



Independent Research

September 2005

## Multiplex Acumen Vale Syndicate Ltd

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Richard Cruickshank, Managing Director.

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## Multiplex Acumen Vale Syndicate Ltd

### Summary

#### Offer Overview

Through this offer, Multiplex Acumen Vale Syndicate Ltd (the Syndicate) seeks to raise an additional \$15 million in equity funds to fund the purchase and subdivision of 208 ha of residential and commercial land in the Swan Valley, 25km to the North of Perth CBD in Western Australia. Investors will own shares in an unlisted public company, the Syndicate Ltd and will share in the development profits of the subdivision. Targeted equity in the syndicate is \$30 million.

#### Evaluation Summary

The Syndicate is being formed to develop stages 2 to 6 of the Vale subdivision. Stage one has been completed and planning consent has been granted for stages 2-5, with stage 6 approval expected in the near future. Development plans for the project show a residential estate of 1,564 residential lots, plus two commercial centres, a private school and a retirement village. The development is located in the picturesque Swan Valley, which is in a high growth corridor just to the north of Perth. Investors should note that there is some returns risk should stage 6 not be approved but PIR considers this to be unlikely. Being mainly a residential land sub-division project, returns are subject to significant cyclical risks compared to established tenanted commercial properties.

#### Management

Multiplex Capital Ltd (Fund Manager) is a wholly owned subsidiary of Multiplex Ltd a publicly listed company. Multiplex entities currently manage four unlisted property funds and the ASX listed Multiplex Property Trust which have total assets of approximately \$4.0 billion.

### Major Considerations

- ▲ Swan Valley is a fast growing satellite area close to a 'high growth' state capital.
- ▲ A significant number of the lots in stage two have already been sold and prices have been gradually rising.
- ▲ The developer and the Fund Manager have established track records.
- ◀ Fund launched at time of possible market peak for residential land and relies on local factors to sustain demand.
- ▼ Estate is yet to obtain planning approvals for the final and largest stage.
- ▼ Exposure to potential rising subdivision construction costs in a booming construction industry.

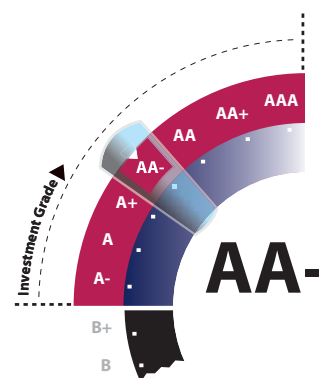
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### Overall Investment Rating

Ratings vary with investor profile and option – refer Page 2.



### Scheme Details

Multiplex Acumen Vale Syndicate Ltd	
Prospectus dated 16 August 2005	
Fund type	Unlisted Public Company
Duration of investment	4 years
Share price	\$1.00
Minimum investment	\$5,000
Distribution frequency	Quarterly from December 2007
Liquidity	Nil
Adviser Commissions	3.3%
<b>Fund Manager</b>	
Multiplex Capital Limited (ACN 094936866)	
<b>Development &amp; Project Manager</b>	
Multiplex Developments Operations Pty Ltd (ACN 114573554)	

### Investment Profile

Number of properties	One
Property location	Perth, WA
Property sector	Residential & commercial subdivision
Future borrowing commitments	Nil
Gearing ratio (% of Total Assets)	Max 61.1% land value
Equity (Syndicate)	\$15m
Equity existing	\$15m
Total funds at outset	\$30m

### Returns forecast by the Syndicate

<b>Year end 30 June</b>	<b>2009</b>
Annualised pre-tax investor return (IRR)	20.3%

## Conclusion

Qualitative Criteria	Star Ratings Assessment (0 – 5)				
Quality of assets	★	★	★	★	
Strength of relative property markets	★	★	★		
Quality of income stream	★	★	★	★	
Potential upside for vehicle	★	★	★		
Diversification	★				
Investor's initial value	★	★	★		
Level of fees	★	★	★		
Capital structure and debt management	★	★	★	★	
Quality of disclosure	★	★	★	★	
Track record and capacity of Management	★	★	★	★	

Table i

This offer is for shares in an unlisted public company which is different from most fixed term syndicates which usually operate as unlisted unit trusts. As a result the dividends that are paid to investors will be tax paid from the company and investors will receive franking credits in addition to their dividends.

The Syndicate has already secured 50% (\$15 million) of the equity required for this company. This offer to the general public is for the remaining 50% or \$15 million.

Assuming the recent escalation of construction costs involved in land subdivision has stabilised for the short term, the key risk is a further or increased cyclical downturn in demand for land during the term of the fund. This may affect not only sale prices but also the timing

of income returns to investors because slower sales delay distributions which would both increase total fees and dilute investor returns. In addition it would increase the probability of encountering a period of higher borrowing interest rates. Such events may drain assets and potentially affect the capital backing of the Syndicate shares as well as returns. If lower demand results in a lowering of prices rather than slower sales, then returns to the Syndicate could be markedly affected.

A consideration for investors is the fact that the Syndicate has not yet obtained the planning approval for the last stage of the development. This last stage is for 330 lots out of a total of 1,564 lots (21% of total lots). However given that the Swan Valley is a growth area and that planning permission has been granted for stages 1-5, PIR does not view planning refusal as a likely event.

Whilst the Swan Valley is a growth area and the council has a history of allowing such subdivisions which are required to sustain the growth in the region, investors should be aware that such approval is not guaranteed. If approval is refused by the council or it imposes onerous restrictions there are avenues of appeal, however such a process will increase costs, reduce returns and may significantly increase the term of investment.

The Syndicate is subject to diversification factors such as geographic and sector diversification which cannot be addressed by a single development project. These criteria add to the risk elements and consequently receive a lower rating than would normally be given to a more diversified portfolio.

PIR Investment Ratings by investor profile*				
		Investor's risk tolerance		
		High	Average	Low
Tax rate	48.5%	<b>A+</b>	<b>A+</b>	<b>A</b>
	31.5%	<b>AA</b>	<b>AA-</b>	<b>AA-</b>
	15.0%	<b>AA+</b>	<b>AA+</b>	<b>AA+</b>
<p>PIR's investment ratings are derived directly from estimates of after-tax IRRs adjusted for risk. Because this system determines a rating for specific tax rates and levels of risk tolerance, it recognises that investors have different attitudes. For an investor profile, it also enables direct and valid comparison with any other offer rated on the same basis for the same specific profile. The investment grade ratings range is: A-, A, A+, AA-, AA, AA+, AAA.</p> <p>* For further explanation refer to the back page of this report or visit <a href="http://www.pir.com.au/investors">www.pir.com.au/investors</a></p>				

Table ii

The Syndicate intends to start paying dividends and return of capital once all debt has been repaid. Dividends are forecast by the Syndicate to occur from December 2007, until forecast completion of the project in late 2009.

This is an upscale well planned community in a desirable location. The development will be undertaken in stages. Stage one, which was not part of this offer has been successfully completed with all lots sold and residents already living in the subdivision.

Marketing of the lots in stage two has commenced and Multiplex has secured sales of 286 of 402 lots representing 71% of the lots available for sale in stage two. The construction works have only just begun, giving an indication of the demand for this subdivision. In addition the proposed school site has been sold to an Anglican private school operator offering years 1-12 schooling.

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## Key Assessment Issues

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Provided the Western Australian economy continues to grow at a healthy rate, the Swan Valley should continue to grow as an area for housing growth. There have already been several subdivisions completed in the vicinity in the past 7 years.

The Syndicate is being launched at a time of cyclical market downturn for residential land in other parts of the country although the Perth housing market continues to grow and relies on local factors to sustain demand. Investment in land subdivision is speculative and is not sustained by rental income. Investors therefore invest on the basis of the ability to benefit from high upside potential. However there remains the potential of severe downside risk.

The Syndicate's forecasts indicate a pre tax internal rate of return of approximately 20% pa for investors. Investors should note that the IRR figures used by PIR in this report are after-tax figures.

Exposure to such a project brings with it the inherent risks associated with property development, including consumer sentiment and economic factors, which may be affected by interest rates, construction costs and the strength of the residential property market and the economy as a whole.

A key advantage of the project is that a prior stage of the development (not owned by the Syndicate) is already pre-sold and has featured rising prices. This gives a greater level of comfort than a 'Greenfield' development. Despite this, the project will rely on prices being maintained at a high point in the market cycle and will be subject to local issues which will drive demand.

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## Income Returns

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PIR has examined the financial projections of the Syndicate based on the valuations and supporting evidence supplied and is satisfied that the Syndicate can generate sufficient profit to cover the forecast distributions outlined below, subject to best practice corporate governance being undertaken by the Syndicate's directors, staff and consultants.

The timing of cash flows in property development vehicles in comparison with most commercial property vehicles differs, as the latter is usually involved with an investment in a completed income producing property. Development cash flows are generally irregular with income being produced through sales of property after development has been completed, rather than rental income. Rental income has the distinction of being generally more regular when being produced by a completed property.

Development returns are generally higher in comparison to returns from completed income producing assets although this is a trade off to the level of risk incurred in such an investment.

The key risk areas inherent in a development project of this type may involve securing the land, obtaining the necessary approvals, construction and ultimately selling the developed allotments at the required sales value.

Tax is paid by the Syndicate and capital is returned as lots are sold. Income received in distributions will have been taxed at 30%. Because investors can re-claim those imputation credits, the pre-tax equivalent of the franked distributions are quoted in the Table iii on the following page.

PIR's rating model process has been based on a four-year cashflow analysis having some regard to the Syndicate's analysis using proprietary software which involves a range of limitations. PIR has also had regard to the Syndicate's assumptions and believes they are largely in line with the PIR Expected case scenario. Table iii details PIR's summary forecast of cashflows from the two funds individually and then combined.

*This report does not form any part of any offer document*

**Financial forecasts and projections (PIR expected case)**

Year ended 30 June	2006	2007	2008	2009
Gross Property Income	68,730,000	62,745,000	43,261,000	49,755,000
Less Development & Sales Fees	-3,350,000	-7,394,000	-4,041,000	-5,324,000
<b>Total Income</b>	<b>65,380,000</b>	<b>55,351,000</b>	<b>39,220,000</b>	<b>44,431,000</b>
Development Costs	22,952,000	19,429,000	13,767,000	15,596,000
Other Costs	12,624,000	10,751,000	7,675,000	8,730,000
Amortisation of Land	20,945,000	17,730,000	12,563,000	14,232,000
<b>Total Expenses</b>	<b>56,521,000</b>	<b>47,910,000</b>	<b>34,005,000</b>	<b>38,558,000</b>
<b>Net Operating Income</b>	<b>8,859,000</b>	<b>7,441,000</b>	<b>5,215,000</b>	<b>5,873,000</b>
<b>Franking Credits</b>	<b>-</b>	<b>-</b>	<b>11,144,000</b>	<b>4,700,000</b>
Available For Distribution	-	-	16,359,000	10,573,000
Equity Invested	30,000,000	30,000,000	30,000,000	30,000,000
<b>Return On Equity</b>	<b>0.00%</b>	<b>0.00%</b>	<b>54.53%</b>	<b>35.24%</b>
Tax Advantage	0.0%	0.0%	0.0%	0.0%
<b>After-tax Distribution</b>				
<b>480.5 % Tax rate</b>	<b>0.00%</b>	<b>0.00%</b>	<b>28.08%</b>	<b>18.15%</b>
<b>310.5 % Tax rate</b>	<b>0.00%</b>	<b>0.00%</b>	<b>37.35%</b>	<b>24.14%</b>
<b>15 % Tax rate</b>	<b>0.00%</b>	<b>0.00%</b>	<b>46.35%</b>	<b>29.96%</b>

Table iii

**Capital Returns**

Under the Expected scenario, investor's capital is expected to be returned over the year from 30 September 2008 through to late 2009 following settlement of completed lots and repayment of all debt.

For further analysis and benchmark comparisons of transaction and establishment costs, subscribers should visit [www.pir.com.au](http://www.pir.com.au).

The percentages in Table iv provide figures for use as benchmarks and replace the former NTA calculation, the true meaning of which has dissolved with the increased application of accounting convention.

Application of Funds	\$000	%	Source of Funds	\$000	%
Contract purchase price	65,470	34%	Equity	30,000	16%
Transaction costs (property acquisition costs e.g. stamp duty, legals and due diligence)	4,926	3%	Debt & Sales	159,975	84%
Construction Costs	71,744	38%			
Other offer/establishment costs	4,438	2%			
Other Costs, Govt Fees and Taxes	43,397	23%			
<b>Total Funds Employed</b>	<b>189,975</b>	<b>100%</b>	<b>Total</b>	<b>189,975</b>	<b>100%</b>

Table iv



## Debt

Due to the nature of subdivision development being staged in both costs and settlement of lots, the subsidiary of the Syndicate intends to obtain a variable loan facility from the National Australia Bank. The loan facility is for between \$40 million at commencement reducing down to \$20 in June 2007. The NAB facility will be used to refinance the existing facility from St George Bank Ltd.

The loan to value ratio is to be no greater than 60% and the company must meet lot pre-sale thresholds of 50% of the bank loan limit at all times.

Under the loan agreement, the net sale proceeds from the sale of each lot must first be repaid to the bank to reduce the loan before it can be paid as dividends to investors.

The Syndicate has assumed an interest rate of 6.8% p.a. which includes the financier's lending margin. Interest costs however, represent only 1.4% of total application of funds. The direct effect of changes in interest rates on profit margins therefore, is small even if higher interest costs may be accompanied by higher borrowing costs for buyers of the subdivided lots of land which would almost certainly slow the rate of sales.

The Syndicate states that it intends to hedge the interest rate on 70% of the forecast debt through the use of interest rate swaps.

## Taxation

**Income tax:** Because the Syndicate does not own depreciable items, there is no tax deferred component of distributions. In the later years, however, a high proportion of distributions comprises capital which is returned pro-rata with the sale of each lot. Dividends paid by the Syndicate may be franked. Taxation treatment of dividends will vary depending if the shareholder is an individual or a company.

**Capital Gains Tax:** Capital gains tax is not relevant because all capital gains are taxed as income.

**GST treatment:** Because the subdivision creates new titles, GST is paid on sale of each lot and claimed on the cost of development. Financial forecasts are all net of GST.

The taxation implications of investing in the Syndicate may vary according to the investment structure adopted by investors and potential changes to the Taxation Act.

**It is strongly recommended that investors seek/obtain professional and independent financial advice before choosing to purchase units in this or any investment property vehicle.**

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## **Risk and Total Returns**

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The developer's first measure of total returns is the margin by which gross returns exceed total costs – the feasibility. While the time factor is sometimes ignored at the developer's peril, this is a useful measure of both profitability and risk and the resulting feasibility analysis is shown in Table v below:

This analysis is a hypothetical subdivision approach only, and is not a forecast by the Syndicate or PIR.

Risk is measured by the deviation in returns from those generated by the expected case scenario. For the upside and downside scenarios, alternative assumptions have been used in accordance with the standard PIR methodology. Table vi below, indicates the range of likely IRRs with results in downside and upside cases effectively being one standard deviation from expected figures.

PIR has undertaken a four-year cash flow analysis as part of the financial rating model. An expected after-tax IRR of 8.65% per annum after tax was calculated for investors with a marginal tax rate of 48.5% and 0% gearing. Using the standard PIR methodology, a downside IRR of 5.66%

per annum was derived, with an estimated 16% chance that the actual outcome will be lower than this. An upside IRR of 10.74% after tax was calculated, with an estimated 16% chance that the actual outcome will be higher than this.

The success of the project relates directly to the selling down of the allotments. This offer is advantaged in that prior stages of the development have already been development and Multiplex have commenced pre-sales. This gives a greater level of comfort than a 'Greenfield' development which has yet to achieve any sales. Despite this, the project will rely on prices being maintained at a high point in the market cycle and will be subject to local issues which will drive demand.

As mentioned previously, there is the risk that the Syndicate will not be able to obtain planning approvals required for the final stage of the project, amounting to 21% of the projected lots.

Should this unlikely event occur then a resultant loss to investors is unlikely as the associated costs of the subdivision development will not have been incurred.

In its independent report, Chappell & Lambert, town planners says it believes that the subdivision approval has been issued for a significant proportion of the property and that the Structure and Development Plan has been approved that it would be reasonable to assume that subdivision approval will be obtained over future stages in accordance with those plans.

This analysis assumes that there is no change to the portfolio in the form of alternative redevelopment, forced or other deleterious sale or expansion not assumed in the company's current forecasts during the anticipated investment horizon.

Alternative assumptions (where warranted) are in accordance with the standard PIR methodology. Whilst no forecasting can be guaranteed to be correct, providing differing assumptions can create both positive and negative outcomes within the PIR framework.

Feasibility \$'000's		
COSTS & REVENUES	\$ Total	% of Cost
<b>REVENUE</b>		
Total Sales Revenue	224,499	
Less Selling Fees	-10,548	
Lee Management Fees	-9560	
<b>NET SALE PROCEEDS</b>	<b>204,931</b>	
<b>TOTAL PROJECT REVENUE (after GST paid)</b>	<b>204,391</b>	
<b>COSTS</b>		
Land Purchase Cost	65,470	37%
Land Transaction Costs	4,926	3%
Construction & Development (incl. construct. contingency)	72,068	41%
Professional Fees	7,135	4%
Statutory Fees and Contributions	14,560	8%
Sales & Marketing Costs	4,035	2%
Land Holding Costs	902	1%
Finance Charges (including line fees)	1,476	1%
Interest Expense	2,680	2%
Administration Costs and Fees	3,742	2%
<b>TOTAL PROJECT COSTS (before GST reclaimed)</b>	<b>176,994</b>	<b>100.00%</b>
<b>TOTAL PROJECT Profit Before Tax</b>	<b>27,397</b>	<b>100.00%</b>
<b>Tax</b>	<b>8,543</b>	
<b>Net Development Profit after Tax</b>	<b>18,854</b>	

Syndicate estimated after-tax IRRs	Downside	Expected	Upside
48.5%	5.66%	8.65%	10.74%
31.5%	8.08%	11.81%	14.47%
15%	10.45%	14.81%	17.96%

Table vi

## Assumptions

PIR assumptions	Downside	Expected	Upside
Construction cost contingency	5.0%	0.0%	-5.0%
Sales prices	-3.0%	0.0%	-3.0%
Sales fees	5.0%	0.0%	-5.0%

Table vii

Risk is measured by variance from the expected case. For the upside and downside scenarios, alternative assumptions have been used in accordance with the standard PIR methodology

Inflation and economic growth rates based on Access Economics forecasts;

Due to the minimal amount of interest being paid over the period in relation to the project revenue and the fact that the Syndicate intends to hedge the interest rate on 70% of the debt, the effect of any changes in interest rates is likely to have a minimal impact on the project.

Forecasts are based on key assumptions identified by a sensitivity analysis. The first key assumption is that the granting of planning approvals does not constitute a significant risk even while it will remain a source of uncertainty for some time.

By far the largest components of cost are the land price (37% of total cost) which is now fixed and construction cost (41% of total cost) which can vary.

Construction costs are assumed to be \$43,863 per lot based on estimates by Cossill & Webley Pty Ltd, consulting engineers including council infrastructure contributions. PIR believes that following recent years of large increases in costs, construction costs pressures may subside.

On the revenue side outcomes are particularly sensitive to variation in sale price. Thus the key assumption and the one to which the outcome is most sensitive is average lot price. The financial analysis assumes an average retail price per lot of stage two residential land of \$125,000 and an average of \$141,000 (range \$100,000-\$160,000) for stages 2-6, which is arguably conservative because the subject site is adjacent to stage one of the Vale development that saw significant price growth over the past year.

Currently the interest rate is 6.8% for one year for the land which settled on 29 June 2005. Interest costs are a small proportion of total costs.

Gearing ratios are those commonly applied to land subdivision. Exposure is greatest where pre-sales are low and development work is near completion.

## Offer Structure

The Multiplex Acumen Vale Land Syndicate is an unlisted public company. A unlisted public company must meet similar reporting standards as a listed public company (a listed company is a company listed on a stock exchange such as the ASX), which is a higher standard of reporting than is required for a Pty Limited company and a trust structure.

The issue price of each share under the current offer is \$1.00. This issue seeks to raise \$15 million. The Company has previously raised \$15 million and now seeks additional equity. All shares will rank pari passu (equally) and the costs of this offer is borne by the existing shareholders

(associated entities of Multiplex) as well as subscribers under this offer. The result of taking the expenses of this raising into account is that shareholder equity will be \$25.6 million.

The minimum subscription is \$5,000 and investors can invest larger amounts in multiples of \$1,000. The offer has been underwritten by Wyllie Group Pty Limited Subject to the terms of the Underwriting Deed, the Underwriter is required to subscribe for Shares to the extent that valid applications are received under the offer for less than 15,000,000 Shares.



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## Liquidity and Exit Mechanism

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There is no liquidity facility offered with this investment. Investors should regard this investment as illiquid for the period of investment. The Syndicate expects that from around 30 September 2008, capital will be progressively returned to investors over 7 quarters with projected completion being late 2009.

As there is currently no formal secondary market for shares in the Syndicate, investors must assume that this is a long term investment with no redemptions until the termination of the Syndicate. The Syndicate has no obligation to purchase or redeem the value of an investor's units.

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## Fees

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The Fund Manager, Development Manager and others are entitled to several fees, which have been included in the financial forecasts. The principal fees are outlined below:

- A Development Management Fee of 3% of the revenues received for each lot.
- Initial Management Service fee of \$2,000,000 for the assisting in the equity raising.
- An acquisition support fee of \$312,500 which is a fee for the sales and marketing services of 4% of the revenues for each lot settled.
- An underwriting fee of \$750,000 (payable to Wyllie Group Pty Ltd)
- A management Service fee of 1.25% of the company's gross aggregate revenues.
- A principal shareholder fee which is payable to the principal shareholder (a subsidiary of the Multiplex Development & Opportunity Fund) for services in relation to the offer and prospectus

- The Company is also responsible for all proper expenses incurred in relation to operations.
- A performance fee of 20% of amount by which the overall shareholder return exceeds 20% annualised IRR (before tax) to shareholders.

PIR views the fee structure as being somewhat higher to comparable offers relating to comparable land subdivision projects, although this is partly due to the presence of underwriting fees which ensure that the project commences and does not rely on minimum subscriptions from investors to proceed.

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## Capacity of Manager

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Multiplex Group is an integrated and diversified business with operations in construction, development, facilities management and investment management.

Multiplex Capital is the Investment Management division and is responsible for the management of the Multiplex Group's property investment vehicles.

The division comprises the responsible entities for a number of property investment vehicles. The division is managed by a team of professionals with extensive property and funds management experience. Multiplex Capital is focused on developing and implementing the investment strategies for all the property vehicles within the Group.

The division is responsible for:

- Multiplex Funds Management Limited, as the Responsible Entity of Multiplex Property Trust
- Multiplex Investments Ltd, as the Responsible Entity of the Multiplex Development and Opportunity Fund;

- Multiplex Capital Limited, as the Responsible Entity for Acumen Office Trust and Multiplex New Zealand Property Fund;
- Acumen Capital Securities Limited as the Responsible Entity of the ASX listed Multiplex Acumen Property Fund.

The parent company, Multiplex was established as a private company in 1962 and today is a diversified property business that listed on the Australian Stock Exchange in December 2003. It had a fully paid market capitalisation as at 15 August 2005 of approximately \$2.5 billion. It employs over 1,800 people in construction, facilities management, property development and investment management divisions. It is a stapled security with a large diversified portfolio.

With the structure of the offer as a company there are no custodial services required.

Multiplex Capital Ltd, the Syndicate of this Fund, is the investment management division of the Multiplex Group.

It manages funds valued at over \$2 billion. It is also the Syndicate for;

- Acumen Diversified Property Trust
- Acumen Office Trust
- 186 St Georges Terrace Property Syndicate

Performance of previous syndicates has been in line with forecasts with the exception of the Reed St Trust. Multiplex replaced the original RE and was not responsible for the forecasts.

PIR has previously completed five reports for Multiplex and Acumen. The Fund Manager is experienced in property Syndicates/Funds, with considerable experience in the property industry and thus can be considered to be a very experienced entity. Executive Directors of the Company and key personnel are:

**Andrew Roberts, B Comm, MBA, ASA. (Executive Chairman):** Andrew has 19 years experience in the property industry and is responsible for the Multiplex Group's strategic and corporate development. He has been instrumental in the company's diversification into the property development and property investment sector.

**Ian O'Toole, (Managing Director):** Ian has over 22 years experience in funds management and real estate. As a former Director of ING Real Estate Asset Management Limited, he is experienced in capital transactions and asset management.

**Dr Peter Morris B Eng, Ph.D. (Independent Director):** With a career spanning over 30 years, Peter has held several senior positions including over 20 years as the managing director of Bovis Australia (now Bovis Lend Lease). Peter is currently a Non-Executive Director of Galileo Funds Management which has assets of over \$450 million under management. His specialist skills are in the areas around establishing delivery strategies for major development and construction projects.

**Mike Hodgetts B Comm, MBA, FAIQS, FRICS, JP. (Independent Director):** A qualified Quantity Surveyor, Mike has over 30 years experience in the property industry and was managing director, then Chairman of the Rider Hunt Group.

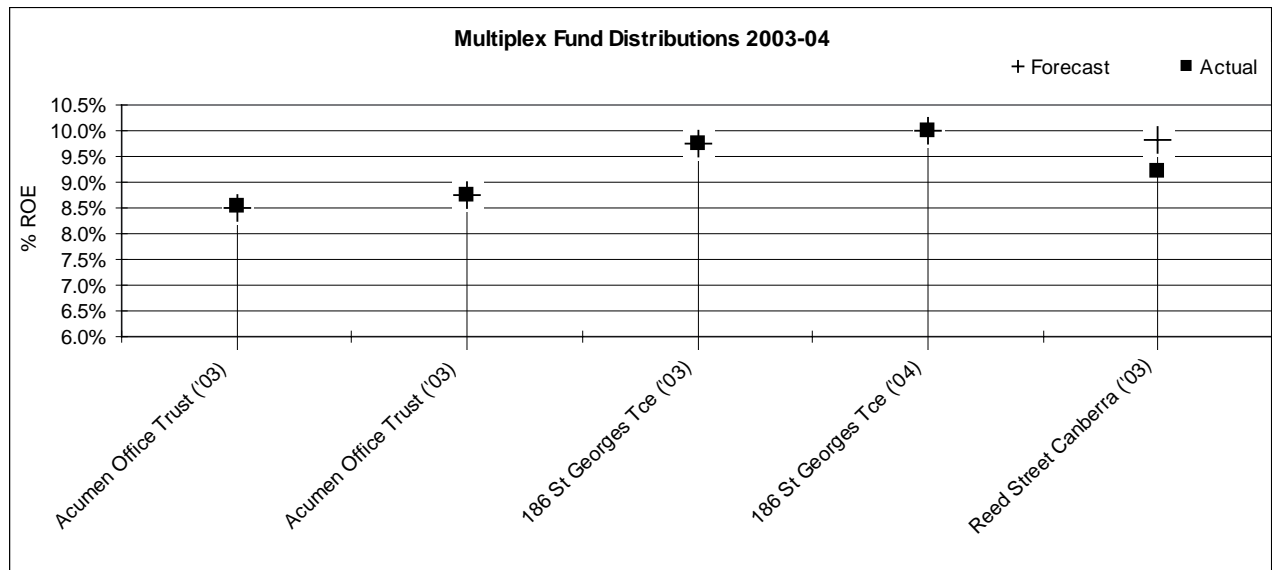
He is a past national president of the Australian Institute of Quantity Surveyors and has represented the profession at key national and international conferences.

**Robert McCuaig API, FRICS. (Independent Director):** Has extensive experience in the Australian property industry, having established McCuaig & Colliers in 1967. Currently Robert is the Chairman of Colliers International (Australia) and a director of several companies including non-profit organisations.

**Rob Rayner, Divisional Director Funds Management of Multiplex Capital:** Rob has over 15 years property and financial experience in both the listed and unlisted sectors of the property funds management industry. Rob is primarily responsible for both the growth and development of the funds management business.

**Leon Boyatzis (Fund Manager):** Leon has over 15 years experience in investment analysis across a range of industries in both London and Australia. Most recently, Leon was Research Manager of a stockbroking firm before turning his investment analysis skills to the property industry where he was responsible for the analysis of a number of major property developments as well as overseeing the performance of significant property portfolios.

PIR undertook a compliance review of Multiplex Capital Limited in August 2004. The review concluded that Multiplex is committed to complying with applicable laws and regulations. The Funds Management business has the Group Compliance Manager overseeing the compliance requirements for the scheme. A computerized compliance monitoring system is used to monitor compliance and allows the Compliance Manager to readily identify shortcomings and delays. Compliance risks are communicated and controlled by the publication of policies and guidelines via the intranet and referred to in the compliance plan.



## Property and Location Analysis

The subject property comprises a 208 hectare site known as “Vale” that is situated on the north side of Gnangara Road some 25 kilometres north-east of the Perth Central Business District and some 11 kilometres north of the nearest city centre at Midland City. Midland is the designated regional centre of the City of Swan and is the nearest major city to Vale. The location is part of the Swan Valley an area traditionally known as a wine region.

The location is immediately east of the Ellenbrook Estate. Nearby and adjacent to the subject property to the north-east is the Vines resort and the established Upper Swan community is some 3 kilometres further north east. The industrial localities of Landsdale and Wangara lie some 10 kilometres west of the development. The subject property falls within what is Perth’s largest Local Government Area covered by the City of Swan. The municipality has a diverse economic base centred around commerce, retailing, tourism, residential development, industry, manufacturing and agriculture.

Sale rates over the past 2 years within the nearby estates which are considered to be broadly comparable to the subject in terms of product type and demographic characteristics have been between 40 to 60 per month.

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. Sales rates have escalated from more traditional levels (15-25 lots per month) due to the increasing strength of the Western Australian, and in particular Perth Property Markets. This sustained growth has been borne by the resource boom (iron ore, nickel, gas etc.) which in turn has resulted in WA having one of Australia’s highest net interstate migration inflow rates, according to BIS Shrapnel. The demand for skilled labour to meet production targets on many of the resource based projects is one of the reasons for the high migration. These workers are helping to underpin demand for property.

This capital raising concerns stages 2-6 of the Vale estate only. Overall the Vale Estate incorporates 4,500 residential lots of which PIR estimates approximately 4,100 are still to be sold. Based on a straight line development/sale rate over the remaining 11 years of development, this equates to an average of 373 lots per year. With an annual demand in Swan of between 1,000 to 1,200 lots, the Vale Estate would account for approximately 34% of the market.

Development analysis – Vale Estate			
Stage	Avg Lot Size (sqm)	No. of lots	% of Lots
2	586	404	26
3	547	209	13
4	589	323	21
5	621	298	19
6	599	330	21
<b>Total</b>		<b>1,564</b>	<b>100</b>

Table viii

Description	Area (ha)	%
Commercial Site	1.0	0.5%
Neighbourhood shopping centre A (incl Tavern site)	2.0	1.0%
Neighbourhood shopping centre B (incl Tavern site)	3.2	1.5%
School site	10.3	4.9%
Residential (1,000 lots)	183.9	88.0%
Hedley Brook Drive	3.7	1.8%
Retirement Village A	2.3	1.1%
Retirement Village B	2.6	1.2%
	208.9	100.0%

Table ix

## Due Diligence

Property Investment Research Pty Ltd (PIR) advises that in the compilation of this report, a full due diligence on this offer has not been conducted. Investors would be well advised to consult the offer document, conduct their own inquiries, and receive professional advice. This report was not prepared to form any part of any offer document. PIR has relied upon information contained in the offer document dated 16 August 2005. PIR has carried out its own independent inquiries. PIR has inspected the development site and met representatives of the Syndicate. There were no issues apparent from a physical inspection of the site, or from discussions with the Syndicate, that would have a detrimental impact on an investment in the Multiplex Acumen Vale Syndicate Ltd, other than those identified in the offer document or other material received or identified in this report.

PIR has received copies of the Syndicate's Constitution and Compliance Plan which have been registered by the Australian Securities and Investment Commission, financial reports for the Syndicate and Multiplex Property Group, property valuation for Stages 1-6, market economics report and various due diligence files, and spreadsheets comprising all financial information relating to cashflows and net assets of the scheme.

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## Explanation of Investment Rating

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The Investment Rating Financial Model (patent pending) provides a single measure of the overall investment merit of this vehicle for various investor profiles. It incorporates the level of expected returns (IRRs) from the investment and adjusts these for both illiquidity and risk associated with this investment, presenting them across the three main marginal tax rates. The Investment Rating is based on the premium of the estimated risk-free, after-tax IRR adjusted for illiquidity over the prevailing 10-year bond rate. This measure enables the valid comparison of an investment with any other for nine (tax rate and risk tolerance) investor profiles. This facilitates the task of tailoring investment selection to the needs of the individual investor. Further, it provides ratings in which the advisers and investors can have unprecedented confidence. The ratings presented in the risk tolerance/tax rate matrix are only a representative sample of those available on PIR's unique individually tailored on-line investment selection system.

Visit [www.pir.com.au](http://www.pir.com.au) or phone (03) 9670 7767 for assistance.

Except when investor gearing is involved, a lower marginal investor tax rate would normally attract a higher rating because investors on higher tax rates (nearly) always pay more tax. An investment which rates AA- for a 48.5% tax rate investor may be relatively better for that investor profile than for a 15% taxpayer for which the rating is AA+. A high rating for a higher marginal investor tax rate is generally less common than the same rating for a lower marginal investor tax rate.

Comparison across investor tax rates is not meaningful, nor is comparison across investor risk tolerances.

For ease of comprehension, the Investment Rating uses symbols similar to those applied by credit rating agencies. These ratings should not, however, be confused or compared with those used by credit rating agencies. The seven published Investment Ratings from lowest to highest are: A- A A+ AA- AA AA+ AAA. Projects with ratings below A- are not considered investment grade and reports on such projects are not published by PIR.

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Richard Cruickshank, Managing Director.

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