Lonsec Property Research - Investor Review

LONSEC

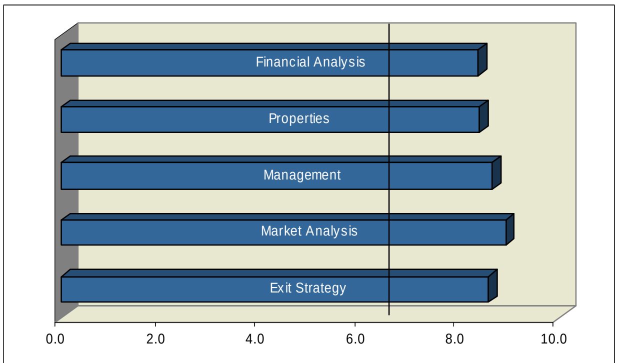
Multiplex Acumen Vale Syndicate

Upper Recommended

September 2005

Fund Feature	LoLonsec Assessment		
Forecast Return (IRR)	20.25% before tax 13.46% after tax		
Min. Investment	$5,000 (increments of $1,000)		
Issue Price	$1.00 per share		
Investment Term	Approximately 4 years		
Funds Raised This Offer	$15m (plus over subscriptions up to further $15m)		
Offer Closing Date	31 October 2005		
Fund Gearing (Loan/Value)	< 60% of the development land (work in progress) value		
Year end	**Jun-06**	**Jun-07**	**Jun-08**
Distribution (per share)	Nil	Nil	54.5c
Franked	Nil	Nil	73.6%
Distribution paid	Quarterly from Dec 2007		
MER ratio	1.54% (gross revenue)		
Property Type	Residential land subdivision		
Property Location	Swan Valley, Perth WA		
Fund Manager	Multiplex Capital Ltd		
Development Manager	Multiplex Development Operations Pty Ltd		
Advisor Commission	Up to 4% or 2% plus 0.35% p.a. trail, or 0.65% p.a. trail		

Lonsec Ratings of Critical Determinants



Syndicate Features

- 20.3% forecast IRR
- Franked dividends and quarterly cash distributions from December 2007.
- Development exposure to the buoyant Perth housing market.

Summary

- The Multiplex Acumen Vale Syndicate Ltd is an unlisted public company which is developing a residential subdivision ('Vale') on a 208 ha parcel in Perth's Swan Valley, on the outskirts of Perth Metropolitan Area. Vale is situated 25 km north-east of the Perth CBD.
- The locality forms part of a major urban growth corridor for Metropolitan Perth. Development in the region has averaged approximately 1,000 new houses each year since 1996/97.
- The Syndicate is managed by Multiplex Capital Ltd and the project is being undertaken by Multiplex Development Operations Pty Ltd.
- Lonsec Ltd has rated the Syndicate in the "Upper Recommended" category (the second highest) for the following reasons:
  - Ø The outlook for demand for residential land in metropolitan Perth remains robust, underpinned by the continued resource-lead strength of the WA economy and comparatively high levels of housing affordability.
  - Ø The Vale subdivision is past the 'greenfields' phase with pre-sales of Stages 1 & 2 demonstrating strong market acceptance of its product, price points and achievability of forecast sales rates.
  - Ø Planning approval for the estate is in place and construction of Stage 1, comprising 193 lots, entry lakes and bridge was completed in August 2004. Stages 3 to 6 will comprise 1,160 lots, retirement and town centre sites, together with the development of significant parklands, conservation and recreational areas.
  - Ø Going forward, UrbisJHD forecast Vale WILL account for approximately 34% of the market for residential land in the Swan region.

- Ø We consider the standard of development completed to date to be superior to the highly awarded neighbouring Ellenbrook residential estate. "Vale" is positioned as more exclusive than its neighbour, and does not carry any 'affordable housing/Homeswest' lots.
- Ø Lonsec has reviewed the assumptions behind Multiplex's forecast total return for the Vale project and believe these to be reasonable in the light of the current residential market environment.
- Ø The forecast 20.3% pre-tax IRR comfortably exceeds Lonsec's hurdle benchmark for development trusts of 15% and compares favourably with forecast returns from other recent residential land syndicates and trusts.
- Ø Likewise, the Multiplex fee structure is generally lower than other recent land subdivision syndicates and trusts. A performance fee of 20% is not payable to the Manager until investors have received a 20% pre-tax IRR.
- Ø Vale's gearing at 50.7% of property value is marginally lower than other recent land development funds.
- Ø Multiplex has over 40 years' experience in the Western Australian construction industry.
- Ø The Development Manager, Multiplex Operations Pty Ltd has participated in a large range of projects as a sole developer or in joint venture arrangements for the past ten years.
- Ø Despite recent problems in its UK construction division, the Multiplex Group continues to show "strong results" in all other divisions and the vast majority of construction division projects. The Group's gearing is around 30% and is in compliance with its banking facility covenants.

- Investors should note that due to the nature of the Project the Syndicate does not anticipate paying distributions during financial years 2006 or 2007.
- No interest rate hedging has been put in place, hence Syndicate returns may be adversely effected by higher interest rates. The Multiplex feasibility model allows for a 0.5% buffer.
- Project returns are highly sensitive to movement in the average lot selling price, however Lonsec considers discounting unlikely in the foreseeable future. Multiplex has indicated that in the event of a slowing housing market it would delay release of lots rather than discount price.
- Nevertheless, investor returns are susceptible to a slowdown in the Perth housing market, with a slower selling rate extending the project term and thus diluting the total return.
- There is no secondary market for this product. An investment in this Syndicate is an investment for the duration of the Project, which the Manager anticipates will conclude in mid to late 2009.
- Following the completion of the Project, the Syndicate will be wound up. Any remaining funds after paying creditors and winding up costs will be distributed amongst the Shareholders registered at that time.

CONTENTS

1. Lonsec Methodology

- Lonsec Property Research provides quality research services to investment managers and financial planning groups. Our reports assist financial planners in the selection and understanding of unlisted property trusts/ syndicates, property securities funds and other managed investment products. Experienced analysts have conducted an extensive and objective review of the Fund and its underlying assets.
- The research methodology includes a rating process designed to assess the qualitative and quantitative factors of the investment.
- The process is consistent for comparable investment products, enabling projects to be individually rated, comparatively ranked, and to establish a Lonsec Research recommendation status for use by financial planners.
- The rating determinants are:
  - Ø Financial Analysis
  - Ø Properties
  - Ø Management
  - Ø Market Analysis
  - Ø Exit Strategy

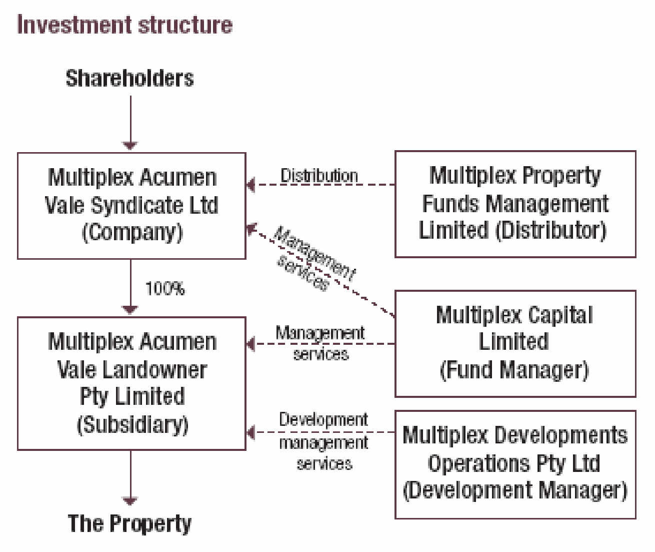
Lonsec Property Research Rating Definitions

Lonsec Rating	Details
Highly Recommended	Projects in this exclusive category possess exceptionally high ratings in most of our assessment areas and are considered to be the most favoured investment alternative.
Recommended (Upper and Lower)	Although not as highly rated as the above, this category includes projects that are rated as having good to excellent all-round performance potential in relation to their peers. They are suggested better investment alternatives.
Investment Grade	Projects that fall into this category have satisfied Lonsec's rigorous analysis criteria and are viewed as acceptable for investment.
Not Approved	The project has failed one or more of Lonsec's major investment rating determinants. We advise that projects that fall into this grouping are detrimental to an investor's overall investment portfolio.

2. Overview

2.1. The Project

- Multiplex Capital Ltd is raising $15m in equity from the public, matched by a $15m co-investment from the Multiplex Development Opportunity Fund, together with project finance of $54.8m over the life of the project to purchase and develop Stages **2 to 6** of the Vale residential subdivision ('the Project') in Perth's Swan Valley.
- The Project will comprise a 1564 lot residential subdivision on a 208.9 ha parcel situated on the northern side of Gnangara Road in the suburb of Ellenbrook, 25 km north east of Perth CBD. It has anticipated 4 year duration. The plan also includes a private school, two village centres, two retirement village sites and a number of pocket parks and public open space areas.
- The investment vehicle for this Project is the Multiplex Acumen Vale Syndicate Ltd, an unlisted public company. Syndicate Investors will receive shares in this company.
- The project will be managed by Multiplex Development Operations Pty Ltd (the Development Manager).
- The development property will be owned by Multiplex Vale Landowner Pty Ltd (Subsidiary), a fully owned subsidiary of Multiplex Acumen Vale Syndicate.
- Multiplex Property Funds Management Ltd will act as distributor of units in the Syndicate for a fee.
- Multiplex Capital Ltd will act as Fund Manager, providing management and administration services to the company and its subsidiary in exchange for a fee.
- Multiplex Development Operations Pty Ltd will project manage and market the development of the Project and the sale of developed lots.
- The Company will obtain a bank loan from National Australia Bank of up to $40m secured by the development land, and deeds and indemnities from Multiplex Energy and Multiplex Acumen Vale Syndicate. A total of $69.122m debt will be drawn down over the life of the project.
- The Manager will derive fees for establishing the trust, the on-going project management and development, fund management and sales and marketing of lots. Establishment fees account for 2.3% of projected gross project revenue and on-going fees for 8.25%. Multiplex will charge a performance fee of 20% of the amount by which overall Shareholder return exceeds a 20% annualised IRR before tax. With the exception of the sales and marketing fee, the fee structure compares favourably to other residential land syndicates and trusts.



2.2. Source & Application of Funds

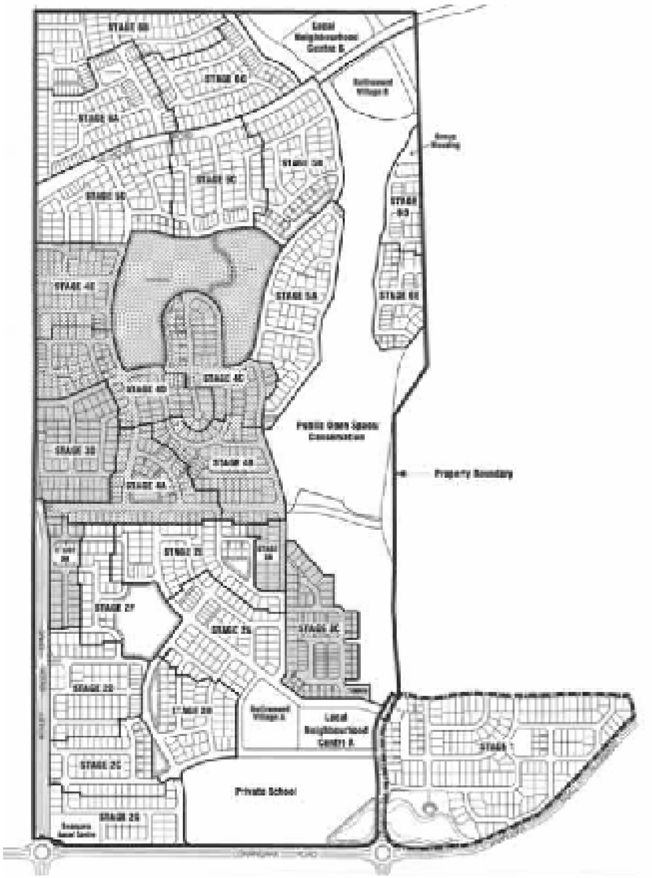
- The following table itemises the source and application of funds *over the life of the project*.

Sources and application of funds	
Sources	
Equity	
MDOF	$15.00m
Retail	$15.00m
	$30.00m
Debt	
Senior Debt - project (1st mortgage)	$54.80m
Sales/NPI	$105.18m
	$189.98m
Applications	
Acquisition Costs	
Land	*$65.47m*
Other	*$4.93m*
Acquisition Costs	$70.40m
Planning & Design Costs	$7.13m
Statutory Authorities	$14.56m
Holding Costs	$0.90m
Sales And Leasing Costs	$0.15m
Marketing Costs	$3.89m
Dev Costs And Project Overheads	$0.32m
Construction Costs	$71.74m
Interest Expense	$2.68m
Finance Costs	$1.48m
Administration costs	$3.67m
Tax Expense	$8.54m
Offer Costs	$4.44m
Performance Fee	$0.07m
	$189.98m

3. The Project

3.1. Project Description

- Vale is a 4,500 lot master planned estate currently under development in Perth's Swan Valley.



- Development has commenced with the majority of Stage 1 (193 lots) sold out and over 70% (286 of 404 lots) of Stage 2 pre-sold.
- This Syndicate **incorporates Stages 2 to 6** of the Vale development, a 208.9 ha land parcel or 1,564 lots.
- Stage 2, comprising 404 lots and the 10 ha private school site is substantially pre-sold.
- Stages 3 to 6 will comprise 1,160 lots, retirement and town centre sites, together with the development of significant parklands, conservation and recreational areas. The staged construction program commenced in FY 2005.

3.2. Location – (Rating: Excellent)

- Vale is located on the north eastern outskirts of Perth Metropolitan Area, some 11 km north of Midland and 25 km north-east of the Perth CBD.
- The Swan Valley is a viticulture area, home to two of Western Australia's largest wineries.
- The surrounding area has a diverse economic base centred on commerce, retailing, tourism, residential development, industry, manufacturing and agriculture.
- The locality forms part of a major urban growth corridor for Metropolitan Perth.

3.3. Planning and Environmental Conditions (Excellent)

- Structure planning for the overall estate and development approvals for Stages 2-5 are in place.
- Multiplex has established covenants, special conditions and design guidelines to foster a high standard of development in the estate.
- House plans must be submitted to the Multiplex Development Town Architect for Approval.
- We consider the standard of development completed to date to be superior to the highly awarded neighbouring Ellenbrook residential estate. (In its 10 year history Ellenbrook has won 15 state and national awards).

3.4. Services (Excellent)

- The estate will be served by Telstra's existing optic fibre cabling in Gnangara Road and Ellenbrook.
- Provision has also been made for MATV reticulation. This system will enable cable TV, central security, video on demand, high speed internet, intranet facilities and other information technology services.

3.5. Independent Valuation

- The subject land was valued by Christie Whyte Moore at **$64 m** on 12 July 2005.

3.6. Product Mix

- Stages 2-6 will incorporate the following housing mix.

Product	Target Market	Avg Size (m^2)	No.
Traditional (large)	Growing families	676	961
Traditional (smart)	Young families	570	252
Cottage	Retirees	427	140
Garden Court	Empty Nesters	373	211
		596	1564

- UrbisJHD's report noted that the average residential lot size in Stage 2 of Vale at 593m^2 is broadly in line with the Perth and Peel region average.
- Prior to project commencement, the Development Manager undertook qualitative market research to ascertain local buyer preferences and expectations, and to ascertain perceived strengths and

weaknesses of competitive estates. The findings have influenced the product offer at Vale.

- Based on the example of Ellenbrook, Vale has very prescribed design guidelines and covenants. “Vale” is positioning itself through brand awareness as being ‘exclusive’ and ‘secure’ which translates to a higher quality product as compared to Ellenbrook. “Vale” does not carry any ‘affordable housing/Homeswest’ lots within the subdivision in comparison to Ellenbrook, which is a considered factor when making a decision to purchase.

4. Financial Analysis

Multiplex Forecast of Syndicate Profit & Loss & Distributions

	FY 2006	FY 2007	FY 2008	FY 2009	Total
Gross Sales Revenue	**$73.417m**	**$66.609m**	**$46.278m**	**$52.703m**	**$239.007m**
Less: Sales Commission	-$2.937m	-$2.664m	-$1.851m	-$2.108m	-$9.560m
Less: GST	-$4.679m	-$3.863m	-$3.017m	-$2.948m	-$14.507m
Less: Settlement Fees	-$0.413m	-$0.314m	-$0.222m	-$0.216m	-$1.165m
Less: Sales Incentive	$0.000m	-$4.416m	-$1.968m	-$3.000m	-$9.384m
Net Revenue	**$65.388m**	**$55.351m**	**$39.220m**	**$44.431m**	**$204.390m**
Less Expenditure (Net of GST)					
Property Costs	$20.945m	$17.730m	$12.563m	$14.232m	$65.470m
Acquisition Costs	$1.576m	$1.334m	$0.945m	$1.071m	$4.926m
Planning & Design Costs	$2.283m	$1.932m	$1.369m	$1.551m	$7.135m
Statutory Authorities	$4.658m	$3.943m	$2.794m	$3.165m	$14.561m
Holding Costs	$0.289m	$0.244m	$0.173m	$0.196m	$0.902m
Marketing, Sales And Leasing	$1.291m	$1.093m	$0.774m	$0.877m	$4.036m
Dev Costs And Project Overheads	$0.104m	$0.088m	$0.062m	$0.070m	$0.324m
Construction Costs	$22.952m	$19.429m	$13.767m	$15.596m	$71.743m
Interest Expense	$0.857m	$0.726m	$0.514m	$0.583m	$2.354m
Other Finance Costs	$0.472m	$0.400m	$0.283m	$0.321m	$2.067m
Performance Fee				$0.070m	$0.070m
Total Project Costs	**$55.426m**	**$46.919m**	**$33.244m**	**$37.733m**	**$173.587m**
Syndicate Costs					
Management Fee	$0.941m	$0.833m	$0.578m	$0.659m	$3.011m
Other Syndicate Expenses	$0.153m	$0.158m	$0.183m	$0.168m	$0.661m
Total Syndicate Costs	**$1.094m**	**$0.991m**	**$0.761m**	**$0.826m**	**$3.672m**
Total Expenses	**$56.520m**	**$47.910m**	**$34.005m**	**$38.559m**	**$176.995m**
Estimated Profit Before Tax	**$8.868m**	**$7.442m**	**$5.215m**	**$5.872m**	**$27.396m**
Income Tax Expense	$2.293m	$1.966m	$2.442m	$1.943m	$8.644m
Profit After Tax	$6.575m	$5.475m	$2.772m	$3.929m	$18.752m
Quarterly Profit Distributions			$11.452m	$7.401m	$18.853m
Quarterly Capital Distributions				$25.562m	$25.562m
Total Distribution			$11.452m	$32.963m	$44.415m
Profit Distribution per share			$0.382	$0.247	$0.629
Return of Capital				$0.852	$0.852

4.1. Income/Distributions

- Lonsec has examined the Multiplex Acumen Vale financial projections, the independent valuation report, market economic report and supporting evidence of the performance of the Syndicate.
- The Syndicate will derive income from the sale of completed lots after deducting sales, project development costs and syndicate expenses.
- The company intends to progressively pay franked dividends and return capital to Shareholders following the settlement of sales of developed lots and the repayment of debt.
- **Investors are not anticipated to receive any distributions during financial years 2006 or 2007.** The Prospectus anticipates the first dividend payment on 31 December 2007.
- Multiplex's feasibility model anticipates sales revenue to commence with the settlement of the private school site in August 2005 (realising $1.65m).
- Revenue from the settlements of residential lot pre-sales is anticipated to commence in November 2005 and continue through to mid to late 2009.
- The company intends to return part of its paid-up capital to Shareholders during the Project. Multiplex anticipates the first return of capital on 1 September 2008.

4.2. Debt Position & Interest Costs

- The Company will obtain a bank loan from the National Australia Bank of up to $40m to facilitate the payment of deferred instalments of the purchase price of the property and project development costs. The loan will be used be used to refinance an existing borrowing facility with the St George Bank.
- The Manager's financial model indicates a total of **$69.122**m debt will be drawn down over the project life. The loan facility prescribes loan limits. These are itemised below:

Limit	Expires
$40.0m	30 Nov 2005
$35.0m	28 Feb 2006
$30.0m	30 Apr 2006
$35.0m	30 Jun 2006
$30.0m	31 Oct 2006
$20.0m	30 Jun 2007

- According to the prospectus the initial project debt will be $32.47m.
- According to the NAB letter of offer dated 8 August 2005, the bank loan is in the form of a multi-option bill facility. The facility is subject to a floating rate of interest based on the BBSY bid rate, which is currently 5.65%..
- The debt will be secured by:
  - Ø A first registered mortgage over the assets and undertakings of Multiplex Acumen Vale Landowner Pty Ltd,
  - Ø A first registered mortgage over the project land,
  - Ø A deed of priority for $40m from Multiplex Energy Pty Ltd,
  - Ø A Guarantee & indemnity for $40m from Multiplex Acumen Vale Syndicate, and
  - Ø A first registered mortgage debenture over the assets and undertakings of Multiplex Acumen Vale.
- The Letter of Offer stipulates that the Loan Value Ratio must not exceed 60% of the development land value.
- The Company proposes to hedge approximately 70% of the forecast debt outstanding until 30 June 2007 through an interest rate swap. The hedging was not in place at the date of release of the prospectus.
- The following sets out gearing levels for Vale against other recent land subdivision syndicates, based on the respective proforma statements of financial position. Vale's gearing is marginally lower than other recent land development funds.

Gearing Comparison

	Vale	Sample
Debt to Equity	126.5%	121.6%
Debt to Assets	42.7%	50.3%
Debt to Property Value	50.7%	58.8%

4.3. Manager's Fee Structure

- The Prospectus provides for the following fees:

Initial Fees

Fee	Amount ($,000)
Procurement Fee	$750
Acquisition Support Fee	$312
Underwriting Fee	$750
Equity Raising Fee	$2,000
Fund Management Fee	$938
Principal Shareholder Fee	$750
Total	**$5,500**
% Gross Revenue	**2.3%**

On-going Fees

Fee	% Gross Revenue
Project Management Fee	3%
Development Management (Sales & Marketing) Fee	4%
Management Service Fee	1.25%
Sub-Total	8.25%

Syndicate Costs	$,000
Mgt Fee - % of gross settlement revenue	$3,011
Administration Costs	$22
Valuation	$20
Audit Fees	$84
Tax fees	$84
Custodian Fees	$108
Registry Fees	$345
Total Syndicate Costs	$3,672
Gross Revenue	$239,007
MER % Gross Revenue	1.54%

Performance Fee

- A performance fee of 20% of the amount by which the overall Shareholder return exceeds a 20% annualised internal rate of return on equity (before tax) to Shareholders.
- The before tax return will be calculated by grossing up any amounts received by investors for any franking credits.
- Lonsec has collated a representative sample of management expenses from recent land subdivision syndicates and trusts and found considerable variation in management fee and investment structures. In this context Management Fees are typically expressed as a proportion of gross project revenue or total assets.
- Lonsec estimates on-going syndicate management costs account for 1.54% of gross project revenue, which is approximately one third below the sample average of 2.27%.
- The total management fee take in respect of Vale over the course of the project is anticipated to be $26m, which is equivalent to 10.9% of gross revenue.
- As is apparent from the following tables, Vale has a relatively modest management expense structure which compares very favourably to that of its peers. Excepting only the sales and marketing fee, which is approximately double the sample average, fees are substantially lower.

Comparison of Land Syndicate Management Expenses (% Gross Revenue)

	Vale		Sample
Initial Fee	$5.50m	2.30%	4.18%
Syndicate Costs	**$3.67m**	**1.54%**	**2.27%**
Project/Devt Mgmt	$7.20m	3.01%	4.82%
Sales & Marketing	$9.56m	4.00%	1.91%
Performance	$0.07m	0.03%	4.88%
	$26.00m	10.9%	18.1%

4.4. Total Returns

- The key financial performance measure that Lonsec focuses on is **Internal Rate of Return (IRR)** of the Syndicate and related sensitivities. The basic rationale behind using the IRR financial analysis is that it tries to find a single number that summarises the merits of an investment and does not depend on anything but the cash flows of the investment. The IRR is compared with Lonsec's benchmark discount rate.

Multiplex Forecast Distributions & Total Returns

	Jun-08	Jun-09	Total
Equity			
Capital Distribution		$25.56m	$25.56
Profit Distribution	$11.45m	$7.40m	$18.85
Total Distribution	**$11.45m**	**$32.96m**	**$44.42m**
Franking Credits	$4.91m	$3.17m	$8.08
Distribution before Tax	**$16.36m**	**$36.14m**	**$52.50**
After Tax Distribution per Share (DPS)	$0.38	$1.10	$1.48
IRR After Tax			13.46%
Before Tax DPS	$0.55	$1.20	$1.75
IRR Before Tax			20.25%

- In view of the development risk associated with the project, Lonsec considers an IRR of 15% to be an appropriate hurdle rate.
- Multiplex's forecast distributions and total returns are tabled below.
- Multiplex forecasts investors in the Syndicate will receive a total pre-tax return of 20.3%, which comfortably exceeds Lonsec's benchmark and compares favourably with the projected IRR's of other recent land subdivision syndicates and trusts.

Lonsec Industry Returns Comparison

IRR Comparison	
Vale	20.3%
Benchmark	15.0%
Sample	17.7%

4.5. Manager's Key Assumptions

- The Manager's key forecast assumptions are itemised on p. 26 of the Prospectus. These relate to development lot yield, project sales realisation, development costs, rates of cost and sales price escalation, interest rate cost and rate of lot sales. In our experience these are the critical variables in assessing a residential land subdivision feasibility.
- Lonsec has reviewed both the assumptions and independent expert reports cited in the Prospectus and concluded that Multiplex's assumptions seem reasonable, in the light of the current residential market environment.

4.6. Project Risks

Key project risks include the following:

- **Delay in planning approval** setting back the development program. Appropriate zoning, structure planning and planning approval is in place for present stages. There is risk of delay in the approval of future stages of the project, which could potentially delay construction of those stages, increasing the project holding charges and interest costs. Lonsec considers this to be a minor risk.
- **A lower than anticipated lot yield,** which would potentially diminish gross project realisation, and hence profitability. With an approved structure plan in place this is considered a remote risk.
- **A slower than anticipated rate of lot sales** arising from either a downturn in demand for land or stronger than anticipated competition from other estates in the Swan Valley region and elsewhere. This would extend the selling period for the project, potentially increasing holding costs and diluting the investors' total returns.
- **Competition:** The project will compete with other housing estates in the Swan Valley. An increase in the level of competition above that anticipated by the Manager or Lonsec may potentially result in a lower rate of sales, lower average prices or both. UrbisJHD and the valuer have assessed existing and potential competition and confirmed the Manager's assumptions.
- **Construction Costs**: Higher than anticipated increases in construction costs would likely increase operating and development costs and potentially diminish the profitability of the project. Higher costs may be offset by higher selling prices. Multiplex's cost escalation assumptions appear reasonable.
- **Interest Rates**: Increases in interest rates could have the effect of reducing the affordability of properties for purchasers, thereby reducing demand and the level of lot sales. Interest rates also impact on the Manager's cost of funds, increasing the project cost and diminishing profitability.
- The bill facility is subject to a floating rate of interest based on the BBSY Bid Rate, which may vary. Multiplex has not put hedging in place. However, its feasibility study assumes an interest rate 0.5% higher than current passing level. An analysis of the sensitivity of project returns to a rise in interest rates follows.
- **Single Asset**: Stages 2-6 of the Vale estate form the only substantial asset of the Multiplex Acumen Vale Syndicate, but the project is well placed to withstand a cyclical downturn in the WA housing market.
- Potential investors are encouraged to refer to pages 85-87 of the Product Disclosure Statement for further information regarding risks.

4.7. Sensitivity Analysis

- Lonsec has modelled the performance of the Syndicate under alternative scenarios. The following table itemises the impact on pre-tax total returns and pre-tax distributions.
- A 10% reduction in the average monthly selling rate would extend the selling period by 6 months and a 20% reduction, by 12 months. While both scenarios would dilute the total return rate to investors by delaying payment of distribution we do not expect either would impact the amount of distribution paid overall.
- A rise in the effective interest rates of 0.5% – 1 % would have a marginally negative impact on both the total returns and distributions. We note Multiplex feasibility model allows a 0.5% point buffer.
- Project returns are highly sensitive to movements in the average lot selling price. A 3% fall would diminish the pre-tax total returns to 8.2%. In the event of a marked softening of demand Multiplex has indicated that it would delay release of lots rather than discount lot prices.

Total Return Sensitivities

	Pre-Tax IRR	Distribution Per $1
Base	20.30%	1.75
Interest rate + 0.5%	20.00%	1.74
Interest rate + 1.0%	19.70%	1.73
6 month extended selling period	17.10%	1.75
12 month extended selling period	14.90%	1.75
Price -3%	8.2%	1.16

4.8. Exit Strategies

- There is no secondary market for this product. An investment in this Syndicate is an investment for the duration of the Project, which the Manager anticipates will conclude in mid to late 2009.
- Following the completion of the Project the Syndicate will be wound up. Any remaining funds after paying creditors and winding up costs will be distributed amongst the Shareholders registered at that time.

4.9. Balance Sheet/Net Asset Backing (Multiplex & Lonsec)

	Proforma June 2005	June 2006	June 2007
Cash	$0.15m		
Other Assets	$0.50m		
Land	$65.47m	$65.47m	$65.47m
Capitalised Acquisition Costs	$4.17m	$4.17m	$4.17m
Capitalised Establishment Fees	$1.06m	$1.06m	$1.06m
WIP/(Settlements)	$4.678m	$48.90m	$74.57
Settlements		($55.43m)	($102.34m)
Deferred Tax Assets		$4.99m	$4.38m
Total Assets	**$76.03m**	**$69.16m**	**$47.31m**
Property Instalments	$15.47m	$1.47m	$1.03m
Other liabilities	$2.43m		
Mortgage	$32.47m	$28.27m	$8.23m
Tax Payable		$7.18m	$0.34m
Total Liabilities	**$50.37m**	**$36.92m**	**$9.60m**
Issued Share Capital	$30.00m	$30.00m	$30.00m
Issue Costs	-$4.44m	-$4.44m	-$4.44m
Retained Earnings	$0.10m	$6.68m	$12.15m
Total Equity	**$25.66m**	**$32.24m**	**$37.71m**
Accounting NTA per share	**$0.855**	**$1.075**	**$1.257**
Lonsec Adjustments			
Capitalised Acquisition Costs	-$4.17m	-$4.17m	-$4.17m
Capitalised Establishment Fees	-$1.06m	-$1.06m	-$1.06m
	-$5.23m	**-$5.23m**	**-$5.23m**
Lonsec Adjusted NTA	**$20.43m**	**$27.01m**	**$34.48m**
Lonsec Adjusted NTA/share	$0.681	$0.900	$1.083

- Multiplex forecasts that the Total and Net Assets of the Syndicate will decline over the later life of the project as lots are completed and sold and capital is progressively returned to shareholders.
- The *Indicative NTA Graph* shows when investors can expect to receive their original application funds of $1 per unit. It is important to note there is no certainty of any of these projections being realised at their assessed valuation.
- The **Accounting NTA** as the 30 October 2005 (closing date, assuming full subscription) is estimated at **$0.855**and is calculated by deducting issue costs from total monies raised. It includes capitalised acquisition and establishment costs of **$5.23m**.
- The Lonsec Adjusted NTA of $0.681 displays a more conservative view by deducting these capitalised expenses. A low initial NTA is typical for residential land syndicates, given the front-ending of major project establishment expenses. Lonsec expects an adjusted NTA in excess of the initial $1 invested by 30 June 2007.
- Multiplex' model estimates progressive return of capital with complete return of capital and winding up of the Syndicate during FY 2009.

5. Management

5.1. Board of Directors

- Each of the following individuals is on the board of directors of the Multiplex Acumen Vale Landowner Pty Ltd and (with the exception of Mike Hodgetts) is also on the board of directors of Multiplex Acumen Vale Syndicate Ltd.

Ian O'Toole	Executive Director
Rob Rayner	Executive Director
Dr Peter Morris	Non-executive Director
Robert McCuaig	Non-executive Director
Mike Hodgetts	Non-executive Director

- Ø **Ian O'Toole** (Managing Director Multiplex Funds Management) was previously responsible for ING Industrial Fund and ING Office Fund.
- Ø **Rob Rayner** (Divisional Director Multiplex Funds Management) is responsible for the external Multiplex property funds as well as managing the Multiplex Acumen Property Fund.

- Details of the Independent Directors (Dr Peter Morris; Robert McCuaig; and Mike Hodgetts) can be viewed in the prospectus. Although Lonsec has not had the opportunity to interview any of the above, they appear to have a wealth of experience in the assessment of property development projects and maintain an active involvement in other property industry companies/representative bodies that would be invaluable to the project.

5.2. Senior Management

- Ø Leon Boyatzis, (Fund Manager) has over 15 years experience in investment analysis across a range of industries, in Australia and the UK. He is a Chartered Accountant and has completed a Masters of Property at Curtin University.
- · ØHe joined Multiplex in 2005 after four years with Hawaiian Management P/L as Chief Investment Officer. As a private company there is no publicly available performance data while Leon was responsible for a portfolio of investments worth in excess of $350m.

5.3. Development Manager

- The subdivision and development of the Property and sale of the developed Lots will be managed by **Multiplex Developments Operations Pty Limited** (Development Manager), part of the developments division of Multiplex Group.
- Established in 1989, the property development division comprises a team of experienced personnel with expertise in key areas of the development process, including project identification, feasibility analysis, design and finance.
- The property development division has participated in a large range of projects as a sole developer or in joint venture arrangements for the past ten years. The sectors covered include commercial, residential, master-planned communities, retail, industrial and retirement/aged care.
- The property development division has a close relationship with the construction division.
- Multiplex Developments delivered strong results for the year end June 30, 2005.
- The Subsidiary has granted Multiplex Development Australia Pty Limited (or its nominee) a first right of refusal to purchase any of the town centre sites, commercial site, retirement village sites and tavern site from the Subsidiary at a price to be determined by independent market valuation.

5.4. Multiplex Capital Ltd (Fund Manager)

- Multiplex Capital Ltd is the operating business name of the Multiplex Funds Management arm.
- Although there is a great depth of experience assembled at Multiplex Capital, this funds management business has only operated for about two years. The investment management arm of Multiplex has not yet demonstrated a record of consistently achieving or surpassing investment performance objectives.
- On the next page Lonsec presents the performance data available on some of the trusts previously managed by Acumen, until being fully acquired by Multiplex as part of the establishment of the funds management business. There is some evidence of adding value and delivering strong total returns.

5.5. Funds Management Team

- Multiplex Capital consists of around 40 and has been strengthened through the Ronin and Duelguide acquisitions..
- The new Fund Manager is Leon Boyatzis who is primarily responsible for Multiplex Development Opportunity Fund.

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5.6. Multiplex UK Construction division losses

- Whatever the exact reasons for the problems, the issue reflected that management was stretched in the Group's efforts to expand quickly in the UK. Multiplex has since taken steps to strengthen its UK management.
- The rest of the Multiplex Group (Development, Property Trust and Investment Management) according to Multiplex Group management is showing "strong results". Financially, the Multiplex Group's gearing is around 30% and is in compliance with its banking facility covenants for both the Company and the Trust. While the Multiplex Property Trust has lent $700m to Multiplex Group, neither the MDOF or the Multiplex NZ Property Trust lends funds to the parent.

4.9.5.7. Other Multiplex Capital Trusts

- Lonsec continues to monitor other Multiplex trusts as a guide to management's track record.
- 186 St. Georges Terrace – This property was revalued to $13m in February 2005 and was sold on 10 May 2005 at that price. The Trust is currently being wound up and will result in a return of capital to unit-holders of $1.0845. Together with distributions the total return since October 2001 is 11.24% pa.
- Acumen Diversified PT – The Reed Street Canberra property was sold in May 2005 to Allco for $51.6m (up from $43m) and the Trust is now being wound up. This will result in a return of capital of $1.50 and final distribution of 5.9c. Total return was 14.88% pa since October 1999.
- Port Hedland Boulevard Shopping Centre – After falling short of forecast distributions in FY03 & FY04, the centre is now performing well with distributions at 11.7%. The property was revalued in January 2005 at A$9.4m, translating into a 31.5% increase on the December 2001 purchase price (NAB $1.50).
- Acumen Office Trust – NAB has been impacted by a write-off of $4.2m acquisition costs.

Multiplex Capital – Previous Performance

Syndicate/ Trust	Start Date	Value $m	Year end June	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Acumen Office Trust (Olderfleet Buildings Melb)	Oct-02	64	Forecast %	n/a	8.50	8.75	9.00	
			Actual %	n/a	8.55	8.75	9.00	
			NAB$	n/a	$0.92	$0.77	$0.77	
186 St Georges Tce Property Syndicate. (Sold May 2005)	Oct-01	11	Forecast %	9.5	9.75	10.00	10.00	10.25
			Actual %	9.5	9.75	10.00	10.00	
			NAB$	$0.88	$0.88	$0.88	$1.08	
Port Hedland Boulevard Shopping Centre	Oct-01	9	Forecast %	12.90	13.60	13.60	14.10	
			Actual %	12.90	12.10	11.70	11.70	
			NAB$	$0.92	$0.91	$0.91	$1.50	
Acumen Divers. PT (Reed Street Canberra). (Sold May 2005)	Oct-99	52	Forecast %	9.15	9.81	n/a	n/a	n/a
			Actual %	7.34	9.20	9.00	9.08*	
			NAB$	$0.94	$0.96	$0.96	$1.50	
Multiplex Acumen Property Fund	Jul-03	236	Forecast %			n/a	n/a	n/a
			Actual cts			9.44	9.94	
			NAB$		$0.96	$0.98	$1.07	
Multiplex New Zealand Property Fund	Sep-04	570	F'cast cts				9.00	9.50
			Actual %				9.00	
			NAB$				$0.94	$1.07
Multiplex Development & Opportunity Fund (ex MDTII)	Apr-02		Forecast %	n/a	n/a	n/a	n/a	n/a
			Actual %	1.40	9.00	11.15	17.52#	
			NAB$	n/a	n/a	n/a	n/a	

6. Market Analysis

6.1. Macro-economic Factors

- It is likely that the Reserve Bank will raise interest rates over the next two years, however the consensus amongst economists is that this will reflect a cautious approach, with any rises expected to be followed by periods of stability to ascertain the economy wide impacts of such rises. Rise in land values are likely to be tempered. The performance of individual developments will be driven more by the influence of micro factors specific to that development, such as population growth, local demographics, and development features.

6.2. Western Australia

- Western Australia's economy is dominated by the export-oriented mining sector and consequently its performance responds to movements in global industrial production.
- Strong global demand, particularly from China, has pushed investment in Western Australia's resources sector to a record high. According to ANZ Economics there is about $4bn of projects currently under construction, and Access Economics report an additional $2.9bn of committed resource-sector projects and another 122 projects (worth at least $40bn) under consideration or possible. ANZ Economics predict this "massive investment program will significantly expand the state's production and export potential".
- The windfall from Western Australia's resource exporters is a major stimulus to its domestic economy, spurring strong employment and household income growth. The state also now has the lowest unemployment rate of all the states at 4.4%. This in turn is keeping household consumption strong.
- Western Australia itself has maintained population growth above the Australian average over the past 30 years on the back of a strong resource based economy and this is also anticipated to continue in the future.
- Strong conditions for households and solid population growth will ensure that Western Australia's housing market experiences a more modest cyclical downturn compared with most other states this year.
- ANZ Economics predicts housing investment in WA is well placed to take off again in 2005-06. ABS data indicates 1,667 dwellings were approved (seasonally adjusted) in July 2005. The Macquarie Bank predicts the Perth residential market will outperform Australia's other residential markets, based on solid owner-occupier demand, 'including demand for land'.
- The heavy reliance of the Western Australian economy on the global cycle does bring significant risks. That said, the drivers of the current upturn, especially the rise of China, is considered unlikely to reverse in the intermediate term. The Western Australian economy is therefore expected to remain the leader of the states and grow by around 5½% in 2004-05 and around 4% in 2005-06.

6.3. Local Context

- The Vale estate is located within the City of Swan. Situated on the north-eastern outskirts of metropolitan Perth, Swan has been a high growth area over the past decade and this is anticipated to continue into the future. The first home owner market forms an important component.
- The East Metropolitan Region has accounted for 15-18% of new house approvals in Perth over the period from 1996/97 to 2004/05, reflective of the supply of residential lots and affordable housing. Within this region the City of Swan has accounted for the majority of this housing development, averaging approximately 1,000 new houses each year since 1996/97. The population of Swan City has grown at 4.1% p.a. since 1991, compared to 1.6% for metropolitan Perth. Development of this magnitude is expected to continue in the short to medium term.
- UrbisJHD forecast population growth in Swan equivalent to demand for in excess of 1,000 dwellings per year over the period to 2011, with Ellenbrook and Vale Estate anticipated to be major beneficiaries of this growth. Vale is expected to account for approximately 34% of the market.
- The sale rate per month for the preceding 12 month period to April 2005 in the "Vale" has been 39.52 sales per month on average.

6.4. Competitive Estates

Ellenbrook

- Ellenbrook is a joint venture between the Department of Housing & Works (DHW) and LWP Property Group Pty Ltd (formerly Sanwa Property). Upon completion, the Ellenbrook estate will comprise seven villages, (of which five are currently released), and offer approximately 10,500 home sites. The development has been going for 10 years, with approximately 10-12 years remaining. There are reportedly 4,500 lots sold to date with buyers predominately first home owners (40%).

- Three types of home sites are on offer - cottage, traditional, and country. Current available lots range between 360m2 and 1,700m2
- Style and value range is as follows:
  - Ø Cottage lots $ 95,000 - $115,000
  - Ø Traditional lots $110,000 - $140,000
  - Ø Dress Circle lots $140,000 - $170,000
  - Ø Country $170,000 - $210,000
- The average is reportedly a price of $127,000 for 600$m^2$ lot.
- Incentives include:
  - Ø Side and rear fencing package.
  - Ø Front landscaping package.
  - Ø Value dependent on the size of the lot. Generally between $2,000 and $5,000.
  - Ø An early building incentive totalling $1,500 has been cancelled for future releases.

The Vines

- The Vines is a residential golf-resort estate situated 4 km north of "Vale". Home sites in recent releases include a Vines Golf and Country Club Membership.

- The Pavilion Circle release is being marketed as urban living with 124 cottage lots ranging from 336m2 to 524m2 suited to double storey cottages. There are reportedly 16 lots left out of the 58 most recently released, ranging in size from 336m2 to 460m2 with asking prices of between $123,000 to $158,000.

- The Mews release has the potential to provide 330 traditional lots ranging in size from 600m2 to 1,000m2 is more traditional sized home sites with average areas of around 700m2 to 900m2. Prices within stage 1 of Mews range from $130,000 to $232,000 (averaging $147,000) and stage 2 ranging from $143,000 to $207,000.

- Pavilion Circle will provide 124 cottage lots ranging from 336sqm to 524sqm. The first stage release was in July 2004 comprising 30 lots and the second stage release in November 2004 comprising 38 lots.

  - Ø Rebates include a $3,000 landscaping package and golf club membership.

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The Grove

- 9 kilometres north west of "Vale".
- Based on our investigations "The Grove" is approximately 55% complete with around 550 lots already developed and sold comprising a mixture of Cottage lots (8% mix) and Traditional lots (92% mix).

  - Ø Cottage lots $110,000 - $120,000
  - Ø Traditional lots $120,000 - $150,000

Incentives:

- Ø Fencing and landscaping package $3,000

The Kestrels

- 10 kilometres north west of "Vale". Based on our investigations "The Kestrels" is approximately 25% complete with around 125 lots already developed and sold comprising a mixture of Cottage lots (10% mix) and Traditional lots (90% mix)

  - Ø Cottage lots $110,000 - $115,000
  - Ø Traditional lots $135,000 - $145,000

Incentives:

- Ø Fencing and landscaping package $3,000
- Ø 'Green smart' rebates to $1,000

7. Information Used in the Review Process

This report has been prepared by Lonsec Property Research (a division of Lonsec Limited) for the Directors of Multiplex Investments Ltd, the Responsible Entity. Lonsec has relied on information supplied by and obtained from discussions with employees of Multiplex Capital. We have reviewed or relied upon the following documents in the course of our research process:

1. ANZ Bank Economic Update: State Economic Outlook 21 February 2005
2. Australian Bureau of Statistics (Dwelling Commencements; Housing Finance).
3. Ellenbrook, The Vines and Vale Place Plan, City of Swan, June 2004.
4. Housing Industry Association – New Dwelling Construction Forecasts.
5. Multiplex Acumen Vale Syndicate – Product Disclosure Statement (15 August 2005).
6. Multiplex Capital Unlisted Property Trusts (www.multiplexcapital.biz).
7. Multiplex Group – Half Year Report to December 2004 (February 2005).
8. Multiplex Investments Ltd – MDOF Update Memo (22 July 2005).
9. Multiplex Vale Syndicate Model (11 August 2005)
10. National Australia Bank – Business Letter of Offer (8 August 2005)
11. Vale Residential Subdivision - Stages 2-6 Market Economic Report – Final, UrbisJHD, May 2005
12. Valuation of 'Vale' Stages 2-6, Christie Whyte Moore, 12 July 2005. Enzo Evangelista, Valuer

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