

# Appendix 4E – Additional Disclosure

## Multiplex Prime Property Fund

For the year ended 30 June 2008

<b>Name of Fund:</b>	Multiplex Prime Property Fund (MAF)
<b>Details of reporting period</b>	
Current reporting period:	1 July 2007 to 30 June 2008
Prior corresponding period:	1 July 2006 to 30 June 2007

This Financial Report should be read in conjunction with the Financial Report for the year ended 30 June 2008. It is also recommended that the Financial Report be considered together with any public announcements made by the Fund during the year ended 30 June 2008 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

### Results for announcement to the market

	Year ended 30 June 2008 \$m	Year ended 30 June 2007 \$m	Change %
Total revenue and other income <sup>1</sup>	49,639	102,493	-51.6%
Total expenses	86,673	41,300	109.9%
Net (loss)/profit attributable to the unit holders of MAF	(37,034)	61,193	-160.5%
Property fair value adjustments included in the above			
Direct property investments	6,614	13,000	-49.1%
Equity accounted property investments	(4,117)	47,200	-108.7%
Earnings per unit (cents)	(13.14)	21.72	-160.5%

<sup>1</sup> Total revenue represents gross revenues including the share of profit from equity accounted investments and fair value adjustments on the revaluation of investment property.

### Distributions

Ordinary units	Cents per unit	Total amount \$'000	Date of payment
June 2008 distribution	1.200	3,382	31 July 2008
March 2008 distribution	1.200	3,381	30 April 2008
December 2007 distribution	1.200	3,381	31 January 2008
September 2007 distribution	1.200	3,381	31 October 2007
<b>Total distribution for the year ended 30 June 2008</b>	<b>4.800</b>	<b>13,525</b>	
Ordinary units	Cents per unit	Total amount \$'000	Date of payment
June 2007 distribution	1.153	3,249	31 July 2007
March 2007 distribution	1.153	3,249	30 April 2007
December 2006 distribution	1.427	4,021	31 January 2007
September 2006 distribution	0.917	2,584	15 November 2006
<b>Total distribution for the year ended 30 June 2007</b>	<b>4.650</b>	<b>13,103</b>	

# Appendix 4E – Additional Disclosure Multiplex Prime Property Fund

For the year ended 30 June 2008

The record date for the final distribution of 1.2 cents per unit was 30 June 2008 at 5:00pm AEST. The Distribution Reinvestment Scheme was not in operation for this distribution.

This preliminary final report is given to the ASX in accordance with Listing Rule 4.3.A.

Commentary and analysis of the result for the current year can be found in the attached Multiplex Prime Property Fund ASX release dated 28 August 2008. This ASX release forms part of the Appendix 4E.

The Fund has a formally constituted an Audit Committee of the Board of Directors. The release of the report was approved by resolution of the Board of Directors on 27 August 2008.

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

# Multiplex Prime Property Fund

ARSN 110 096 663

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# Directory

## Multiplex Prime Property Fund

Year ended 30 June 2008

### **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**

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

### **Stock Exchange**

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

### **Auditor**

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

# Directors' Report

## Multiplex Prime Property Fund

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Year ended 30 June 2008

### Introduction

The Directors of Brookfield Multiplex Capital Management Limited (ABN 32 094 936 866) (formerly Multiplex Capital Management Limited) (BMCML), the Responsible Entity of Multiplex Prime Property Fund (ARSN 110 096 663) (the Fund), present their financial 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 Auditors' Report thereon.

### Responsible Entity

The Responsible Entity of the Fund is Brookfield Multiplex Capital Management Limited, which has been the Responsible Entity since the inception of the Fund. 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 position of Chief Financial Officer and later, 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.

# Directors' Report continued

## Multiplex Prime Property Fund

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Year ended 30 June 2008

### 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 London. Alex is a Chartered Accountant and Chartered Secretary.

### Directorships of other listed entities

The only Director during the period that had directorship with other listed entities was Bob McKinnon. Bob McKinnon was a director of Multiplex Limited from July 2007 until the acquisition of Multiplex Limited 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, 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 is as follows:

Director	Multiplex Prime Property Fund Units held ('000)
Peter Morris	-
Brian Motteram	-
Robert McCuaig	60
Mark Wilson	-
Brian Kingston	-

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

### Directors' meetings

Director	Board meetings		Audit Committee meetings	
	A	B	A	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.

### Committee meetings

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

# Directors' Report continued

## Multiplex Prime Property Fund

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Year ended 30 June 2008

### Principal activities

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

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

### Review of operations

Multiplex Prime Property Fund (the Fund) has recorded a net loss of \$37,034,000 for the year ended 30 June 2008 (2007: profit \$61,193,000). The reported net loss of \$37,034,000 includes \$44,718,000 in impairment losses on the Fund's A-REIT portfolio and \$2,497,000 in fair value adjustments on the property portfolio, both of which are non-cash items.

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

- total revenue and other income, including the share of profit from equity accounting investments including fair value adjustments on the revaluation of investment properties was \$49,639,000 (June 2007: \$102,493,000);
- net loss attributable to unitholders including fair value adjustments to the carrying value of investment properties (held both directly and indirectly through associates) totalled \$37,034,000 (June 2007: net profit of \$61,193,000);
- earnings per unit (EPU) of -13.14 cents (June 2007: 21.72 cents);
- distributions per unit (DPU) of 4.80 cents which is in line with PDS forecasts (June 2007: 4.65 cents);
- as at 30 June 2008, net assets were \$258,897,000 (June 2007: \$303,351,000);
- net tangible assets (NTA) per unit at 30 June 2008 decreased by 17 cents or 22.4% to \$0.59 (June 2007: \$0.76);
- total Fund return of -23.0% (year to 30 June 2008);
- \$2,497,000 revaluation gains recorded across the property portfolio, (held both directly and indirectly through associates). The carrying value of the property portfolio is \$640,350,000 as at 30 June 2008;
- the value of the Fund's A-REIT portfolio as at 30 June 2008 was \$19,303,000. Unrealised impairment losses totalling \$44,718,000 in relation to the A-REIT portfolio were recorded as an expense in the Fund's income statement, in accordance with accounting standards. The impairment loss represents the difference between the cost of the portfolio and the market value as at 30 June 2008;
- practical completion achieved at the American Express Building situated at King Street Wharf, Sydney in December 2007. The property was independently valued at \$137,000,000 as at 30 June 2008, representing a 9.8% uplift from the purchase price of \$124,892,000;
- rent reviews were completed over 167,000 sqm or 92% of the property portfolio, generating an average increase of 4.1% over previous passing rentals; and
- leasing completed at the American Express Building takes portfolio occupancy to 100%.

### 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
Opening units on issue	281,764,877	281,764,877
Units issued during the year	-	193,010,125
Units redeemed during the year	-	(193,010,125)
Units on issue as at 30 June	281,764,877	281,764,877
	<b>\$'000</b>	<b>\$'000</b>
Value of total consolidated assets as at 30 June	787,518	789,512

The basis for valuation of the Fund's assets is disclosed in Note 3 to the financial statements.



# Directors' Report continued

## Multiplex Prime Property Fund

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Year ended 30 June 2008

### 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 15 September 2006. 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 a 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 the New York, Toronto and Euronext Stock Exchanges. In light of this change in ownership, BMCML is now required to comply with the 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](http://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 is managed by Brookfield Multiplex Capital Pty Ltd (a wholly-owned subsidiary of BAM) pursuant to a Management Services Agreement (MSA). The Product Disclosure Statement (PDS) summarises the MSA (see Sections 6.5 and 10.1.4 of the PDS).

The Fund's property management and facilities services are provided by Brookfield Multiplex Services Pty Ltd and Multiplex Property Services Pty Limited respectively (both wholly owned subsidiaries of BAM). The PDS summarises the responsibilities and the services to be performed (see Section 6.6 of the PDS).

##### 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.

# Directors' Report continued

## Multiplex Prime Property Fund

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Year ended 30 June 2008

### 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. Of the three non-executive directors, Dr Peter Morris, Mr Robert McCuaig and Mr Brian Motteram are independent in accordance with the relationships affecting independent status listed by the ASX Corporate Governance Principles. Mr Bob McKinnon, formerly Chief Financial Officer of BMG, resigned from that position with effect from 31 March 2008, however he continued on as a non-executive director and is therefore not independent. 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](http://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.

# Directors' Report continued

## Multiplex Prime Property Fund

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Year ended 30 June 2008

### 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 an entity'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](http://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](http://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](http://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.

# Directors' Report continued

## Multiplex Prime Property Fund

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Year ended 30 June 2008

#### 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](http://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](http://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.

# Directors' Report continued

## Multiplex Prime Property Fund

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Year ended 30 June 2008

### 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 recognised 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](http://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) the Fund's interim report including reviewed financial statements for each half year ending 31 December;
- (v) quarterly distribution statements;
- (vi) annual taxation statements; and
- (vii) 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.

# Directors' Report continued

## Multiplex Prime Property Fund

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Year ended 30 June 2008

### 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](http://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 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](http://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.

# Directors' Report continued

## Multiplex Prime Property Fund

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Year ended 30 June 2008

### 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 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.

# Directors' Report continued

## Multiplex Prime Property Fund

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Year ended 30 June 2008

### Interests of the Responsible Entity

#### Management fees

The Fund paid \$2,982,886 in management fees to the Responsible Entity during the year (2007: \$2,640,217). These fees were paid out of the assets of the Fund.

#### Units Held

Brookfield Multiplex Funds Management Limited, as a custodian for Multiplex Colt Investments Pty Ltd, as trustee for Multiplex Colt Investment Trust holds 60,860,029 units or 21.59% of the Fund at the reporting date (2007: 60,860,029 units or 21.59% of the Fund).

ANZ Nominees Limited, as custodian for Brookfield Multiplex Capital Management Limited, as Responsible Entity for Multiplex Acumen Property Fund holds 27,894,723 units or 9.9% of the Fund at the reporting date (2007: 27,894,723 units or 9.9% of the Fund).

### Significant changes in the state of affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the Consolidated Entity that occurred during the financial year 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 \$18,565,000, which represents a change of \$738,000. 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 \$738,000.

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 or payable to unitholders were as follows:

Ordinary units	Cents per unit	Total amount \$'000	Date of payment
June 2008 distribution	1.200	3,382	31 July 2008
March 2008 distribution	1.200	3,381	30 April 2008
December 2007 distribution	1.200	3,381	31 January 2008
September 2007 distribution	1.200	3,381	31 October 2007
<b>Total distribution for the year ended 30 June 2008</b>	<b>4.800</b>	<b>13,525</b>	
Ordinary units	Cents per unit	Total amount \$'000	Date of payment
June 2007 distribution	1.153	3,249	31 July 2007
March 2007 distribution	1.153	3,249	30 April 2007
December 2006 distribution	1.427	4,021	31 January 2007
September 2006 distribution	0.917	2,584	15 November 2006
<b>Total distribution for the year ended 30 June 2007</b>	<b>4.650</b>	<b>13,103</b>	



# Directors' Report continued

## Multiplex Prime Property Fund

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Year ended 30 June 2008

### 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 Consolidated Entity's assets in relation to cover for the Responsible Entity, its officers and employees, the Risk and Compliance Committee or auditors of the Consolidated Entity. 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
<b>Services other than statutory audit</b>				
Paid to KPMG Australia				
- Agreed upon procedures engagement regarding disclosures to the Australian Securities Exchange	7,700	-	7,700	-

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 \$2,982,886 (2007: \$2,640,217).

# Directors' Report continued

## Multiplex Prime Property Fund

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Year ended 30 June 2008

### **Rounding of amounts**

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

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

The lead auditor's independence declaration is set out on page 17 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 of 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 Prime 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

Tanya Gilerman  
*Partner*

Sydney, NSW  
27 August 2008

# Income Statements

## Multiplex Prime Property Fund

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For the year ended 30 June 2008

	Note	Consolidated		Fund	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>Revenue and other income</b>					
Share of net profit of investments accounted for using the equity method	5	21,225	72,517	-	-
Property rental income		12,675	6,972	-	-
Net gain from fair value adjustment of investment property	10	6,614	13,000	-	-
Distribution income from listed property trusts		4,257	5,359	-	-
Distribution income from controlled entities		-	-	50,865	33,839
Gain on disposal of listed property trusts		1,153	-	-	-
Interest income		3,652	4,366	261	914
Other income		63	279	67	-
<b>Total revenue and other income</b>		<b>49,639</b>	<b>102,493</b>	<b>51,193</b>	<b>34,753</b>
<b>Expenses</b>					
Property expenses		(1,811)	(1,056)	-	-
Finance costs to external parties		(36,248)	(31,247)	(36,248)	(31,247)
Impairment expense	11,12	(44,718)	-	(48,082)	-
Responsible Entity fees		(2,983)	(2,640)	(2,983)	(2,640)
Establishment fees – related party		-	(6,093)	-	(600)
Other expenses		(913)	(264)	(428)	(326)
<b>Total expenses</b>		<b>(86,673)</b>	<b>(41,300)</b>	<b>(87,741)</b>	<b>(34,813)</b>
<b>Net (loss) / profit for the year</b>		<b>(37,034)</b>	<b>61,193</b>	<b>(36,548)</b>	<b>(60)</b>

### Earnings per unit

Basic and diluted earnings per ordinary unit (cents)	8a	(13.14)	21.72
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The Income Statements should be read in conjunction with the Notes to the Financial Statements.

# Balance Sheets

## Multiplex Prime Property Fund

As at 30 June 2008

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	Note	Consolidated		Fund	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents		3,485	3,705	3,096	3,548
Trade and other receivables	9	4,217	93,690	43,503	34,773
<b>Total current assets</b>		<b>7,702</b>	<b>97,395</b>	<b>46,599</b>	<b>38,321</b>
<b>Non-current assets</b>					
Investment properties	10	211,600	80,000	-	-
Investments – available for sale	11	19,303	68,883	-	-
Investments accounted for using the equity method	5	429,360	433,714	-	-
Investments in controlled entities	12	-	-	565,876	613,958
Trade and other receivables	9	92,153	88,711	92,153	88,711
Fair value of financial derivatives	14	27,400	20,809	27,400	20,809
<b>Total non-current assets</b>		<b>779,816</b>	<b>692,117</b>	<b>685,429</b>	<b>723,478</b>
<b>Total assets</b>		<b>787,518</b>	<b>789,512</b>	<b>732,028</b>	<b>761,799</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Trade and other payables	13	2,468	6,538	7,788	45,906
Distributions payable		3,387	3,249	3,387	3,249
<b>Total current liabilities</b>		<b>5,855</b>	<b>9,787</b>	<b>11,175</b>	<b>49,155</b>
<b>Non-current liabilities</b>					
Interest bearing liabilities	14	522,766	476,374	522,766	476,374
<b>Total non-current liabilities</b>		<b>522,766</b>	<b>476,374</b>	<b>522,766</b>	<b>476,374</b>
<b>Total liabilities</b>		<b>528,621</b>	<b>486,161</b>	<b>533,941</b>	<b>525,529</b>
<b>Net assets</b>		<b>258,897</b>	<b>303,351</b>	<b>198,087</b>	<b>236,270</b>
<b>Equity</b>					
Units on issue	15	240,837	237,395	240,837	237,395
Reserves	16a	21,714	19,051	21,714	13,266
Undistributed (losses) / income	16b	(3,654)	46,905	(64,464)	(14,391)
<b>Total equity</b>		<b>258,897</b>	<b>303,351</b>	<b>198,087</b>	<b>236,270</b>

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

# Statements of Changes in Equity

## Multiplex Prime Property Fund

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For the year ended 30 June 2008

	Note	Consolidated		Fund	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>Opening equity</b>		<b>303,351</b>	<b>168,566</b>	<b>236,270</b>	<b>168,523</b>
<b>Units on issue</b>					
Redemption of units		-	(115,806)	-	(115,806)
Issue of units		-	115,806	-	115,806
Capital raising costs of issue		-	(18,954)	-	(18,954)
Equity receivable	15	3,442	88,711	3,442	88,711
<b>Hedge reserve</b>					
Fair value movement in financial derivatives	16a	8,448	11,153	8,448	11,153
<b>Available for sale reserve</b>					
Fair value movement in listed property trusts	16a	(50,503)	5,785	-	-
Net change in fair value of listed property trusts assets transferred to the income statement	11,16a	44,718	-	-	-
<b>Undistributed (losses) / income</b>					
Net (loss) / profit		(37,034)	61,193	(36,548)	(60)
Distributions	7	(13,525)	(13,103)	(13,525)	(13,103)
<b>Closing equity</b>		<b>258,897</b>	<b>303,351</b>	<b>198,087</b>	<b>236,270</b>

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

# Statements of Cash Flow

## Multiplex Prime Property Fund

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For the year ended 30 June 2008

	Note	Consolidated		Fund	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>Cash flows from operating activities</b>					
Cash receipts in the course of operations		13,401	19,770	61	6
Cash payments in the course of operations		(9,753)	(20,881)	(6,542)	(2,033)
Interest received		3,652	4,349	261	447
Financing costs paid		(33,585)	(28,437)	(33,585)	(28,437)
<b>Net cash flows used in operating activities</b>	18	<b>(26,285)</b>	<b>(25,199)</b>	<b>(39,805)</b>	<b>(30,017)</b>
<b>Cash flows from investing activities</b>					
Payments for purchase of investment properties		(21,380)	-	-	-
Payments for listed property trust investments		(9,182)	(63,098)	-	-
Proceeds on sale of listed property trust investments		9,412	-	-	-
Investment in controlled entities		-	-	-	(477,752)
Loan to controlled entities		-	-	(43,731)	(33,838)
Loans to related parties		(15,719)	(49,771)	-	-
Repayment by controlled entities		-	-	-	358,136
Loan from controlled entities		-	-	-	39,131
Distributions received from investments in listed property trusts		5,100	3,249	-	-
Distributions received from investments accounted for using the equity method		25,615	23,575	-	-
Distributions received from controlled entities		-	-	50,865	33,839
<b>Net cash flows (used in) / from investing activities</b>		<b>(6,154)</b>	<b>(86,045)</b>	<b>7,134</b>	<b>(80,484)</b>
<b>Cash flows from financing activities</b>					
Proceeds from issue of units		-	115,806	-	115,806
Payments for redemption of units		-	(115,806)	-	(115,806)
Issue costs paid		-	(18,954)	-	(18,954)
Debt establishment costs paid		-	(1,373)	-	(1,373)
Repayment of interest bearing liabilities		(4,000)	(46,932)	(4,000)	(46,932)
Proceeds from interest bearing liabilities		49,606	189,827	49,606	189,827
Distributions paid to unitholders		(13,387)	(11,287)	(13,387)	(11,287)
<b>Net cash flows from financing activities</b>		<b>32,219</b>	<b>111,281</b>	<b>32,219</b>	<b>111,281</b>
Net (decrease) / increase in cash and cash equivalents		(220)	37	(452)	780
Cash and cash equivalents at 1 July		3,705	3,668	3,548	2,768
<b>Cash and cash equivalents at 30 June</b>		<b>3,485</b>	<b>3,705</b>	<b>3,096</b>	<b>3,548</b>

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

# Notes to the Financial Statements

## Multiplex Prime Property Fund

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For the year ended 30 June 2008

### 1 Reporting entity

Multiplex Prime 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 comprises 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;
- investment property which is measured at fair value;
- available for sale financial assets which are measured at fair value; and
- equity receivable 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 are described in the following notes:

- Note 9 – Valuation of equity receivable (refer to Note 3(l) for a description of accounting policy);
- Note 10 – Valuation of investment property (refer to Note 3(h) for a description of the accounting policy); and
- Note 14 – Valuation of derivatives (refer to Note 3(k) for a description of the accounting policy).



# Notes to the Financial Statements continued

## Multiplex Prime Property Fund

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For the year ended 30 June 2008

### 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.

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.

##### Property Rental Revenue

Rental income from investment property leased out under an operating lease is recognised in the Income Statement on a straight-line basis over the term of the lease, where the leases are subject to fixed rent reviews.

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

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

##### Dividends and distributions

Revenue from dividends and distributions is recognised when the right of the Fund or the Consolidated Entity to receive payment is established. In the case of distributions and dividends from listed 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 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.

# Notes to the Financial Statements continued

## Multiplex Prime Property Fund

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For the year ended 30 June 2008

### 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 0.41% (including GST less any reduced input tax credits) per annum of the gross value of assets (excluding investments in other Multiplex products) of the Consolidated Entity 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 5.125% to 15.375% (including GST less any reduced input tax credits) of the outperformance of the Consolidated Entity against benchmark returns is recognised on an accrual basis unless waived by the Responsible Entity. The benchmark return is the annualised compound return of the UBS Commercial Property Accumulation (200 Index). Where the Consolidated Entity exceeds the benchmark return, the performance fee will be calculated in two tiers as follows:

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

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

##### Other expenditure

Expenditure including rates, taxes, other outgoings, performance fees and Responsible Entity fees are 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 cash flow statement 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.

#### 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.

# Notes to the Financial Statements continued

## Multiplex Prime Property Fund

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For the year ended 30 June 2008

### 3 Significant accounting policies continued

#### f Cash and cash equivalents

For purposes of the Cash Flow Statement, 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(q). Non-current receivables are measured at amortised cost using the effective interest rate method.

#### h Investment property

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

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

The costs of assets constructed/redeveloped internally include the costs of materials, direct labour, directly attributable overheads, finance costs (see Note 3(c)) and other incidental costs.

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

#### Valuations

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

The investment properties of the Consolidated Entity are internally valued at each reporting date. The Consolidated Entity's policy is to obtain external valuations when internal valuations performed indicate the property value has changed by more than 5%, or whenever it is believed that the fair value of a property differs significantly from its carrying value, based on a material change to the assumptions and market conditions underlying the valuation. An external valuation is obtained at least every 3 years.

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

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

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

Rental income from investment property is accounted for in accordance with Note 3(b).

#### i Available for sale financial assets

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

# Notes to the Financial Statements continued

## Multiplex Prime Property Fund

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For the year ended 30 June 2008

### 3 Significant accounting policies continued

#### j 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.

#### k Derivative financial instruments

The Consolidated Entity uses derivative financial instruments to hedge its exposure to interest rate risk arising from operational, financing and investment 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.

# Notes to the Financial Statements continued

## Multiplex Prime Property Fund

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For the year ended 30 June 2008

### 3 Significant accounting policies continued

#### l 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(i)), trade and other payables (Note 3(m)), and Interest bearing liabilities (Note 3(n)) 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.

#### m 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.

#### n 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 of the balance date.

#### o Distributions

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 investing activities in the cash flow statement.

#### p 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 is shown in equity under unit issue costs.

#### q 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 flows 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.

# Notes to the Financial Statements continued

## Multiplex Prime Property Fund

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For the year ended 30 June 2008

### 3 Significant accounting policies continued

#### q Impairment continued

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 amount of the Consolidated Entity's non financial assets, other than investment property 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 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.

#### r Earnings per unit

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

#### s 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 mutual's. 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 direct property assets, 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 AASB's. 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.

# Notes to the Financial Statements continued

## Multiplex Prime Property Fund

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For the year ended 30 June 2008

### 4 Segment reporting

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

	Consolidated		Fund	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>5 Investments accounted for using the equity method</b>				
Multiplex Developments No. 6A Unit Trust	139,403	133,241	-	-
Latitude Landowning Trust	289,957	300,473	-	-
	<b>429,360</b>	<b>433,714</b>	<b>-</b>	<b>-</b>
Share of profit in the year from investments accounted for using the equity method is as follows:				
Multiplex Developments No. 6A Unit Trust	14,505	10,864	-	-
Latitude Landowning Trust	6,720	61,653	-	-
	<b>21,225</b>	<b>72,517</b>	<b>-</b>	<b>-</b>
Fair value adjustments from the revaluation of investment property included in the share of profit above is as follows:				
Multiplex Developments No. 6A Unit Trust	6,399	2,952	-	-
Latitude Landowning Trust	(10,516)	44,248	-	-
	<b>(4,117)</b>	<b>47,200</b>	<b>-</b>	<b>-</b>

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

Current Assets	61,410	64,388	-	-
Non-Current Assets	1,135,000	1,131,000	-	-
<b>Total assets</b>	<b>1,196,410</b>	<b>1,195,388</b>	<b>-</b>	<b>-</b>
Current Liabilities	56,402	31,300	-	-
Non-Current Liabilities	2,478	28,402	-	-
<b>Total liabilities</b>	<b>58,880</b>	<b>59,702</b>	<b>-</b>	<b>-</b>
Revenues	91,715	184,044	-	-
Expenses	(20,255)	(17,283)	-	-
<b>Profit</b>	<b>71,460</b>	<b>166,761</b>	<b>-</b>	<b>-</b>

The Fund owns 50% of the Latitude Landowning Trust and 25% of Multiplex Development No. 6A Unit Trust (2007: 50% and 25% respectively).



# Notes to the Financial Statements continued

## Multiplex Prime Property Fund

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For the year ended 30 June 2008

	Consolidated		Fund	
	2008	2007	2008	2007
<b>6 Auditors' remuneration</b>				
<b>Audit services:</b>				
Auditors of the Fund – KPMG Australia:				
Audit and review of the financial reports	83,000	88,000	15,000	15,000
Other assurance services (review of ASX announcement)	7,700	-	7,700	-
	<b>90,700</b>	<b>88,000</b>	<b>22,700</b>	<b>15,000</b>

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

### 7 Distributions

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

Ordinary units	Cents per unit	Total amount \$'000	Date of payment
June 2008 distribution	1.200	3,382	31 July 2008
March 2008 distribution	1.200	3,381	30 April 2008
December 2007 distribution	1.200	3,381	31 January 2008
September 2007 distribution	1.200	3,381	31 October 2007
<b>Total distribution for the year ended 30 June 2008</b>	<b>4.800</b>	<b>13,525</b>	

Ordinary units	Cents per unit	Total amount \$'000	Date of payment
June 2007 distribution	1.153	3,249	31 July 2007
March 2007 distribution	1.153	3,249	30 April 2007
December 2006 distribution	1.427	4,021	31 January 2007
September 2006 distribution	0.917	2,584	15 November 2006
<b>Total distribution for the year ended 30 June 2007</b>	<b>4.650</b>	<b>13,103</b>	

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

#### 8a Earnings per unit

Earnings per unit has been calculated in accordance with the accounting policy per Note 3(r).

		Consolidated	
		2008	2007
Net (loss) / profit attributable to unitholders	(\$'000)	(37,034)	61,193
Weighted average number of ordinary units used in the calculation of basic earnings per unit	('000)	281,765	281,765
Basic and diluted earnings per ordinary unit	(cents)	(13.14)	21.72



# Notes to the Financial Statements continued

## Multiplex Prime Property Fund

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For the year ended 30 June 2008

### 8 Earnings per unit continued

#### 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 unitholders	(37,034)	61,193
<i>Adjusted for:</i>		
- Impairment expense	44,718	-
- Write off of establishment costs	-	6,093
- Property revaluations	(6,614)	(13,000)
- Share of associates property revaluations	4,117	(47,200)
- Gain on sale of listed property trusts	(1,153)	-
- Other non cash items	784	400
<b>Normalised earnings (1)</b>	<b>4,818</b>	<b>7,486</b>
Weighted average number of ordinary units used in the calculation of basic earnings per unit	('000)	281,765
Normalised earnings per unit	(cents)	1.71

(1) As determined by the directors

	Note	Consolidated		Fund	
		2008	2007	2008	2007
		\$'000	\$'000	\$'000	\$'000
<b>9 Trade and other receivables</b>					
<b>Current</b>					
Distributions receivable		3,275	4,154	-	-
Receivable from related party <sup>1</sup>	19	-	87,887	-	-
Amount owed by controlled entities	19	-	-	42,554	33,839
Other receivables		942	1,649	949	934
		<b>4,217</b>	<b>93,690</b>	<b>43,503</b>	<b>34,773</b>
<b>Non-current</b>					
Equity receivable (refer note 15)		92,153	88,711	92,153	88,711
		<b>92,153</b>	<b>88,711</b>	<b>92,153</b>	<b>88,711</b>

1 This relates to a deposit paid in advance in relation to the American Express Building, King Street Wharf, Sydney. Refer to Note 19.

# Notes to the Financial Statements continued

## Multiplex Prime Property Fund

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For the year ended 30 June 2008

### 10 Investment properties

#### Commercial

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

Description	Cost including additions \$000	Latest external Valuation date	Latest external valuation \$000	External valuation at 30 June 2007 \$000
Defence Plaza	67,094	June 2008	74,600	80,000
American Express Building	124,892	June 2008	137,000	-

#### Acquisitions during the year

The Consolidated Entity acquired the American Express building, King Street Wharf, Sydney on the 9 January 2008, for a total cost of \$124,892,000. The building was acquired from Brookfield Multiplex Developments Limited, (formerly Multiplex Developments Limited), a related party of the Consolidated Entity (as the Fund's Responsible Entity and Brookfield Multiplex Developments Limited are owned by the same ultimate parent entity).

#### Independent valuations

The investment properties of the Consolidated Entity are internally valued at each reporting date. The Consolidated Entity's policy is to obtain external valuations when internal valuations performed indicate the property value has changed by more than 5%, or whenever it is believed that the fair value of a property differs significantly from its carrying value, based on a material change to the assumptions and market conditions underlying the valuation. An external valuation is obtained at least every 3 years.

#### Defence Plaza, Melbourne

Defence Plaza was independently valued at 30 June 2008 by CB Richard Ellis in accordance with the Australian Property Institute's Code of Professional Practice 2002. The valuation has been undertaken using a discounted cash flow (DCF) approach and a capitalisation method.

#### American Express Building, Sydney

The American Express Building was independently valued at 30 June 2008 by Colliers International in accordance with the Australian Property Institute's Code of Professional Practice 2002. The valuation has been undertaken using a DCF approach and a capitalisation method.

	Consolidated		Fund	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Reconciliation of movement in fair value of investment properties				
Opening balance	80,000	67,000	-	-
Acquisition of American Express Building	124,892	-	-	-
Capital Expenditure	94	-	-	-
Net gain on fair value adjustment of investment property	6,614	13,000	-	-
	<b>211,600</b>	<b>80,000</b>	<b>-</b>	<b>-</b>

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

#### Leasing arrangements

Investment properties are leased to tenants under long term operating leases with rentals receivable monthly. Minimum lease payments under non cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:

	Consolidated	
	2008 \$'000	2007 \$'000
Within one year	15,607	7,079
Later than one year but not later than five years	46,652	17,892
Later than five years	51,825	-
	<b>114,084</b>	<b>24,971</b>

# Notes to the Financial Statements continued

## Multiplex Prime Property Fund

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For the year ended 30 June 2008

	Consolidated		Fund	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>11 Investments – available for sale</b>				
Cost of investments – listed property trusts	64,021	63,098	-	-
Fair value increase – listed property trusts	-	5,785	-	-
Impairment – listed property trusts	(44,718)	-	-	-
	<b>19,303</b>	<b>68,883</b>	<b>-</b>	<b>-</b>

The Fund does not hold more than 5% of equity in any listed property trust.

### Impairment

During the year, the Consolidated Entity recognised an impairment loss, in accordance with accounting standards, of \$44,718,000, in relation to its available for sale assets.

The Responsible Entity has determined there is objective evidence at the date of this report that the value of the Consolidated Entity's listed property trust portfolio is impaired. This determination has arisen due to the significant and prolonged decline in value of listed property trusts during the year. As such, any 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 during the year ended 30 June 2007.

	2008 Ownership %	Fund		
		2008 \$'000	2007 Ownership \$'000	2007 \$'000
<b>12 Investments in controlled entities</b>				
Multiplex Southern Cross East Investment Trust	100	132,104	100	132,104
Multiplex Acumen Latitude Investment Trust	100	260,513	100	260,513
Multiplex Defence Plaza Investment Trust*	100	69,003	100	69,003
Brookfield Multiplex King Street Wharf Site 3B Landowning Trust (formerly Multiplex King Street Wharf Site 3B Landowning Trust)	100	89,234	100	89,234
Multiplex Acumen LPS Investment Trust	100	63,104	100	63,104
Provision for impairment		(48,082)		-
<b>Investments in controlled entities</b>		<b>565,876</b>		<b>613,958</b>

\*Multiplex Defence Plaza Investment Trust owns 100% of Brookfield Multiplex Defence Plaza Landowning Trust (2007: 100%).

During the year the Fund recognised an impairment loss of \$48,082,000 on its investment in Multiplex Acumen LPS Investment Trust (MALPS). MALPS owns the LPT portfolio of the Consolidated Entity, which has been impaired due to a significant and prolonged decline in their fair value (see Note 11). As such the recoverable amount of the Fund's investment in MALPS has been written down to its recoverable amount.

	Note	Consolidated		Fund	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>13 Trade and other payables</b>					
Trade and other payables		2,468	6,538	2,044	5,146
Amounts owed to controlled entities	19	-	-	5,744	40,760
		<b>2,468</b>	<b>6,538</b>	<b>7,788</b>	<b>45,906</b>

# Notes to the Financial Statements continued

## Multiplex Prime Property Fund

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For the year ended 30 June 2008

	Consolidated		Fund	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>14 Interest bearing liabilities</b>				
<b>Non-current</b>				
Interest bearing liabilities – bank debt	525,514	479,907	525,514	479,907
Capitalised borrowing costs, net of amortisation	(2,748)	(3,533)	(2,748)	(3,533)
	<b>522,766</b>	<b>476,374</b>	<b>522,766</b>	<b>476,374</b>
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>Finance arrangements</b>				
<b>Facilities available</b>				
Bank debt facilities				
- Term facility – expires December 2011	420,000	420,000	420,000	420,000
- American Express facility – expired January 2008	-	78,500	-	78,500
- Partly paid facility – expires December 2011	112,800	112,800	112,800	112,800
	532,800	611,300	532,800	611,300
Less: facilities utilised				
- Term facility	412,714	323,707	412,714	323,707
- American Express facility	-	43,400	-	43,400
- Partly paid facility	112,800	112,800	112,800	112,800
	525,514	479,907	525,514	479,907
Unused facilities at reporting date				
- Term facility	7,286	96,293	7,286	96,293
- American Express facility	-	35,100	-	35,100
- Partly paid facility	-	-	-	-
	<b>7,286</b>	<b>131,393</b>	<b>7,286</b>	<b>131,393</b>

The Term Facility and Partly Paid Facility expire in December 2011. The American Express Facility was rolled into the Term Facility during the year.

The weighted nominal interest rate on the interest bearing liabilities is 7.47% (2007: 6.33%).

The Fund has given various representations, warranties, covenants and undertakings to its financiers, including in relation to its corporate status and a charge over the interest in the properties. The majority of the above debt is hedged at a fixed base rate of 5.68% via interest rate swap instruments (refer below). This debt is secured over all the Fund's investment properties. The interest rate in respect of the Term Facility and Partly Paid Facility is 7.52%.

### Derivatives

The Fund and Consolidated Entity have entered into interest rate swaps to hedge the interest rate risk on the floating rate interest bearing liabilities above. As the derivatives are deemed effective hedges for accounting purposes, fair value changes are recognised in reserves. The Fund's and Consolidated Entity's holdings in derivatives are detailed below.

Type of contract	Expiration	Underlying	Fixed % rate	Notional amount of contracts outstanding \$'000	Fair value (assets) \$'000	Fair value (liabilities) \$'000
As at 30 June 2008	July 2011	Floating to fixed	5.68	523,534	27,400	-
As at 30 June 2007	July 2011	Floating to fixed	5.68	469,076	20,809	-

The notional amount is based on the original forecasted loan drawdown amounts. At the date of each loan drawdown, the notional amount is increased to keep the Fund and Consolidated Entity in an effective hedged position.

# Notes to the Financial Statements continued

## Multiplex Prime Property Fund

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For the year ended 30 June 2008

		2008 Units	2007 \$'000	2007 Units
<b>15 Units on issue</b>				
<b>Units on issue</b>				
Opening balance	257,770	281,764,877	169,059	281,764,877
Units redeemed	-	-	(115,806)	(193,010,125)
Units issued	-	-	115,806	193,010,125
Equity receivable	3,442	-	88,711	-
<b>Closing balance</b>	<b>261,212</b>	<b>281,764,877</b>	<b>257,770</b>	<b>281,764,877</b>
<b>Unit issue costs</b>				
Opening balance	20,375	-	1,421	-
Expenses of the offer during the period	-	-	18,954	-
<b>Closing balance</b>	<b>20,375</b>	<b>-</b>	<b>20,375</b>	<b>-</b>
<b>Total units on issue</b>	<b>240,837</b>	<b>281,764,877</b>	<b>237,395</b>	<b>281,764,877</b>

193,010,125 units held at 30 June 2006 were redeemed and reissued as \$1.00 units that were 60c partly paid. The units were allotted on 11 September 2006.

### Ordinary units

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

The units on issue are \$1.00 units partly paid, \$0.60 was received on allotment, \$0.40 is due to be received from unitholders on 15th June 2011. The unpaid portion has been discounted at a rate of 6.73% (2007: 6.0%), which amounts to \$92,153,000 (2007: \$88,711,000). This is shown within non-current trade and other receivables (refer to Note 9).

# Notes to the Financial Statements continued

## Multiplex Prime Property Fund

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For the year ended 30 June 2008

### 16 Reserves and undistributed income

#### 16a Reserves

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

	Consolidated		Fund	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Available for sale reserve	-	5,785	-	-
Hedge reserve	21,714	13,266	21,714	13,266
<b>Total Reserves</b>	<b>21,714</b>	<b>19,051</b>	<b>21,714</b>	<b>13,266</b>

#### 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	5,785	-	-	-
Fair value movement in relation to listed investments	(50,503)	5,785	-	-
Impairment recognised on available for sale assets	44,718	-	-	-
<b>Closing balance</b>	<b>-</b>	<b>5,785</b>	<b>-</b>	<b>-</b>

The Consolidated Entity recognised an impairment loss on its listed property trust portfolio during the year. Refer to Note 11 for further details.

#### 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	13,266	2,113	13,266	2,113
Fair value movement in relation to interest rate swap hedges	8,448	11,153	8,448	11,153
<b>Closing balance</b>	<b>21,714</b>	<b>13,266</b>	<b>21,714</b>	<b>13,266</b>

#### 16b Undistributed (losses) / income

Movements in the undistributed income during the year were as follows.

	Consolidated		Fund	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Opening balance	46,905	(1,185)	(14,391)	(1,228)
Net (loss) / profit	(37,034)	61,193	(36,548)	(60)
Distributions provided for or paid	(13,525)	(13,103)	(13,525)	(13,103)
<b>Closing balance</b>	<b>(3,654)</b>	<b>46,905</b>	<b>(64,464)</b>	<b>(14,391)</b>

# Notes to the Financial Statements continued

## Multiplex Prime Property Fund

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For the year ended 30 June 2008

### 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 development of the Fund. The Board monitors the market unit price of the Fund against the Fund's and Consolidated Entity's net tangible assets, along with earnings per unit invested and distributions paid per unit.

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

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

#### b. Financial risk management

##### Overview

The Fund and Consolidated Entity are exposed to financial risks in the 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 listed property trusts (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:

- credit risk;
- liquidity risk; and
- market risk including interest rate risk, foreign currency risk (indirect risk only) 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 Board of the Responsible Entity is responsible for developing risk management policies and the Risk and Compliance Committee (which is 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 A-grade commercial property assets in Australia 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.

# Notes to the Financial Statements continued

## Multiplex Prime Property Fund

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For the year ended 30 June 2008

### 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.

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

Direct credit risk arises principally from the Consolidated Entity's unitholders, property tenants, investments in listed property trusts and derivative counterparties. For the Fund, credit risk arises principally from receivables due from subsidiaries, and derivative counterparties. Other credit risk also arises for both the Fund and Consolidated Entity from cash and cash equivalents and distributions receivable from listed property trusts.

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

#### *Trade and other receivables*

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

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

#### *Equity receivable*

Unitholders are required to pay the remaining \$0.40 per unit by 15 June 2011. If unitholders fail to pay the full amount of the deferred settlement by the due date, the Responsible Entity may determine that those units are forfeited by the unitholder. The Responsible Entity may dispose of forfeited units in any manner it decides, in accordance with the Corporations Act. Any surplus funds after disposal of the forfeited units will be paid to the ex-unitholder whose units were forfeited.

Payment of the deferred settlement can also be accelerated in certain limited circumstances, which is in accordance with the Fund's Constitution and Product Disclosure Statement.

#### *Investments - available for sale - listed property trusts*

##### *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 Consolidated Entity invests in listed investments with the following characteristics:

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

##### *Indirect risk exposures*

Prior to making an investment in an Underlying Fund, the Responsible Entity will assess the 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 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) 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.



# Notes to the Financial Statements continued

## Multiplex Prime Property Fund

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For the year ended 30 June 2008

### 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. The carrying amounts of these financial assets represent the maximum credit risk exposure at the reporting date.

	Note	Consolidated		Fund	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Cash and cash equivalents		3,485	3,705	3,096	3,548
Trade and other receivables	9	4,217	93,690	43,503	34,773
Equity receivable	9	92,153	88,711	92,153	88,711
Investments – available for sale	11	19,303	68,883	-	-
Fair value financial derivatives	14	27,400	20,809	27,400	20,809
<b>Total</b>		<b>146,558</b>	<b>275,798</b>	<b>166,152</b>	<b>147,841</b>

#### Concentrations of credit risk exposure

There were no significant concentrations of credit risk at the reporting date for the Fund or Consolidated Entity at 30 June 2008. As at 30 June 2007, the Consolidated Entity had an \$87,887,000 exposure to Brookfield Multiplex Developments Limited (formerly Multiplex Developments Limited). All amounts advanced to Brookfield Multiplex Developments Limited were fully recovered during the current financial year, as the amounts advanced were used to acquire the American Express building (see Note 10).

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.

All tenants of the Consolidated Entity's property assets are required to provide bank guarantees in favour of the direct property owning entities within the Consolidated Entity.

At the reporting date the Fund and Consolidated Entity did not hold any other collateral in respect of its financial assets. As at 30 June 2007, the Consolidated Entity held a registered mortgage over the American Express building site and a charge over the assets of Multiplex W9 & 10 Stage 3B Pty Limited as trustee of Multiplex Stage 3B Landowning Trust.

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, including amounts due from tenants and distributions receivable, 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 recognised an impairment loss of \$44,718,000 in relation to its available-for-sale assets (refer to Note 11 for further details). The Fund recognised an impairment loss of \$48,082,000 in relation to its investment in one of its subsidiaries (refer to Note 12 for further information).

# Notes to the Financial Statements continued

## Multiplex Prime Property Fund

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For the year ended 30 June 2008

### 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. 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. 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 actively managing tenant debtors, 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 is by monitoring 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 is exposed to liquidity risk (refinancing risk) on its 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. The Fund and Consolidated Entity have also matched the maturity date of Partly Paid facility (refer Note 14), being December 2011 to the due date of the the final call of the Fund's equity receivable, being June 2011.

###### *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, to identify potential events that may impact the Underlying Funds' liquidity.

##### *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. 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.

# Notes to the Financial Statements continued

## Multiplex Prime Property Fund

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For the year ended 30 June 2008

### 17 Financial instruments continued

#### 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 is required to pay.

Consolidated	Carrying amount \$'000	Contractual cashflows \$'000	Within 1 Year \$'000	1 to 2 years \$'000	2 to 5 years \$'000
<b>2008</b>					
<i>Non-derivative financial liabilities</i>					
Trade and other payables	2,468	2,468	2,468	-	-
Interest bearing liabilities	522,766	663,463	39,414	39,414	584,635
Distributions payable	3,387	3,387	3,387	-	-
	<b>528,621</b>	<b>669,318</b>	<b>45,269</b>	<b>39,414</b>	<b>584,635</b>
<i>Financial derivatives</i>					
Interest rate swaps – net (inflow) / outflow	(27,400)	(29,537)	(9,528)	(9,528)	(10,481)
	<b>501,221</b>	<b>639,781</b>	<b>35,741</b>	<b>29,886</b>	<b>574,154</b>
<b>2007</b>					
<i>Non-derivative financial liabilities</i>					
Trade and other payables	6,538	6,538	6,538	-	-
Interest bearing liabilities	476,374	628,920	33,114	33,114	562,692
Distributions payable	3,249	3,249	3,249	-	-
	<b>486,161</b>	<b>638,707</b>	<b>42,901</b>	<b>33,114</b>	<b>562,692</b>
<i>Financial derivatives</i>					
Interest rate swaps – net (inflow) / outflow	(20,809)	(23,461)	(5,722)	(5,722)	(12,017)
	<b>465,352</b>	<b>615,246</b>	<b>37,179</b>	<b>27,392</b>	<b>550,675</b>
<b>The Fund</b>					
<b>2008</b>					
<i>Non-derivative financial liabilities</i>					
Trade and other payables	7,788	7,788	7,788	-	-
Interest bearing liabilities	522,766	663,463	39,414	39,414	584,635
Distributions payable	3,387	3,387	3,387	-	-
	<b>533,941</b>	<b>674,638</b>	<b>50,589</b>	<b>39,414</b>	<b>584,635</b>
<i>Financial derivatives</i>					
Interest rate swaps – net (inflow) / outflow	(27,400)	(29,537)	(9,528)	(9,528)	(10,481)
	<b>506,541</b>	<b>645,101</b>	<b>41,061</b>	<b>29,886</b>	<b>574,154</b>
<b>2007</b>					
<i>Non-derivative financial liabilities</i>					
Trade and other payables	45,906	45,906	45,906	-	-
Interest bearing liabilities	476,374	628,920	33,114	33,114	562,692
Distributions payable	3,249	3,249	3,249	-	-
	<b>525,529</b>	<b>678,075</b>	<b>82,269</b>	<b>33,114</b>	<b>562,692</b>
<i>Financial derivatives</i>					
Interest rate swaps – net (inflow) / outflow	(20,809)	(23,461)	(5,722)	(5,722)	(12,017)
	<b>504,720</b>	<b>654,614</b>	<b>76,547</b>	<b>27,392</b>	<b>550,675</b>

#### Cash flow hedges – timing of cash flows

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 are 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.

# Notes to the Financial Statements continued

## Multiplex Prime Property Fund

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For the year ended 30 June 2008

### 17 Financial instruments continued

#### 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).

#### e. Market risk

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

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

The 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:

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

The Fund and Consolidated Entity enter into derivatives in order to manage interest rate risks on their external borrowings. All such transactions are carried out in accordance with policies and procedures of the Fund regarding hedging activities. Generally, the Fund and Consolidated Entity seek to apply hedge accounting in order to manage volatility in the income statement. Derivatives are not entered into for speculative purposes.

Equity price risk is managed by investing in Underlying Funds which display characteristics of operating in stable markets and have steady income streams. All investments made into listed funds are made 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:

- 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 are discussed below.

#### 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 and Consolidated Entity is derived from their interest bearing liabilities. The Fund and Consolidated Entity manages this exposure by ensuring at least 95% 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 profile of the Fund and Consolidated Entity prior to making their investment.

# Notes to the Financial Statements continued

## Multiplex Prime Property Fund

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For the year ended 30 June 2008

### 17 Financial instruments continued

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				Non-interest bearing \$'000	Total \$'000
	Floating rate \$'000	Less than 1 year \$'000	1 to 2 years \$'000	2 to 5 years \$'000		
<b>2008</b>						
<i>Financial assets</i>						
Cash and cash equivalents	3,485	-	-	-	-	3,485
Trade and other receivables	-	-	-	92,153	4,217	96,370
Investments – available for sale	-	-	-	-	19,303	19,303
Financial derivatives	-	-	-	27,400	-	27,400
	<b>3,485</b>	<b>-</b>	<b>-</b>	<b>119,553</b>	<b>23,520</b>	<b>146,558</b>
<i>Financial Liabilities</i>						
Trade and other payables	-	-	-	-	2,468	2,468
Interest bearing liabilities	522,766	-	-	-	-	522,766
Distributions payable	-	-	-	-	3,387	3,387
	<b>522,766</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,855</b>	<b>528,621</b>
<b>2007</b>						
<i>Financial assets</i>						
Cash and cash equivalents	3,705	-	-	-	-	3,705
Trade and other receivables	87,887	-	-	88,711	5,803	182,401
Investments – available for sale	-	-	-	-	68,883	68,883
Financial derivatives	-	-	-	20,809	-	20,809
	<b>91,592</b>	<b>-</b>	<b>-</b>	<b>109,520</b>	<b>74,686</b>	<b>275,798</b>
<i>Financial liabilities</i>						
Trade and other payables	-	-	-	-	6,538	6,538
Distributions payable	-	-	-	-	3,249	3,249
Interest bearing liabilities	476,374	-	-	-	-	476,374
	<b>476,374</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,787</b>	<b>486,161</b>

# Notes to the Financial Statements continued

## Multiplex Prime Property Fund

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For the year ended 30 June 2008

### 17 Financial instruments continued

The Fund	Fixed interest maturing in				Non-interest bearing \$'000	Total \$'000
	Floating rate \$'000	Less than 1 year \$'000	1 to 2 years \$'000	2 to 5 years \$'000		
<b>2008</b>						
<i>Financial assets</i>						
Cash and cash equivalents	3,096	-	-	-	-	3,096
Trade and other receivables	-	-	-	92,153	43,503	135,656
Financial derivatives	-	-	-	27,400	-	27,400
	<b>3,096</b>	<b>-</b>	<b>-</b>	<b>119,553</b>	<b>43,503</b>	<b>166,152</b>
<i>Financial Liabilities</i>						
Trade and other payables	-	-	-	-	7,788	7,788
Interest bearing liabilities	522,766	-	-	-	-	522,766
Distributions payable	-	-	-	-	3,387	3,387
	<b>522,766</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,175</b>	<b>533,941</b>
<b>2007</b>						
<i>Financial assets</i>						
Cash and cash equivalents	3,548	-	-	-	-	3,548
Trade and other receivables	-	-	-	88,711	34,773	123,484
Financial derivatives	-	-	-	20,809	-	20,809
	<b>3,548</b>	<b>-</b>	<b>-</b>	<b>109,520</b>	<b>34,773</b>	<b>147,841</b>
<i>Financial liabilities</i>						
Trade and other payables	-	-	-	-	45,906	45,906
Distributions payable	-	-	-	-	3,249	3,249
Interest bearing liabilities	476,374	-	-	-	-	476,374
	<b>476,374</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>49,155</b>	<b>525,529</b>

### Sensitivity analysis

#### Direct risk exposure

#### Fair value sensitivity analysis for fixed rate instruments

The Fund or Consolidated Entity does not have any fixed rate financial assets or financial liabilities, and do not designate derivatives 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.

# Notes to the Financial Statements continued

## Multiplex Prime Property Fund

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For the year ended 30 June 2008

### 17 Financial instruments continued

#### 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% Profit and loss \$'000	1% Equity \$'000	1% Profit and loss \$'000	1% Equity \$'000
<b>Consolidated Entity</b>				
<i>Increase in interest rates</i>				
<i>Variable rate instruments</i>				
- cash and cash equivalents	42	42	67	67
- trade and other receivables – current	493	493	571	571
- trade and other receivables – non current	-	(2,708)	-	(3,460)
- interest bearing liabilities	(5,063)	(5,063)	(4,130)	(4,130)
	(4,528)	(7,236)	(3,492)	(6,952)
<i>Interest rate swaps</i>				
- impact on settlements	5,014	5,014	4,113	4,113
- impact on fair value	-	14,856	-	17,220
	<b>486</b>	<b>12,634</b>	<b>621</b>	<b>14,381</b>
<i>Decrease in interest rates</i>				
<i>Variable rate instruments</i>				
- cash and cash equivalents	(42)	(42)	(67)	(67)
- trade and other receivables – current	(493)	(493)	(571)	(571)
- trade and other receivables – non current	-	2,791	-	3,603
- interest bearing liabilities	5,063	5,063	4,130	4,130
	4,528	7,319	3,492	7,095
<i>Interest rate swaps</i>				
- impact on settlements	(5,014)	(5,014)	(4,113)	(4,113)
- impact on fair value	-	(17,166)	-	(23,287)
	<b>(486)</b>	<b>(14,861)</b>	<b>(621)</b>	<b>(23,305)</b>
<b>The Fund</b>				
<i>Increase in interest rates</i>				
<i>Variable rate instruments</i>				
- cash and cash equivalents	36	36	64	64
- trade and other receivables – current	-	-	66	66
- trade and other receivables – non current	-	(2,708)	-	(3,460)
- interest bearing liabilities	(5,063)	(5,063)	(4,130)	(4,130)
	(5,027)	(7,735)	(4,000)	(7,460)
<i>Interest rate swaps</i>				
- impact on settlements	5,014	5,014	4,113	4,113
- impact on fair value	-	14,856	-	17,220
	<b>(13)</b>	<b>12,135</b>	<b>113</b>	<b>13,873</b>
<i>Decrease in interest rates</i>				
<i>Variable rate instruments</i>				
- cash and cash equivalents	(36)	(36)	(64)	(64)
- trade and other receivables – current	-	-	(66)	(66)
- trade and other receivables – non current	-	2,791	-	3,603
- interest bearing liabilities	5,063	5,063	4,130	4,130
	5,027	7,818	4,000	7,603
<i>Interest rate swaps</i>				
- impact on settlements	(5,014)	(5,014)	(4,113)	(4,113)
- impact on fair value	-	(17,166)	-	(23,287)
	<b>13</b>	<b>(14,362)</b>	<b>(113)</b>	<b>(19,797)</b>

# Notes to the Financial Statements continued

## Multiplex Prime Property Fund

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For the year ended 30 June 2008

### 17 Financial instruments continued

#### Indirect risk exposure

The Fund and Consolidated Entity has investments in Underlying Funds which are exposed to interest rate risk, no sensitivity analysis has been performed on the indirect risk 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 and Consolidated Entity are not directly exposed to foreign currency risk (2007: nil).

##### 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 and ensuring the unhedged risk exposure of the Underlying Fund is in accordance with the risk profile 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.

#### 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 property trust 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% decrease 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. The analysis below shows what would have been the impact on the Fund and Consolidated Entity at the respective reporting dates, had the assumed changes in equity prices occurred.

	2008		2007	
	10% Profit and loss \$'000	10% Equity \$'000	10% Profit and loss \$'000	10% Equity \$'000
<b>Consolidated Entity</b>				
Listed investments*	(1,930)	(1,930)	-	(6,888)

A 10% strengthening of equity prices would have had the equal but opposite effect on the above 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.



# Notes to the Financial Statements continued

## Multiplex Prime Property Fund

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For the year ended 30 June 2008

### 17 Financial instruments continued

#### f. 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 bid price at the reporting date.

##### *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	(37,034)	61,193	(36,548)	(60)
<b>Adjustments for:</b>				
<i>Items classified as investing activities</i>				
- Share of profit of associates	(21,225)	(72,517)	-	-
- Gain on sale of investments	(1,153)	-	-	-
- Distribution income – listed property trusts	(4,257)	(5,359)	-	-
- Distribution income from controlled entities	-	-	(50,865)	(33,839)
<i>Non cash items</i>				
- Amortisation expenses	2,643	2,567	2,643	2,567
- Impairment expense	44,718	-	48,082	-
- Net gain from property revaluations	(6,614)	(13,000)	-	-
<b>Operating profit before changes in working capital</b>	<b>(22,922)</b>	<b>(27,116)</b>	<b>(36,688)</b>	<b>(31,332)</b>
<i>Changes in assets and liabilities during the year</i>				
Decrease in receivables	707	(1,036)	(15)	(1,649)
Increase in payables	(4,070)	2,953	(3,102)	2,964
<b>Net cash from operating activities</b>	<b>(26,285)</b>	<b>(25,199)</b>	<b>(39,805)</b>	<b>(30,017)</b>

# Notes to the Financial Statements continued

## Multiplex Prime Property Fund

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For the year ended 30 June 2008

### 19 Related parties

#### Responsible Entity

The Responsible Entity of Multiplex Prime Property Fund is Brookfield Multiplex Capital Management Limited (ABN 32 094 936 866) whose immediate and ultimate holding company is Brookfield Multiplex Limited (formerly 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 \$2,982,886 (2007: \$2,640,217) in relation to Responsible Entity fees. At balance date an amount of \$1,534,060 (2007: \$638,696) 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 of the registered schemes within the Consolidated Entity and other related bodies corporate as at the reporting date.

Director	2008 Multiplex Prime Property Fund Units held	2007 Multiplex Prime Property Fund Units held
Peter Morris	-	-
Brian Motteram	-	-
Robert McCuaig	60,000	20,000
Robert Rayner (resigned 22 August 2008)	50,000	-
Bob McKinnon (resigned 18 July 2008)	-	-

#### Responsible Entity's fees and other transactions

##### Performance fee

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

- a Tier 1 performance fee equal to 5.125% (including GST less any reduced input tax credits) of the amount by which the total return of the Fund exceeds the benchmark; and
- a Tier 2 performance fee which is applicable only where the Fund produces a total return out performance in excess of 1% per 6 month period above benchmark.

This tier of the fee is calculated as 15.375% (including GST less any reduced input tax credits) of the amount by which the total return of the Fund is in excess of 1% above the benchmark for the 6 month period (for a year, roughly equivalent to returns over the benchmark plus 2% per annum). Any previous underperformance must be recovered before a performance fee becomes payable. The Benchmark return for June 2008 has been met.

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).

# Notes to the Financial Statements continued

## Multiplex Prime Property Fund

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For the year ended 30 June 2008

### 19 Related parties continued

#### Responsible Entity's fees and other transactions continued

##### Management fee

A base management fee up to 0.41% (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. The Responsible Entity may waive or defer all or part of the management fee in any particular period. At 30 June 2008 the Responsible Entity has deferred payment of its management fees to the value of \$1,493,000 (2007: nil). The liability is reflected in trade and other payables, and the expense has been recognised in the financial statements for the year ended 30 June 2008.

##### Related party unitholders

Brookfield Multiplex Funds Management Limited as custodian for Multiplex Colt Investments Pty Ltd as trustee for Multiplex Colt Investment Trust holds 60,860,029 units or 21.59% of the Fund at year end (2007: 60,860,029 units or 21.59% of the Fund).

ANZ Nominees Limited as custodian for Brookfield Multiplex Capital Management Limited as responsible entity for Multiplex Acumen Property Fund holds 27,894,723 units or 9.9% of the Fund (2007: 27,894,723 units or 9.9% of the Fund).

Total quarterly distributions paid or payable in respect of the year were \$13,524,717 (2007: \$13,102,800). Distributions paid to the related parties in respect of the year were \$4,260,228 (2007: \$5,897,732).

##### Transactions with related parties

	Consolidated		Fund	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>Transactions with subsidiaries</b>				
Interest income	-	-	-	450
Distribution income	-	-	50,865	33,839
Intercompany loans receivable	-	-	42,544	33,839
Intercompany loans payable	-	-	5,744	40,760
<b>Transactions with associates</b>				
Distribution income	25,579	24,760	-	-
Distributions receivable (included in trade and other receivables)	2,028	2,044	-	-
<b>Transactions with the Responsible Entity</b>				
Management fees	2,983	2,640	2,983	2,640
Performance fees	-	-	-	-
Establishment fees	-	6,093	-	6,093
Expense reimbursements	4,944	24,598	4,944	24,598
Management fees payable (included in trade and other payables)	1,534	639	1,534	639
<b>Transactions with Brookfield Multiplex Limited and its controlled entities (excluding the Responsible Entity)</b>				
Interest income	3,351	3,884	-	-
Lease support income	239	279	-	-
Distributions paid	4,260	5,898	4,260	5,898
Loan receivable	-	87,887	-	-
Distributions payable	1,065	1,023	1,065	1,023

# Notes to the Financial Statements continued

## Multiplex Prime Property Fund

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For the year ended 30 June 2008

### 19 Related parties continued

#### Purchase of American Express Building, King Street Wharf, Sydney

The Consolidated Entity purchased the American Express Building on 9 January 2008, from Brookfield Multiplex Developments Limited (formerly Multiplex Developments Limited). Brookfield Multiplex Developments Limited is a related party of the Responsible Entity of the Fund as they both have the same ultimate parent. Refer to Note 10 for further details of the purchase.

#### Irrevocable offers

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

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

#### Right of first and last refusal

The owners of the subsidiaries that own the Fund Assets (excluding the LPT Portfolio) have each agreed with Brookfield Multiplex they must not sell or otherwise deal with those assets unless they offer the asset to Brookfield Multiplex on a first and last basis.

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

If Brookfield Multiplex wishes to accept the offer, it has 30 business days to notify the Fund of its acceptance. If Brookfield Multiplex does not wish to accept the first offer, the Fund may, subject to the right of last refusal, negotiate in relation to the same transaction with third parties. If, following those negotiations, the Fund wishes to enter into a legally enforceable agreement with a third party, the Fund must again give Brookfield Multiplex notice of its desire to sell, disclosing the terms of the final offer (including price and identity of the third party) together with formal transaction documents. If Brookfield Multiplex wishes to accept the offer, it has 20 business days to notify the Fund of its acceptance.

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

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

# Notes to the Financial Statements continued

## Multiplex Prime Property Fund

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For the year ended 30 June 2008

### **20 Contingent liabilities and assets**

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

### **21 Capital and other 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 \$18,565,000, which represents a change of \$738,000. 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 \$738,000.

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 Prime 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 Prime Property Fund:
  - a. The consolidated financial statements and notes, set out on pages 18 to 51 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 Prime Property Fund**

### **Report on the financial report**

We have audited the accompanying financial report of Multiplex Prime 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 our understanding of the Fund and the Consolidated Entity's financial position, and of their performance.