Multiplex Acumen Property Fund
Financial Report
For the year ended
30 June 2008

# Multiplex Acumen Property Fund

ARSN 104 341 988

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**Responsible Entity**
Brookfield Multiplex Capital Management Limited (formerly Multiplex Capital Management Limited)
1 Kent Street
Sydney NSW 2000
Telephone: (02) 9256 5000
Facsimile: (02) 9256 5001

**Directors of Brookfield Multiplex Capital Management Limited**
Peter Morris
Brian Motteram
Robert McCuaig
Mark Wilson
Brian Kingston

**Company Secretary of Brookfield Multiplex Capital Management Limited**
Alex Carrodus

**Principal Registered Office**
1 Kent Street
Sydney NSW 2000
Telephone: (02) 9256 5000
Facsimile: (02) 9256 5001

**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: MPF). The Home Exchange is Sydney.

**Auditor**
KPMG
10 Shelley Street
Sydney NSW 2000
Telephone: (02) 9335 7000
Facsimile: (02) 9299 7077

# Directors' Report
## Multiplex Acumen Property Fund

Year ended 30 June 2008

### Introduction
The Directors of Brookfield Multiplex Capital Management Limited (ACN 32 094 936 866) (BMCML), the Responsible Entity of Multiplex Acumen Property Fund (ARSN 104 341 988) (MPF or the Fund), present their report together with the financial report of the Fund and the Consolidated Entity, being the Fund, its subsidiaries and the Consolidated Entity's interest in associates, for the year ended 30 June 2008 and the Auditor's Report thereon.

### Responsible Entity
The Responsible Entity of the Fund is Brookfield Multiplex Capital Management Limited which was appointed as Responsible Entity on 26 October 2007, replacing Multiplex Capital Securities Limited. The Responsible Entity changed its name from Multiplex Capital Management Limited (on 17 June 2008), which was subsequent to the acquisition of Multiplex Group by Brookfield Asset Management Inc. in December 2007. The registered office and principal place of business of the Responsible Entity and the Fund is 1 Kent Street, Sydney.

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

| Name | Capacity |
|---|---|
| Peter Morris (Director since 14 April 2004) | Non-Executive Independent Chairman |
| Rex Bevan (Director since 21 February 2007 – resigned 31 January 2008) | Non-Executive Independent Director |
| Brian Motteram (Director since 21 February 2007) | Non-Executive Independent Director |
| Robert McCuaig (Director since 31 March 2004) | Non-Executive Independent Director |
| Ian O'Toole (Director since 31 March 2004 – resigned 31 October 2007) | Executive Director |
| Robert Rayner (Director since 31 October 2000 – resigned 22 August 2008) | Executive Director |
| Bob McKinnon (appointed 7 December 2007 – resigned 18 July 2008) | Non-Executive Director |
| Mark Wilson (appointed 27 August 2008) | Executive Director |
| Brian Kingston (appointed 27 August 2008) | Executive Director |

### Information on Directors
#### Peter Morris, Non-Executive Independent Chairman
Peter has more than 36 years of experience in property, initially in project and development management and more recently in funds management. He is a recognised leader in the development and project management fields, having played a major role in the growth of professional project management as a specialist skill in Australia. For 14 years he acted as Managing Director of Bovis Australia (now part of Bovis Lend Lease) and its forerunners. During this time he was responsible for the delivery of some of Australia's largest and most high profile commercial projects.

Peter acts as Independent Chairman of Brookfield Multiplex Capital Management Limited.

#### Brian Motteram, Non-Executive Independent Director
Brian has in excess of 30 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 18 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 private property company in the position of Chief Financial Officer and, later, as Financial Director.

#### Robert McCuaig, Non-Executive Independent Director
Robert is Chairman of the Advisory Board of Colliers International Property Consultants in Australia. Along with David Collier, he formed McCuaig and Collier, which in 1988 became the New South Wales office of Colliers International. He was a forerunner in the establishment of Colliers in Australia, now one of the world's largest professional property service groups. Robert has acted as a property adviser to the University of Sydney, Westpac, Qantas Airways, Presbyterian Church, Sydney Ports Authority, Benevolent Society of New South Wales, the State of New South Wales and the Commonwealth of Australia.

#### Mark Wilson, Executive Director
Mark Wilson is the CEO for Funds Management and Infrastructure for Brookfield Multiplex Group. Mark has overall responsibility for the strategy and operations of the funds management business. In his eleven years at Brookfield Multiplex, Mark has also held various managerial roles including Executive General Manager, Corporate Development and Group Company Secretary. Mark has been instrumental in a number of major equity capital markets transactions undertaken by Brookfield Multiplex, including the establishment of the Brookfield Multiplex Capital division and the Brookfield Multiplex Group Initial Public Offering in 2003. Mark has 17 years operating and investing experience and is a Fellow of Finance with Financial Services Institute of Australasia.

**Information on Directors** continued

**Brian Kingston, Executive Director**

Brian is the Chief Financial Officer of Brookfield Multiplex Limited. Brian joined Brookfield Asset Management Inc. in 2001 and has held various senior management positions within Brookfield and its affiliates, including mergers and acquisitions, merchant banking and real estate advisory services.

**Company Secretary**

Alex Carrodus was appointed to the position of Company Secretary on 25 January 2005.

**Information on Company Secretary**

**Alex Carrodus**

Alex has more than 13 years' experience in the areas of company secretarial practice and compliance in the funds management industry, having worked for the ASX listed Ronin Property Group (prior to its acquisition by Brookfield Multiplex Group), AMP and Australian Securities Exchange Limited. Prior to this period Alex worked for 8 years in the insolvency and audit divisions of a number of local and international accounting firms both in Sydney and in London. Alex is a Chartered Accountant and Chartered Secretary.

**Directorships of other listed entities**

The only Director during the period who held directorships with other listed entities was Bob McKinnon. Bob McKinnon was a director of Multiplex Limited from July 2007 until the acquisition of Multiplex by Brookfield Asset Management Inc. in December 2007. No other Director has held directorships in other listed entities in the 3 years immediately preceding the end of the financial year.

**Directors' interests**

The following table sets out each director's relevant interest in the units, debentures, rights or options over such instruments, issued 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 Acumen Property Fund Units held ('000) |
|---|---|
| Peter Morris | - |
| Brian Motteram | 411 |
| Robert McCuaig | 30 |
| Mark Wilson | - |
| Brian Kingston | - |

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

**Directors' meetings**

| Director | | Board meetings A | Board meetings B | Audit Committee meetings A | Audit Committee meetings B |
|---|---|---|---|---|---|
| Peter Morris | | 13 | 13 | 3 | 3 |
| Rex Bevan | (resigned 31 January 2008) | 6 | 6 | 1 | 1 |
| Brian Motteram | | 12 | 13 | 3 | 3 |
| Robert McCuaig | | 11 | 13 | 2 | 2 |
| Ian O'Toole | (resigned 31 October 2007) | 4 | 4 | - | - |
| Robert Rayner | (resigned 22 August 2008) | 13 | 13 | - | - |
| Bob McKinnon | (appointed 7 December 2007 - resigned 18 July 2008) | 7 | 8 | - | - |
| Mark Wilson | (appointed 27 August 2008) | - | - | - | - |
| Brian Kingston | (appointed 27 August 2008) | - | - | - | - |

A – Number of meetings attended.

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

**Principal activities**

The principal activity of the Consolidated Entity is the investment in a portfolio of listed and unlisted property securities.

The Consolidated Entity did not have any employees during the year or subsequent to balance date.

**Review of operations**

The significant events of the financial year for Multiplex Acumen Property Fund (MPF) and its subsidiary Multiplex Property Income Fund (MPIF) were as follows.

### Multiplex Acumen Property Fund

The Consolidated Entity owned total assets of $381,887,000, primarily consisting of a diverse portfolio of unlisted and listed property securities, at the end of the 2008 financial year. The Consolidated Entity's property securities investment portfolio is spread over 61 different property investments that own almost 3,000 properties and reflect an average lease term to expire of approximately 5.7 years. The property investment portfolio is strongly diversified across three assets classes, five property sectors and 24 experienced managers.

The significant events of the financial year were:

- the net loss for the year ended 30 June 2008 was $17,826,000 (2007: net profit $29,810,000);
- excluding the impairment loss recognised for the year of $51,723,000, the Consolidated Entity made a net profit of $33,897,000, an increase of 10.4% on the prior year's profit;
- the Consolidated Entity's listed and unlisted property portfolio was valued at $284,247,000 at year end, a decline of 7.1% on the prior year;
- the Net Tangible Assets per ordinary unit of the Consolidated Entity at the end of the year was $1.10, a decrease of 23.2% on the prior year;
- ordinary unitholders received a distribution of 11.165 cents per unit (2007: 10.72 cents per unit), an increase of 4.1% on the prior year;
- total distributions paid or declared to ordinary unitholders for the year ended 30 June 2008 was $22,649,000 (2007: $21,336,000); and
- the Consolidated Entity's return for ordinary unitholders for the year was -35.5%, marginally outperforming the -36.4% total return for the S&P/ASX 200 A-REIT Index over the same period.

### Multiplex Property Income Fund(1)

This year represented the first full year of operation for MPIF.

At the end of the 2008 financial year, MPIF owned a diverse portfolio of unlisted and listed property securities valued at $73,733,000. MPIF's property securities investment portfolio is spread over 39 different property investments that own over 2,000 properties and reflect an average lease term to expiry of approximately 6 years. MPIF's property investment portfolio is strongly diversified across three asset classes, four property sectors, 11 geographic locations and 22 experienced managers.

Income unitholders received a distribution of 8.2826 cents per unit (2007: 2.187 cents per unit), representing the first full year of distributions earned by income unitholders.

Total distributions paid or payable to unitholders for the year were $3,464,000. Ordinary unitholders received, or are due to receive, $3,318,000 in distributions.

The net loss attributable to ordinary unitholders (being MPF) for the year was $7,047,000, which includes a $10,365,000 impairment loss recognised on its A-REIT portfolio (a non cash expense). Excluding the impairment loss and income attributable (and paid) to minority interests (being income unitholders) of $3,464,000, MPIF generated a net profit of $6,782,000.

(1) On 8 March 2007, MPIF was launched. MPIF was seeded with $30,076,000 of investments from Multiplex Acumen Property Fund with a portfolio of 20 unlisted property securities. MPF holds all of the ordinary units in MPIF. Other investors hold income units which are represented as minority interests in the consolidated financial statements of MPF.

**Review of operations** continued

**Movements in units on issue**

The movement in units on issue of Multiplex Acumen Property Fund for the year was as follows:

| | 2008 units | 2007 units |
|---|---|---|
| **Ordinary units** | | |
| **Opening units on issue** | **201,215,338** | **195,229,230** |
| Units issued during the year under the distribution reinvestment plan | 1,645,592 | 5,986,108 |
| Units redeemed during the year | - | - |
| **Units on issue as at 30 June – Ordinary units** | **202,860,930** | **201,215,338** |
| **MPIF Income units** | | |
| **Opening units on issue** | **9,557,653** | **-** |
| Units issued during the year | 56,114,127 | 9,557,653 |
| Units redeemed during the year | (3,340,335) | - |
| **Units on issue as at 30 June – Income units** | **62,331,445** | **9,557,653** |
| | **$'000** | **$'000** |
| **Value of total consolidated assets of the Consolidated Entity as at 30 June** | **381,887** | **401,919** |

**Corporate Governance statement**

**Introduction**

The directors and management of BMCML are committed to operating within an effective, robust and transparent system of corporate governance practices. We believe that a functional and flexible framework is essential to the health of BMCML and the Fund, and to the operation of an orderly market through clarity and accountability in the achievement of BMCML's and the Fund's objectives.

The Fund was listed on the Australian Securities Exchange (ASX) on 8 July 2003. BMCML, as the Fund's Responsible Entity, has operated within a corporate governance system that the directors 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.

A description of BMCML's governance framework, as well as comparison to the ASX Corporate Governance "Principles and Recommendations" and the extent to which the Fund has followed the recommendations in the reporting period, is set out below. We believe that each principle is of equal importance.

Following the acquisition by Brookfield Asset Management Inc (BAM) of Multiplex Group in early 2008, BMCML became a wholly owned BAM subsidiary. BAM is listed on New York, Toronto and Euronext Stock Exchanges. In light of this change in ownership, BMCML is now required to comply with US Sarbanes–Oxley Act, as well as its Canadian equivalent. Those laws deal with, amongst other things, corporate governance of US public company boards.

### 1. Lay solid foundations for management and oversight

*Companies should establish and disclose the respective roles and responsibilities of the board and management.*

#### Recommendation 1.1

*Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.*

During 2007, the board adopted a board charter that details its functions and responsibilities, a summary of which is available at www.brookfieldmultiplexcapital.com.

The Fund has a dedicated Fund Manager who is responsible for the day to day management of the Fund's operations and who reports to the Chief Executive Officer (CEO). The Fund Manager and the CEO have formal job descriptions and letters of appointment describing their duties, rights and responsibilities.

BMCML holds Australian Financial Services License (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. BMCML has appointed Key Persons and Responsible Managers (who are executives within the Brookfield Multiplex Capital business) and they are named on its AFSL. Their duties are to assist with and ensure BMCML's ongoing compliance with the conditions of the AFSL and the law.

The Fund has entered into a custody agreement with ANZ Nominees Limited for the provision of custodian services, and has entered into a portfolio management services agreement with SG Hiscock & Co Limited for the management of the Fund's listed property security portfolio.

#### Recommendation 1.2

*Companies should disclose the process for evaluating the performance of senior executives.*

The performance of all senior executives is formally reviewed by their manager at least once per year in relation to key performance indicators and targets.

Each Brookfield Multiplex Group (BMG) employee is required to have a performance agreement with BMG. The agreement includes a review of the employee's position description and lists performance objectives and specific results to be achieved during the coming year. Each employee is required to work with his or her manager to establish the agreement, which is then regularly reviewed and updated at least annually.

All new employees undergo an induction process. Ongoing training is provided for directors and staff as relevant, including attendance at conferences, seminars, presentations and formal course work.

## 2. Structure the Board to add value

*Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.*

### Recommendation 2.1

*A majority of the board should be independent directors*

The board consists of five directors, three of whom are non-executive. The executive directors are Mr Mark Wilson (CEO) and Mr Brian Kingston. Each of the non-executive directors are independent in accordance with the relationships affecting independent status listed by the ASX Corporate Governance Principles. For further details on the directors who comprise the board including their skills, experience, expertise and term in office, please refer to page 4 (of the Directors' Report) or www.brookfieldmultiplexcapital.com.

During the period up to the date of this report, Mr Rex Bevan (independent non-executive director), Mr Ian O'Toole (executive director), Mr Bob McKinnon (non-executive director) and Mr Robert Rayner (CEO and executive director) resigned from the board.

Non-executive directors may obtain independent professional advice at the expense of BMCML with the prior approval of the Chairman.

### Recommendation 2.2

*The chair should be an independent director.*

The non-executive chairman, Dr Peter Morris, is an independent director.

### Recommendation 2.3:

*The roles of chair and chief executive officer should not be exercised by the same individual.*

The CEO is Mr Mark Wilson. Therefore, the roles of the chairman and CEO are not exercised by the same person.

### Recommendation 2.4

*The board should establish a nomination committee.*

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.

### Recommendation 2.5

*Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.*

The board conducted a self evaluation of its performance and that of individual directors during January 2008 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 BMCML 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.

The company secretary supports the effectiveness of the board by monitoring board policies and procedures followed, and co-ordinating the timely completion and dispatch of board agenda and briefing material. All directors have access to the company secretary.

### 3. Promote ethical and responsible decision-making

*Companies should actively promote ethical and responsible decision-making.*

There is a basic need for integrity among those who can influence a company's strategy and its financial performance, together with responsible and ethical decision making which takes into account not only legal obligations but also the interests of stakeholders.

Recommendation 3.1

*Companies should establish a code of conduct and disclose the code or a summary of the code as to:*

- *the practices necessary to maintain confidence in the company's integrity*
- *the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders*
- *the responsibility and accountability of individuals for reporting and investigating reporting and investigating reports of unethical practices*

As a wholly-owned subsidiary of BAM, BMCML is subject to the Brookfield Multiplex Code of Business Conduct and Ethics, which articulates standards of honesty and ethical behaviour to be carried out by all employees in undertaking their duties. Employees are encouraged to report any breaches of the code in accordance with the BMG Whistle Blower Policy. This includes access to a whistle blowing hotline which is managed independently of BAM. A summary of the code is available at www.brookfieldmultiplexcapital.com.

BMG also has a Chinese Walls Policy for the control and monitoring of the flow of sensitive information to minimise potential conflicts of interest. In accordance with ASIC Regulatory Guide 181 – "Licensing: Managing conflicts of interest," Brookfield Multiplex Capital has established a Conflicts Policy and Register for the management of actual and perceived conflicts of interest.

During 2007, BMCML established a Mandate Conflict Committee to consider conflicts of interest, related party transactions and allocation matters which may arise in the course of managing the business of BMCML and the Fund. The committee is comprised of an independent chairman, the CEO, the Brookfield Multiplex Capital Divisional Legal Counsel and the Brookfield Multiplex Capital Senior Compliance Manager. The committee's independence is enhanced by the appointment of an independent chairman and is comprised of a majority of members who do not have operational responsibilities directly linked to the performance of specific schemes. The committee has a charter and a summary of this is available at www.brookfieldmultiplexcapital.com.

Recommendation 3.2

*Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.*

BMCML is subject to the Brookfield Multiplex Capital Securities Trading Policy. It applies to all directors and employees and places restrictions and reporting requirements, including limiting trading in units in the Fund to specific trading windows and in a specific manner. A summary of the policy may be found at www.brookfieldmultiplexcapital.com. Employees are regularly reminded of the existence of, as well as the requirement to comply with, the policy. Training on the code of conduct is facilitated on a regular basis.

## 4. Safeguard integrity in financial reporting

*Companies should have a structure to independently verify and safeguard the integrity of the Fund's financial reporting*

### Recommendation 4.1

*The board should establish an audit committee*

During 2007, BMCML established an audit committee which meets on a regular basis and reports to the board the results of its deliberations.

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.

BAM has implemented an internal control project within BMG to ensure compliance with Section 404 of the Sarbanes-Oxley Act. This requires management to report annually on the effectiveness of internal control over financial reporting and requires the external auditor to attest to and report on management's assessment. BMCML is required to comply with the Sarbanes-Oxley Act requirements. As the Fund is not controlled by BAM directly, it is not mandatorily required to comply with the Sarbanes-Oxley Act requirements.

### Recommendation 4.2

*The audit committee should be structured so that it:*

- *consists only of non-executive directors*
- *consists of a majority of independent directors*
- *is chaired by an independent chair, who is not chair of the board*
- *has at least three members*

The Audit Committee comprises three independent non-executive directors: Brian Motteram (Chairman), Peter Morris and Robert McCuaig.

### Recommendation 4.3

*The audit committee should have a formal charter.*

The duties and responsibilities of the Audit Committee are set out in the Committee Charter, a summary of which appears at www.brookfieldmultiplexcapital.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, KPMG, has been appointed to audit the Fund and the Fund's compliance plan.

## 5. Make timely and balanced disclosure

*Companies should promote timely and balanced disclosure of all material matters concerning the Fund.*

### Recommendation 5.1

*Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.*

BMCML is subject to the Brookfield Multiplex Capital Continuous Disclosure Policy, which is designed to ensure compliance with the ASX Listing Rules and its continuous disclosure obligations. All price sensitive information is to be disclosed to the ASX. A summary of the policy is available at www.brookfieldmultiplexcapital.com. Whilst accountability with the ASX Listing Rules rests with all employees, the CEO has primary responsibility for ensuring compliance with continuous disclosure obligations.

### 6. Respect the rights of Unitholders

*Companies should respect the rights of unitholders and facilitate the effective exercise of those rights.*

Unitholder rights, as owners, need to be clearly recognized and upheld.

Recommendation 6.1

*Companies should design a communications policy for promoting effective communication with unitholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.*

Price sensitive information concerning the Fund is disclosed to investors and other interested stakeholders in accordance with the Brookfield Multiplex Capital Continuous Disclosure Policy. BMCML also has a Communications Policy (a summary of which also appears at www.brookfieldmultiplexcapital.com) which sees it provide regular communication to investors, including publication of:

(i) a quarterly magazine "Capital" which provides updated information concerning the Fund;
(ii) the Fund's half-yearly update which provides an update on the investments held by, operation of, and the performance for the period of the Fund;
(iii) the Fund's annual report including audited financial statements for each year ending 30 June;
(iv) quarterly distribution statements;
(v) annual taxation statements; and
(vi) any continuous disclosure notices given by the Fund.

The Fund has its own section on the Brookfield Multiplex Capital website that provides up to date Fund information including current ASX unit price (subject to a 20 minute delay), financial reports, and distribution information.

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

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.

As part of BMCML's commitment to Fund investors it has an internal dispute resolution mechanism in place which is designed to meet the requirements of the Corporations Act and its AFSL. The process complies with the key principles of Australian Standard AS ISO 10002:2004 "Customer satisfaction – Guidelines for complaints handling in organisations" and the minimum 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 BMCML is a member.

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

## 7. Recognise and manage risk

*Companies should establish a sound system of risk oversight and management and internal control.*

Every business decision has an element of uncertainty and carries a risk that can be managed through effective oversight and internal control.

### Recommendation 7.1

*Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.*

Management is responsible for developing and implementing policies and procedures to identify, manage and mitigate the risks across BMCML's 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 BMCML's and the Fund's objectives.

Risk within BMCML is assessed using a risk management methodology based upon the frameworks developed by the Commission of Sponsoring Organisations (COSO) of the Treadway Commission. Risk management statements are prepared for Brookfield Multiplex Capital in which the material business risks are identified. Annually a risk assessment is performed and considered by BMCML. Brookfield Multiplex Capital has an internal control system in place and is moving towards compliance with the US and Canadian equivalent Sarbanes-Oxley Act obligations through documenting and testing of internal control processes. A summary of the Brookfield Multiplex Capital Risk Management Policy is available at www.brookfieldmultiplexcapital.com. The Fund is not mandatorily required to comply with the requirements of the Sarbanes-Oxley Act.

During 2007 BMCML amended the terms of reference of its Risk and Compliance Committee, renaming it the "Risk and Compliance Committee." It comprises two external members (non BMCML directors) and the Brookfield Multiplex Capital Senior Compliance Manager. The committee discharges Part 5C.5 obligations under the Corporations Act in relation to managed investment schemes. The committee considers compliance, risk management and internal control matters and regularly reports its deliberations to the board. It has a charter, a summary of which appears at www.brookfieldmultiplexcapital.com.

### Recommendation 7.2

*The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.*

Further to the preceding material, BMCML receives quarterly reports on the operation of the risk management system and ad hoc reports as and when material changes are identified to material business risks. The board annually reviews management's risk assessment in relation to BMCML. Additionally, the board receives the minutes of the Audit Committee and the Risk and Compliance Committee.

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

### Recommendation 7.3

*The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that system is operating effectively in all material respects in relation to financial reporting risks.*

The board receives assurance from the CEO and the CFO that the declaration provided in accordance with section 295A is founded on a sound system of risk management and internal control. That system is operating effectively in all material respects in relation to financial reporting risks in relation to annual and half year reports.

### 8. Remunerate fairly and responsibly

*Companies should ensure that the level and composition of remuneration is sufficient, and reasonable, and that its relationship to performance is clear.*

Rewards are needed to attract the skills required to achieve the performance expected by unitholders. There is a clear relationship between performance and remuneration.

Recommendation 8.1

*The board should establish a remuneration committee.*

As a wholly owned subsidiary of BAM, the board has not established a remuneration committee as it believes that consideration of executive management remuneration is a matter to be considered by BAM.

Recommendation 8.2

*Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.*

The independent and non-executive directors receive fees for serving as directors. These fees are not linked to the performance of BMCML or the Fund. The executive director does not receive payment for his role as a director, instead receiving remuneration in his capacity as an employee of BMG.

**Interests of the Responsible Entity**

*Management fees*

The Fund paid $1,608,337 in management fees to the Responsible Entity during the year (2007: $1,475,672). These fees were paid out of the assets of the Fund.

*Units Held*

JPMorgan Nominees Australia Limited, as custodian for Brookfield Multiplex Capital Management Limited, as responsible entity for Multiplex Diversified Property Fund (ARSN 123 879 630), holds 43,430,615 units or 21.41% of the Fund (2007: 42,596,941 units or 21.15% 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 Fund that occurred during the financial year not otherwise disclosed in this report or in the financial report.

**Events subsequent to reporting date**

Subsequent to the reporting date, the fair value of the Consolidated Entity's listed property trust (also known as the A-REIT) portfolio, the day immediately prior to the date the financial statements were approved' was $54,754,000, which represents a change of $4,906,000. The financial statements have not been amended to reflect this change in fair value. Had the financial statements been amended, the impact would have been to increase impairment expense and decrease available for sale assets by $4,906,000.

Subsequent to the reporting date, the fair value of the Fund's A-REIT portfolio, the day immediately prior to the date the financial statements were approved' was $46,812.000, which represents a change of $3,722,000. The financial statements have not been amended to reflect this change in fair value. Had the financial statements been amended, the impact would have been to increase impairment expense and decrease available for sale assets by $3,722,000.

Other than the matter discussed above, there were no other 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 inquiries 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 to unitholders or declared by the Consolidated Entity during the year were as follows:

| | Cents per unit | Total amount $'000 | Date of payment |
|---|---|---|---|
| **Ordinary units** | | | |
| June 2008 distribution | 2.8325 | 5,746 | 1 August 2008 |
| March 2008 distribution | 2.8325 | 5,746 | 30 April 2008 |
| December 2007 distribution | 2.7500 | 5,579 | 31 January 2008 |
| September 2007 distribution | 2.7500 | 5,578 | 31 October 2007 |
| **Total distribution to ordinary unitholders for the year ended 30 June 2008** | **11.1650** | **22,649** | |
| **MPIF Income units - minority interest** | | | |
| June 2008 distribution | 0.6967 | 434 | 17 July 2008 |
| May 2008 distribution | 0.7199 | 431 | 17 June 2008 |
| April 2008 distribution | 0.6967 | 401 | 14 May 2008 |
| March 2008 distribution | 0.7199 | 401 | 15 April 2008 |
| February 2008 distribution | 0.6753 | 353 | 18 March 2008 |
| January 2008 distribution | 0.7219 | 350 | 20 February 2008 |
| December 2007 distribution | 0.6956 | 319 | 14 January 2008 |
| November 2007 distribution | 0.6452 | 248 | 13 December 2007 |
| October 2007 distribution | 0.6727 | 189 | 14 November 2007 |
| September 2007 distribution | 0.6781 | 142 | 11 October 2007 |
| August 2007 distribution | 0.6896 | 110 | 14 September 2007 |
| July 2007 distribution | 0.6710 | 86 | 10 August 2007 |
| **Total distribution to Income unitholders for the year ended 30 June 2008** | **8.2826** | **3,464** | |
| **Ordinary units** | | | |
| June 2007 distribution | 2.7000 | 5,440 | 31 July 2007 |
| March 2007 distribution | 2.7000 | 5,391 | 30 April 2007 |
| December 2006 distribution | 2.6600 | 5,273 | 31 January 2007 |
| September 2006 distribution | 2.6600 | 5,232 | 31 October 2006 |
| **Total distribution to ordinary unitholders for the year ended 30 June 2007** | **10.7200** | **21,336** | |
| **MPIF Income units – minority interest** | | | |
| June 2007 distribution | 0.6530 | 62 | 9 July 2007 |
| May 2007 distribution | 0.6710 | 59 | 7 June 2007 |
| April 2007 distribution | 0.6530 | 3 | 10 May 2007 |
| March 2007 distribution | 0.2100 | 1 | 20 April 2007 |
| **Total distribution to Income unitholders for the year ended 30 June 2007** | **2.1870** | **125** | |

### Indemnification and insurance premiums

Under the Fund's Constitution, the Responsible Entity's officers and employees 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.

The Fund has not 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, its officers and employees, the Risk and Compliance Committee or auditors of the Fund. The insurance premiums are paid by the Responsible Entity.

**Non-audit services**
All amounts paid to KPMG for audit, review and regulatory services are disclosed in Note 6.

Details of the amounts paid to the auditor of the Consolidated Entity, KPMG, and its related practices for non-statutory audit services provided during the year are set out below. These amounts were paid out of the assets of the Consolidated Entity.

| | Consolidated | | Fund | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| **Services other than statutory audit** | | | | |
| Paid to KPMG Australia | | | | |
| - Agreed upon procedures engagement regarding disclosures to the Australian Securities Exchange | 7,893 | - | 7,893 | - |
| - Agreed upon procedures engagement in relation to Multiplex Property Income Fund's NTA | - | 13,760 | - | - |
| | 7,893 | 13,760 | 7,893 | - |

Fees in relation to compliance plan audits are borne by the Responsible Entity.

**Remuneration Report - audited**

**a Remuneration of Directors and Key Management Personnel of the Responsible Entity**

The Fund does not employ personnel in its own right. However it is required to have an incorporated Responsible Entity to manage the activities of the Fund and this is considered the key management personnel (KMP).

The Directors and Executives of the Responsible Entity are KMP of that entity and their names are:

- Peter Morris - Non-Executive Independent Chairman
- Rex Bevan - Non-Executive Independent Director (resigned 31 January 2008)
- Brian Motteram - Non-Executive Independent Director
- Robert McCuaig - Non-Executive Independent Director
- Ian O'Toole - Executive Director (resigned 31 October 2007)
- Robert Rayner - Executive Director (resigned 22 August 2008)
- Bob McKinnon - Non-Executive Director (appointed 7 December 2007 – resigned 18 July 2008)
- Mark Wilson – Executive Director (appointed 27 August 2008)
- Brian Kingston – Executive Director (appointed 27 August 2008)

The Responsible Entity is entitled to a management fee which is calculated as a proportion of gross asset value.

No compensation is paid directly by the Fund 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 Fund 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 reporting period.

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.

**b Responsible Entity fees and other transactions**

The management fee paid by the Consolidated Entity to the Responsible Entity for the year ended 30 June 2008 was $1,608,337 (2007: $1,475,672).

**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 auditors independence declaration
The lead auditor's independence declaration is set on page 18 and forms part of the Directors' report for the financial year ended 30 June 2008.

Dated at Sydney this 27th day of August 2008

Signed in accordance with a resolution the Directors made pursuant to Section 306(3) of the Corporations Act 2001.

**Brian Kingston**
Director
Brookfield Multiplex Capital Management Limited

***Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001***

To: the directors of Brookfield Multiplex Capital Management Limited as the Responsible Entity of Multiplex Acumen Property Fund

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2008 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

T. Gilerman

Tanya Gilerman
*Partner*

Sydney, NSW
27 August 2008

# Income Statements
## Multiplex Acumen Property Fund

For the year ended 30 June 2008

| | Note | Consolidated 2008 $'000 | Consolidated 2007 $'000 | Fund 2008 $'000 | Fund 2007 $'000 |
|---|---|---|---|---|---|
| **Revenue and other income** | | | | | |
| Share of net profit of investments accounted for using the equity method | 5 | 4,180 | 10,310 | - | - |
| Distribution income – listed and unlisted property trusts | | 23,908 | 21,737 | 23,634 | 25,373 |
| Distribution income from controlled entities | | - | - | 3,318 | 1,161 |
| Brokerage income | | 1,402 | 2,691 | 241 | 2,536 |
| Interest income | | 819 | 499 | 367 | 478 |
| Net gain from change in fair value of derivatives | | 2,785 | - | 2,785 | - |
| Gain on disposal of investments | | 10,210 | 1,521 | 10,353 | 6,196 |
| **Total revenue and other income** | | **43,304** | **36,758** | **40,698** | **35,744** |
| **Expenses** | | | | | |
| Finance costs – external parties | | (6,120) | (4,721) | (6,120) | (4,721) |
| Impairment expense | 10 | (51,723) | - | (41,358) | - |
| Responsible Entity fees | | (1,608) | (1,476) | (1,608) | (1,476) |
| Other expenses | | (1,679) | (751) | (1,326) | (327) |
| **Total expenses** | | **(61,130)** | **(6,948)** | **(50,412)** | **6,524** |
| **Net (loss) / profit** | | **(17,826)** | **29,810** | **(9,714)** | **29,220** |
| Attributable to: | | | | | |
| Ordinary unitholders | | (21,290) | 29,685 | (9,714) | 29,220 |
| Minority interest – MPIF Income unitholders | | 3,464 | 125 | - | - |
| **Net (loss) / profit** | | **(17,826)** | **29,810** | **(9,714)** | **29,220** |
| **Earnings per unit** | | | | | |
| Basic and diluted earnings per ordinary unit (cents) | 8a | (10.5) | 15.0 | | |

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

# Balance Sheets
## Multiplex Acumen Property Fund

As at 30 June 2008

| | Note | Consolidated 2008 $'000 | Consolidated 2007 $'000 | Fund 2008 $'000 | Fund 2007 $'000 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Current assets** | | | | | |
| Cash and cash equivalents | | 10,518 | 4,653 | 1,306 | 3,726 |
| Trade and other receivables | 9 | 17,610 | 14,392 | 16,421 | 13,959 |
| Fair value of financial derivatives | 17(f) | 241 | - | 241 | - |
| **Total current assets** | | **28,369** | **19,045** | **17,968** | **17,685** |
| **Non-current assets** | | | | | |
| Investments - available for sale | 10 | 284,247 | 306,093 | 273,886 | 340,546 |
| Investments accounted for using the equity method | 5 | 63,529 | 74,909 | - | - |
| Investment in controlled entity | 11 | - | - | 30,076 | 30,076 |
| Fair value of financial derivatives | 17(f) | 5,742 | 1,872 | 5,742 | 1,872 |
| **Total non-current assets** | | **353,518** | **382,874** | **309,704** | **372,494** |
| **Total assets** | | **381,887** | **401,919** | **327,672** | **390,179** |
| **Liabilities** | | | | | |
| **Current liabilities** | | | | | |
| Trade and other payables | 12 | 1,017 | 1,280 | 1,054 | 1,048 |
| Distributions payable | | 6,453 | 5,495 | 6,016 | 5,433 |
| **Total current liabilities** | | **7,470** | **6,775** | **7,070** | **6,481** |
| **Non-current liabilities** | | | | | |
| Deferred settlement | 13 | 9,123 | 8,782 | 9,123 | 8,782 |
| Interest bearing liabilities | 14 | 80,200 | 89,000 | 80,200 | 89,000 |
| **Total non-current liabilities** | | **89,323** | **97,782** | **89,323** | **97,782** |
| **Total liabilities** | | **96,793** | **104,557** | **96,393** | **104,263** |
| **Net assets** | | **285,094** | **297,362** | **231,279** | **285,916** |
| **Equity** | | | | | |
| Units on issue – ordinary units | 15 | 202,869 | 200,777 | 202,869 | 200,777 |
| Minority interest – MPIF income units | 15 | 62,260 | 9,596 | - | - |
| Reserves | 16a | 28,964 | 52,049 | 42,550 | 66,916 |
| Undistributed (losses) / income | 16b | (8,999) | 34,940 | (14,140) | 18,223 |
| **Total equity** | | **285,094** | **297,362** | **231,279** | **285,916** |

The Balance Sheets should be read in conjunction with the Notes to the Financial Statements.

# Statements of Changes in Equity
## Multiplex Acumen Property Fund

For the year ended 30 June 2008

| | Note | Consolidated 2008 $'000 | Consolidated 2007 $'000 | Fund 2008 $'000 | Fund 2007 $'000 |
|---|---|---|---|---|---|
| **Opening equity** | | **297,362** | **231,244** | **285,916** | **231,244** |
| **Units on issue** | | | | | |
| Reinvested distributions | | 2,092 | 6,490 | 2,092 | 6,490 |
| **Minority interests (income units)** | | | | | |
| Minority interest – MPIF income units issued | | 56,004 | 9,596 | - | - |
| Minority interest – MPIF income units redeemed | | (3,340) | - | - | - |
| **Hedge reserve** | | | | | |
| Fair value movement in financial derivatives | 16 | 1,315 | 986 | 1,315 | 986 |
| **Available for sale reserve** | | | | | |
| Fair value movement in unlisted investments | 16 | 3,088 | 19,531 | (16,210) | 40,895 |
| Fair value movement in listed investments | 16 | (61,101) | 6,525 | (50,829) | 6,618 |
| Net change in fair value of listed property trusts recognised as an impairment expense | 10 | 51,723 | - | 41,358 | - |
| **Foreign currency translation reserve** | | | | | |
| Share of movement in reserves of investment accounted for using the equity method | 16 | (18,110) | 14,642 | - | 8,052 |
| **Undistributed (losses) / income** | | | | | |
| Net (loss) / profit attributable to: | | | | | |
| – Ordinary unitholders | | (21,290) | 29,685 | (9,714) | 29,220 |
| – Minority interest – MPIF income units | | 3,464 | 125 | - | - |
| Reversal of prior year retained earnings | 5 | - | - | - | (16,253) |
| Distributions – ordinary units | 7 | (22,649) | (21,337) | (22,649) | (21,336) |
| Distributions – MPIF income units | 7 | (3,464) | (125) | - | - |
| **Closing equity** | | **285,094** | **297,362** | **231,279** | **285,916** |

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

# Statements of Cash Flows
## Multiplex Acumen Property Fund

For the year ended 30 June 2008

| | Note | Consolidated 2008 $'000 | Consolidated 2007 $'000 | Fund 2008 $'000 | Fund 2007 $'000 |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Cash receipts in the course of operations | | 30,169 | 19,771 | 27,505 | 19,900 |
| Cash payments in the course of operations | | (2,656) | (1,061) | (2,656) | (1,716) |
| Interest received | | 756 | 444 | 348 | 429 |
| Financing costs paid | | (5,764) | (5,088) | (5,764) | (5,088) |
| **Net cash flows from operating activities** | 18 | **22,505** | **14,066** | **19,433** | **13,525** |
| **Cash flows from investing activities** | | | | | |
| Purchase of investments | | (67,234) | (65,260) | (22,292) | (56,113) |
| Cash received on the sale of investments | | 29,793 | 31,022 | 29,213 | 31,022 |
| **Net cash flows (used in) / from investing activities** | | **(37,441)** | **(34,238)** | **6,921** | **(25,091)** |
| **Cash flows from financing activities** | | | | | |
| Proceeds from issue of income units | | 56,004 | 9,596 | - | - |
| Redemption of income units | | (3,340) | - | - | - |
| Proceeds from interest bearing liabilities | | 8,000 | 28,350 | 8,000 | 28,350 |
| Repayment of interest bearing liabilities | | (16,800) | - | (16,800) | - |
| Distributions paid | | (23,063) | (14,503) | (19,974) | (14,440) |
| **Net cash flows from / (used in) financing activities** | | **20,801** | **23,443** | **(28,774)** | **13,910** |
| Net increase / (decrease) in cash and cash equivalents | | 5,865 | 3,271 | (2,420) | 2,344 |
| Cash and cash equivalents at 1 July | | 4,653 | 1,382 | 3,726 | 1,382 |
| **Cash and cash equivalents at 30 June** | | **10,518** | **4,653** | **1,306** | **3,726** |

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

## 1 Reporting entity

Multiplex Acumen Property Fund (the Fund) is an Australian registered managed investment scheme under the Corporations Act 2001. Brookfield Multiplex Capital Management Limited, 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 2008 comprise the Fund, 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 report is a general purpose financial report which has been prepared in accordance with the Australian Accounting Standards (AASBs) (including Australian interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the Consolidated Entity and the financial report of the Fund comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial statements were authorised for issue by the directors on 27 August 2008.

### (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;
- available for sale financial assets which are measured at fair value; and
- deferred settlement liability which is measured at fair value.

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

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

The Fund 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 judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts 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 the following notes:

- Note 13 – Deferred settlement liability (refer to Note 3(l) for a description of the accounting policy); and
- Note 17 – Valuation of derivatives (refer to Note 3(j)) for a description of the accounting policy).

## 3 Significant accounting policies

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

### (a) Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Fund and entities controlled by the Fund (its subsidiaries) (referred to as the Consolidated Entity in these financial statements). Control is achieved where the Fund has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement 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 are generally accounted for by reference to the exiting carrying value of the items. Where the transaction value differs from the carrying value, the difference is recognised as a contribution by or distribution to equity participants by the transacting entities.

Income Units issued in Multiplex Property Income Fund are shown as minority interest in the consolidated financial statements.

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

### (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.

#### 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. In the case of distributions and dividends from listed and unlisted property equity investments, the revenue is recognised when they are 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.

#### Realised profits on available for sale financial assets

Listed and unlisted 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 balance sheet, except for impairment losses, which are recognised directly in the income statement. Where these investments are derecognised, the cumulative gain or loss previously recognised directly in equity in the balance sheet is recognised in the income statement.

The fair value of listed investments is the quoted bid price at the balance sheet date. The fair value of unlisted investments is the Fund's and Consolidated Entity's share of the net tangible assets of the unlisted investment at the reporting date.

## 3 Significant accounting policies continued

### (c) 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;
- finance lease charges; and
- certain exchange differences arising from foreign currency borrowings.

#### Management Fees

A base management fee up to 0.5% (including GST less any reduced input tax credits) per annum of the gross value of assets is payable to the Responsible Entity. The fee is payable by the Fund quarterly in arrears.

Expenses are recognised by the Consolidated Entity on an accrual basis. No expense is recognised if the fees are waived by the Responsible Entity.

#### Performance fee

A performance fee of 20% (including GST less any reduced input tax credits) of the outperformance of the Consolidated Entity against the benchmark return (S&P/ASX A-REIT Accumulation Index) is recognised on an accrual basis unless waived by the Responsible Entity. Any previous underperformance must be recovered before a performance fee becomes payable.

#### Other expenditure

Expenditure including rates, taxes, other outgoings, performance fees and Responsible Entity fees is brought to account on an accrual basis.

### (d) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (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 balance sheet.

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.

**3 Significant accounting policies** continued

### (e) Income tax

Under current income tax legislation, the Consolidated Entity and its controlled entities are not liable for Australian income tax, provided that the taxable income is fully distributed to unitholders each year, and any taxable capital gain derived from the sale of an asset acquired after 19 September 1985 is fully distributed to unitholders.

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 building and plant and equipment depreciation are distributed to unitholders in the form of a tax deferred component of distributions.

### (f) 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 on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

### (g) Trade and Other Receivables

Trade debtors and other receivables 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 3(p). Non-current receivables are measured at amortised cost using the effective interest rate method.

### (h) Available for sale assets

Unlisted and 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 profit and loss. Where listed investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in the profit and loss.

### (i) Associates

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

Under the equity method, investments in associates are carried in the consolidated Balance Sheet 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 Income Statement 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

.

### 3 Significant accounting policies continued

#### (j) Derivative financial instruments

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

#### Hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

The Consolidated Entity only enters into hedges of actual and highly probable forecast transactions (cash flow hedges). It does not enter into, nor does it have any, hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges) or hedges of net investments in foreign operations (net investment hedges).

The Consolidated Entity documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Consolidated Entity also documents its assessment, both at the inception of the hedge and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in the fair values of cash flows of the hedged items.

The effective portion of changes in the fair value of cash flow hedges is recognised directly in equity. Movements on the hedging reserve are shown in the Statement of changes in equity. The gain or loss relating to any ineffective portion is recognised immediately in the Income Statement.

Amounts accumulated in equity are transferred in the Income Statement in the period when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a liability, the gains or losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

*Interest rate swaps*

The fair value of interest rate swaps is the estimated amount that the Consolidated Entity would receive or pay to terminate the swap at the Balance Sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

#### (k) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivate financial instruments are recognised initially at fair value plus, for instruments not at a 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 (Note 3 (f)), trade and other receivables (Note 3 (g)), equity securities (Note 3(h)), trade and other payables (Note 3(l)), and Interest bearing liabilities (Note 3(m)) are discussed elsewhere within the financial report.

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

## 3 Significant accounting policies continued

### (l) Trade and other payables

Trade and other 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.

### (m) Interest bearing liabilities

Interest bearing liabilities are recognised initially at fair value less any attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Income Statement over the period of the borrowings on an effective interest rate basis.

Interest bearing liabilities are classified as current liabilities unless the Fund has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

### (n) Distributions paid or declared

A provision for distribution is recognised in the Balance Sheet if the distribution has been declared prior to balance date.

Distributions paid and payable on units are recognised in equity as a reduction of undistributed income for the year. Distributions paid are included in cash flows from financing activities in the Statement of Cash Flows.

### (o) Equity

Issued and paid up units are recognised at the fair value of the consideration received by the Consolidated Entity. Incremental costs directly attributable to the issue of new units are shown in equity under unit issue costs.

### (p) 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

Individually 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 profit and loss. Any cumulative loss in respect of an available for sale financial asset recognised previously in equity is transferred to profit and loss.

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 profit and loss. For available for sale financial assets that are equity securities, the reversal is recognised directly in equity.

#### Non financial assets

The carrying amounts of the Consolidated Entity's non financial assets are 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. An impairment loss in respect of goodwill is not reversed. In respect of all other assets (other than goodwill), 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.

**3 Significant accounting policies** continued

### (q) Earnings per unit

The Fund 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 Fund 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.

### (r) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the Consolidated Entity in the period of initial application. They are available for early adoption at 30 June 2008, but have not been applied in preparing these financial statements:

- Revised AASB 3 *Business Combinations* changes the application of acquisition accounting for business combinations and the accounting for non-controlling (minority) interests. Key changes include: the immediate expensing of all transaction costs; measurement of contingent consideration at acquisition date with subsequent changes through the income statement; measurement of non-controlling (minority) interests at full fair value or the proportionate share of the fair value of the underlying net assets; guidance on issues such as reacquired rights and vendor indemnities; and the inclusion of combinations by contract alone and those involving mutuals. The revised standard becomes mandatory for the Consolidated Entity's 30 June 2010 financial statements. The Consolidated Entity has not yet determined the potential effect of the revised standard on the Consolidated Entity's financial report.
- AASB 8 *Operating Segments* introduces the "management approach" to segment reporting. AASB 8, which becomes mandatory for the Consolidated Entity's 30 June 2010 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Consolidated Entity's chief operating decision maker in order to assess each segment's performance and to allocate resources to them. The Consolidated Entity does not present information based on business or geographic segments. Information is presented to the chief operating decision maker based on the Consolidated Entity's investment portfolio, which at present is categorised between unlisted property trusts, listed property trusts and other assets. Under the management approach, it is anticipated segment information will be disclosed based on the Consolidated Entity's investment portfolio.
- Revised AASB 101 *Presentation of Financial Statements* introduces as a financial statement (formerly "primary" statement) the "statement of comprehensive income". The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for the Consolidated Entity's 30 June 2010 financial statements. The Consolidated Entity has not yet determined the potential effect of the revised standard on the Consolidated Entity's disclosures.
- Revised AASB 123 *Borrowing Costs* removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 will become mandatory for the Consolidated Entity's 30 June 2010 financial statements. In accordance with the transitional provisions, the Consolidated Entity will apply the revised AASB 123 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date. The Consolidated Entity has not yet determined the potential effect of the revised standard on future earnings.
- Revised AASB 127 *Consolidated and Separate Financial Statements* changes the accounting for investments in subsidiaries. Key changes include: the re-measurement to fair value of any previous/retained investment when control is obtained/lost, with any resulting gain or loss being recognised in profit or loss; and the treatment of increases in ownership interest after control is obtained as transactions with equity holders in their capacity as equity holders. The revised standard will become mandatory for the Consolidated Entity's 30 June 2010 financial statements. The Consolidated Entity has not yet determined the potential effect of the revised standard on the Consolidated Entity's financial report.

**4 Segment reporting**

The Fund is organised into one main segment which operates solely in the business of investment in property securities within Australia.

| | Consolidated 2008 $'000 | Consolidated 2007 $'000 | Fund 2008 $'000 | Fund 2007 $'000 |
|---|---|---|---|---|
| **5 Investments accounted for using the equity method** | | | | |
| Multiplex New Zealand Property Fund | **63,529** | **74,909** | **-** | **-** |
| Share of profit in the period from investments accounted for using the equity method as follows: | | | | |
| **Multiplex New Zealand Property Fund** | | | | |
| Share of net profit of associate | 2,205 | 1,257 | - | - |
| Share of net profit of associate – Fair value adjustments through property revaluation gains | 1,975 | 9,053 | - | - |
| | **4,180** | **10,310** | **-** | **-** |

Summary financial information for equity accounted investees, not adjusted for the percentage ownership held by the Consolidated Entity.

| | Consolidated 2008 $'000 | Consolidated 2007 $'000 | Fund 2008 $'000 | Fund 2007 $'000 |
|---|---|---|---|---|
| Current Assets | 11,521 | 42,041 | - | - |
| Non-Current Assets | 754,055 | 858,003 | - | - |
| **Total assets** | **765,576** | **900,044** | **-** | **-** |
| Current Liabilities | 32,884 | 70,215 | - | - |
| Non-Current Liabilities | 471,685 | 528,109 | - | - |
| **Total liabilities** | **504,569** | **598,324** | **-** | **-** |
| Revenues | 82,754 | 96,824 | - | - |
| Expenses | (65,581) | (54,552) | - | - |
| **Profit** | **17,173** | **42,272** | **-** | **-** |

The Funds owns 24.34% of Multiplex New Zealand Property Fund at 30 June 2008 (2007: 24.39%).

In accordance with AASB 128 *Investments and Associates*, equity accounting is not applied in the separate financial statements of the Fund; rather, it is applied in the Consolidated Entity's financial statements where consolidated financial statements are prepared. In 2006 the Fund did not prepare consolidated financial statements as it did not have any subsidiaries. As such, equity accounting was applied in the Fund's financial statements. The first set of consolidated financial statements were prepared in 2007. An adjustment was made to undistributed income of the Fund in 2007 to correctly reflect the impact of equity accounting only in the consolidated financial statements rather than the Fund's financial statements. The adjustment in the Fund's financial statements was to reduce retained earnings by $16,253,000, to reduce "investments accounted for using the equity method" by $62,935,000 and to increase "Investments – available for sale" by $46,682,000.

| | Consolidated 2008 $ | Consolidated 2007 $ | Fund 2008 $ | Fund 2007 $ |
|---|---|---|---|---|
| **6 Auditors' remuneration** | | | | |
| **Audit services** | | | | |
| Auditors of the Fund – KPMG: | | | | |
| Audit and review of financial reports | 119,000 | 85,000 | 119,000 | 60,000 |
| Agreed upon procedures engagement regarding disclosures to the Australian Securities Exchange | 7,893 | - | 7,893 | - |
| Agreed upon procedures engagement in relation to Multiplex Property Income Fund's NTA | - | 13,760 | - | - |
| | **126,893** | **98,760** | **126,893** | **60,000** |

Fees in relation to compliance plan audits are borne by the Responsible Entity. Audit fees in relation to MPIF are borne by the Fund.

## 7 Distributions paid or declared

Distributions paid to unitholders or declared by the Consolidated Entity were as follows:

| 2008 | Cents per unit | Total amount $'000 | Date of payment |
|---|---|---|---|
| **Ordinary units** | | | |
| June 2008 distribution | 2.8325 | 5,746 | 1 August 2008 |
| March 2008 distribution | 2.8325 | 5,746 | 30 April 2008 |
| December 2007 distribution | 2.7500 | 5,579 | 31 January 2008 |
| September 2007 distribution | 2.7500 | 5,578 | 31 October 2007 |
| **Total distribution to ordinary unitholders for the year ended 30 June 2008** | **11.1650** | **22,649** | |
| **MPIF income units – minority interest** | | | |
| June 2008 distribution | 0.6967 | 434 | 17 July 2008 |
| May 2008 distribution | 0.7199 | 431 | 17 June 2008 |
| April 2008 distribution | 0.6967 | 401 | 14 May 2008 |
| March 2008 distribution | 0.7199 | 401 | 15 April 2008 |
| February 2008 distribution | 0.6753 | 353 | 18 March 2008 |
| January 2008 distribution | 0.7219 | 350 | 20 February 2008 |
| December 2007 distribution | 0.6956 | 319 | 14 January 2008 |
| November 2007 distribution | 0.6452 | 248 | 13 December 2007 |
| October 2007 distribution | 0.6727 | 189 | 14 November 2007 |
| September 2007 distribution | 0.6781 | 142 | 11 October 2007 |
| August 2007 distribution | 0.6896 | 110 | 14 September 2007 |
| July 2007 distribution | 0.6710 | 86 | 10 August 2007 |
| **Total distribution to income unitholders for the year ended 30 June 2008** | **8.2826** | **3,464** | |

| 2007 | | | |
|---|---|---|---|
| **Ordinary units** | | | |
| June 2007 distribution | 2.7000 | 5,440 | 31 July 2007 |
| March 2007 distribution | 2.7000 | 5,391 | 30 April 2007 |
| December 2006 distribution | 2.6600 | 5,273 | 31 January 2007 |
| September 2006 distribution | 2.6600 | 5,232 | 31 October 2006 |
| **Total distribution to ordinary unitholders for the year ended 30 June 2007** | **10.7200** | **21,336** | |

### 7 Distributions paid or declared continued

| 2007 | Cents per unit | Total amount $'000 | Date of payment |
|---|---|---|---|
| **MPIF income units – minority interest** | | | |
| June 2007 distribution | 0.6530 | 62 | 9 July 2007 |
| May 2007 distribution | 0.6710 | 59 | 7 June 2007 |
| April 2007 distribution | 0.6530 | 3 | 10 May 2007 |
| March 2007 distribution | 0.2100 | 1 | 20 April 2007 |
| **Total distribution to income unitholders for the year ended 30 June 2007** | **2.1870** | **125** | |

### 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, as they have the same entitlement to distributions.

#### 8a Earnings per unit

There are no dilutive potential ordinary units; therefore diluted EPU is the same as basic EPU.

| | | Consolidated 2008 | 2007 |
|---|---|---|---|
| Net (loss) / profit attributable to ordinary unitholders | ($'000) | (21,290) | 29,685 |
| Weighted average number of ordinary units used in the calculation of basic earnings per unit | ('000) | 202,861 | 198,487 |
| Basic and diluted earnings per ordinary unit (cents) | | (10.5) | 15.0 |

#### 8b Normalised earnings per unit

Normalised earnings per unit has been calculated based on the accounting loss/profit of the Consolidated Entity, adjusted for non cash and one off items, divided by the weighted average number of units. A reconciliation from accounting profit/(loss), to normalised earnings is provided below.

| | | Consolidated 2008 | 2007 |
|---|---|---|---|
| | | $'000 | $'000 |
| Net (loss) / profit attributable to ordinary unitholders | | (21,290) | 29,685 |
| *Adjusted for:* | | | |
| - Impairment expense | | 51,723 | - |
| - Unrealised gains on derivatives | | (2,785) | - |
| - Difference between share of associate's income and distributions received from associates | | 857 | (5,363) |
| - Other non cash items | | 51 | - |
| Normalised earnings (1) | | 28,556 | 24,322 |
| Weighted average number of ordinary units used in the calculation of basic earnings per unit | ('000) | 202,861 | 198,487 |
| Normalised earnings per unit | (cents) | 14.1 | 12.3 |

(1) As determined by the directors

| | Consolidated 2008 $'000 | Consolidated 2007 $'000 | Fund 2008 $'000 | Fund 2007 $'000 |
|---|---|---|---|---|
| **9 Trade and other receivables** | | | | |
| Distributions receivable – unlisted and listed investments | 8,370 | 8,386 | 6,387 | 7,425 |
| Distributions receivable - controlled entities | - | - | 1,332 | 1,161 |
| Brokerage receivable | 11 | 161 | 11 | 11 |
| Other receivables | 8,758 | 4,104 | 8,220 | 4,104 |
| Prepayments | 471 | 1,741 | 471 | 1,258 |
| | **17,610** | **14,392** | **16,421** | **13,959** |

| | Consolidated 2008 $'000 | Consolidated 2007 $'000 | Fund 2008 $'000 | Fund 2007 $'000 |
|---|---|---|---|---|
| **10 Investments - available for sale** | | | | |
| **Listed investments** | | | | |
| Listed investments at cost | 111,383 | 91,967 | 91,892 | 88,970 |
| Fair value adjustments | - | 9,378 | - | 9,471 |
| Impairment | (51,723) | - | (41,358) | - |
| | **59,660** | **101,345** | **50,534** | **98,441** |
| **Unlisted Investments** | | | | |
| Unlisted investments at cost | 192,306 | 170,389 | 184,000 | 187,765 |
| Fair value adjustments | 32,281 | 34,359 | 39,352 | 54,340 |
| | **224,587** | **204,748** | **223,352** | **242,105** |
| **Total** | **284,247** | **306,093** | **273,886** | **340,546** |

Included in the listed and unlisted investments above are the following investments in related parties:

| | Consolidated 2008 $'000 | Consolidated 2007 $'000 | Fund 2008 $'000 | Fund 2007 $'000 |
|---|---|---|---|---|
| **Unlisted and listed investments in related parties (Note 19)** | | | | |
| Unlisted and listed investments in related parties | 48,351 | 48,010 | 101,762 | 101,421 |
| Fair value adjustments | (866) | 158 | 7,562 | 19,644 |
| Impairment | (11,950) | - | (11,950) | - |
| | **35,535** | **48,168** | **97,374** | **121,065** |

Details of the material investments held by both the Consolidated Entity and the Fund are shown on the following pages.

### Impairment expense

During the year, the Consolidated Entity recognised an impairment loss, in accordance with accounting standards, of $51,723,000, in relation to its available for sale assets. The Fund recognised an impairment loss of $41,358,000.

The Responsible Entity has determined there is objective evidence at the date of this report that the value of the Consolidated Entity's and Fund'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, their further subsequent decline in value after year end and market conditions within the property sector generally. As such, any previous declines in value recognised in the available for sale reserve have been recognised directly in the income statement.

The impairment loss recognised represents the difference between the cost of the portfolio and the market value as at 30 June 2008. No impairment loss was recognised by the Consolidated Entity or the Fund during the year ended 30 June 2007.

## 10 Investments - available for sale continued

### Unit holdings – consolidated

Material investments of the Consolidated Entity are stated below as follows:

| | 2008 Units | 2008 % ownership | 2007 Units | 2007 % ownership |
|---|---|---|---|---|
| **Unlisted Managed Investment Schemes** | | | | |
| Abbotsford Property Trust | - | - | 314,000 | 6.3 |
| APN Champion Retail Fund | 13,900,000 | 20.0 | - | - |
| APN Regional Property Fund | 3,571,428 | 10.9 | 3,571,428 | 10.9 |
| APN UKA Poland Retail Fund | 7,542,100 | 19.9 | 7,542,100 | 19.9 |
| APN UKA Vienna Retail Fund | 6,000,000 | 13.1 | 6,000,000 | 13.6 |
| Austock Childcare Fund | 1,000,000 | 7.4 | 1,000,000 | 7.4 |
| Centro MCS 21 | 5,525,000 | 13.9 | 5,525,000 | 13.9 |
| Centro MCS 22 | 1,291,743 | 11.6 | 1,291,743 | 11.6 |
| Charter Hall Diversified Property Fund | 4,783,316 | 5.6 | 4,783,316 | 5.6 |
| Gordon Property Trust | 1,683,000 | 7.8 | 1,683,000 | 7.8 |
| ING Real Estate Direct Office Fund | - | - | 2,000,000 | 18.8 |
| Investa Diversified Office Fund | 27,152,201 | 16.2 | 27,116,330 | 16.1 |
| Investa Fifth Commercial Trust | 9,550,000 | 19.1 | 9,540,000 | 19.1 |
| Investa First Industrial Trust | - | - | 1,452,652 | 5.5 |
| Investa Second Industrial Trust | 1,479,154 | 5.5 | 1,479,154 | 5.5 |
| MAB Diversified Property Trust | 7,000,000 | 10.6 | 7,000,000 | 10.6 |
| Mirvac Retail Portfolio | - | - | 2,678,000 | 6.2 |
| Multiplex Development and Opportunity Fund | 9,320,388 | 5.9 | 9,320,388 | 6.5 |
| Northgate Property Trust | 5,136,191 | 25.7 | 5,136,191 | 22.9 |
| Pengana Credo European Property Trust | 10,400,000 | 19.9 | 10,400,000 | 19.9 |
| Reed Property Trust | 5,515,213 | 8.2 | - | - |
| Rimcorp Property Trust #3 | 1,500,000 | 18.5 | 1,500,000 | 18.5 |
| St Hilliers Enhanced Property Fund #2 | 2,000,000 | 10.0 | 2,000,000 | 10.0 |
| The Child Care Property Fund | 5,000,000 | 4.3 | 5,000,000 | 5.8 |
| The Essential Health Care Trust | 8,713,838 | 12.3 | 8,713,838 | 14.5 |
| Westpac Diversified Property Fund | 14,316,283 | 7.2 | 22,108,000 | 19.9 |
| **Listed Investments** | | | | |
| Multiplex Prime Property Fund[1] | 27,894,723 | 9.9 | 27,894,723 | 9.9 |
| Multiplex European Property Fund | 12,750,000 | 5.1 | 12,750,000 | 5.1 |

The Consolidated Entity does not hold more than 5% of any other listed property trusts.

1 The Consolidated Entity's investment in Multiplex Prime Property Fund of 27,894,723 units at $25,860,000 comprises $16,737,000 being an initial call partly paid to $0.60 per unit and $9,123,000 (2007: $8,782,000) being the present value of the final call of $0.40 per unit payable in June 2011. The final call also creates a deferred settlement liability of $9,123,000 (2007: $8,782,000). The discount rate used to determine the present value is 6.73% (2007: 6.0%).

**10 Investments - available for sale** continued

### Unit holdings – Fund

Material investments of the Fund are stated below as follows:

| | 2008 Units | 2008 % ownership | 2007 Units | 2007 % ownership |
|---|---|---|---|---|
| **Unlisted Managed Investment Schemes** | | | | |
| Abbotsford Property Trust | - | - | 282,600 | 5.7 |
| APN Regional Property Fund | 2,857,142 | 8.8 | 2,857,142 | 8.8 |
| APN UKA Poland Retail Fund | 4,525,260 | 11.9 | 4,525,260 | 11.9 |
| APN UKA Vienna Retail Fund | 3,600,000 | 7.9 | 3,600,000 | 8.2 |
| Austock Childcare Fund | 1,000,000 | 7.4 | 1,000,000 | 7.4 |
| Centro MCS 21 | 4,972,500 | 14.5 | 4,972,500 | 12.5 |
| Centro MCS 22 | 645,871 | 5.8 | 645,871 | 5.8 |
| Gordon Property Trust | 1,514,700 | 7.0 | 1,514,700 | 7.0 |
| ING Real Estate Direct Office Fund | - | - | 2,000,000 | 18.8 |
| Investa Diversified Office Fund | 24,255,517 | 14.5 | 24,228,435 | 14.4 |
| Investa Fifth Commercial Trust | 7,642,000 | 15.3 | 7,632,000 | 15.3 |
| Investa First Industrial Trust | - | - | 1,452,652 | 5.5 |
| Investa Second Industrial Trust | 1,479,154 | 5.5 | 1,479,154 | 5.5 |
| MAB Diversified Property Trust | 4,900,000 | 7.4 | 4,900,000 | 7.4 |
| Mirvac Retail Portfolio | - | - | 2,678,000 | 6.2 |
| Multiplex Development and Opportunity Fund | 9,320,388 | 5.9 | 9,320,388 | 6.5 |
| Multiplex New Zealand Property Fund | 51,699,756 | 23.8 | 51,699,756 | 23.8 |
| Northgate Property Trust | 4,622,572 | 23.1 | 4,622,572 | 20.6 |
| Pengana Credo European Property Trust | 9,400,000 | 18.0 | 9,400,000 | 18.0 |
| Rimcorp Property Trust #3 | 750,000 | 9.3 | 750,000 | 9.3 |
| St Hilliers Enhanced Property Fund #2 | 2,000,000 | 10.0 | 2,000,000 | 10.0 |
| The Essential Health Care Trust | 7,406,762 | 12.3 | 7,406,762 | 12.3 |
| Westpac Diversified Property Fund | 12,884,655 | 6.4 | 19,897,200 | 18.0 |
| **Listed Investments** | | | | |
| Multiplex Prime Property Fund[1] | 27,894,723 | 9.9 | 27,894,723 | 9.9 |
| Multiplex European Property Fund | 12,750,000 | 5.1 | 12,750,000 | 5.1 |

The Fund does not hold more than 5% of any other listed property trusts.

1 The Fund's investment in Multiplex Prime Property Fund of 27,894,723 units at $25,860,000 comprises $16,737,000 being an initial call partly paid to $0.60 per unit and $9,123,000 (2007: $8,782,000) being the present value of the final call of $0.40 per unit payable in June 2011. The final call also creates a deferred settlement liability of $9,123,000 (2007: $8,782,000). The discount rate used to determine the present value is 6.73% (2007: 6.0%).

| | Fund | | | |
|---|---|---|---|---|
| | 2008 Ownership % | 2008 $'000 | 2007 Ownership $'000 | 2007 $'000 |
| **11 Investment in controlled entity** | | | | |
| Investment in Multiplex Property Income Fund – ordinary units | 100% | 30,076 | 100% | 30,076 |

On 13 March 2007 Multiplex Property Income Fund was launched and ordinary and income units were issued as a result. Multiplex Acumen Property Fund owns 30,075,871 units in MPIF, representing all the issued ordinary units in MPIF. Income unitholders are not entitled to any profits from MPIF other than income unit distributions and have no right to influence or control MPIF.

*Controlled Entities of Multiplex Property Income Fund*

MPIF owns 100% of Multiplex Income UPT International Investments Trust (2007: 100%) and owns 100% of Multiplex Income UPT Domestic Investments Trust (2007: 100%).

| | Consolidated | | Fund | |
|---|---|---|---|---|
| | 2008 $'000 | 2007 $'000 | 2008 $'000 | 2007 $'000 |
| **12 Trade and other payables** | | | | |
| Management fee payable (refer to Note 19) | 335 | 398 | 335 | 398 |
| Accruals and other payables | 682 | 882 | 719 | 650 |
| | **1,017** | **1,280** | **1,054** | **1,048** |

**13 Deferred settlement liability**

The Fund's investment in Multiplex Prime Property Fund of 27,894,723 units at $25,860,000 comprises $16,737,000 being an initial call partly paid to $0.60 per unit and $9,123,000 (2007: $8,782,000) (in the Consolidated Entity and the Fund) being the present value of the final call of $0.40 per unit payable in June 2011. The final call also creates a deferred settlement liability of $9,123,000 (2007: $8,782,000). The discount rate used to determine the present value is 6.73% (2007: 6.0%).

| | Consolidated | | Fund | |
|---|---|---|---|---|
| | 2008 $'000 | 2007 $'000 | 2008 $'000 | 2007 $'000 |
| **14 Interest bearing liabilities** | | | | |
| **Secured bank debt** | | | | |
| Non-current liabilities | | | | |
| Bank loans – secured | **80,200** | **89,000** | **80,200** | **89,000** |

| | Consolidated | | Fund | |
|---|---|---|---|---|
| | 2008 $'000 | 2007 $'000 | 2008 $'000 | 2007 $'000 |
| **Finance arrangements** | | | | |
| Facilities available | | | | |
| Bank debt facilities – expires December 2009 | 93,400 | 98,800 | 93,400 | 98,800 |
| Less: facilities utilised | (80,200) | (89,000) | (80,200) | (89,000) |
| Unused facilities at reporting date | **13,200** | **9,800** | **13,200** | **9,800** |

The interest bearing liabilities relate to secured bank debt in the form of a bill facility, in Australian dollars, which expires in December 2009. The Fund has given various representations, warranties, covenants and undertakings to the banks, including in relation to its corporate status. This debt is 100% hedged at a fixed base rate of 6.94% via interest rate swap instruments. The weighted average nominal interest rate on the interest bearing liabilities is 7.65% (2007: 6.94%).

| | 2008 $'000 | 2008 units | 2007 $'000 | 2007 units |
|---|---|---|---|---|
| **15 Units on issue** | | | | |
| **Units on issue** | | | | |
| Ordinary units | | | | |
| **Opening balance** | **200,777** | **201,215,338** | **194,287** | **195,229,230** |
| Units redeemed | - | - | - | - |
| Units issued | 2,092 | 1,645,592 | 6,490 | 5,986,108 |
| **Closing balance – ordinary units** | **202,869** | **202,860,930** | **200,777** | **201,215,338** |
| Minority interest – income units | | | | |
| **Opening balance** | 9,596 | 9,557,653 | - | - |
| Issue of income units | 56,004 | 56,114,127 | 9,596 | 9,557,653 |
| Redemption of units | (3,340) | (3,340,335) | - | - |
| Net profit attributable to minority interest | 3,464 | - | 125 | - |
| Distributions to minority interest | (3,464) | - | (125) | - |
| **Closing balance - Minority interest - income units** | **62,260** | **62,331,445** | **9,596** | **9,557,653** |

The above table for ordinary units represents the ordinary units of the Consolidated Entity and the Fund. The minority interest represents income units issued by Multiplex Property Income Fund and are only shown in the consolidated financial statements.

In accordance with the Fund's Constitution, each unitholder is entitled to receive distributions as declared from time to time and is entitled to one vote at unit holder meetings. In accordance with the Fund's Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund.

### 16 Reserves and undistributed (losses) / income

#### 16(a) Reserves

A summary of the Fund's and Consolidated Entity's reserves is provided below:

| | Consolidated | | Fund | |
|---|---|---|---|---|
| | 2008 $'000 | 2007 $'000 | 2008 $'000 | 2007 $'000 |
| **Reserves** | | | | |
| Available for sale reserve | 37,286 | 43,576 | 39,352 | 65,033 |
| Foreign currency translation reserve | (11,520) | 6,590 | - | - |
| Hedge reserve | 3,198 | 1,883 | 3,198 | 1,883 |
| **Total reserves** | **28,964** | **52,049** | **42,550** | **66,916** |

#### Available for sale reserve

Movements in the carrying value of the available for sale reserve during the year were as follows:

| | Consolidated | | Fund | |
|---|---|---|---|---|
| | 2008 $'000 | 2007 $'000 | 2008 $'000 | 2007 $'000 |
| Opening balance | 43,576 | 17,520 | 65,033 | 17,520 |
| Fair value movement in relation to listed and unlisted investments | (58,013) | 26,056 | (67,039) | 47,513 |
| Impairment recognised on available for sale assets | 51,723 | - | 41,358 | - |
| **Closing balance** | **37,286** | **43,576** | **39,352** | **65,033** |

The Fund and Consolidated Entity recognised an impairment loss on their listed property trust portfolios during the year. Refer to Note 10 for further details.

**16 Reserves and undistributed (losses) / income** continued

**(a) Reserves** continued

### Foreign currency translation reserve

Movements in the carrying value of the foreign currency translation reserve during the year were as follows:

| | Consolidated | | Fund | |
|---|---|---|---|---|
| | 2008 $'000 | 2007 $'000 | 2008 $'000 | 2007 $'000 |
| Opening balance | 6,590 | (8,052) | - | (8,052) |
| Share of movement of associate's reserves | (18,110) | 14,642 | - | 8,052 |
| **Closing balance** | **(11,520)** | **6,590** | **-** | **-** |

### Hedge reserve

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

| | Consolidated | | Fund | |
|---|---|---|---|---|
| | 2008 $'000 | 2007 $'000 | 2008 $'000 | 2007 $'000 |
| Opening balance | 1,883 | 897 | 1,883 | 897 |
| Fair value movement in relation to interest rate swap hedges | 1,315 | 986 | 1,315 | 986 |
| **Closing balance** | **3,198** | **1,883** | **3,198** | **1,883** |

### (b) Undistributed (losses) / income

Movements in undistributed during the year were as follows:

| | Consolidated | | Fund | |
|---|---|---|---|---|
| | 2008 $'000 | 2007 $'000 | 2008 $'000 | 2007 $'000 |
| Opening balance | 34,940 | 26,592 | 18,223 | 26,592 |
| Net (loss) / profit | (21,290) | 29,685 | (9,714) | 29,220 |
| Reversal of equity accounted profit (refer below) | - | - | - | (16,253) |
| Distributions – ordinary units | (22,649) | (21,337) | (22,649) | (21,336) |
| **Closing balance** | **(8,999)** | **34,940** | **(14,140)** | **18,223** |

*Reversal of equity accounted profit*

In accordance with AASB 128 *Investments and Associates*, equity accounting is not applied in the separate financial statements of the Fund; rather, it is applied in the Consolidated Entity's financial statements where consolidated financial statements are prepared. In 2006 the Fund did not prepare consolidated financial statements as it did not have any subsidiaries. As such, equity accounting was applied in the Fund's financial statements. The first set of consolidated financial statements were prepared in 2007. An adjustment was made to undistributed income of the Fund in 2007 to correctly reflect the impact of equity accounting only in the consolidated financial statements rather than the Fund's financial statements. The adjustment in the Fund's financial statements was to reduce retained earnings by $16,253,000, to reduce "investments accounted for using the equity method" by $62,935,000 and to increase "Investments – available for sale" by $46,682,000.

**17 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.

**(a) Capital risk management**

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

The Board seeks to raise new capital through issuance of Income Units by MPIF. The Board monitors applications and redemptions of Income Units, including the return provided to Income Unitholders. The Board maintains a sufficient amount of liquid assets (in the form of cash, cash equivalents and listed equities) to meet Income Unit redemptions. The risk of significant capital outflows due to redemption of Income Units is mitigated as redemptions in any month are capped. Refer to discussion under 17(d) Liquidity Risk for more information on redemptions.

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. As per the Fund's Product Disclosure Statement, the Responsible Entity seeks to restrict the level of short-term borrowings (up to 12 months in maturity) to 30% of the total tangible assets of the Fund.

There were no changes in the Fund's or Consolidated Entity's approach to capital management during the year.

**(b) Financial risk management**

Overview

The Fund and Consolidated Entity are exposed to financial risks in the normal course of their operations. These exposures arise at two levels:

- *Direct exposures* – arising from the Fund's and Consolidated Entity's use of financial instruments; and
- *Indirect exposures* – arising from the Fund's and Consolidated Entity's equity investments in other funds (Underlying Funds).

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 Fund and Consolidated Entity earn from these investments and the investment values.

The Fund and Consolidated Entity have direct and indirect exposures to the following risks in the normal course of their operations:

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

The Responsible Entity has responsibility for the establishment and monitoring of the risk management framework and the risk management policies of the Fund and Consolidated Entity. These policies seek to minimise the potential adverse impact of the above risks on the Fund's and Consolidated Entity's financial performance. The Risk and Compliance Committee (established by the Board) is responsible for ensuring compliance with those risk management policies. The risk management framework and policies are set out in the Fund's Constitution and Product Disclosure Statement, and allow the use of certain financial derivative instruments.

Compliance with the Fund's and 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 Risk and Compliance Committee of the Responsible Entity quarterly.

*Investment mandate*

The Fund's investment mandate, as disclosed in its constitution and Product Disclosure Statement, is to invest in unlisted and listed property trust securities.

*Derivative financial instruments*

Whilst the Fund 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 Fund'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 Fund.

**17 Financial instruments** continued
(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. The Fund and Consolidated Entity are exposed to both direct and indirect credit risk in the normal course of their operations.

Sources of credit risk and risk management strategies

Direct credit risk arises principally from the Consolidated Entity's listed and unlisted investments (in terms of distributions receivable and capital invested) and derivative counterparties. For the Fund, credit risk arises principally from its listed and unlisted investments (in terms of distributions receivable and capital invested), derivative counterparties and receivables due from subsidiaries. Other credit risk also arises for both the Fund and Consolidated Entity from cash and cash equivalents.

Indirect credit risk arises principally from the Underlying Funds' investments in listed and unlisted property trusts, property tenants and derivative counterparties.

*Trade and other receivables*

The Fund's and Consolidated Entity's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty. The Fund and Consolidated Entity manage and minimise exposure to credit risk by actively reviewing investment portfolio to ensure committed distributions are paid.

*Investments - available for sale*

*Direct risk exposures*

Credit risk arising from investments is mitigated by investing in securities in accordance with the Fund's Constitution and Product Disclosure Statement. The Fund and Consolidated Entity manage their investments investing in the following target ranges:

- unlisted property securities – up to a maximum of 100% of total assets;
- listed property securities – up to a maximum of 50% of total assets;
- direct property – up to a maximum of 20% of total assets and spread across the main property sectors of commercial, retail, industrial and diversified property securities; and
- cash and cash equivalents – up to a maximum of 20% of total assets.

In managing exposures to individual counterparties, the investments are managed (in accordance with the Fund's Product Disclosure Statement) by limiting exposures to individual counterparties to the following target ranges:

- individual asset manager – 30% of portfolio;
- individual property security – 20% of direct property portfolio; and
- individual tenants – 30% of direct property portfolio.

The Responsible Entity may make investments that place the Fund and Consolidated Entity outside of these ranges for a short period of time.

*Indirect risk exposures*

Prior to making an investment in an Underlying Fund, the Responsible Entity will assess the Underlying Fund's asset portfolio to ensure the risk profile of these underlying assets is in accordance with the Fund and Consolidated Entity's risk profile. The Responsible Entity also reviews the entire portfolio of the Underlying Fund's assets to ensure their sources of income are sufficiently diversified and in accordance with the Fund's Constitution.

*Fair value of financial derivatives*

Transactions with derivative counterparties are limited to established financial institutions that meet the Fund's and Consolidated Entity's minimum credit rating criteria. The Fund 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 Fund's and Consolidated Entity's overall strategy of credit risk management remains unchanged from 2007.

**17 Financial instruments** continued

Exposure to credit risk

*Direct risk exposures*

The table below shows the maximum exposure to credit risk at the reporting date. It is the opinion of the Responsible Entity that the carrying amounts of these financial assets represent the maximum credit risk exposure at the reporting date.

| | | Consolidated | | Fund | |
|---|---|---|---|---|---|
| | Note | 2008 $'000 | 2007 $'000 | 2008 $'000 | 2007 $'000 |
| Cash and cash equivalents | | 10,518 | 4,653 | 1,306 | 3,726 |
| Trade and other receivables | 9 | 17,610 | 14,392 | 16,421 | 13,959 |
| Investments – available for sale | 10 | 284,247 | 306,093 | 273,886 | 340,546 |
| Fair value financial derivatives | 17(f) | 5,983 | 1,872 | 5,983 | 1,872 |
| **Total** | | **318,358** | **327,010** | **297,596** | **360,103** |

Concentrations of credit risk exposure

*Direct risk exposures*

There were no significant concentrations of credit risk at the reporting date for the Fund or Consolidated Entity (2007: nil).

*Indirect risk exposures*

The Underlying Funds do not have significant concentrations of credit risk at year end (2007: nil). As such there are no significant concentrations of indirect credit risk in the Fund or Consolidated Entity as at reporting date (2007: nil).

The Consolidated Entity's and Fund's financial assets were all exposed to credit risk in Australia at the reporting date (2007: Australia).

Collateral obtained / held

Where applicable, the Fund and Consolidated Entity obtain collateral from counterparties to minimise the risk of default on their contractual obligations.

At the reporting date the Fund and Consolidated Entity did not hold any other collateral in respect of their financial assets.

During the year ended 30 June 2008 neither the Fund nor the Consolidated Entity called on any collateral provided (2007: nil).

Financial assets past due but not impaired

No financial assets of the Fund or Consolidated Entity were past due at the reporting date (2007: nil).

Financial assets whose terms have been renegotiated

There are no significant financial assets that have had their terms renegotiated that would otherwise have rendered the financial assets past due or impaired.

Impairment losses

During the year, the Consolidated Entity and Fund recognised impairment expenses of $51,723,000 and $41,358,000 respectively, in relation to their available for sale assets. Refer to Note 10 for further information.

**17 Financial instruments** continued
(d) Liquidity risk

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

Sources of liquidity risk and risk management strategies

The Fund and Consolidated Entity are exposed to direct and indirect liquidity risk in the normal course of their operations. The main sources of liquidity risk are discussed below.

*Direct liquidity risk*

The main sources of direct liquidity risk for the Fund and Consolidated Entity are refinancing of interest bearing liabilities and unlisted investment securities. The Fund's approach to managing liquidity risk is to ensure that it has sufficient cash available to meet its liabilities as and when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

The Fund and Consolidated Entity also manage 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.

*Indirect liquidity risk*

The main source of indirect liquidity risk for the Fund and Consolidated Entity is the 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 Fund's approach to managing this risk forms part of the investment selection process. The Fund also monitors the activities of the Underlying Funds, to ensure they have sufficient cash to meet their liabilities as and when they fall due.

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

***Interest bearing liabilities***

*Direct risk exposure*

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

*Indirect risk exposure*

The Underlying Funds are exposed to liquidity risk (refinancing risk) on their interest bearing liabilities. The Fund and Consolidated Entity manage this risk by reviewing the gearing levels of the Underlying Funds and assessing the ability of Underlying Funds to fulfil the terms of these liabilities prior to making their investment. The Fund and Consolidated Entity also constantly monitor developments within the Underlying Funds and credit markets, to identify potential events that may impact the Underlying Funds' liquidity.

***Unitholders***

The Fund is not exposed to liquidity risk associated with unit holder redemptions as its units are traded on the Australian Securities Exchange. The Consolidated Entity is exposed to liquidity risk on the Income units issued by MPIF, as these can be redeemed by unitholders, subject to the following conditions:

- Indirect unitholders (via wrap platforms) – unit redemptions may be made at the beginning of every month at a price of $1.00 per unit.
- Redemptions are subject to the total number of units redeemed not exceeding 5% of the total number of units on issue (as at the preceding quarter end), and that each request is made at least 5 working days before the redemption date.
- Direct unitholders – redemptions of units can only be made after the units have been held for a minimum period of 12 months. Unit redemptions may be settled either in cash or by issuance of units in Multiplex Acumen Property Fund, i.e. the Fund. The terms of settlement are at the discretion of the Responsible Entity.

**17 Financial instruments** continued

*Investments – Available for sale*

The Fund's and Consolidated Entity's listed investments are considered readily realisable as they are listed on the Australian Securities Exchange. Whilst the Fund's and Consolidated Entity's unlisted investments are not considered as liquid as listed investments, liquidity risk in relation to these investments is managed by:

- maintaining a well diversified portfolio of unlisted investments, in order to ensure no significant exposure to any one Underlying Fund;
- maintaining a sufficient level of liquid investments to meet the debts of the Fund and Consolidated Entity as and when they fall due; and
- when unlisted investments are to be liquidated, the Responsible Entity enters into discussion with the Underlying Fund well in advance of the liquidation date.

The Fund's and Consolidated Entity's liquidity risk is also managed in accordance with their investment strategy, as disclosed in the Product Disclosure Statement.

Refer to Note 14 for details of the banking facilities available to the Fund and Consolidated Entity.

The Fund's and Consolidated Entity's overall strategy to liquidity risk management remains unchanged from 2007.

Maturity analysis of financial liabilities

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

Consolidated

| | Carrying amount $'000 | Contractual cashflows $'000 | Within 1 year $'000 | 1 to 2 years $'000 | 2 to 5 years $'000 |
|---|---|---|---|---|---|
| 2008 | | | | | |
| *Non-derivative financial liabilities* | | | | | |
| Trade and other payables | 1,017 | 1,017 | 1,017 | - | - |
| Distributions payable | 6,453 | 6,453 | 6,453 | - | - |
| Interest bearing liabilities | 80,200 | 90,727 | 7,018 | 83,709 | - |
| Deferred settlement | 9,123 | 11,158 | - | - | 11,158 |
| | **96,793** | **109,355** | **14,448** | **83,709** | **11,158** |
| *Financial derivatives* | | | | | |
| Interest rate swaps – net (inflow) / outflow | (3,198) | (3,249) | (2,166) | (1,083) | - |
| | **93,595** | **106,106** | **12,282** | **82,626** | **11,158** |
| 2007 | | | | | |
| *Non-derivative financial liabilities* | | | | | |
| Trade and other payables | 1,280 | 1,280 | 1,280 | - | - |
| Distributions payable | 5,495 | 5,495 | 5,495 | - | - |
| Interest bearing liabilities | 89,000 | 105,020 | 6,408 | 6,408 | 92,204 |
| Deferred settlement | 8,782 | 11,158 | - | - | 11,158 |
| | **104,557** | **122,953** | **13,183** | **6,408** | **103,362** |
| *Financial derivatives* | | | | | |
| Interest rate swaps – net (inflow) / outflow | (1,872) | (2,305) | (922) | (922) | (461) |
| | **102,685** | **120,648** | **12,261** | **5,486** | **102,901** |

**17 Financial instruments** continued

Fund

| | Carrying amount $'000 | Contractual cashflows $'000 | Within 1 year $'000 | 1 to 2 years $'000 | 2 to 5 years $'000 |
|---|---|---|---|---|---|
| 2008 | | | | | |
| *Non-derivative financial liabilities* | | | | | |
| Trade and other payables | 1,054 | 1,054 | 1,054 | - | - |
| Distributions payable | 6,016 | 6,017 | 6,017 | - | - |
| Interest bearing liabilities | 80,200 | 90,727 | 7,018 | 83,709 | - |
| Deferred settlement | 9,123 | 11,158 | - | - | 11,158 |
| | **96,393** | **108,956** | **14,089** | **83,709** | **11,158** |
| *Financial derivatives* | | | | | |
| Interest rate swaps – net (inflow) / outflow | (3,198) | (3,249) | (2,166) | (1,083) | - |
| | **93,195** | **105,707** | **11,923** | **82,626** | **11,158** |
| 2007 | | | | | |
| *Non-derivative financial liabilities* | | | | | |
| Trade and other payables | 1,048 | 1,048 | 1,048 | - | - |
| Distributions payable | 5,433 | 5,433 | 5,433 | - | - |
| Interest bearing liabilities | 89,000 | 105,020 | 6,408 | 6,408 | 92,204 |
| Deferred settlement | 8,782 | 11,158 | - | - | 11,158 |
| | **104,263** | **122,659** | **12,889** | **6,408** | **103,362** |
| *Financial derivatives* | | | | | |
| Interest rate swaps – net (inflow) / outflow | (1,872) | (2,305) | (922) | (922) | (461) |
| | **102,391** | **120,354** | **11,967** | **5,486** | **102,901** |

Cash flow hedges – timing of cash flows

*Interest rate swaps*

The Fund and Consolidated Entity have entered into interest rate swaps, which are used to hedge the interest rate risk on the Fund's and Consolidated Entity's interest bearing liabilities. The timing of cash flows on the derivatives is matched to the timing of interest payments due on the interest bearing liabilities. Interest payments on the interest bearing liabilities and derivatives occur monthly (2007: monthly).

The cash flow hedges will impact the income statement at the same time as the underlying cash flows, whilst the hedges remain effective. It is expected the hedges will remain effective for the duration of their term.

Defaults and breaches

During the financial year ended 30 June 2008 the Fund and the Consolidated Entity have not defaulted on or breached any terms of their loan covenants (2007: nil).

**17 Financial instruments** continued

(e) Market risk

Market risk is the risk that changes in market prices, such as equity prices, foreign exchange rates and interest rates, will affect the Fund's and Consolidated Entity's income or the value of their 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 Fund and Consolidated Entity are exposed to direct and indirect market risk.

*Direct risk exposures*

The main types of direct market risk the Fund and Consolidated Entity are exposed to are:

- equity price risk, arising from their listed investment portfolio;
- interest rate risk, arising from their interest bearing liabilities; and
- foreign currency risk.

The Fund and Consolidated Entity enter into derivatives in order to manage interest rate risk on their external borrowings and foreign currency risk from their investment in Multiplex New Zealand Property Fund. All such transactions are carried out in accordance with the Fund's hedging policies and procedures. Derivatives are not entered into for speculative purposes.

The Fund's and Consolidated Entity's equity price risk is managed by investing in Underlying Funds in accordance with the Fund's and Consolidated Entity's investment mandate.

*Indirect risk exposures*

The main types of indirect market risk the Fund and Consolidated Entity are exposed to are:

- equity price risk;
- interest rate risk; and
- foreign currency risk.

Prior to investing in Underlying Funds, the Responsible Entity will perform due diligence on the Underlying Fund, including understanding their exposures to interest rate risk, foreign currency risk and other price risk. The Responsible Entity will analyse the risk management strategies utilised by the Underlying Fund to manage these risk exposures. Investments are made into Underlying Funds only if their residual risk exposures are within acceptable limits and consistent with the overall investment mandate of the Fund and Consolidated Entity.

Each of these market risks is discussed below.

**17 Financial instruments** continued

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.

Sources of risk and risk management strategies

*Direct risk exposure*

The only material source of interest rate risk for the Fund is derived from its interest bearing liabilities. The Fund manages this exposure by ensuring up to 100% of its interest bearing liabilities are on a fixed rate basis. This is achieved by entering into interest rate swaps.

*Indirect risk exposure*

The Fund and Consolidated Entity are indirectly exposed to interest rate risk on the interest bearing liabilities of the Underlying Funds. The Fund and Consolidated Entity manage this exposure by ensuring the unhedged risk exposures of the Underlying Funds are in accordance with the risk appetite of the Fund and Consolidated Entity prior to making their investment. The Fund and Consolidated Entity also actively monitor interest bearing liability levels and hedging levels of interest rates of the Underlying Funds regularly.

The table below shows the Fund's and Consolidated Entity's direct exposure to interest rate risk at year end, including maturity dates.

| Consolidated | | Fixed interest maturing in | | | | |
|---|---|---|---|---|---|---|
| | Floating rate $'000 | Less than 1 year $'000 | 1 to 2 years $'000 | 2 to 5 years $'000 | Non-interest bearing $'000 | Total $'000 |
| 2008 | | | | | | |
| *Financial assets* | | | | | | |
| Cash and cash equivalents | 10,518 | - | - | - | - | 10,518 |
| Trade and other receivables | - | - | - | - | 17,610 | 17,610 |
| Investments – available for sale | - | - | - | - | 284,247 | 284,247 |
| Financial derivatives | - | 241 | - | 5,742 | - | 5,983 |
| | **10,518** | **241** | **-** | **5,742** | **301,857** | **318,358** |
| *Financial Liabilities* | | | | | | |
| Trade and other payables | - | - | - | - | 1,017 | 1,017 |
| Distributions payable | - | - | - | - | 6,453 | 6,453 |
| Interest bearing liabilities | 80,200 | - | - | - | - | 80,200 |
| Deferred settlement | - | - | - | 9,123 | - | 9,123 |
| | 80,200 | - | - | 9,123 | 7,470 | 96,793 |
| 2007 | | | | | | |
| *Financial assets* | | | | | | |
| Cash and cash equivalents | 4,653 | - | - | - | - | 4,653 |
| Trade and other receivables | - | - | - | - | 14,392 | 14,392 |
| Investments – available for sale | - | - | - | - | 306,093 | 306,093 |
| Financial derivatives | - | - | - | 1,872 | - | 1,872 |
| | 4,653 | - | - | 1,872 | 320,485 | 327,010 |
| *Financial liabilities* | | | | | | |
| Trade and other payables | - | - | - | - | 1,280 | 1,280 |
| Distributions payable | - | - | - | - | 5,495 | 5,495 |
| Interest bearing liabilities | 89,000 | - | - | - | - | 89,000 |
| Deferred settlement | - | - | - | 8,782 | - | 8,782 |
| | 89,000 | - | - | 8,782 | 6,775 | 104,557 |

**17 Financial instruments** continued

| Fund | | Fixed interest maturing in | | | | |
|---|---|---|---|---|---|---|
| | Floating rate $'000 | Less than 1 year $'000 | 1 to 2 years $'000 | 2 to 5 years $'000 | Non-interest bearing $'000 | Total $'000 |
| 2008 | | | | | | |
| *Financial assets* | | | | | | |
| Cash and cash equivalents | 1,306 | - | - | - | - | 1,306 |
| Trade and other receivables | - | - | - | - | 16,421 | 16,421 |
| Investments – available for sale | - | - | - | - | 273,886 | 273,886 |
| Financial derivatives | - | 241 | - | 5,742 | - | 5,983 |
| | **1,306** | **241** | **-** | **5,742** | **290,307** | **297,596** |
| *Financial Liabilities* | | | | | | |
| Trade and other payables | - | - | - | - | 1,054 | 1,054 |
| Interest bearing liabilities | 80,200 | - | - | - | - | 80,200 |
| Distributions payable | - | - | - | - | 6,016 | 6,016 |
| Deferred settlement | - | - | - | 9,123 | - | 9,123 |
| | **80,200** | **-** | **-** | **9,123** | **7,070** | **96,393** |
| 2007 | | | | | | |
| *Financial assets* | | | | | | |
| Cash and cash equivalents | 3,726 | - | - | - | - | 3,726 |
| Trade and other receivables | - | - | - | - | 13,959 | 13,959 |
| Investments – available for sale | - | - | - | - | 340,546 | 340,546 |
| Financial derivatives | - | - | - | 1,872 | - | 1,872 |
| | **3,726** | **-** | **-** | **1,872** | **354,505** | **360,103** |
| *Financial liabilities* | | | | | | |
| Trade and other payables | - | - | - | - | 1,048 | 1,048 |
| Distributions payable | - | - | - | - | 5,433 | 5,433 |
| Interest bearing liabilities | 89,000 | - | - | - | - | 89,000 |
| Deferred settlement | - | - | - | 8,782 | - | 8,782 |
| | **89,000** | **-** | **-** | **8,782** | **6,481** | **104,263** |

**17 Financial instruments** continued
Sensitivity analysis

*Direct risk exposure*

Fair value sensitivity analysis for fixed rate instruments

The Fund or Consolidated Entity do not have any fixed rate financial assets or financial liabilities, and do not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Fair value sensitivity for variable rate instruments

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

| | **2008** | | **2007** | |
|---|---|---|---|---|
| | 1% | 1% | 1% | 1% |
| | Profit and loss | Equity | Profit and loss | Equity |
| | $'000 | $'000 | $'000 | $'000 |
| Consolidated Entity | | | | |
| *Increase in interest rates* | | | | |
| *Variable rate instruments* | | | | |
| - cash and cash equivalents | 114 | 114 | 80 | 80 |
| - interest bearing liabilities | (873) | (873) | (716) | (716) |
| - deferred settlement | - | 268 | - | 342 |
| | **(759)** | **(491)** | **(636)** | **(294)** |
| *Interest rate swaps* | | | | |
| - impact on settlements | 739 | 739 | 598 | 598 |
| - impact on fair value | - | 1,853 | - | 2,520 |
| | **(20)** | **2,101** | **(38)** | **2,824** |
| *Decrease in interest rates* | | | | |
| - cash and cash equivalents | (114) | (114) | (80) | (80) |
| - interest bearing liabilities | 873 | 873 | 716 | 716 |
| - deferred settlement | - | (276) | - | (357) |
| | **759** | **483** | **636** | **279** |
| *Interest rate swaps* | | | | |
| - impact on settlements | (739) | (739) | (598) | (598) |
| - impact on fair value | - | (1,942) | - | (2,642) |
| | **20** | **(2,198)** | **38** | **(2,961)** |
| Fund | | | | |
| *Increase in interest rates* | | | | |
| *Variable rate instruments* | | | | |
| - cash and cash equivalents | 51 | 51 | 77 | 77 |
| - interest bearing liabilities | (873) | (873) | (716) | (716) |
| - deferred settlement | - | 268 | - | 342 |
| | **(822)** | **(554)** | **(639)** | **(297)** |
| *Interest rate swaps* | | | | |
| - impact on settlements | 739 | 739 | 598 | 598 |
| - impact on fair value | - | 1,853 | - | 2,520 |
| | **(83)** | **2,038** | **(41)** | **2,821** |
| *Decrease in interest rates* | | | | |
| - cash and cash equivalents | (51) | (51) | (77) | (77) |
| - interest bearing liabilities | 873 | 873 | 716 | 716 |
| - deferred settlement | - | (276) | - | (357) |
| | **822** | **546** | **639** | **282** |
| *Interest rate swaps* | | | | |
| - impact on settlements | (739) | (739) | (598) | (598) |
| - impact on fair value | - | (1,942) | - | (2,642) |
| | **83** | **(2,135)** | **41** | **(2,958)** |

**17 Financial instruments** continued

*Indirect risk exposure*

The Fund and Consolidated Entity have investments in Underlying Funds which are exposed to interest rate risk. No sensitivity analysis has been performed on the indirect risk exposures of the Fund or Consolidated Entity as the likely impact on the Fund and Consolidated Entity from a change in interest rates cannot be reliably measured.

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.

Sources of risk and risk management strategies

*Direct risk exposure*

The Fund is directly exposed to foreign currency risk due to its investment in Multiplex New Zealand Property Fund (MNZPF). The value of the Fund's investment in MNZPF is impacted by movements in the AUD / NZD exchange rate. The Fund has entered into a forward foreign currency exchange rate swap to hedge the original value of capital invested in MNZPF against adverse movements in the AUD/NZD exchange rate.

The following table shows the direct foreign currency exposures of both the Fund and Consolidated Entity at the reporting date, based on notional amounts.

| | 2008 | | 2007 | |
|---|---|---|---|---|
| | AUD<br>$'000 | NZD<br>$'000 | AUD<br>$'000 | NZD<br>$'000 |
| Investments – available for sale | 52,034 | 65,610 | 71,744 | 76,878 |
| Forward exchange contracts | (54,735) | (63,734) | - | - |
| **Net exposure** | **(2,701)** | **1,876** | **71,744** | **76,878** |

*Sensitivity analysis*

An 5% strengthening of the Australian dollar against the New Zealand dollar would have increased the profit or loss and equity of the Fund and Consolidated Entity by $1,864,000 at 30 June 2008 (2007: nil). An 5% strengthening of the Australian dollar against the New Zealand dollar would have increased the profit or loss and equity of the Fund and Consolidated Entity by $1,864,000 at 30 June 2008 (2007: nil). This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2007.

Sensitivity analysis has not been performed on the impact of a change in AUD/NZD exchange rates on the Consolidated Entity's investment in MNZPF, as MNZPF is equity accounted in the financial statements of the Consolidated Entity. Therefore, in the consolidated financial statements the investment in MNZPF is not considered a financial instrument.

*Indirect risk exposure*

The Fund and Consolidated Entity have invested in entities that are exposed to foreign currency risk, due to their operations being located in countries outside of Australia.

The Fund and Consolidated Entity manage these risks by conducting due diligence on the Underlying Investment during the investment selection process and on an ongoing basis, and ensuring the unhedged risk exposure of the Underlying Fund is in accordance with the risk appetite of the Fund and Consolidated Entity.

Sensitivity analysis

Whilst the Fund and Consolidated Entity have 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.

**17 Financial instruments** continued

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 Fund and Consolidated Entity is associated with its listed and unlisted investment portfolio.

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

Sensitivity analysis

A 10% increase in equity prices would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2007.

| | 2008 | | 2007 | |
|---|---|---|---|---|
| | 10% Profit and loss $'000 | 10% Equity $'000 | 10% Profit and loss $'000 | 10% Equity $'000 |
| Consolidated Entity | | | | |
| Listed investments | 5,966 | 5,966 | - | 10,135 |
| Unlisted investments* | - | 22,459 | - | 20,475 |
| | **5,966** | **28,425** | **-** | **30,610** |
| Fund | | | | |
| Listed investments | 5,053 | 5,053 | - | 9,844 |
| Unlisted investments* | - | 22,335 | - | 24,211 |
| | **5,053** | **27,388** | **-** | **34,055** |

A 10% decrease in equity prices would have had the equal but opposite effect on the investments shown above, on the basis that all other variables remain constant.

* A change in value of the Fund's listed investments would have impacted the income statement, as the change in fair value of the listed investment was recognised in the income statement as an impairment expense. Had an impairment expense not been recognised, the impact would have been directly in equity.

f. Specific instruments

*Derivatives*

The Fund has entered into derivative contracts to hedge against the Fund's financial risk exposures.

*Interest rate swaps*

The Fund and Consolidated Entity have entered into floating to fixed interest rate swaps to hedge the interest rate risk on the Fund's and Consolidated Entity's interest bearing liabilities (refer to Note 14). All of the derivatives have been determined to be 100% effective for hedge accounting purposes (2007: 100%), and any changes in the fair value are recognised in reserves (refer to Note 16).

A summary of the derivative contracts and their expiration dates for the Fund and Consolidated Entity is provided below.

| | | | | 2008 | | 2007 | |
|---|---|---|---|---|---|---|---|
| **Interest rate exposure** | **Notional contract amount $'000** | **Maturity date** | **Fixed interest rate** | **Fair value asset $'000** | **Fair value liability $'000** | **Fair value asset $'000** | **Fair value liability $'000** |
| *Current* | | | | | | | |
| BBSY | 15,200 | Jun 2009 | 6.30 | 241 | - | 136 | - |
| *Non-Current* | | | | | | | |
| BBSY | 39,500 | Aug 2010 | 5.62 | 1,800 | - | 1,403 | - |
| BBSY | 3,500 | Nov 2011 | 6.35 | 154 | - | 72 | - |
| BBSY | 3,000 | Nov 2012 | 6.45 | 143 | - | 58 | - |
| BBSY | 13,000 | May 2014 | 6.57 | 659 | - | 222 | - |
| BBSY | 6,000 | Jun 2014 | 6.88 | 201 | - | - | (19) |
| | 80,200 | | | 3,198 | - | 1,891 | (19) |

**17 Financial instruments** continued

Forward foreign currency exchange contracts

The Fund has entered into a forward foreign currency exchange contract to hedge its investment in MNZPF. The Fund entered into a derivative contract to exchange $63,734,000 NZD at a rate of $1.1644 on 15 December 2011. The fair value of the derivative at the reporting date was $2,785,000 (2007: nil).

g. Fair values

Methods for determining fair values

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

*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.

*Listed investments*

The fair value of listed investments is determined by reference to their quoted closing bid price at the reporting date.

*Unlisted investments*

The fair value of unlisted investments is determined by reference to the Fund's and Consolidated Entity's share of the net tangible assets of the unlisted investment.

*Derivatives*

The fair value of forward exchange 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

The carrying amounts of the Fund's and Consolidated Entity's financial assets and liabilities reasonably approximate their fair values.

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

| | Consolidated | | Fund | |
|---|---|---|---|---|
| | 2008 $'000 | 2007 $'000 | 2008 $'000 | 2007 $'000 |
| Net (loss) / profit for the year | (17,826) | 29,810 | (9,714) | 29,220 |
| Adjustments for: | | | | |
| *Items classified as investing and financing activities* | | | | |
| - gain on sale of investments | (10,210) | (1,521) | (10,353) | (6,196) |
| - distributions received from associate | 5,036 | 5,036 | - | - |
| *Non cash items* | | | | |
| Impairment expense | 51,723 | - | 41,358 | - |
| Change in fair value of derivatives | (2,785) | - | (2,785) | - |
| Share of associates profit | (4,180) | (10,310) | - | - |
| **Operating profit before changes in working capital** | **21,758** | **23,015** | **18,506** | **23,024** |
| Changes in assets and liabilities during the period | | | | |
| Increase in receivables | 1,012 | (17,203) | 921 | (19,431) |
| Increase in payables | (265) | 8,254 | 6 | 9,932 |
| **Net cash from operating activities** | **22,505** | **14,066** | **19,433** | **13,525** |

## 19 Related parties

### Responsible Entity

The Responsible Entity of Multiplex Acumen Property 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.

### Key management personnel

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. The directors of the Responsible Entity are key management personnel of that entity and their names are Dr Peter Morris, Mr Brian Motteram, Mr Robert McCuaig, Mr Robert Rayner, Mr Bob McKinnon, Mr Mark Wilson and Mr Brian Kingston. Messrs Rex Bevan and Ian O'Toole have resigned during the year. Messrs Bob McKinnon and Robert Rayner resigned subsequent to the reporting date. Messrs Mark Wilson and Brian Kingston were appointed as directors subsequent to the reporting date.

The Responsible Entity is entitled to a management fee which is calculated as a proportion of gross assets.

During the year, the Consolidated Entity recognised expenses of $1,608,337 (2007: $1,475,672) in relation to Responsible Entity fees. At balance date an amount of $334,955 (2007: $397,765) owing to the Responsible Entity was included in trade and other payables.

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

### Directors' Interests

The following table sets out each Director's relevant interest in the units, debentures, rights or options over such instruments, issued interests in 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 | 2008 Multiplex Acumen Property Fund Units held '000 | 2007 Multiplex Acumen Property Fund Units held '000 |
|---|---|---|
| Peter Morris | - | - |
| Brian Motteram | 411 | 300 |
| Robert McCuaig | 30 | 30 |
| Robert Rayner (resigned 22 August 2008) | 500 | 361 |
| Bob McKinnon (resigned 18 July 2008) | - | - |

### Responsible Entity's fees and other transactions

#### Management Fees

A base management fee up to 0.5% (including GST less any reduced input tax credits) per annum of the gross value of assets is payable to the Responsible Entity. The fee is payable by the Fund quarterly in arrears.

Expenses are recognised by the Consolidated Entity on an accrual basis. No expense is recognised if the fees are waived by the Responsible Entity.

#### Performance fee

A performance fee of 20% (including GST less any reduced input tax credits) of the outperformance of the Consolidated Entity against the benchmark return (S&P/ASX A-REIT Accumulation Index) is payable to the Responsible Entity. Any previous underperformance must be recovered before a performance fee becomes payable.

Whilst the benchmark return for the year has been met, the Fund made an overall negative return. As such, it has been agreed the Responsible Entity will not earn a performance fee for the 2008 financial year. Hence no performance fee has been paid or is payable (2007: benchmark return not met).

### Related party unitholders

JPMorgan Nominees Australia Limited, as custodian for Brookfield Multiplex Capital Management Limited, as Responsible Entity for Multiplex Diversified Property Fund, holds 43,430,615 units or 21.41% of the Fund (2007: 42,596,941 units or 21.15% of the Fund).

Total quarterly distributions paid or payable to Ordinary Unitholders for the year were $22,649,423 (2007: $21,336,201). Distributions paid or payable to related party unitholders for the financial year were $4,849,028 (2007: $2,223,471). No related parties held Income Units during the year (2007: nil).

**19 Related parties** continued

### Related party unit holdings

ANZ Nominees Limited, as custodian for Brookfield Multiplex Capital Management Limited, as Responsible Entity for Multiplex Acumen Property Fund, holds the following investments in related party entities:

- Multiplex European Property Fund (ARSN 124 527 206) – 12,750,000 units or 5.1% of the fund (2007: 12,750,000 or 5.1% of the fund)
- Multiplex New Zealand Property Fund (ARSN 110 281 055) – 53,025,391 units or 24.34% of the fund (2007: 53,025,391 units or 24.39% of the fund)
- Multiplex Prime Property Fund (ARSN 110 096 663) – 27,894,723 units or 9.9% of the fund (2007: 27,894,723 units or 9.9% of the fund)
- Multiplex Development and Opportunity Fund (ARSN 100 563 488) – 9,320,388 units or 5.9% of the fund (2007: 9,320,388 units or 6.5% of the fund)

### Transactions with related parties

| | Consolidated | | Fund | |
|---|---|---|---|---|
| | 2008 $'000 | 2007 $'000 | 2008 $'000 | 2007 $'000 |
| **Transactions with subsidiaries** | | | | |
| Distribution income | - | - | 3,318 | 1,161 |
| Distributions receivable | - | - | 1,332 | 1,161 |
| Investments (held at cost) | - | - | 30,076 | 30,076 |
| **Transactions with associates** | | | | |
| Distribution income | 5,036 | 5,036 | - | - |
| Distributions receivable | 1,259 | 1,259 | - | - |
| **Transactions with the Responsible Entity** | | | | |
| Brokerage income | - | 767 | - | 767 |
| Interest income | - | 48 | - | 48 |
| Management fees | 1,608 | 1,476 | 1,608 | 1,476 |
| Expense recoveries | 845 | 110 | 845 | 110 |
| Management fees payable | 335 | 398 | 335 | 398 |
| **Transactions with related parties of the Responsible Entity** | | | | |
| Distribution income | | | | |
| - Multiplex New Zealand Property Fund | - | - | 4,911 | 4,911 |
| - Multiplex Development and Opportunity Fund | 770 | 1500 | 770 | 1,500 |
| - Multiplex Prime Property Fund | 1,339 | 1,295 | 1,339 | 1,295 |
| - Multiplex European Property Fund | 1,095 | 255 | 1,095 | 255 |
| Investments held (at fair value) | | | | |
| - Multiplex New Zealand Property Fund | - | - | 62,112 | 72,897 |
| - Multiplex Development and Opportunity Fund | 8,860 | 9,600 | 8,860 | 9,600 |
| - Multiplex Prime Property Fund | 20,281 | 25,818 | 20,281 | 25,818 |
| - Multiplex European Property Fund | 6,120 | 12,750 | 6,120 | 12,750 |
| Distributions receivable | | | | |
| - Multiplex New Zealand Property Fund | - | - | 1,228 | 1,228 |
| - Multiplex Development and Opportunity Fund | 199 | 374 | 199 | 374 |
| - Multiplex Prime Property Fund | 335 | 321 | 335 | 321 |
| - Multiplex European Property Fund | 268 | 270 | 268 | 270 |

**20 Contingent liabilities and assets**

There were no contingent liabilities or assets at 30 June 2008 or 30 June 2007.

**21 Capital commitments**

There were no capital or other commitments at 30 June 2008 or 30 June 2007.

**22 Events subsequent to reporting date**

Subsequent to the reporting date, the fair value of the Consolidated Entity's listed property trust (also known as the A-REIT) portfolio, the day immediately prior to the date the financial statements were approved' was $54,754,000, which represents a change of $4,906,000. The financial statements have not been amended to reflect this change in fair value. Had the financial statements been amended, the impact would have been to increase impairment expense and decrease available for sale assets by $4,906,000.

Subsequent to the reporting date, the fair value of the Fund's A-REIT portfolio, the day immediately prior to the date the financial statements were approved' was $46,812,000, which represents a change of $3,722,000. The financial statements have not been amended to reflect this change in fair value. Had the financial statements been amended, the impact would have been to increase impairment expense and decrease available for sale assets by $3,722,000.

Other than the matter discussed above, there were no other 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
## Multiplex Acumen Property Fund

For the year ended 30 June 2008

1 In the opinion of the Directors of Brookfield Multiplex Capital Management Limited as Responsible Entity for Multiplex Acumen Property Fund:

   a. The consolidated financial statements and notes, set out on pages 19 to 54 are in accordance with the Corporations Act 2001, including:

      i giving a true and fair view of the financial position of the Fund and the Consolidated Entity as at 30 June 2008 and of their performance, for the financial year ended on that date; and

      ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

   b. The financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a); and

   c. There are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

2 The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2008.

Signed in accordance with a resolution of the Directors.

Dated at Sydney this 27th day of August 2008

**Brian Kingston**
Director
Brookfield Multiplex Capital Management Limited

# Independent auditor's report to the unitholders of Multiplex Acumen Property Fund

## Report on the financial report

We have audited the accompanying financial report of Multiplex Acumen Property Fund (the "Fund"), which comprises the balance sheets as at 30 June 2008, and the income statements, statements of changes in equity and statements of cash flows for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 22 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.

*Directors' responsibility for the financial report*

The directors of Brookfield Multiplex Capital Management Limited (the Responsible Entity) 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.

*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 of the Responsible Entity, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards (including the Australia Accounting Interpretations) a view which is consistent with

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our understanding of the Fund and the Consolidated Entity's financial position, and of their performance.

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

*Independence*

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

*Auditor's opinion*

In our opinion the financial report of Multiplex Acumen Property Fund is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position of the Fund and the Consolidated Entity as at 30 June 2008 and of their performance for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

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T. Gilerman

Tanya Gilerman
*Partner*

Sydney, NSW
27 August 2008