has gained extensive business and finance experience through her role as Chief Executive Officer of Ansett Worldwide Aviation Services, as General Manager Finance for the TNT Group and as a Senior Ministerial Advisor. BMCML is also the Responsible Entity for listed funds MUE and MPF. BMFML is the Responsible Entity for the listed Multiplex SITES Trust. Barbara is Chairman of Country Energy and a Director of Qantas Airways Limited (appointed June 2008). During the past three years Ms Ward has also served as a Director of Multiplex Limited (December 2003 to October 2007 – delisted December 2007), Lion Nathan Limited (February 2003 to October 2009) and Allco Finance Group Limited (April 2005 to January 2008). Age 56.

### Tim Harris (BA (Hons), ACA), Executive Director

Tim Harris is the Chief Financial Officer of Brookfield Multiplex Group and was appointed as an Executive Director of Brookfield Multiplex Capital Management Limited on 17 March 2010 and also performs that role for debt listed companies Brookfield Secured Bonds Series A Limited (BSBSA) and Brookfield Secured Bonds Series B Limited (BSBSB) (both appointed March 2010). BMCML is also the Responsible Entity for MUE and MPF. Tim joined the organisation in February 2009, prior to which he held various senior finance positions with the Westfield Group. Tim has also worked for Lion Nathan Australia, Southcorp Wines and The Walt Disney Company in London. Tim is a fully qualified Chartered Accountant, having trained with Ernst & Young in London. Age 39.

# Directors' Report

For the year ended 30 June 2010

## Information on Directors *continued*

### Russell Proutt (BComm, CA, CBV), Executive Director

Russell Proutt is the Chief Financial Officer of Brookfield Australia and was appointed as an Executive Director of Brookfield Multiplex Capital Management Limited on 1 January 2010 and also performs that role for BMFML (appointed 17 March 2010) and for debt listed companies BSBSA Issuer Limited (appointed 30 April 2009) and BSBSB Issuer Limited (appointed 2 September 2009). Russell joined Brookfield Asset Management Inc., the parent company of Brookfield Multiplex Capital Management Limited, in 2006 and has held various senior management positions within Brookfield, including managing the Bridge Lending Fund, mergers and acquisitions involving subsidiaries, and transactions involving Brookfield's restructuring fund, Tricap Partners. Age 42.

## Information on Company Secretary

### Neil Olofsson

Neil has over 14 years' international company secretarial experience, including having worked at KPMG, Clifford Chance and Schroder Investment Management prior to joining Brookfield Multiplex Group Company Secretariat.

## Directors' interests

The following table sets out each Director's relevant interest in the units, debentures, rights or options over such instruments, interests in registered schemes, and rights or options over such instruments issued by the entities within the Consolidated Entity and other related bodies corporate as at the date of this report:

Director	Multiplex Prime Property Fund units held
F. Allan McDonald	–
Brian Motteram	–
Barbara Ward	–
Tim Harris	–
Russell Proutt	–

No options are held by/have been issued to Directors.

## Directors' meetings

Director	Board Meetings		Audit Committee Meetings		Board Risk and Compliance Committee Meetings <sup>1</sup>	
	A	B	A	B	A	B
F. Allan McDonald	4	4	1	1	1	1
Brian Motteram	12	13	2	2	1	1
Barbara Ward	4	4	1	1	1	1
Tim Harris	1	2	n/a	n/a	n/a	n/a
Russell Proutt	4	4	n/a	n/a	n/a	n/a
Peter Morris	9	9	1	1	n/a	n/a
Robert McCuaig	9	9	1	1	n/a	n/a
Mark Wilson	9	9	n/a	n/a	n/a	n/a
Brian Kingston	9	11	n/a	n/a	n/a	n/a

A – Number of meetings attended.

B – Number of meetings held during the time the Director held office during the year.

1 – Board Risk and Compliance Committee Meetings were established from January 2010. Compliance and Risk Committee Meetings were held prior to January 2010, as a committee comprising a majority of external members, when it was disbanded.

## Committee meetings

There were no Board committee meetings held during the year other than those stated above.

## Principal activities

The principal activity of the Consolidated Entity is the investment in a portfolio of CBD office assets and listed property trusts.

## Review of operations

The Consolidated Entity has recorded a net profit of \$14,846,000 for the year ended 30 June 2010 (2009: net loss of \$86,300,000). The reported net profit includes \$679,000 in impairment losses on the listed property trust portfolio (2009: \$12,690,000) and \$2,663,000 in unrealised gains on revaluations of the investment property portfolio directly held by the Consolidated Entity (2009: loss of \$30,986,000). The Consolidated Entity's associates recognised the full amount of unrealised gains on underlying investment properties, of which the Consolidated Entity's share was \$13,683,000 (2009: loss of \$42,583,000).

### Review of operations continued

Some of the significant events during the year are as follows:

- total revenue and other income of \$71,469,000 (2009: \$17,788,000);
- net profit of \$14,846,000 (2009: net loss of \$86,300,000);
- earnings per unit (EPU) of 46.36 (2009: restated at (30,628.37));
- net assets of \$212,836,000 as at 30 June 2010 (2009: \$133,750,000) and net tangible assets (NTA) per unit of \$4.22 (2009: \$0.47);
- property portfolio value of \$585,000,000 as at 30 June 2010 (2009: \$567,425,000), including \$16,346,000 in gains on revaluations of investment properties recorded during the year (including investment properties held by associates) (2009: net loss of \$73,569,000);
- listed property trust portfolio value of \$5,145,000 as at 30 June 2010 (2009: \$5,136,000), including \$679,000 of impairment losses recorded during the year (2009: \$12,690,000);
- disposal of investments for total consideration of nil (2009: \$1,123,000); and
- portfolio occupancy at 100% (2009: 100%) with a weighted average lease expiry of 6.2 years (2009: 7.4 years) as at 30 June 2010.

### Entitlement offer and consolidation of units

During the year, the Fund undertook an underwritten non-renounceable 178 for 1 Entitlement Offer of 50,154,148,106 new ordinary partly paid units at an initial subscription price of 0.1 cents per unit. The total proceeds raised through the offer were \$50,154,148. The offer was underwritten by Brookfield Multiplex Capital Securities Limited as trustee for Brookfield Multiplex PPF investment No 2 Trust. Total costs of the offer were \$4,053,000 (including \$1,572,843 in underwriting fees). Further details of the transaction are available in the Entitlement Offer booklet dated 7 October 2009.

The Fund used proceeds from the Entitlement Offer to repay \$44,700,000 of the Fund's debt facility, partially close out the interest rate swaps on issue, payment of costs associated with the Entitlement Offer and to fund working capital. The partial repayment of the debt facility has cured the loan to value covenant breach that the fund suffered as a result of the 30 June 2009 property valuations. The partial repayment of the debt and the cure of the breach have meant the debt covenants have been amended for the covenant testing on and subsequent to 31 December 2009. As a result of the cure of this breach, the debt, which was shown as a current liability in the 30 June 2009 financial statements, is classified as non-current in the 30 June 2010 Statement of Financial Position.

On 21 June 2010, a 1,000 for 1 consolidation of units came into effect. The consolidation of units was conducted to reduce the large number of units on issue following the 2009 Entitlement Offer, as described above. The consolidation of units resulted in a reduction of the total number of units on issue to 50,435,806.

Prior to the consolidation of units, the units were partly paid, with 0.2237 cents per unit remaining unpaid. The unpaid amount per unit has increased in the same ratio as the consolidation ratio of 1000 for 1, resulting in the unpaid amount per unit being \$2.237 after the consolidation of units (subject to certain acceleration rights) and is payable on 15 June 2011. Both the new and existing units are now traded as MAFCB (previously MAFCA).

Provided an investor held at least 1,000 units prior to the consolidation of units, the consolidation of units would not have affect the investor's percentage holdings in the Fund (apart from minor adjustments due to rounding of fractional entitlements) and the rights attaching to the units (as set out in the Constitution of the Fund). Whilst the consolidation of units involves a reduction in the number of units on issue, it did not involve a return of capital to investors. Accordingly, there is no direct impact on the Fund's market capitalisation or the book value of the Fund's capital (apart from minor reductions in the units on issue and unpaid capital of the Fund due to rounding of fractional entitlements).

### Corporate governance

This section outlines the main corporate governance practices that are currently in place for Brookfield Multiplex Capital Management Limited (the Company) in its capacity as Responsible Entity for Multiplex Prime Property Fund (the Fund). The Company as Responsible Entity of the Fund is committed to maintaining the required standards of corporate governance.

The Fund was listed on the Australian Securities Exchange (ASX) on 15 September 2006. The Company, as the Fund's Responsible Entity, has operated within a corporate governance system that the Board and management have developed over time. Corporate governance is a dynamic force that keeps evolving and, for that reason, our systems, policies and procedures are regularly reviewed and tailored to changing circumstances.

The Company is a wholly owned Brookfield Asset Management Inc. (BAM) subsidiary. BAM is listed on the New York, Toronto and Euronext Stock Exchanges.

# Directors' Report

For the year ended 30 June 2010

## Best practice principles

The ASX has established best practice guidelines that are embodied in eight principles (the Principles). The Board is supportive of the Principles and has applied these Principles to the extent relevant to the Fund. The Board's approach has been guided by the Principles and practices which are in the best interests of investors, while ensuring compliance with legal requirements. In pursuing its commitment to these governance standards, the Board will continue to review and improve its governance practices.

The Principles, as set out by the Corporate Governance Council, are intended only as guidelines. The ASX Listing Rules require listed companies (or in the case of a listed fund, the Responsible Entity of that fund) to include in their annual report a statement disclosing the extent to which they have followed the Principles during the financial period.

The Principles have been adopted, where appropriate, to ensure that the Company, as Responsible Entity of the Fund, continues to protect stakeholder interests. This Corporate Governance Statement sets out each Principle and provides details of how the Principle has been addressed by the Company as Responsible Entity of the Fund.

## Principle 1: Lay solid foundations for management and oversight

It is the responsibility of the Board to ensure that the foundations for management and oversight of the Fund are established and appropriately documented.

### Role of the Board

The Board has adopted a Board Charter that details its functions and responsibilities, a summary of which is available at [www.brookfieldmultiplex.com](http://www.brookfieldmultiplex.com).

The Fund has a Fund Manager who is responsible for the day-to-day management of the Fund's operations and who reports to the executive director, Russell Proutt.

The Company holds Australian Financial Services Licence (AFSL) No. 223809 and is an experienced Responsible Entity. It is subject to duties imposed by its AFSL, the Fund's Constitution, the Corporations Act, the ASX Listing Rules, the Fund's compliance plan and the law. The Company has appointed Key Persons and Responsible Managers and they are named on its AFSL. Their duties are to assist with, and ensure the Company's ongoing compliance with, the conditions of the AFSL and the law.

Management responsible for the operation of the Fund are employees of Brookfield Multiplex Limited (BML), and are therefore subject to BML's performance evaluation.

## Principle 2: Structure the Board to add value

The ASX views independence of Board members as a key element of an effective corporate governance regime. It recommends that a majority of the Board be independent, that the Chairperson be independent, that the roles of Chairperson and the Chief Executive Officer be split, and further that the Board establish a Nomination Committee with a charter in line with best practice recommendations.

The Board believes that sound corporate governance is crucial to protecting the interests of investors. The Board has a broad range of relevant financial and other skills, experience and expertise necessary to meet its objectives and is subject to a continuous review of its composition. The Board meets formally at least four times per year and whenever necessary to deal with specific matters needing attention between scheduled meetings. As at 30 June 2010, the Board consists of five Directors.

Profiles of each of the Directors, including age and length of service, may be found on pages 15 and 16.

### Independence

The Chairman of the Board is an independent Director. The roles of Chairman and Executive Directors are not exercised by the same individual. This is in line with the ASX best practice principle. Dr Peter Morris resigned as Chairman of the Board in January 2010 and was replaced by Mr Allan McDonald. The Board also identified non-executive Directors Robert McCuaig and Brian Motteram as being independent in accordance with the relationships affecting independent status listed by the ASX Corporate Governance Principles. Mr McCuaig also resigned in January 2010 and was replaced by another independent Director, Ms Barbara Ward.

As a wholly owned subsidiary of BAM, the Board has not established a nomination committee as it believes the consideration of Director appointments is a matter for BAM in conjunction with the views of the Board.

The Board conducted a self evaluation of its performance and that of individual Directors for the year ended 30 June 2010 by way of a survey of each Director, followed by an analysis and discussion of responses by the Board. As part of the review, consideration was given to the skills and competency of board members as well as the appropriate mix of skills required for managing the Company and the Fund. An assessment of Board, committee and individual Director performance is intended to occur on an annual basis and may in the future include an external mediator.

## Principle 2: Structure the Board to add value *continued*

### Access to information and advice

All Directors have unrestricted access to records of the Company and the Fund and receive regular detailed financial and operational reports from management to enable them to carry out their duties. Non-executive Directors may obtain independent professional advice at the expense of the Company or the Fund with the prior approval of the Chairman.

The Company Secretary supports the effectiveness of the Board by monitoring adherence to Board policies and procedures, and co-ordinating the timely completion and dispatch of Board agenda and briefing material. All Directors have access to the Company Secretary.

## Principle 3: Promote ethical and responsible decision making

The Board has established both a Code of Business Conduct and Ethics and a Security Trading Policy.

### Code of Business Conduct and Ethics

All Directors and management involved in the operation of the Fund are employees of BML. In accordance with the Code of Business Conduct and Ethics and statutory obligations, all employees of BML are required to act honestly and with integrity and, in relation to financial products, to give priority to the investors' interests over the Company's interests when there is a conflict. The Board is committed to recognising the interests of investors and other stakeholders, as well as all employees involved in the management and operation of the Company and the Fund. The Board acknowledges that all BML employees are subject to a Code of Business Conduct and Ethics that governs workplace and human resource practices, risk management and legal compliance. The Code is aligned to BML's core values of teamwork, integrity and performance and is fully supported by the Board. A summary of the Code is available at [www.brookfieldmultiplex.com](http://www.brookfieldmultiplex.com).

Employees are encouraged to report any breaches of the Code. Access to an Ethics Hotline, which is managed independently of BAM is provided to facilitate reporting in situations where the person making the report does not feel comfortable doing so through normal channels. A summary of the Code is available at [www.brookfieldmultiplex.com](http://www.brookfieldmultiplex.com).

### Security Trading Policy

All Directors of the Company and BML employees are subject to restrictions under the law relating to dealing in certain financial products, including securities in a company, if they are in possession of inside information. The BML Security Trading Policy has been formally adopted by the Board and specifically lists securities issued by the Fund as restricted securities for the purposes of the Policy. A summary of the Security Trading Policy is available at [www.brookfieldmultiplex.com](http://www.brookfieldmultiplex.com).

BMCML also has a Conflicts of Interest Management Policy and Related Party Dealings Policy to minimise potential conflicts of interest in accordance with ASIC Regulatory Guide 181 – "Licensing: Managing conflicts of interest".

## Principle 4: Safeguard integrity in financial reporting

The approach adopted by the Board is consistent with Principle 4. The Board requires the Executive Directors to provide a written statement that the financial statements of the Fund present a true and fair view, in all material aspects, of the financial position and operational results.

### Audit Committee

The Company established an audit committee which meets on a regular basis and reports the results of its deliberations to the Board.

The members of the Audit Committee throughout the financial year are set out below:

Name	Position	Number of meetings in year	Attendance
Brian Motteram	Chairperson	2	2
F. Allan McDonald	Member	1	1
Barbara Ward	Member	1	1
Peter Morris	Member	1	1
Robert McCuaig	Member	1	1

The duties and responsibilities of the Audit Committee are set out in the Committee Charter, a summary of which appears at [www.brookfieldmultiplex.com](http://www.brookfieldmultiplex.com). The Audit Committee has rights of access to management, including the right to seek any explanations or additional information, and access to auditors (internal and external), without management present.

The audit committee reports to the Board in relation to the financial statements and notes, as well as the external audit report. An external auditor, Deloitte, has been appointed to audit the Fund and the Fund's compliance plan.

A procedure for the selection and appointment of external auditors, and for the rotation of external audit engagement partners, has been approved by the Board.



# Directors' Report

For the year ended 30 June 2010

## **Principle 5: Make timely and balanced disclosure**

The Company is committed to the promotion of investor confidence by providing full and timely information to all investors about the Fund's activities and by complying with the continuous disclosure obligations contained in the *Corporations Act 2001* and the ASX Listing Rules. The Board has adopted a Continuous Disclosure Policy which governs how the Company as Responsible Entity communicates with investors and the market. All price-sensitive information is to be disclosed to the ASX. A summary of the policy is available at [www.brookfieldmultiplex.com](http://www.brookfieldmultiplex.com).

## **Principle 6: Respect the rights of the Fund unitholders**

In addition to its statutory reporting obligations, the Fund and the Company are committed to timely and ongoing communication with its investors.

The Company provides ongoing communication to investors through the annual and half yearly reports. Updates are also provided to investors whenever significant developments occur.

Fund investors are able to contact either the Fund Registry or the Fund Manager during business hours to discuss any queries in relation to their investment or the operation of the Fund.

The Fund has a section on the Brookfield Multiplex website that provides up to date Fund information, including any continuous disclosures notices given by the Fund, financial reports and distribution information.

As the Fund is a listed managed investment scheme, there is no mandatory requirement to hold annual general meetings (AGMs). In the future, the Company may decide to hold AGMs if the Company forms the view that there is sufficient demand from the Fund investors to incur that cost.

The Company has an internal dispute resolution mechanism in place which is designed to meet the requirements of the Corporations Act and its Australian Financial Services License (AFSL). The process complies with the key principles of Australian Standard AS ISO 10002:2006 "Customer satisfaction – Guidelines for complaints handling in organisations" and the requirements of the ASIC Regulatory Guide 165 – "Licensing: Internal and external dispute resolution". If a dispute cannot be resolved through the internal dispute resolution mechanism, it can be referred to the Financial Ombudsman Service, an independent complaint resolution service of which the Company is a member.

The Company encourages Fund investors to visit its website regularly and communicate with the company electronically as a first preference.

## **Principle 7: Recognise and manage risk**

Management is responsible for developing and implementing policies and procedures to identify, manage and mitigate the risks across the Company and the Fund's operations. These policies are designed to ensure relevant risks are effectively and efficiently managed and monitored to enable the achievement of the Company's and the Fund's objectives.

The Board has elected to delegate responsibility for the oversight of the Company's compliance program to a Risk and Compliance Committee. The Committee comprises three independent Company Directors. The Committee discharges Part 5C.5 obligations under the *Corporations Act 2001* in relation to managed investment schemes. It has a Charter, a summary of which appears at [www.brookfieldmultiplex.com](http://www.brookfieldmultiplex.com).

BML has an internal audit function which may review aspects of the Company business and the Fund as part of its annual program. The internal audit function communicates with the Audit Committee.

The procedures adopted by the Company are consistent with those in Principle 7, in that the Executive Directors approve the sign off of financial statements based upon a sound system of risk management and confirm that the internal compliance and control system is operating efficiently in all material respects in relation to financial reporting risks.

## **Principle 8: Remunerate fairly and responsibly**

Principle 8 suggests that the Company should establish a dedicated Remuneration Committee. As neither the Fund nor the Company directly employ staff, no Remuneration Committee has been established.

Independent and non-executive Directors receive fees for serving as Directors. Director fees are not linked to the performance of the Company or the Fund. Executive Directors do not receive payment for undertaking the role of Director. Executive Directors receive remuneration in their capacity as employees of BML.

The Company, as Responsible Entity of the Fund, believes that it has followed the best practice recommendations set by the ASX.

## Interests of the Responsible Entity

### Management fees

For the year ended 30 June 2010, the Consolidated Entity incurred \$3,895,000 in management fees to the Responsible Entity during the year (2009: \$4,163,000). The management fees were not fully paid during the year, with the balance outstanding at year end reflected as payables to the Responsible Entity. At 30 June 2010, the management fee payable is \$7,924,000 (2009: \$4,029,000).

### Investments held

The following interests were held in the Consolidated Entity during the financial year:

- Brookfield Multiplex Funds Management Limited, as custodian for Multiplex Colt Investments Pty Ltd, as trustee for Multiplex Colt Investment Trust, holds 10,893,945 units or 21.6% of the Fund at the reporting date (2009: 60,860,029 units or 21.6% of the Fund).
- ANZ Nominees Limited, as custodian for Brookfield Multiplex Capital Management Limited, as Responsible Entity for Multiplex Acumen Property Fund, holds 4,993,155 units or 9.9% of the Fund at the reporting date (2009: 27,894,723 units or 9.9% of the Fund).
- Brookfield Multiplex Capital Securities Limited, as trustee of Brookfield Multiplex PPF Investment No 2 Trust, holds 23,424,154 units or 46.4% of the Fund at the reporting date (2009: nil units of the fund).

### Significant changes in the state of affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the Consolidated Entity that occurred during the financial year other than those disclosed in this report or in the financial statements.

### Events subsequent to reporting date

There are no matters or circumstances which have arisen since the end of the financial year which significantly affected, or may significantly affect, the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in subsequent financial years.

### Likely developments

Information on likely developments in the operations of the Consolidated Entity in future financial years and the expected results of those operations has not been included in this report because the Directors believe that to do so would be likely to result in unreasonable prejudice to the Consolidated Entity.

### Environmental regulation

The Consolidated Entity has systems in place to manage its environmental obligations. Based upon the results of enquiries made, the Responsible Entity is not aware of any significant breaches or non-compliance issues during the year covered by this report.

### Distributions

Distributions paid/payable to unitholders were as follows:

	Cents per unit	Total amount \$'000	Date of payment
<b>Ordinary units</b>			
<b>Total distribution for the year ended 30 June 2010</b>	–	–	
<b>Ordinary units</b>			
September 2008 distribution	1.00	2,818	31 October 2008
<b>Total distribution for the year ended 30 June 2009</b>	<b>1.00</b>	<b>2,818</b>	

The Consolidated Entity did not pay a distribution for the year ended 30 June 2010 in order to preserve the capital position of the Consolidated Entity. Distributions paid for the year ended 30 June 2009 were paid out of the Consolidated Entity's realised revenues and expenses.

### Indemnification and insurance premiums

Under the Fund's Constitution, the Responsible Entity's officers are indemnified out of the Fund's assets for any loss, damage, expense or other liability incurred by it in properly performing or exercising any of its powers, duties or rights in relation to the Fund.

# Directors' Report

For the year ended 30 June 2010

## Indemnification and insurance premiums continued

Neither the Fund nor any controlled entity has indemnified any auditor of the Consolidated Entity.

No insurance premiums are paid out of the Fund's assets in relation to cover for the Responsible Entity or its officers, the Risk and Compliance Committee, or auditors of the Consolidated Entity. The insurance premiums are paid by the Responsible Entity.

## Non-audit services

During the year, the auditor of the Consolidated Entity and Fund changed from KPMG to Deloitte Touche Tohmatsu (Deloitte).

All amounts paid to Deloitte during the current year, and to KPMG during the prior year, for audit review and regulatory services are disclosed in Note 7.

Details of fees for non-audit services incurred by the Consolidated Entity and the Fund to Deloitte during the current year, and to KPMG during the prior year, are set out below. These amounts were paid out of the assets of the Consolidated Entity and the Fund.

	Consolidated 2010 \$	2009 \$
<b>Services other than statutory audit</b>		
Non-audit services	–	9,500
<b>Total fees related to non-audit services</b>	<b>–</b>	<b>9,500</b>

## Remuneration report

### a Remuneration of Directors and key management personnel of the Responsible Entity

The Consolidated Entity does not employ personnel in its own right. However, it is required to have an incorporated Responsible Entity to manage the activities of the Consolidated Entity and this is considered the Key Management Personnel (KMP). The Directors of the Responsible Entity are KMP of that entity and their names are:

F. Allan McDonald (appointed 1 January 2010)  
 Brian Motteram (appointed 21 February 2007)  
 Barbara Ward (appointed 1 January 2010)  
 Tim Harris (appointed 17 March 2010)  
 Russell Proutt (appointed 1 January 2010)  
 Peter Morris (appointed 14 April 2004 – resigned 1 January 2010)  
 Robert McCuaig (appointed 31 March 2004 – resigned 1 January 2010)  
 Mark Wilson (appointed 27 August 2008 – resigned 1 January 2010)  
 Brian Kingston (appointed 27 August 2008 – resigned 17 March 2010)

The Responsible Entity is entitled to a management fee, which is calculated as a proportion of gross asset value. Details of the fees are shown below.

No compensation is paid directly by the Consolidated Entity to Directors or to any of the KMP of the Responsible Entity. Since the end of the financial year, no Director or KMP of the Responsible Entity has received, or become entitled to receive, any benefit because of a contract made by the Responsible Entity with a Director or KMP, or with a firm of which the Director or KMP is a member, or with an entity in which the Director or KMP has a substantial interest, except at terms set out in the Fund Constitution.

### Loans to Directors and Key Management Personnel of the Responsible Entity

The Consolidated Entity has not made, guaranteed or secured, directly or indirectly, any loans to the Directors and KMP or their personally related entities at any time during the year.

### Other transactions with Directors and specified executives of the Responsible Entity

From time to time, Directors and KMP or their personally related entities may buy or sell units in the Fund. These transactions are subject to the same terms and conditions as those entered into by other Fund investors.

No Director or KMP has entered into a contract for services with the Responsible Entity since the end of the previous financial year, and there were no contracts involving Directors or KMP subsisting at year end.

**Remuneration report** continued**b Management fees**

The management fees incurred by the Consolidated Entity to the Responsible Entity for the year ended 30 June 2010 was \$3,895,000 (2009: \$4,163,000).

**Rounding of amounts**

The Consolidated Entity is of a kind referred to in ASIC Class Order 98/100, dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005 and CO 06/51 effective 31 January 2006), and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand dollars, unless otherwise stated.

**Lead auditor's independence declaration under Section 307C of the *Corporations Act 2001***

The lead auditor's independence declaration is set out on page 24 and forms part of the Directors' Report for the year ended 30 June 2010.

Dated at Sydney this 25th day of August 2010.

Signed in accordance with a resolution of the Directors made pursuant to Section 298(2) of the *Corporations Act 2001*.

**Russell Proutt**

Director

Brookfield Multiplex Capital Management Limited

# Auditor's Independence Declaration

For the year ended 30 June 2010

## Deloitte.

Deloitte Touche Tohmatsu  
A.B.N. 74 490 121 060

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www.deloitte.com.au

The Board of Directors  
Brookfield Multiplex Capital Management Limited  
(as Responsible Entity for Multiplex Prime Property Fund)  
135 King Street  
SYDNEY NSW 2000

25 August 2010

Dear Directors

### MULTIPLEX PRIME PROPERTY FUND

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Brookfield Multiplex Capital Management Limited as the Responsible Entity of Multiplex Prime Property Fund.

As lead audit partner for the audit of the financial statements of Multiplex Prime Property Fund for the year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully



DELOITTE TOUCHE TOHMATSU



Helen Hamilton-James  
Partner  
Chartered Accountants

Member of  
**Deloitte Touche Tohmatsu**

# Statement of Comprehensive Income

For the year ended 30 June 2010

	Note	Consolidated Year ended 30 June 2010 \$'000	Year ended 30 June 2009 \$'000
<b>Revenue and other income</b>			
Share of net profit of investments accounted for using the equity method	6	41,961	–
Property rental income		19,767	17,170
Distribution income from listed property trusts		287	482
Interest income		177	136
Net gain on revaluation of investment property	11	2,663	–
Net gain on revaluation of financial derivatives		6,614	–
<b>Total revenue and other income</b>		<b>71,469</b>	<b>17,788</b>
<b>Expenses</b>			
Share of net loss of investments accounted for using the equity method	6	–	15,645
Property expenses		2,815	2,454
Impairment expense		679	12,690
Finance costs to external parties		35,075	37,054
Finance costs – amortisation of cash flow hedge reserves		13,098	–
Net loss on disposal of listed property trusts		–	354
Net loss on revaluation of investment property	11	–	30,986
Management fees		3,895	4,163
Other expenses		1,061	742
<b>Total expenses</b>		<b>56,623</b>	<b>104,088</b>
<b>Net profit/(loss) for the year</b>		<b>14,846</b>	<b>(86,300)</b>
<b>Other comprehensive income</b>			
Change in cash flow hedge reserve		13,098	(47,909)
Changes in fair value of available for sale financial assets		677	–
<b>Other comprehensive income/(loss) for the year</b>		<b>13,775</b>	<b>(47,909)</b>
<b>Total comprehensive income/(loss) for the year</b>		<b>28,621</b>	<b>(134,209)</b>
<b>Net profit/(loss) attributable to ordinary unitholders</b>		<b>14,846</b>	<b>(86,300)</b>
<b>Total comprehensive income/(loss) attributable to ordinary unitholders</b>		<b>28,621</b>	<b>(134,209)</b>
<b>Earnings per unit</b>			
Basic and diluted earnings per ordinary unit (cents)	8	46.36	(30,628.37)

The Statement of Comprehensive Income should be read in conjunction with the Notes to the Financial Statements.

# Statement of Financial Position

As at 30 June 2010

	Note	Consolidated 2010 \$'000	2009 \$'000
<b>Assets</b>			
Current assets			
Cash and cash equivalents		13,231	1,259
Trade and other receivables	10	111,433	1,016
<b>Total current assets</b>		<b>124,664</b>	<b>2,275</b>
Non-current assets			
Investment properties	11	185,000	181,100
Investments – available for sale	12	5,145	5,136
Investments accounted for using the equity method	6	401,210	387,256
Trade and other receivables	10	–	104,034
<b>Total non-current assets</b>		<b>591,355</b>	<b>677,526</b>
<b>Total assets</b>		<b>716,019</b>	<b>679,801</b>
<b>Liabilities</b>			
Current liabilities			
Trade and other payables	14	10,843	4,932
Interest bearing liabilities	15	–	518,550
<b>Total current liabilities</b>		<b>10,843</b>	<b>523,482</b>
Non-current liabilities			
Interest bearing liabilities	15	474,534	–
Fair value of financial derivatives	19	17,806	22,569
<b>Total non-current liabilities</b>		<b>492,340</b>	<b>22,569</b>
<b>Total liabilities</b>		<b>503,183</b>	<b>546,051</b>
<b>Net assets</b>		<b>212,836</b>	<b>133,750</b>
<b>Equity</b>			
Units on issue	16	303,182	252,717
Reserves	17	(12,420)	(26,195)
Undistributed losses	18	(77,926)	(92,772)
<b>Total equity</b>		<b>212,836</b>	<b>133,750</b>

The Statement of Financial Position should be read in conjunction with the Notes to the Financial Statements.



# Statement of Changes in Equity

For the year ended 30 June 2010

Consolidated Entity	Attributable to unitholders of the Fund			
	Ordinary units \$'000	Undistributed profits/(losses) \$'000	Reserves \$'000	Total \$'000
<b>Opening equity – 1 July 2009</b>	<b>252,717</b>	<b>(92,772)</b>	<b>(26,195)</b>	<b>133,750</b>
Change in cash flow hedge reserve	–	–	13,098	13,098
Changes in fair value of available for sale financial assets	–	–	677	677
<b>Other comprehensive income for the year</b>	–	–	<b>13,775</b>	<b>13,775</b>
Net profit for the year	–	14,846	–	14,846
<b>Total comprehensive income for the year</b>	–	<b>14,846</b>	<b>13,775</b>	<b>28,621</b>
Transactions with unitholders in their capacity as unitholders				
Equity receivable	4,364	–	–	4,364
Issue of units	46,101	–	–	46,101
<b>Total transactions with unitholders in their capacity as unitholders</b>	<b>50,465</b>	–	–	<b>50,465</b>
<b>Closing equity – 30 June 2010</b>	<b>303,182</b>	<b>(77,926)</b>	<b>(12,420)</b>	<b>212,836</b>

Consolidated Entity	Attributable to unitholders of the Fund			
	Ordinary units \$'000	Undistributed profits/(losses) \$'000	Reserves \$'000	Total \$'000
<b>Opening equity – 1 July 2008</b>	<b>240,837</b>	<b>(3,654)</b>	<b>21,714</b>	<b>258,897</b>
Change in cash flow hedge reserve	–	–	(47,909)	(47,909)
Changes in fair value of available for sale financial assets	–	–	–	–
<b>Other comprehensive loss for the year</b>	–	–	<b>(47,909)</b>	<b>(47,909)</b>
Net loss for the year	–	(86,300)	–	(86,300)
<b>Total comprehensive loss for the year</b>	–	<b>(86,300)</b>	<b>(47,909)</b>	<b>(134,209)</b>
Transactions with unitholders in their capacity as unitholders				
Equity receivable	11,880	–	–	11,880
Distributions declared	–	(2,818)	–	(2,818)
<b>Total transactions with unitholders in their capacity as unitholders</b>	<b>11,880</b>	<b>(2,818)</b>	–	<b>9,062</b>
<b>Closing equity – 30 June 2009</b>	<b>252,717</b>	<b>(92,772)</b>	<b>(26,195)</b>	<b>133,750</b>

The Statement of Changes in Equity should be read in conjunction with the Notes to the Financial Statements.

# Statement of Cash Flows

For the year ended 30 June 2010

	Note	Consolidated	
		Year ended 30 June 2010 \$'000	Year ended 30 June 2009 \$'000
<b>Cash flows from operating activities</b>			
Cash receipts in the course of operations		19,643	17,231
Cash payments in the course of operations		(5,253)	(4,479)
Interest received		179	136
Financing costs paid		(32,710)	(34,531)
<b>Net cash flows used in operating activities</b>	20	<b>(18,141)</b>	<b>(21,643)</b>
<b>Cash flows from investing activities</b>			
Payments for purchase of investment property		–	(486)
Purchases of listed property trust investments		(11)	–
Proceeds from sale of listed property trust investments		–	1,123
Distributions received		296	3,125
Distributions received from associates		26,169	26,860
<b>Net cash flows from investing activities</b>		<b>26,454</b>	<b>30,622</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of units		50,154	–
Issue costs		(1,795)	–
Repayments of interest bearing liabilities		(44,700)	(5,000)
Distributions paid		–	(6,205)
<b>Net cash flows from/(used in) financing activities</b>		<b>3,659</b>	<b>(11,205)</b>
Net increase in cash and cash equivalents		11,972	(2,226)
Cash and cash equivalents at beginning of year		1,259	3,485
<b>Cash and cash equivalents at 30 June 2010</b>		<b>13,231</b>	<b>1,259</b>

The Statement of Cash Flows should be read in conjunction with the Notes to the Financial Statements.

# Notes to the Financial Statements

For the year ended 30 June 2010

## 1 Reporting entity

Multiplex Prime Property Fund (Fund) is an Australian registered managed investment scheme under the *Corporations Act 2001*. Brookfield Multiplex Capital Management Limited (BMCML), the Responsible Entity of the Fund, is incorporated and domiciled in Australia. The consolidated financial statements of the Fund as at and for the year ended 30 June 2010 comprise the Fund and its subsidiaries (together referred to as the Consolidated Entity) and the Consolidated Entity's interest in associates.

## 2 Basis of preparation

### a Statement of compliance

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASB) (including Australian interpretations) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The financial statements of the Consolidated Entity and the Fund (financial statements) comply with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Boards (IASB).

The financial statements were authorised for issue by the Directors on this 25th day of August 2010.

### b Basis of measurement

The consolidated financial statements have been prepared on the basis of historical cost, except for the following:

- derivative financial instruments, which are measured at fair value;
- investment property, which is measured at fair value;
- equity accounted investments, which are measured using the equity method;
- available for sale financial assets, which are measured at fair value; and
- equity receivable, which is measured at amortised cost.

The methods used to measure fair value are discussed further in Note 3.

The consolidated financial statements are presented in Australian dollars, which is the Fund's functional and presentation currency.

The Consolidated Entity is of a kind referred to in ASIC Class Order 98/100, dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005 and CO 06/51 effective 31 January 2006), and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand dollars, unless otherwise stated.

### c Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements is provided in investment properties (Note 11), investments accounted for using the equity method (Note 6), investments – available for sale (Note 12), trade and other receivables (Note 10) and financial instruments (Note 19).

### d Financial statement presentation

The Consolidated Entity and Fund have applied the revised AASB 101 *Presentation of Financial Statements*, which became effective on 1 January 2009. The revised standard requires the separate presentation of a Statement of Comprehensive Income and a Statement of Changes in Equity. All non-owner changes in equity must now be presented in the Statement of Comprehensive Income. As a consequence, the Consolidated Entity had to change the presentation of its financial statements. Comparative information has been re-presented so that it confirms with the revised standard.

Previous primary statement	Current primary statement
Income Statement	Statement of Comprehensive Income
Balance Sheet	Statement of Financial Position
Statement of Changes in Equity	Statement of Changes in Equity
Cash Flow Statement	Statement of Cash Flows

# Notes to the Financial Statements

For the year ended 30 June 2010

## 3 Significant accounting policies

The significant policies set out below have been applied consistently to all periods presented in these financial statements.

### a Principles of consolidation

#### Subsidiaries

The consolidated financial statements incorporate the financial statements of the Fund and its subsidiaries. Control is achieved where the Fund has the power to govern the financial and operational policies of an entity so as to obtain benefits from its activities.

The results of the subsidiaries acquired or disposed of during the year are included in the consolidated Statement of Comprehensive Income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Consolidated Entity.

All intra-group transactions, balances, income and expenses, including unrealised profits arising from intra-group transactions, are eliminated in full in the consolidated financial statements. In the separate financial statements of the Fund, intra-group transactions (common control transactions) are generally accounted for by reference to the existing carrying value of the items. Where the transaction value of common control transactions differs from their carrying value, the difference is recognised as a contribution by, or distribution to, equity participants by the transacting entities.

In the Fund's financial statements, investments in controlled entities are carried at cost less impairment, if applicable.

Non-controlling interests in subsidiaries are identified separately from the Consolidated Entity's equity therein. The interests of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Consolidated Entity's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Consolidated Entity's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to unitholders.

When the Consolidated Entity loses control of a subsidiary, the gain or loss on disposal is calculated as the difference between the aggregate of the fair value of the consideration received and the fair value of any retained interest and the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

#### Associates

Associates are all entities over which the group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

### b Revenue recognition

Revenues are recognised at the fair value of the consideration received for the sale of goods and services, net of the amount of Goods and Services Tax (GST), rebates and discounts.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Consolidated Entity and the revenue can be reliably measured.

The following specific criteria for the major business activities must also be met before revenue is recognised. Where amounts do not meet these recognition criteria, they are deferred and recognised in the period in which the recognition criteria are met.

### 3 Significant accounting policies continued

#### b Revenue recognition continued

##### Property rental revenue

Rental income from investment property leased out under an operating lease is recognised in the Statement of Comprehensive Income on a straight-line basis over the term of the lease.

Lease incentives granted are recognised by the Consolidated Entity as an integral part of the total rental income on a straight-line basis.

Contingent rents are recorded as income by the Consolidated Entity in the periods in which they are earned.

##### Dividends and distributions

Revenue from dividends and distributions is recognised when the right of the Consolidated Entity or the Fund to receive payment is established, which is generally when they have been declared.

Dividends and distributions received from associates reduce the carrying amount of the investment of the Consolidated Entity in that associate and are not recognised as revenue.

##### Interest revenue

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

##### Gain or losses on available for sale financial assets

Listed investments are classified as being available for sale and are stated at fair value, with any resulting gain or loss recognised directly in equity in the Statement of Financial Position, except for impairment losses, which are recognised directly in the Statement of Comprehensive Income. Where these investments are derecognised, the cumulative gain or loss previously recognised directly in equity in the Statement of Financial Position is recognised in the Statement of Comprehensive Income.

The fair value of listed investments is the quoted bid price at the year end date.

#### c Leases

Leases are classified at their inception as either operating or finance leases, based on the economic substance of the agreements so as to reflect the risks and benefits incidental to ownership.

##### Operating leases

The minimum rental revenues of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as income on a straight-line basis over the lease term, which is considered to best represent the time pattern in which benefits derived from the leased asset are diminished.

##### Leasing fees

Leasing fees in relation to the initial leasing of the property after a redevelopment are capitalised and amortised over the period to which the lease relates.

Costs that are directly associated with negotiating and executing the ongoing renewal of tenant lease agreements (including commissions, legal fees and costs of preparing and processing documentation for new leases) are also capitalised and amortised over the lease term in proportion to the rental revenue recognised in each financial year.

##### Leasing incentives

Lease incentives, which may take the form of up-front payments, contributions to certain lease costs, relocation costs and fit-outs and improvements, are recognised in aggregate as a reduction of rental income over the lease term.

#### d Expense recognition

##### Finance costs

Finance costs are recognised as expenses using the effective interest rate method, unless they relate to a qualifying asset.

Finance costs include:

- interest on bank overdrafts and short-term and long-term borrowings, including amounts paid or received on interest rate swaps;
- amortisation of discounts or premiums relating to borrowings;
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings; and
- finance lease charges.

##### Management fees

A base management fee calculated on the gross value of assets is payable to the Responsible Entity. The fee is payable by the Consolidated Entity quarterly in arrears.

# Notes to the Financial Statements

For the year ended 30 June 2010

## 3 Significant accounting policies continued

### d Expense recognition continued

#### Performance fee

A performance fee of 5.125% to 15.375% (including GST less any reduced input tax credits) of the outperformance of the Consolidated Entity against benchmark returns is recognised on an accrual basis unless waived by the Responsible Entity. The benchmark return is the annualised compound return of the UBS Commercial Property Accumulation (200 Index). Where the Consolidated Entity exceeds the benchmark return, the performance fee will be calculated in two tiers as follows:

- a Tier 1 performance fee equal to 5.125% (including GST less any reduced input tax credits) of the amount by which the total return of the Fund exceeds the benchmark; and
- a Tier 2 performance fee which is applicable only where the Fund produces a total return outperformance in excess of 1% per six month period above benchmark. This tier of the fee is calculated as 15.375% (including GST less any reduced input tax credits) of the amount by which the total return of the fund is in excess of 1% above the benchmark for the six month period (for a year, approximately equivalent to the returns over the benchmark plus 2% per annum).

Any previous underperformance must be recovered before a performance fee becomes payable.

#### Other expenditure

Expenses are recognised by the Consolidated Entity on an accruals basis.

### e Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an expense item.

Receivables and payables are stated with the amount of GST. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

### f Income tax – funds

Under current income tax legislation, the Consolidated Entity is not liable for Australian income tax provided that the taxable income is fully distributed to unitholders each year. The Consolidated Entity fully distributes its taxable income each year, calculated in accordance with the Trust Constitution and applicable legislation, to unitholders who are presently entitled to income under the Constitution.

Tax allowances for buildings, plant and equipment are distributed to unitholders in the form of a tax deferred component of the distributions.

### g Cash and cash equivalents

For purposes of the Statement of Cash Flows, cash includes cash balances, deposits at call with financial institutions, and other highly liquid investments with short periods to maturity which are readily convertible to cash and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

### h Trade and other receivables

Trade debtors and other receivables, including equity receivable, are stated at their amortised cost using the effective interest rate method less any identified impairment losses. Impairment charges are brought to account as described in Note 3n. Non-current receivables are measured at amortised cost using the effective interest rate method.

### i Investment property

An investment property is a property that is held to earn long-term rental yields and/or for capital appreciation.

An investment property acquired is initially recorded at its cost at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. An investment property is subsequently carried at fair value based on the principles outlined below.

Where the contracts of purchase include a deferred payment arrangement, amounts payable are recorded at their present value, discounted at the rate applicable to the Consolidated Entity if a similar borrowing were obtained from an independent financier under comparable terms and conditions.

### 3 Significant accounting policies continued

#### i Investment property continued

##### Valuations

Investment property is stated at fair value at the reporting date.

The investment properties of the Consolidated Entity are internally valued at each reporting date. The Consolidated Entity's policy is to obtain external valuations when internal valuations performed indicate the property value has changed by more than 5%, or whenever it is believed that the fair value of a property differs significantly from its carrying value, based on a material change to the assumptions and market conditions underlying the valuation. An external valuation is obtained at least every three years. All external valuations are adopted as the fair value of the investment property at the relevant reporting date. When internal valuations indicate a change from the carrying value of between 2% and 5%, the internal valuation will be adopted.

The fair value of investment property is the price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction, and is determined:

- without any deduction for transaction costs the entity may incur on sale or other disposal;
- reflecting market conditions at the reporting date;
- reflecting rental income from current leases and reasonable and supportable assumptions that represent what knowledgeable, willing parties would assume about rental income from future leases in the light of current conditions. It also reflects, on a similar basis, any cash outflows that could be expected in respect of the property;
- assuming simultaneous exchange and completion of the contract for sale without any variation in price that might be made in an arm's length transaction between knowledgeable, willing parties if exchange and completion are not simultaneous;
- ensuring that there is no double-counting of assets or liabilities that are recognised as separate assets or liabilities; and
- without inclusion of future capital expenditure that will improve or enhance the property. The valuation does not reflect the related future benefits from this future expenditure.

Any gains or losses arising from a change in the fair value of investment property are recognised in the Statement of Comprehensive Income in the period in which they arise.

#### j Available for sale financial assets

Listed investments are classified as being available for sale. Available for sale financial assets are initially recognised at fair value plus directly attributable transaction costs. Subsequent to initial recognition they are measured at fair value, with any resulting gain or loss recognised directly in equity. Where there is evidence of impairment in the value of the investment, usually through adverse market conditions, the impairment loss will be recognised directly in the Statement of Comprehensive Income. Where listed investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in the Statement of Comprehensive Income.

#### k Associates

The Consolidated Entity's investments in associates are accounted for using the equity method of accounting in the consolidated financial statements. An associate is an entity in which the Consolidated Entity has significant influence, but not control, over their financial and operating policies.

Under the equity method, investments in associates are carried in the consolidated Statement of Financial Position at cost plus post-acquisition changes in the Consolidated Entity's share of net assets of the associates. After application of the equity method, the Consolidated Entity determines whether it is necessary to recognise any additional impairment loss with respect to the Consolidated Entity's net investment in the associates. The consolidated Statement of Comprehensive Income reflects the Consolidated Entity's share of the results of operations of the associates.

When the Consolidated Entity's share of losses exceeds its interest in an associate, the Consolidated Entity's carrying amount is reduced to nil and recognition of further losses is discontinued, except to the extent that the Consolidated Entity has incurred legal or constructive obligations or made payments on behalf of an associate.

Where there has been a change recognised directly in the associate's equity, the Consolidated Entity recognises its share of changes and discloses this in the consolidated Statement of Changes in Equity.

Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the Consolidated Entity's interest in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Gains and losses are recognised when the contributed assets are consumed or sold by the associate.

# Notes to the Financial Statements

For the year ended 30 June 2010

## 3 Significant accounting policies *continued*

### l Derivative financial instruments

The Consolidated Entity uses derivative financial instruments to hedge its exposure to interest rate risk from operational, financing and investment activities. The Consolidated Entity does not hold or issue derivative financial instruments for trading purposes.

### m Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity securities, trade and other receivables, cash and cash equivalents, interest bearing liabilities, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Consolidated Entity becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised if the Consolidated Entity's contractual rights to the cash flows from the financial assets expire or if the Consolidated Entity transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchase and sales of financial assets are accounted for at trade date, i.e. the date that the Consolidated Entity commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Consolidated Entity's obligations specified in the contract expire or are discharged or cancelled.

Accounting policies for cash and cash equivalents, trade and other receivables, trade and other payables, interest bearing liabilities and available for sale financial assets are discussed elsewhere within the financial statements.

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

### n Impairment

#### Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flow of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available for sale financial asset is calculated by reference to its current fair value.

Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the Statement of Comprehensive Income. Any cumulative loss in respect of an available for sale financial asset recognised previously in equity is transferred to the Statement of Comprehensive Income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available for sale financial assets that are debt securities, the reversal is recognised in the Statement of Comprehensive Income. For available for sale financial assets that are equity securities, the reversal is recognised directly in equity.

#### Non-financial assets

The carrying amount of the Consolidated Entity's non-financial assets, other than investment property, is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, then the asset's recoverable amount is estimated.

Impairment losses recognised in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### o Earnings per unit

The Consolidated Entity presents basic and diluted earnings per unit (EPU) data for all its ordinary unitholders. Basic EPU is calculated by dividing the profit or loss attributable to ordinary unitholders of the Consolidated Entity by the weighted average number of ordinary units outstanding during the period. Diluted EPU is determined by adjusting the profit or loss attributable to ordinary unitholders and the weighted average number of ordinary units outstanding for the effects of all dilutive potential ordinary units.



### 3 Significant accounting policies continued

#### p Trade and other payables

Payables are stated at amortised cost using the effective interest rate method and represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial period and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

#### q Interest bearing liabilities

Interest bearing liabilities are recognised initially at fair value less any attributable transaction costs. Subsequent to initial recognition, interest bearing liabilities are stated at amortised cost, with any difference between cost and redemption value being recognised in the Statement of Comprehensive Income over the period of the borrowings on an effective interest rate basis. Interest bearing loans and borrowings are classified as current liabilities unless the Consolidated Entity has an unconditional right to defer settlement of the liability to at least 12 months after the year end.

#### r Distributions

A provision for distribution is recognised in the Statement of Financial Position if the distribution has been declared prior to year end. Distributions paid and payable on units are recognised as a reduction in equity. Distributions paid are included in cash flows from financing activities in the Statement of Cash Flows.

#### s Units on issue

Issued and paid up units are recognised as changes in equity at the fair value of the consideration received by the Consolidated Entity, less any incremental costs directly attributable to the issue of new units.

#### t Segment reporting

##### Change in accounting policy

The Consolidated Entity has adopted AASB 8 *Operating Segments* with effect from 1 July 2009. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Consolidated Entity that are regularly reviewed by the Chief Operating Decision Maker in order to allocate resources to segments and to assess their performance. Management have identified this function is performed by the Board of Directors of the Responsible Entity (Board). In contrast, the predecessor Standard (AASB 114 *Segment Reporting*) required an entity to identify two sets of segments using a risks and returns approach. As a result, following adoption of AASB 8, the identification of the Consolidated Entity's reportable segments has changed.

#### u New standards and interpretations not yet adopted

The following standards, amendments to standards, and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2010 but have not been applied preparing these financial statements:

*AASB 9 Financial Instruments* and *AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9* (effective from 1 January 2013)

*AASB 9 Financial Instruments* addresses the classification and measurement of financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not traded. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in the profit or loss of the Statement of Comprehensive Income. The Consolidated Entity has not yet decided when to adopt AASB 9 or the consequential impact of the amendment.

*AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 and 139]*

In May 2009, the AASB issued a number of improvements to *AASB 5 Non-current Assets Held for Sale and Discontinued Operations*, *AASB 8 Operating Segments*, *AASB 101 Presentation of Financial Statements*, *AASB 107 Statement of Cash Flows*, *AASB 117 Leases*, *AASB 118 Revenue*, *AASB 136 Impairment of Assets* and *AASB 139 Financial Instruments: Recognition and Measurement*. The Consolidated Entity will apply the revised Standards from 1 July 2010. The Consolidated Entity does not expect that any adjustments will be necessary as a result of applying the revised rules.

# Notes to the Financial Statements

For the year ended 30 June 2010

## 4 Parent entity disclosures

	Fund	
	2010 \$'000	2009 \$'000
<b>Assets</b>		
Current assets	171,079	41,970
Non-current assets	552,783	656,817
<b>Total assets</b>	<b>723,862</b>	<b>698,787</b>
<b>Liabilities</b>		
Current liabilities	22,437	528,366
Non-current liabilities	492,340	22,569
<b>Total liabilities</b>	<b>514,777</b>	<b>550,935</b>
<b>Equity</b>		
Units on issue	303,182	252,717
Reserves	(13,098)	(26,195)
Undistributed losses	(81,000)	(78,670)
<b>Total equity</b>	<b>209,084</b>	<b>147,852</b>

	Fund	
	Year ended 30 June 2010 \$'000	Year ended 30 June 2009 \$'000
Net loss for the year	(2,332)	(11,388)
Other comprehensive profit/(loss) for the year	13,098	(47,909)
<b>Total comprehensive income for the year</b>	<b>10,766</b>	<b>(59,297)</b>

## 5 Segment reporting

Management have identified the Chief Operating Decision Maker function is performed by the Board of Directors of the Responsible Entity (Board). The Board assesses the performance of the Consolidated Entity in its entirety. The allocation of resources is not performed in separate segments by the Board. The Board reviews and assesses the information in relation to the performance of the Consolidated Entity as set out in the Statement of Comprehensive Income and Statement of Financial Position, therefore no further segment reporting is required.

## 6 Investments accounted for using the equity method

	Consolidated	
	2010 \$'000	2009 \$'000
Multiplex Developments No. 6A Unit Trust	138,299	129,046
Latitude Landowning Trust	262,911	258,210
	<b>401,210</b>	<b>387,256</b>
Share of profit/(loss) in the year from investments accounted for using the equity method is as follows:		
Multiplex Developments No. 6A Unit Trust	19,146	(3,337)
Latitude Landowning Trust	22,815	(12,308)
	<b>41,961</b>	<b>(15,645)</b>
Fair value adjustments from the revaluation of investment property included in the share of profit/(loss) above is as follows:		
Multiplex Developments No. 6A Unit Trust	10,383	(11,795)
Latitude Landowning Trust	3,300	(30,788)
	<b>13,683</b>	<b>(42,583)</b>

## 6 Investments accounted for using the equity method *continued*

Summary financial information for equity accounted investees, not adjusted for the percentage ownership held by the Consolidated Entity, is as follows:

	Consolidated 2010 \$'000	2009 \$'000
Current assets	37,126	90,376
Non-current assets	1,075,933	1,052,649
<b>Total assets</b>	<b>1,113,059</b>	<b>1,143,025</b>
Current liabilities	4,222	4,049
Non-current liabilities	4,410	90,486
<b>Total liabilities</b>	<b>8,632</b>	<b>94,535</b>
Revenues	92,960	90,977
Expenses	(17,239)	(128,939)
<b>Net profit/(loss) for the year</b>	<b>75,721</b>	<b>(37,962)</b>

The Fund owns 50% of Latitude Landowning Trust and 25% of Multiplex Development No. 6A Unit Trust (2008: 50% and 25% respectively).

## 7 Auditor's remuneration

	Consolidated Year ended 30 June 2010 \$	Year ended 30 June 2009 \$
<b>Auditors of the Fund:</b>		
Audit and review of financial reports	35,000	108,800
Non-audit services	-	9,500
<b>Total auditor's remuneration</b>	<b>35,000</b>	<b>118,300</b>

Fees paid to the auditors of the Fund in relation to compliance plan audits are borne by the Responsible Entity.

During the year, the auditor of the Consolidated Entity and Fund changed from KPMG to Deloitte Touche Tohmatsu (Deloitte).

## 8 Earnings per unit

### Classification of securities as ordinary units

All securities have been classified as ordinary units and included in basic earnings per unit (EPU) as they have the same entitlement to distributions. There are no dilutive potential ordinary units, therefore diluted EPU is the same as basic EPU.

Earnings per unit have been calculated in accordance with the accounting policy per Note 3o.

		Consolidated Year ended 30 June 2010	Year ended 30 June 2009 (restated)	Year ended 30 June 2009 (as previously reported)
Net profit/(loss) attributable to unitholders	\$'000	14,846	(86,300)	(86,300)
Weighted average number of ordinary units used in the calculation of basic and diluted earnings per unit	'000	32,023	282	281,765
Basic and diluted weighted earnings/(loss) per ordinary unit <sup>1</sup>	cents	46.36	(30,628.37)	(30.63)

<sup>1</sup> Earnings per unit for the prior year ended 30 June 2009 has been restated in the current financial year to account for the impact of the pro-rata Entitlement Offer and the consolidation of units, which took place in November 2009 and June 2010 respectively. Refer to Note 16 for details. This restatement is in accordance with AASB 133 *Earnings per Share*.

# Notes to the Financial Statements

For the year ended 30 June 2010

## 9 Distributions

Distributions paid/payable to unitholders were as follows:

	Cents per unit	Total amount \$'000	Date of payment
<b>Ordinary units</b>			
<b>Total distribution for the year ended 30 June 2010</b>	–	–	
<b>Ordinary units</b>			
September 2008 distribution	1.00	2,818	31 October 2008
<b>Total distribution for the year ended 30 June 2009</b>	<b>1.00</b>	<b>2,818</b>	

The Consolidated Entity did not pay a distribution for the year ended 30 June 2010 in order to preserve the capital position of the Consolidated Entity. Distributions paid for the year ended 30 June 2009 were paid out of the Consolidated Entity's realised revenues and expenses.

## 10 Trade and other receivables

	Consolidated 2010 \$'000	2009 \$'000
<b>Current</b>		
Prepayments and accrued income	868	866
Distributions receivable	142	150
Equity receivable	108,397	–
Other receivables	2,026	–
<b>Total current trade and other receivables</b>	<b>111,433</b>	<b>1,016</b>
<b>Non-current</b>		
Equity receivable	–	104,034
<b>Total non-current trade and other receivables</b>	<b>–</b>	<b>104,034</b>

During the year, the Fund undertook an underwritten non-renounceable 178 for 1 Entitlement Offer of 50,154,148,106 new ordinary partly paid units at an initial subscription price of 0.1 cents per unit. Both the new units and the existing units are now traded as MAFCB (previously MAFCA). The units have a final instalment of 0.2237 cents per unit (which, subject to certain acceleration rights, is payable on 15 June 2011). On 21 June 2010, a 1,000 for 1 consolidation of units came into effect. The unpaid amount per unit has increased in the same ratio as the consolidation ratio of 1,000 for 1, resulting in the unpaid amount per unit being \$2.237 after the consolidation of units and as at year end.

If unitholders fail to pay the full amount of the deferred settlement by the due date, the Responsible Entity may determine that those units are forfeited by the unitholder. The Responsible Entity may dispose of forfeited units in any manner it decides, in accordance with the *Corporations Act 2001*. The forfeiting unitholder is still liable to pay all unpaid amounts, including the final instalment amount of \$2.237 per unit, plus penalty interest and expenses incurred in relation to the forfeiture or disposal of units less the amount raised from the sale of the forfeited units. Any surplus funds after disposal of the forfeited units will be paid to the ex-unitholder whose units were forfeited.

The due date for payment of the final instalment is 15 June 2011; however, that may be accelerated in the following limited circumstances:

- to cure a material breach of a debt facility;
- an insolvency event occurs in relation to the Fund (which may arise, for example, if the Term Facility or Partly Paid Facility are accelerated following an event of default);
- the Fund fails to pay any amount owing in respect of the Partly Paid Facility;
- any of the financial covenants set out in the Partly Paid Facility are breached (following an appropriate remedy period);
- a material lease terminates and the Banks determine that the financial covenants will not be satisfied following the lease termination; or
- Brookfield Multiplex Capital Management Limited is replaced as Responsible Entity of the Fund.

## 11 Investment properties

There are no investment properties held by the Fund. The Consolidated Entity holds the following investment properties at the reporting date:

Description	Cost including additions \$'000	Latest external valuation \$'000	Latest external valuation date	Valuation cap rate	2010 book value \$'000	2009 book value \$'000
Defence Plaza	67,642	58,000	Jun 10	8.25%	58,000	56,700
American Express Building	124,783	127,000	Jun 10	7.00%	127,000	124,400
<b>Total investment properties</b>	<b>192,425</b>	<b>185,000</b>			<b>185,000</b>	<b>181,100</b>

The Consolidated Entity owns 50% of Latitude Landowning Trust and 25% of Multiplex Development No. 6A Unit Trust. These investments are accounted for using the equity method. The Consolidated Entity's proportionate value ownership of properties held through these associates is as follows:

Description	Valuation cap rate range	2010 book value \$'000	2009 book value \$'000
Total commercial investment properties	7.15% – 7.5%	400,000	386,325
<b>Total investment properties held by associates</b>		<b>400,000</b>	<b>386,325</b>

### Independent valuations

The investment properties of the Consolidated Entity are internally valued at each reporting date. The Consolidated Entity's policy is to obtain external valuations when internal valuations performed indicate the property value has changed by more than 5%, or whenever it is believed that the fair value of a property differs significantly from its carrying value, based on a material change to the assumptions and market conditions underlying the valuation. An external valuation is obtained at least every three years.

At 30 June 2010, the entire property portfolio (including properties held through associates) was independently valued by Colliers (Victoria). They have been valued in accordance with the Australian Property Institute's Code of Professional Practice 2002.

The external valuations have been undertaken using a discounted cash flow (DCF) approach and a capitalisation method. The key assumptions adopted under these methods include assessment of the capitalisation rate, discount rate, terminal yield, current passing/market rental and forecast net annual cash flows receivable from the properties.

	Consolidated	
	Year ended 30 June 2010 \$'000	Year ended 30 June 2009 \$'000
Reconciliation of movement in fair value of investment properties		
Opening balance	181,100	211,600
Impact of straight lining	1,237	–
Capital expenditure	–	486
Net gain/(loss) on fair value adjustment of investment property	2,663	(30,986)
<b>Carrying amount at year end</b>	<b>185,000</b>	<b>181,100</b>

Investment property comprises two commercial properties that are leased to third parties. Each of the leases contains an initial non-cancellable period, which varies across tenants. Subsequent renewals are negotiated with the lessee.

# Notes to the Financial Statements

For the year ended 30 June 2010

## Leasing arrangements

Investment properties are leased to tenants under long term operating leases, with rentals receivable monthly. The weighted average lease term of the investment properties is 6.2 years (2009: 7.4 years). Minimum lease payments under non cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:

	Consolidated	
	2010	2009
	\$'000	\$'000
Within one year	15,244	15,823
Later than one year but not later than five years	34,650	43,580
Later than five years	34,436	46,875
<b>Total</b>	<b>84,330</b>	<b>106,278</b>

## 12 Investments – available for sale

	Consolidated	
	2010	2009
	\$'000	\$'000
Cost of investments – listed property trusts	58,315	58,304
Fair value adjustment	677	–
Impairment – listed property trusts	(53,847)	(53,168)
<b>Total investments – available for sale</b>	<b>5,145</b>	<b>5,136</b>

Reconciliation of the carrying amount of impairment is set out below:

	Consolidated	
	Year ended	Year ended
	30 June 2010	30 June 2009
	\$'000	\$'000
Investments – available for sale (listed property trusts)		
Carrying amount as at beginning of year	(53,168)	(44,718)
Reduction of impairment balance due to disposal of investments	–	4,240
Impairment recognised in the year	(679)	(12,690)
<b>Carrying amount at year end</b>	<b>(53,847)</b>	<b>(53,168)</b>

Reconciliation of the impairment expense recognised in the Statement of Comprehensive Income is set out below:

	Consolidated	
	Year ended	Year ended
	30 June 2010	30 June 2009
	\$'000	\$'000
Investments – available for sale assets		
Impairment recognised – listed property trusts	679	12,690
<b>Total</b>	<b>679</b>	<b>12,690</b>

## Impairment

During the year, the Consolidated Entity recognised an impairment loss in accordance with accounting standards of \$679,000 in relation to its available for sale assets (2009: \$12,690,000). The Fund recognised an impairment loss in relation to its investments in controlled entities totalling \$nil (2009: \$13,093,000).

The impairment loss recognised in relation to available for sale investments represents the difference between the cost of the portfolio and the market value as at 30 June 2010, less any previously recorded impairment losses.

The Responsible Entity has determined there is objective evidence at the date of this report that the value of the Consolidated Entity's listed property trust portfolio is impaired. This determination has arisen due to the significant and prolonged decline in value of listed property trusts during the year and market conditions within the property sector generally.

**13 Investments in controlled entities**

	Fund			
	2010 Ownership %	2010 \$'000	2009 Ownership %	2009 \$'000
Multiplex Southern Cross East Investment Trust	100	132,104	100	132,104
Multiplex Acumen Latitude Investment Trust	100	260,513	100	260,513
Multiplex Defence Plaza Investment Trust	100	69,003	100	69,003
Brookfield Multiplex King Street Wharf Site 3B Landowning Trust	100	89,234	100	89,234
Multiplex Acumen LPS Investment Trust	100	63,104	100	63,104
Provision for impairment		(61,175)		(61,175)
<b>Investments in controlled entities</b>		<b>552,783</b>		<b>552,783</b>

A review of the carrying value of the investment in controlled entities at 30 June 2010 indicated that the investment in the units of Multiplex Acumen LPS Investment Trust is impaired. A provision of \$nil was therefore recorded in the current year (2008: \$13,093,000) to reflect the value of the investment at a value equivalent to the value of net assets attributable to the underlying subsidiary investment.

# Notes to the Financial Statements

For the year ended 30 June 2010

## 14 Trade and other payables

	Consolidated	
	2010	2009
	\$'000	\$'000
Management fees payable	7,924	4,029
Interest payable	149	329
Other payables and accruals	2,770	574
<b>Total trade and other payables</b>	<b>10,843</b>	<b>4,932</b>

## 15 Interest bearing liabilities

	Consolidated	
	2010	2009
	\$'000	\$'000
Current		
Secured bank debt	–	520,514
Debt establishment fees	–	(1,964)
Non-current		
Secured bank debt	475,814	–
Debt establishment fees	(1,280)	–
<b>Total interest bearing liabilities</b>	<b>474,534</b>	<b>518,550</b>

		Consolidated	
	Expiry Date	2009	2009
		\$'000	\$'000
<b>Finance arrangements</b>			
Facilities available			
Bank debt facilities			
- Term facility	December 2011	363,014	407,714
- Partly paid facility	December 2011	112,800	112,800
<b>Total available interest bearing liabilities</b>		<b>475,814</b>	<b>520,514</b>
Less: facilities utilised			
- Term facility		363,014	407,714
- Partly paid facility		112,800	112,800
<b>Total facilities utilised</b>		<b>475,814</b>	<b>520,514</b>
Unused facilities at reporting date			
- Term facility		–	–
- Partly paid facility		–	–
<b>Total unused facilities</b>		<b>–</b>	<b>–</b>

The security granted in favour of the banks in support of the obligations under the Term and Partly Paid facilities are limited to the assets and income of the Consolidated Entity and include real property mortgages over the relevant properties. Security for the Partly Paid facility also includes a fixed charge over the Fund's right to receive the final instalment of equity in accordance with the terms of the Constitution.

The Consolidated Entity has two financial covenants on each of the two facilities, an interest coverage ratio (ICR) and a loan to value ratio (LVR). At 30 June 2009, the Consolidated Entity was not in compliance with its LVR covenants on both of the debt facilities. A repayment of \$44,700,000 was made on 13 November 2009 from the proceeds received from the Entitlement Offer to reduce the total value of debt drawn and remedy the breach.

At 30 June 2010, the Consolidated Entity was in compliance with both financial covenants on both of the debt facilities. The LVR limit on the Term facility states that the total borrowing on the Term facility must not exceed the sum of 75% of the value of investment properties (including investment properties held through associates) and 50% of the value of the A-REIT portfolio. The Term facility limit based on actual results at 30 June 2010 indicates that the total value based on the above criteria exceeds the borrowing on the Term facility by \$78,304,000. The LVR limit on the new partly paid facility is 85.0% and the LVR based on actual results at 30 June 2010 is 80.6%.



**15 Interest bearing liabilities** continued**Derivatives**

The Fund and Consolidated Entity have entered into interest rate swaps to hedge the interest rate risk on the floating rate interest bearing liabilities above. Fair value movements of the interest rate swap assets are recognised in the Statement of Comprehensive Income. The Fund's and the Consolidated Entity's holdings in derivatives are detailed below.

Type of contract	Expiration	Underlying instrument	Fixed rate %	Notional amount of contracts outstanding \$'000	Fair value (assets) \$'000	Fair value (liabilities) \$'000
As at 30 June 2010	July 2011	Floating to fixed	5.68	470,000	–	4,335
As at 30 June 2009	July 2011	Floating to fixed	5.68	527,786	–	15,485

The Fund and Consolidated Entity are party to swaption agreements which provide the existing financier the option to extend the existing interest rate swap agreements to 2016 at a rate of 5.88%. If the Fund refinances with a counterparty bank other than the existing financiers or repays the debt, it would either have to novate the swap contracts or settle the outstanding Mark-to-Market asset/liability at that point in time. At 30 June 2010, the fair value of the swaption derivatives is a liability of \$13,471,000 (2009: liability of \$7,084,000).

	Year ended 30 June 2010 \$'000	Year ended 30 June 2010 Units	Year ended 30 June 2009 \$'000	Year ended 30 June 2009 Units
<b>16 Units on issue</b>				
Units on issue				
Opening balance	273,092	281,764,877	261,212	281,764,877
Issue of units	50,154	50,154,148,106	–	–
Consolidation of units	–	(50,385,477,177)	–	–
Equity receivable movement	4,364	–	11,880	–
<b>Closing balance</b>	<b>327,610</b>	<b>50,435,806</b>	<b>273,092</b>	<b>281,764,877</b>
Unit issue costs				
Opening balance	20,375	–	20,375	–
Entitlement offer costs	4,053	–	–	–
<b>Closing balance</b>	<b>24,428</b>	<b>–</b>	<b>20,375</b>	<b>–</b>
<b>Total units on issue</b>	<b>303,182</b>	<b>50,435,806</b>	<b>252,717</b>	<b>281,764,877</b>

**Ordinary units**

Ordinary units entitle the holder to participate in distributions and the proceeds on winding up of the Fund in proportion to the number of units held. On a show of hands, every holder of units present at a meeting of unitholders, in person or by proxy, is entitled to one vote and upon a poll each unit is entitled to one vote.

On 13 November 2009, the Fund successfully completed a \$50,154,148 Entitlement Offer. The Entitlement Offer resulted in the issue of 50,154,148,106 units at 0.1 cents per unit, raising \$50,154,148 before transaction costs of \$4,053,000 were applied. On 21 June 2010, a 1,000 for 1 consolidation of units came into effect. The consolidation of units was conducted to reduce the large number of units on issue following the 2009 Entitlement Offer, as described above. The consolidation of units resulted in a reduction of the number of the total units on issue from 50,435,912,983 to 50,435,806 units. Prior to the consolidation of units, the units were partly paid, with 0.2237 cents per unit remaining unpaid. The unpaid amount per unit has increased in the same ratio as the consolidation ratio of 1,000 for 1, resulting in the unpaid amount per unit being \$2.237 after the consolidation of units.

**17 Reserves**

	Consolidated	
	2010 \$'000	2009 \$'000
Available for sale reserve	677	–
Hedge reserve	(13,097)	(26,195)
<b>Total reserves</b>	<b>(12,420)</b>	<b>(26,195)</b>

# Notes to the Financial Statements

For the year ended 30 June 2010

## 17 Reserves continued

### Available for sale reserve

	Consolidated	
	Year ended 30 June 2010 \$'000	Year ended 30 June 2009 \$'000
Opening balance	–	–
Fair value movement in relation to listed investments	677	(12,690)
Impairment recognised on available for sale assets	–	12,690
<b>Closing balance</b>	<b>677</b>	<b>–</b>

The Consolidated Entity recognised an impairment loss on its listed property trust portfolio during the year. Refer to Note 12 for further details.

### Hedge reserve

Movements in the carrying value of the hedge reserve during the year were as follows:

	Consolidated	
	Year ended 30 June 2010 \$'000	Year ended 30 June 2009 \$'000
Opening balance	(26,195)	21,714
Fair value movement in relation to interest rate swap hedges	13,098	(47,909)
<b>Closing balance</b>	<b>(13,097)</b>	<b>(26,195)</b>

In applying the Consolidated Entity's accounting policy relating to derivative financial instruments and hedging activities, the Consolidated Entity has recorded the current year's movement in the fair value of derivatives through the Statement of Comprehensive Income. All future movements in the fair value of the Consolidated Entity's existing derivatives will be recorded through the Statement of Comprehensive Income. The balance of the hedge reserve will be amortised over the remaining life of the existing derivatives (which is currently estimated as June 2011) to the Statement of Comprehensive Income.

## 18 Undistributed losses

	Consolidated	
	Year ended 30 June 2010 \$'000	Year ended 30 June 2009 \$'000
Opening balance	(92,772)	(3,654)
Net profit	14,846	(86,300)
Distributions to unitholders	–	(2,818)
<b>Closing balance</b>	<b>(77,926)</b>	<b>(92,772)</b>

## 19 Financial instruments

### Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement, and the basis on which revenues and expenses are recognised, in respect of each class of financial asset and financial liability, are disclosed in Note 3 to the financial statements.

Throughout the year, in assessing the size and frequency of any distributions, the Responsible Entity considers all of the risk factors disclosed below. This includes considering the liquid/illiquid nature of any assets or investments held by the Consolidated Entity.

#### a Capital risk management

The Board's intention is to maintain a strong capital base so as to maintain investor confidence and the sustainable future development of the Consolidated Entity. The Board monitors the market unit price of the Consolidated Entity against the Consolidated Entity's net tangible assets (NTA), along with earnings per unit invested and distributions paid per unit.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the security afforded by a sound capital position.

There were no changes in the Fund's or Consolidated Entity's approach to capital management during the year. Neither the Fund nor any of its subsidiaries are subject to externally imposed capital requirements.

## 19 Financial instruments *continued*

### b Financial risk management

#### Overview

The Consolidated Entity is exposed to financial risks in the course of their operations. These exposures arise at two levels: direct exposures, which arise from the Consolidated Entity's use of financial instruments; and indirect exposures, which arise from the Consolidated Entity's equity investments in other funds (Underlying Funds). These risks can be summarised as follows:

- credit risk;
- liquidity risk; and
- market risk (including interest rate risk, foreign currency risk and equity price risk).

The Underlying Funds are exposed to financial risks in the course of their operations, which can impact their profitability. The profitability of the Underlying Funds impacts the returns the Consolidated Entity earns from these investments and the investment values.

The Responsible Entity has responsibility for the establishment and monitoring of a risk management framework. This framework seeks to minimise the potential adverse impact of the above risks on the Consolidated Entity's financial performance. The Board of the Responsible Entity is responsible for developing risk management policies and the Board Risk and Compliance Committee (which is established by the Board) is responsible for ensuring compliance with those risk management policies as outlined in the compliance plan.

Compliance with the Consolidated Entity's policies is reviewed by the Responsible Entity on a regular basis. The results of these reviews are reported to the Board and the Board Risk and Compliance Committee of the Responsible Entity quarterly.

#### Investment mandate

The Consolidated Entity's investment mandate, as disclosed in its Constitution and Product Disclosure Statement, is to invest in A-grade commercial property assets in Australia and listed property trust securities.

#### Derivative financial instruments

Whilst the Consolidated Entity utilises derivative financial instruments, it does not enter into or trade derivative financial instruments for speculative purposes. The use of derivatives is governed by the Consolidated Entity's investment policies, which provide written principles on the use of financial derivatives. These principles permit the use of derivatives to mitigate financial risks associated with financial instruments utilised by the Consolidated Entity.

### c Credit risk

Credit risk is the risk of financial loss to the Consolidated Entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

#### Sources of credit risk and risk management strategies

The Consolidated Entity is exposed to both direct and indirect credit risk in the normal course of its operations. Direct credit risk arises principally from the Consolidated Entity's unitholders, property tenants, investments in listed property trusts and derivative counterparties. Other credit risk also arises for the Consolidated Entity from cash and cash equivalents and distributions receivable from listed property trusts.

Indirect credit risk arises principally from the Underlying Funds' property tenants and derivative counterparties.

#### Trade and other receivables

The Consolidated Entity's exposures to credit risk are influenced mainly by the individual characteristics of each tenant and counterparty. The Consolidated Entity manages and minimises exposure to credit risk by:

- securing well known and long term tenants, with strong lease covenants;
- obtaining bank guarantees from tenants;
- managing and minimising exposures to individual tenants; and
- monitoring receivables balances on an ongoing basis.

#### Equity receivable

During the year, the Consolidated Entity undertook an underwritten non-renounceable 178 for 1 Entitlement Offer of 50,154,148,106 new ordinary partly paid units at an initial subscription price of 0.1 cents per unit. The units had a final instalment of 0.2237 cents per unit (which, subject to certain acceleration rights, is payable on 15 June 2011). On 21 June 2010, a 1,000 for 1 consolidation of units came into effect. The unpaid amount per unit has increased in the same ratio as the consolidation ratio of 1,000 for 1, resulting in the unpaid amount per unit being \$2.237 after the consolidation of units and as at year end.

# Notes to the Financial Statements

For the year ended 30 June 2010

## 19 Financial instruments continued

### c Credit risk continued

If unitholders fail to pay the full amount of the deferred settlement by the due date, the Responsible Entity may determine that those units are forfeited by the unitholder. The Responsible Entity may dispose of forfeited units in any manner it decides, in accordance with the *Corporations Act 2001*. The forfeiting unitholder is still liable to pay all unpaid amounts, including the final instalment amount of \$2.237 per unit, plus penalty interest and expenses incurred in relation to the forfeiture or disposal of units less the amount raised from the sale of the forfeited units. Any surplus funds after disposal of the forfeited units will be paid to the ex-unitholder whose units were forfeited.

The due date for payment of the final instalment is 15 June 2011; however, that may be accelerated in the following limited circumstances:

- to cure a material breach of a debt facility;
- an insolvency event occurs in relation to the Consolidated Entity (which may arise, for example, if the Term Facility or Partly Paid Facility are accelerated following an event of default);
- the Consolidated Entity fails to pay any amount owing in respect of the Partly Paid Facility;
- any of the financial covenants set out in the Partly Paid Facility are breached (following an appropriate remedy period);
- a material lease terminates and the banks determine that the financial covenants will not be satisfied following the lease termination; or
- Brookfield Multiplex Capital Management Limited is replaced as Responsible Entity of the Consolidated Entity.

After receipt of the final instalment amount, the Consolidated Entity must repay the Partly Paid Facility.

### Investments – available for sale

Credit risk arising from investments is mitigated by investing in securities in accordance with the Consolidated Entity's Constitution and Product Disclosure Statement. The Consolidated Entity invests in listed investments with the following characteristics:

- the securities are included in the S&P/ASX 300 Property Index;
- greater than 75% of the Fund's earnings must be from rent and funds management income;
- the investment portfolio must contain a minimum of five different funds to ensure diversity; and
- the portfolio is not to have an exposure greater than 50% to a single fund manager, 50% to a single property security or 30% to a single tenant.

Prior to making an investment in an Underlying Fund, the Responsible Entity will assess the Underlying Fund's asset portfolio to ensure the risk investment strategy of the Underlying Fund is consistent with the investment objectives of the Consolidated Entity.

### Fair value of financial derivatives

Transactions with derivative counterparties are limited to established financial institutions that meet the Consolidated Entity's minimum credit rating criteria. The Consolidated Entity also utilises the International Swaps and Derivatives Association's (ISDA's) agreements with derivative counterparties where possible to limit the credit risk exposure of such transactions by allowing settlement of derivative transaction on a net rather than gross basis.

The Consolidated Entity's overall strategy of credit risk management remains unchanged from 2009.

### Exposure to credit risk

The table below shows the maximum exposure to credit risk at the reporting date. The carrying amounts of these financial assets represent the maximum credit risk exposure at the reporting date.

	Consolidated 2010 \$'000	2009 \$'000
Cash and cash equivalents	13,231	1,259
Trade and other receivables	3,036	1,016
Equity receivable	108,397	104,034
Investments – available for sale	5,145	5,136
<b>Total exposure to credit risk</b>	<b>129,809</b>	<b>111,445</b>

### Concentrations of credit risk exposure

The Consolidated Entity is exposed to credit risk on the equity receivable. The three largest unitholders each hold more than 10% of the units of the Fund and represent a concentration of credit risk to the Consolidated Entity in respect of its obligations under the equity receivable. There are no other significant exposures of credit risk to the Consolidated Entity at 30 June 2010.

## 19 Financial instruments continued

### c Credit risk continued

#### Collateral obtained/held

Where applicable, the Consolidated Entity obtains collateral from counterparties to minimise the risk of default on their contractual obligations. All tenants of the Consolidated Entity's property assets have provided bank guarantees in favour of the direct property-owning entities within the Consolidated Entity. At the current and prior reporting dates, the Consolidated Entity did not hold any other collateral in respect of its financial assets.

The Consolidated Entity did not call on any collateral during the year ended 30 June 2010 (2009: nil).

#### Financial assets past due but not impaired

The ageing of the Consolidated Entity's receivables at the reporting date is detailed below:

	Consolidated 2010 \$'000	2009 \$'000
Current	111,410	866
Past due 0-30 days	10	132
Past due 31-120 days	13	18
Past due 121 days to one year	–	–
More than one year	–	–
<b>Total</b>	<b>111,433</b>	<b>1,016</b>

Amounts recognised above are not deemed to be impaired. There are no significant financial assets that have had their terms renegotiated that would otherwise have rendered the financial assets past due or impaired (2009: nil). During the year ended 30 June 2010, receivables totalling nil were written off by the Consolidated Entity (2009: \$261,500).

### d Liquidity risk

Liquidity risk is the risk that the Consolidated Entity will not be able to meet its financial obligations as and when they fall due.

#### Sources of liquidity risk and risk management strategies

The Consolidated Entity is exposed to direct and indirect liquidity risk in the normal course of its operations. The main sources of liquidity risk for the Consolidated Entity are the timing of repayment and refinancing of interest bearing liabilities. The Consolidated Entity's approach to managing liquidity risk is to monitor the timing of its interest bearing liabilities and ensure that discussions with financiers are commenced well in advance of any scheduled maturity date.

The Consolidated Entity also manages liquidity risk by maintaining adequate banking facilities, through continuous monitoring of forecast and actual cash flows and matching maturity profiles of financial assets and liabilities.

The main source of indirect liquidity risk for the Consolidated Entity is the timing of repayment and refinancing of interest bearing liabilities held by the Underlying Funds, as this can directly impact the amount of distributions the Underlying Funds can pay. The Consolidated Entity's approach to managing this risk forms part of the investment selection process. The Consolidated Entity will only invest in Underlying Funds with investment strategies consistent with the investment objectives of the Consolidated Entity and will monitor the performance of those funds.

The Consolidated Entity's specific risk management strategies are discussed below.

#### Interest bearing liabilities

The Consolidated Entity is exposed to liquidity risk (refinancing risk) on its interest bearing loans. The Consolidated Entity manages this risk by ensuring debt maturity dates and loan covenants are regularly monitored and negotiations with counterparties are commenced well in advance of the debt's maturity date.

#### Investments – available for sale

The Consolidated Entity's listed investments are considered readily realisable as they are listed on the Australian Securities Exchange. The Consolidated Entity's liquidity risk is also managed in accordance with its investment strategy, as disclosed in the Product Disclosure Statement. Refer to Note 15 for details of banking facilities available.

The Consolidated Entity's overall strategy to liquidity risk management remains unchanged from 2009.

# Notes to the Financial Statements

For the year ended 30 June 2010

## 19 Financial instruments continued

### d Liquidity risk continued

#### Defaults and breaches

As at 30 June 2010, the Consolidated Entity was not in default or breach of any terms of its loan amounts or covenants. As at 30 June 2009, the Consolidated Entity was not in compliance with the requirements of its loan to value (LVR) covenants. This was remedied during the current financial year as a result of the partial repayment of the Consolidated Entity's debt facility, upon successful completion of the Entitlement Offer.

#### Maturity analysis of financial liabilities

The following are the contractual maturities of financial liabilities, including estimated interest payments. The tables have been prepared based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Consolidated Entity can be required to pay.

	Carrying amount	Contractual cash flows	Consolidated \$'000			
			0 to 12 months	1 to 2 years	2 to 5 years	Greater than 5 years
<b>2010</b>						
Trade and other payables	10,843	10,843	10,843	–	–	–
Interest bearing liabilities	474,534	509,787	22,649	487,138	–	–
Effect of interest rate swap	17,806	40,044	26,696	13,348	–	–
<b>Total financial liabilities</b>	<b>503,183</b>	<b>560,674</b>	<b>60,188</b>	<b>500,486</b>	<b>–</b>	<b>–</b>
<b>2009</b>						
Trade and other payables	4,932	4,932	4,932	–	–	–
Interest bearing liabilities	518,550	562,454	16,776	16,776	528,902	–
Effect of interest rate swap	22,569	74,946	29,978	29,978	14,990	–
<b>Total financial liabilities</b>	<b>546,051</b>	<b>642,332</b>	<b>51,686</b>	<b>46,754</b>	<b>543,892</b>	<b>–</b>

#### Other derivatives

The Consolidated Entity is counterparty to a swaption agreement which enables the financiers of the Consolidated Entity's existing financing facilities to extend the terms of the interest rate swaps for a period of five years at a rate 20 basis points higher than the current hedged rate. The ability for the financiers to extend the existing interest rate swap agreements is nullified if the existing facilities are repaid prior to this date. At 30 June 2010, the value of the swaptions was a liability of \$13,471,000 (2009: \$7,084,000).

### e Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Consolidated Entity's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising returns.

#### Sources of market risk and risk management strategies

The Consolidated Entity is exposed to both direct and indirect market risk in the normal course of its operations. Direct market risk arises principally from the Consolidated Entity's interest rate risk on interest bearing liabilities and equity price risk on the listed and unlisted property securities investment portfolio. Indirect market risk arises in the form of equity price risk, interest rate risk and foreign currency risk.

The Consolidated Entity will only invest in funds with investment strategies consistent with the investment objectives of the Consolidated Entity and monitors the performance of those funds.

#### Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Cash and cash equivalents balances will also fluctuate with changes in interest rates due to interest earned. The key source of interest rate risk for the Consolidated Entity is derived from interest bearing liabilities and cash balances. The Consolidated Entity manages this exposure by entering into interest rate swap agreements to fix the interest rate charged on its interest bearing liabilities which are on a fixed rate basis. This is achieved by entering into interest rate swaps, as detailed in Note 15.

**19 Financial instruments** continued**e Market risk** continued

The table below shows the Consolidated Entity's direct exposure to interest rate risk at year end.

	Floating rate \$'000	Non-interest bearing \$'000	Total \$'000
<b>Consolidated 2010</b>			
Financial assets			
Cash and cash equivalents	13,231	–	13,231
Trade and other receivables	–	111,433	111,433
Investments available for sale	–	5,145	5,145
<b>Total financial assets</b>	<b>13,231</b>	<b>116,578</b>	<b>129,809</b>
Financial liabilities			
Trade and other payables	–	10,843	10,843
Interest bearing liabilities	474,534	–	474,534
Financial derivatives	17,806	–	17,806
<b>Total financial liabilities</b>	<b>492,340</b>	<b>10,843</b>	<b>503,183</b>
<b>Consolidated 2009</b>			
Financial assets			
Cash and cash equivalents	1,259	–	1,259
Trade and other receivables	104,034	1,016	105,050
Investments available for sale	–	5,136	5,136
<b>Total financial assets</b>	<b>105,293</b>	<b>6,152</b>	<b>111,445</b>
Financial liabilities			
Trade and other payables	–	4,932	4,932
Interest bearing liabilities	518,550	–	518,550
Financial derivatives	22,569	–	22,569
<b>Total financial liabilities</b>	<b>541,119</b>	<b>4,932</b>	<b>546,051</b>

## Sensitivity analysis

A change of +/- 1% in interest rates at the reporting date would have increased/(decreased) profit or loss and net assets available to unitholders by the amounts shown below. This analysis assumes that all other variables remain constant.

	+ 1% Profit and loss \$'000	2010 + 1% Equity \$'000	- 1% Profit and loss \$'000	2010 - 1% Equity \$'000	+ 1% Profit and loss \$'000	2009 + 1% Equity \$'000	- 1% Profit and loss \$'000	2009 - 1% Equity \$'000
<b>Consolidated Entity</b>								
Interest on cash	132	132	(132)	(132)	13	13	(13)	(13)
Interest bearing liabilities	(4,758)	(4,758)	4,758	4,758	(5,205)	(5,205)	5,205	5,205
Trade and other receivables	–	(1,075)	–	(1,086)	–	(2,052)	–	2,095
Swap proceeds	4,700	4,700	(4,700)	(4,700)	5,278	5,278	(5,278)	(5,278)
Fair value of derivatives	18,001	18,001	(26,068)	(26,068)	–	14,626	–	(17,720)
<b>Total increase/(decrease)</b>	<b>18,075</b>	<b>17,000</b>	<b>(26,142)</b>	<b>(27,228)</b>	<b>86</b>	<b>12,660</b>	<b>(86)</b>	<b>(15,711)</b>

## Foreign currency risk

Foreign currency risk is the risk that the market value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

During the current year, the Consolidated Entity has not been exposed to direct foreign currency risk (2009: nil). The Consolidated Entity is exposed to indirect foreign currency risk due to its investment in entities that are exposed to foreign currency risk related to their overseas operations. The Consolidated Entity manages this risk by ensuring the Consolidated Entity only invests in funds with investment strategies consistent with the investment objectives of the Consolidated Entity and monitoring the performance of those funds.

# Notes to the Financial Statements

For the year ended 30 June 2010

## 19 Financial instruments continued

### e Market risk continued

#### Foreign currency risk continued

While the Consolidated Entity has an indirect risk exposure to foreign currency risk, no sensitivity analysis has been performed as the impact of a reasonably possible change in foreign exchange rates on the Consolidated Entity cannot be reliably measured.

### f Other market risk

Other market risk is the risk that the total value of investments will fluctuate as a result of changes in market prices. The primary source of other market risk for the Consolidated Entity is associated with its listed property trust portfolio. The Consolidated Entity is not exposed to other similar market risk.

The Responsible Entity manages the Consolidated Entity's market risk on a daily basis in accordance with the Consolidated Entity's investment objectives and policies. These are detailed in the Consolidated Entity's Constitution and Product Disclosure Statement.

#### Sensitivity analysis

A 10% increase in equity prices would have increased/(decreased) profit and loss and equity by the amounts shown below. This analysis assumes that all other variables remain constant.

	2010		2010		2009		2009	
	+ 10% Profit and loss \$'000	+ 10% Equity \$'000	- 10% Profit and loss \$'000	- 10% Equity \$'000	+ 10% Profit and loss \$'000	+ 10% Equity \$'000	- 10% Profit and loss \$'000	- 10% Equity \$'000
<b>Consolidated Entity</b>								
Listed investments	515	515	(515)	(515)	514	514	(514)	(514)

### g Fair values

#### Methods for determining fair values

A number of the Consolidated Entity's accounting policies and disclosures require the determination of fair value for financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods.

#### Cash and cash equivalents and trade and other receivables

Fair value, which is determined for disclosure purposes, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

#### Investments – available for sale

Fair value for listed investments is calculated based on the closing bid price of the security at the reporting date. Fair value for unlisted investments is calculated based on the latest available net asset values. Refer to Note 12 for further details.

#### Derivatives

The fair value of derivative contracts is based on present value of future cash flows, discounted at the market rate of interest at the reporting date.

#### Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

#### Fair values versus carrying amounts

As of 1 July 2009, the Consolidated Entity has adopted the amendments to AASB 7 *Financial Instruments: Disclosures* which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).



**19 Financial instruments** continued**g Fair values** continued

Fair values versus carrying amounts continued

The following table presents the Consolidated Entity's assets and liabilities measured and recognised at fair value at 30 June 2010. The carrying amounts of cash and cash equivalents, trade and other receivables, and trade and other payables are assumed to reasonably approximate their fair values due to their short-term nature. Accordingly, fair value disclosures are not provided for such assets and liabilities. Furthermore, comparative information has not been provided in the tables below, as permitted by the transitional provisions of the new rules.

<b>Consolidated Entity – at 30 June 2010</b>	Level 1 \$'000	Level 2 \$'000	Total \$'000
<b>Assets</b>			
Investments – available for sale	5,145	–	5,145
<b>Total assets</b>	<b>5,145</b>	<b>–</b>	<b>5,145</b>
<b>Liabilities</b>			
Financial derivatives at fair value through profit or loss	–	17,806	17,806
<b>Total liabilities</b>	<b>–</b>	<b>17,806</b>	<b>17,806</b>

As at 30 June 2010, there were no financial assets or liabilities in level 3. During the year, there were no financial assets or liabilities which transferred between levels 1, 2 or 3.

**20 Reconciliation of cash flows from operating activities**

	Consolidated	
	Year ended 30 June 2010 \$'000	Year ended 30 June 2009 \$'000
<b>Net profit/(loss) for the year</b>	<b>14,846</b>	<b>(86,300)</b>
Adjustments for:		
<i>Items classified as investing activities</i>		
- Share of profit/(loss) of associates	(41,961)	15,645
- Loss on sale of investments	–	354
- Distribution income – listed property trusts	(287)	–
<i>Non cash items</i>		
- Amortisation expense	13,098	2,636
- Impairment expense	679	12,690
- Net (gain)/loss from property revaluations	(3,900)	30,986
- Net fair value change in derivatives	(6,614)	–
- Interest expense	1,851	–
<b>Operating loss before changes in working capital</b>	<b>(22,288)</b>	<b>(23,989)</b>
Changes in assets and liabilities during the year:		
- Increase in trade and other receivables	(35)	(69)
- Increase in trade and other payables	4,182	2,415
<b>Net cash flows used in operating activities</b>	<b>(18,141)</b>	<b>(21,643)</b>

**21 Related parties****Responsible Entity**

The Responsible Entity of the Fund is Brookfield Multiplex Capital Management Limited (ABN 32 094 936 866), whose immediate and ultimate holding company is Brookfield Multiplex Limited (ABN 96 008 687 063) which is incorporated and domiciled in Australia.

# Notes to the Financial Statements

For the year ended 30 June 2010

## 21 Related parties continued

### Key management personnel

The Fund is required to have an incorporated Responsible Entity to manage the activities of the Fund and the Consolidated Entity. The Directors of the Responsible Entity are key management personnel of that entity.

F. Allan McDonald (appointed 1 January 2010)  
 Brian Motteram (appointed 21 February 2007)  
 Barbara Ward (appointed 1 January 2010)  
 Tim Harris (appointed 17 March 2010)  
 Russell Proutt (appointed 1 January 2010)  
 Peter Morris (appointed 14 April 2004 – resigned 1 January 2010)  
 Robert McCuaig (appointed 31 March 2004 – resigned 1 January 2010)  
 Mark Wilson (appointed 27 August 2008 – resigned 1 January 2010)  
 Brian Kingston (appointed 27 August 2008 – resigned 17 March 2010)

The Responsible Entity is entitled to a management fee which is calculated as a proportion of gross assets attributable to unitholders. Refer below for further details related to the management fee and other fees the Responsible Entity is entitled to.

No compensation is paid to any of the key management personnel of the Responsible Entity directly by the Fund or Consolidated Entity.

### Directors' interests

The following table sets out each Director's relevant interest in the units of the registered schemes and rights or options over such instruments issued by the companies within the Consolidated Entity and other related bodies corporate as at the reporting date:

Director	Multiplex Prime Property Fund units held
F. Allan McDonald	–
Brian Motteram	–
Barbara Ward	–
Tim Harris	–
Russell Proutt	–

### Responsible Entity's fees and other transactions

In accordance with the Fund Constitution, Brookfield Multiplex Capital Management Limited is entitled to receive:

#### Performance fee

A performance fee of 5.125%–15.375% (including GST less any reduced input tax credits) of the out-performance of the Consolidated Entity against the benchmark return is payable to the Responsible Entity half yearly. The benchmark return is the annualised compound return of the UBS Commercial Property Accumulation (200 Index). Where the Consolidated Entity exceeds the benchmark return, the performance fee will be calculated in two tiers as follows:

- a Tier 1 performance fee equal to 5.125% (including GST less any reduced input tax credits) of the amount by which the total return of the Fund exceeds the benchmark; and
- a Tier 2 performance fee which is applicable only where the Fund produces a total return out-performance in excess of 1% per six month period above benchmark. This tier of the fee is calculated as 15.375% (including GST less any reduced input tax credits) of the amount by which the total return of the Fund is in excess of 1% above the benchmark for the six month period (for a year, roughly equivalent to returns over the benchmark plus 2% per annum).

Any previous underperformance must be recovered before a performance fee becomes payable. The benchmark return for June 2010 has not been met.

During the current year and as at 30 June 2010, no performance fee has been paid or is payable (2009: nil).

#### Management fee

A management fee based on the gross value of assets is payable to the Responsible Entity. The fee is payable by the Consolidated Entity quarterly in arrears. The Responsible Entity may waive or defer all or part of the management fee in any particular period. At 30 June 2010, the management fee payable is \$7,924,000 (2009: \$4,029,000).

**21 Related parties** continued

## Related party unitholders

The following related parties held units in the Fund during the year:

- Brookfield Multiplex Funds Management Limited as custodian for Multiplex Colt Investments Pty Ltd as trustee for Multiplex Colt Investment Trust holds 10,893,945 units, or 21.6%, of the Fund at year end (2009: 60,860,029 units or 21.6%).
- ANZ Nominees Limited, as custodian for Brookfield Multiplex Capital Management Limited, as responsible entity for Multiplex Acumen Property Fund, holds 4,993,155 units, or 9.9 %, of the Fund (2009: 27,894,723 units or 9.9%).
- Brookfield Multiplex Capital Securities Limited as trustee of Brookfield Multiplex PPF Investment No 2 Trust holds 23,424,154 units or 46.4% of the fund at the reporting date (2009: nil units of the fund).

	<b>Consolidated</b>	
	2010	2009
	\$'000	\$'000
<b>Transactions with associates</b>		
Distribution income	28,006	26,460
Distributions receivable (included in trade and other receivables)	1,994	–
<b>Transactions with the Responsible Entity</b>		
Management fees	3,895	4,163
Expense reimbursements	66	103
Management fees payable (included in trade and other payables)	7,924	4,029
<b>Transactions with related parties of the Responsible Entity</b>		
Underwriting fees	1,573	–
Distributions paid	–	888
Custody fees	21	26
Custody fees payable	24	13

Transactions with related parties are conducted on normal commercial terms and conditions. Distributions paid by the Consolidated Entity to related parties are made on the same terms and conditions applicable to all unitholders.

**Irrevocable offers**

The subsidiaries that own the assets of the Consolidated Entity (excluding the listed property trust (A-REIT) portfolio) have each granted an irrevocable offer in favour of Brookfield Multiplex Group, giving it the right to acquire those assets upon a change in the responsible entity of the Consolidated Entity to an entity that is not a Brookfield Multiplex Group member or a transaction that results in the trustee of the sub-trust being controlled by an entity which is not a Brookfield Multiplex Group member (each referred to as an Acceptance Event).

In certain circumstances, these rights are subject to any pre-existing prior options or rights of pre-emption in favour of third parties. The price will be the market price as determined by an independent valuer or accountant in accordance with generally accepted valuation standards, practices and principles, unless the parties agree on a market price without awaiting the valuation. The independent valuer or accountant must take into account certain factors, such as the current market value of assets of comparable quality, composition and asset holding, the current and potential tenants likely to be obtainable in the marketplace for the underlying real property assets given their nature and quality, and that the parties are willing but not anxious. Brookfield Multiplex Group may accept the offer within four months of an Acceptance Event occurring.

**Right of first and last refusal**

The owners of the subsidiaries that own the assets of the Consolidated Entity (excluding the A-REIT portfolio) have each agreed with Brookfield Multiplex that they must not sell or otherwise deal with those assets unless they offer the asset to Brookfield Multiplex on a first and last basis.

In certain circumstances, these rights are subject to any pre-existing prior options or rights of pre-emption in favour of third parties. If the Consolidated Entity wishes to transact with any of these assets, it must give Brookfield Multiplex a notice of its desire to do so, enclosing a terms sheet.

If Brookfield Multiplex wishes to accept the offer, it has 30 business days to notify the Consolidated Entity of its acceptance. If Brookfield Multiplex does not wish to accept the first offer, the Consolidated Entity may, subject to the right of last refusal, negotiate in relation to the same transaction with third parties.

If, following those negotiations, the Consolidated Entity wishes to enter into a legally enforceable agreement with a third party, the Consolidated Entity must again give Brookfield Multiplex notice of its desire to sell, disclosing the terms of the final offer (including price and identity of the third party), together with formal transaction documents. If Brookfield Multiplex wishes to accept the offer, it has 20 business days to notify the Consolidated Entity of its acceptance.

# Notes to the Financial Statements

For the year ended 30 June 2010

## **21 Related parties** continued

### **Right of first and last refusal** continued

If Brookfield Multiplex does not wish to accept the final offer, the Consolidated Entity may transact with the third party on the terms set out in the terms sheet and the formal transaction documents. If the transaction does not proceed with the third party within six months after the end of the 20 business day period, the first and last right of refusal process must recommence.

If the Consolidated Entity wishes to transact with Brookfield Multiplex directly in relation to any of the Consolidated Entity's assets (excluding the A-REIT portfolio), including any future assets that the Consolidated Entity may purchase, or if the Consolidated Entity receives an unsolicited offer from Brookfield Multiplex, it must at all times comply with the Brookfield Multiplex conflicts policy. That is, it will require the unanimous approval of the Independent Directors on the Board of the Responsible Entity to any such transaction. In addition, the Responsible Entity will not transact with Brookfield Multiplex in relation to any of the Consolidated Entity's assets (excluding the A-REIT portfolio), including any future assets that the Consolidated Entity may purchase, at a price less than the price determined at that time by an independent valuer in accordance with generally accepted valuation standards, practices and principles.

### **Entitlement offer**

During the year, the Entitlement Offer was underwritten by a related party, Brookfield Multiplex Capital Securities Limited as Trustee for Brookfield Multiplex PPF investment No 2 Trust. The underwriter was paid a fee of \$1,573,000.

## **22 Contingent liabilities and assets**

No contingent liabilities or assets existed at 30 June 2010 (30 June 2009: nil).

## **23 Capital and other commitments**

There were no capital or other commitments at 30 June 2010 (30 June 2009: nil).

## **24 Events subsequent to the reporting date**

There are no matters or circumstances which have arisen since the end of the financial year which significantly affected, or may significantly affect, the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in subsequent financial years.

# Directors' Declaration

For the year ended 30 June 2010

In the opinion of the Directors of Brookfield Multiplex Capital Management Limited, as Responsible Entity of Multiplex Prime Property Fund:

- a The consolidated financial statements and notes, set out in pages 25 to 54, are in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of the financial position of the Consolidated Entity as at 30 June 2010 and of its performance for the financial year ended on that date;
  - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
  - iii complying with International Financial Reporting Standards, as stated in Note 2 to the financial statements.
- b There are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and the Chief Financial Officer for the financial year ended 30 June 2010.

Signed in accordance with a resolution of the Directors of Brookfield Multiplex Capital Management Limited pursuant to Section 295(5) of the *Corporations Act 2001*.

Dated at Sydney this 25th day of August 2010.



**Russell Proutt**  
Director  
Brookfield Multiplex Capital Management Limited

# Independent Audit Report

## Deloitte.

Deloitte Touche Tohmatsu  
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## Independent Auditor's Report to the Unitholders of Multiplex Prime Property Fund

We have audited the accompanying financial report of Multiplex Prime Property Fund ("the Fund"), which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the fund and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 25 to 55.

### *Directors' Responsibility for the Financial Report*

The directors of Brookfield Multiplex Capital Management Limited ("the directors") are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the consolidated financial statements and notes, complies with International Financial Reporting Standards.

### *Auditor's Responsibility*

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

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

Member of  
**Deloitte Touche Tohmatsu**

# Deloitte.

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

## *Auditor's Independence Declaration*

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

## *Auditor's Opinion*

In our opinion:

- (a) the financial report of Multiplex Prime Property Fund is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.



DELOITTE TOUCHE TOHMATSU



Helen Hamilton-James  
Partner  
Chartered Accountants  
Sydney, 25 August 2010

# ASX Additional Information

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below. The equity holder information set out below was applicable as at 25 August 2010.

## 1. SUBSTANTIAL HOLDERS

NAME	NUMBER OF UNITS	% OF ISSUED ORDINARY UNITS
Brookfield Multiplex Capital Securities Limited	23,434,154	46.44
Trust Company Limited	10,893,945	21.60
ANZ Nominees Limited	4,993,155	9.90

## 2. DISTRIBUTION OF ORDINARY UNITS

Analysis of numbers of unitholders by size of holding:

	UNITS	UNITHOLDERS
1-1,000	52,721	690
1,001-5,000	774,141	273
5,001-10,000	1,533,933	207
10,001-100,000	4,590,053	193
100,001 and over	43,484,958	18
	<b>50,435,806</b>	<b>1,381</b>

There were 668 holders with less than a marketable parcel of units.



### 3. UNITHOLDERS

#### *Twenty largest quoted unitholders*

The twenty largest holders of ordinary units are listed below:

NAME	ORDINARY UNITS	
	NUMBER HELD	% OF ORDINARY UNITS
Brookfield Multiplex Capital Securities Limited	23,424,154	46.44
Trust Company Limited	10,893,945	21.60
ANZ Nominees Limited	4,993,155	9.90
ANZ Trustees Limited	459,836	0.91
ANZ Trustees Limited	441,860	0.88
Mrs Helene Neuman	400,000	0.79
RBC Dexia Investor Services Australia Nominees Pty Limited	393,437	0.78
Mr David Gavin Greig and Mrs Louise Suzanne Greig	358,730	0.71
Geoffrey Gardiner Dairy Foundation Ltd	353,569	0.70
Foxtime Holdings Pty Ltd	268,500	0.53
ANZ Trustees Limited	268,405	0.53
Hillmorton Custodians Pty Ltd	257,840	0.51
ANZ Trustees Limited	232,879	0.46
ANZ Trustees Limited	198,728	0.39
Sino International Pty Ltd	152,150	0.30
ANZ Trustees Limited	136,577	0.27
ANZ Trustees Limited	132,600	0.26
Indevco Group Holdings Pty Limited	118,554	0.24
Bond Street Custodians Limited	89,500	0.18
Marginata Pty Ltd	75,180	0.15

### 4. ON-MARKET BUY-BACK

There is no current on-market buy-back.

### 5. CLASS OF UNITS

The only class of units on issue is ordinary units with a partly paid obligation of \$2.237 per unit.

### 6. VOTING RIGHTS

Refer to Note 15 of the financial statements for details of voting rights.

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# Corporate Directory

## RESPONSIBLE ENTITY

Brookfield Capital Management Limited  
Level 22  
135 King Street  
Sydney NSW 2000  
Telephone: (02) 9322 2000  
Facsimile: (02) 9322 2001

## DIRECTORS

F. Allan McDonald  
Barbara Ward  
Brian Motteram  
Russell Proutt  
Tim Harris

## COMPANY SECRETARY

Neil Olofsson

## REGISTERED OFFICE

Level 22  
135 King Street  
Sydney NSW 2000  
Telephone: (02) 9322 2000  
Facsimile: (02) 9322 2001

## CUSTODIAN

ANZ Nominees Limited  
Level 25  
530 Collins Street  
Melbourne VIC 3000  
Telephone: 1800 177 254

## STOCK EXCHANGE

The Fund is listed on the Australian Securities Exchange (ASX Code: BPACB)  
The Home Exchange is Sydney.

## AUDITOR

Deloitte Touche Tohmatsu  
Grosvenor Place  
225 George Street  
Sydney NSW 2000  
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