

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

Multiplex Property Income Fund

ARSN 117 674 049

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Directory

Multiplex Property Income Fund

For the year ended 30 June 2008

Responsible Entity

Brookfield Multiplex Capital Management Limited (previously 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

JP Morgan Nominees Australia Limited
Level 35 Suncorp Building
259 George Street
Sydney NSW 2000
Telephone: (02) 9250 4111

Auditor

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

Directors' Report

Multiplex Property Income Fund

For the year ended 30 June 2008

Introduction

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

Responsible Entity

The Responsible Entity of the Fund is Brookfield Multiplex Capital Management Limited (formerly Multiplex Capital Management Limited) who was appointed as Responsible Entity on 26 October 2007, replacing Multiplex Capital Securities Limited. The Responsible Entity changed its name from Multiplex Capital Management Limited (on 17 June 2008), which was subsequent to the acquisition of the Multiplex Group of Companies 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 NSW, 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

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For the 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 the Brookfield Multiplex Group), AMP and Australian Securities Exchange Limited. Prior to this period Alex worked for 8 years in the insolvency and audit divisions of a number of local and international accounting firms both in Sydney and in London. Alex is a Chartered Accountant and Chartered Secretary.

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	-	-

A – Number of meetings attended.

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

Principal activities

The principal activity of the consolidated entity is the investment in listed and unlisted property securities.

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

Review of operations

The Fund was launched on the 8 March 2007. The Fund was seeded with \$30,076,000 of investments from the Multiplex Acumen Property Fund (MPF) with a portfolio of 20 unlisted property securities. MPF holds all the ordinary units in MPIF. Other investors hold income units.

At 30 June 2008, as a result of strong capital inflows, MPIF's total assets were \$85,856,000, comprising a diverse portfolio of unlisted and listed property assets as well as cash. The Fund's property securities investment portfolio is spread over 39 different property investments that own circa 2,000 properties and reflect an average lease term to expiry of approximately 6 years. MPIF's property investment portfolio is strongly diversified across three asset classes, four property sectors, 11 geographic locations and 22 experienced managers.

Multiplex Property Income Fund (the Fund) has recorded a net loss of \$3,583,000 for the year ended 30 June 2008 (period ended 30 June 2007: profit \$1,286,000). The reported net loss of \$3,583,000 includes \$10,365,000 in impairment losses on the Fund's A-REIT portfolio.

Directors' Report continued

Multiplex Property Income Fund

For the year ended 30 June 2008

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Review of operations continued

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

- total revenue and other income \$6,925,000 (period ended 30 June 2007: \$1,517,000);
- net loss attributable to unitholders totalled \$3,583,000 (period to 30 June 2007: net profit of \$1,286,000);
- earnings per unit (EPU) of -3.88 cents (period to 30 June 2007: 3.24 cents);
- earnings per unit (EPU) attributable to ordinary unit holder of -23.43 cents (period to 30 June 2007: 3.86 cents);
- distributions per unit (DPU) to income unitholders of 8.28 cents (period to 30 June 2007: 2.19 cents);
- distributions per unit (DPU) to ordinary unitholders of 11.03 cents (period to 30 June 2007: 3.86 cents);
- as at 30 June 2008, net assets were \$84,086,000 (June 2007: \$41,356,000);
- net tangible assets (NTA) per unit at 30 June 2008 was \$0.91 (June 2007: \$1.04);
- NTA per unit attributable to ordinary unitholders at 30 June 2008 was \$0.73 (June 2007: \$1.06);
- total Fund return for income unitholders was 8.27%, and ordinary unitholders was -21.5% (year to 30 June 2008);
- the value of the Fund's A-REIT portfolio as at 30 June 2008 was \$9,126,000. Unrealised impairment losses totalling \$10,365,000 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.

Movements in units on issue

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

	2008 units	2007 units
Ordinary Units		
Opening balance	30,075,871	-
Units issued	-	30,075,871
Units redeemed	-	-
Closing balance – Ordinary units	30,075,871	30,075,871
Income Units		
Opening balance	9,557,653	-
Issue of Income units	56,114,127	9,557,653
Redemption of units	(3,340,335)	-
Closing balance - Income units	62,331,445	9,557,653
	\$'000	\$'000
Value of total consolidated assets as at 30 June 2008	85,856	42,825

Interests of the Responsible Entity

Management Fees

For the year ended 30 June 2008, all expenses in connection with management of the Fund have been fully borne by Multiplex Property Fund (MPF), in accordance with the Product Disclosure Statement dated 31 March 2007. As such, no management fees have been paid to the Responsible Entity from the assets of the Consolidated Entity.

Related party unitholders

ANZ Nominees Limited, custodian of Multiplex Acumen Property Fund (ARSN 104 341 988) holds all of the ordinary units of the Fund.

Significant changes in the state of affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the Fund that occurred during the financial period not otherwise disclosed in this report or in the financial report.

Directors' Report continued

Multiplex Property Income Fund

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For the year ended 30 June 2008

Events subsequent to reporting date

Subsequent to the reporting date, the fair value of the Fund's and 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 \$7,942,000, which represents a change of \$1,184,000. 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 \$1,184,000.

Other than the matter discussed above, there were no other matters or circumstances, which have arisen since the end of the financial period 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 period covered by this report.

Distributions

Distributions paid/payable to unitholders were as follows:

	Cents per unit	Total amount \$'000	Date of payment
Income Units			
June 2008 distribution	0.6967	434	17 July 2008
May 2008 distribution	0.7199	431	17 June 2008
April 2008 distribution	0.6967	401	14 May 2008
March 2008 distribution	0.7199	401	15 April 2008
February 2008 distribution	0.6753	353	18 March 2008
January 2008 distribution	0.7219	350	20 February 2008
December 2007 distribution	0.6956	319	14 January 2008
November 2007 distribution	0.6452	248	13 December 2007
October 2007 distribution	0.6727	189	14 November 2007
September 2007 distribution	0.6781	142	11 October 2007
August 2007 distribution	0.6896	110	14 September 2007
July 2007 distribution	0.6710	86	10 August 2007
Total distribution to Income Unitholders for the year ended 30 June 2008	8.2826	3,464	
Ordinary units			
Distributions for the year ended 30 June 2008	11.0298	3,318	Throughout the year
Total distribution to ordinary unitholders for the year ended 30 June 2008	11.0298	3,318	
Income Units			
June 2007 distribution	0.6530	62	9 July 2007
May 2007 distribution	0.6710	59	7 June 2007
April 2007 distribution	0.6530	3	10 May 2007
March 2007 distribution	0.2100	1	20 April 2007
Total distribution to Income Unitholders for the year ended 30 June 2007	2.1870	125	
Ordinary units			
Distributions paid for the period	3.8600	1,161	9 July 2007
Total distribution to ordinary unitholders for the period ended 30 June 2007	3.8600	1,161	

Directors' Report continued

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For the 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 Fund's assets in relation to cover for the Responsible Entity, its officers and employees, the Compliance Committee or auditors of the Fund. The insurance premiums are paid by the Responsible Entity.

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

The lead auditor's independence declaration is set out on page 8 and forms part of the Directors' report for the 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.

Comparatives

The Fund was constituted on 8 March 2007. The information presented in relation to 2007 represents the period from 8 March 2007 to 30 June 2007.

Dated at Sydney this 27th day of August 2008

Signed in accordance with a resolution of the Directors made pursuant to Section 306(6) 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 Property Income 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.

A handwritten signature in blue ink that appears to read 'KPMG'.

KPMG

A handwritten signature in blue ink that reads 'T. Gilerman'.

Tanya Gilerman
Partner

Sydney, NSW
27 August 2008

Income Statements

Multiplex Property Income Fund

For the year ended 30 June 2008

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		Consolidated		Fund	
	Note	2008 \$'000	2007* \$'000	2008 \$'000	2007* \$'000
Revenue and other income					
Distribution Income – listed and unlisted property trusts		5,310	1,340	1,194	85
Distribution income from controlled entities		-	-	5,363	1,413
Brokerage income		1,162	163	-	8
Interest income		453	14	442	11
Total revenue and other income		6,925	1,517	6,999	1,517
Expenses					
Impairment expense	8	(10,365)	-	(10,365)	-
Loss on sale of investments		(143)	-	(217)	-
Other expenses		-	(231)	-	(231)
Total expenses		(10,508)	(231)	(10,582)	(231)
Net (loss) / profit		(3,583)	1,286	(3,583)	1,286

*For the period 8 March 2007 to 30 June 2007

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

Balance Sheets

Multiplex Property Income Fund

As at 30 June 2008

		Consolidated		Fund	
	Note	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Current assets					
Cash and cash equivalents		9,212	927	9,191	542
Trade and other receivables	7	2,911	1,608	1,603	1,511
Total current assets		12,123	2,535	10,794	2,053
Non-current assets					
Investments – available for sale	8	73,733	40,290	9,126	2,905
Investments in controlled entities	9	-	-	63,821	36,076
Total non-current assets		73,733	40,290	72,947	38,981
Total assets		85,856	42,825	83,741	41,034
Current liabilities					
Trade and other payables	10	-	246	-	231
Distribution payable		1,770	1,223	1,770	1,223
Total current liabilities		1,770	1,469	1,770	1,454
Total liabilities		1,770	1,469	1,770	1,454
Net assets		84,086	41,356	81,971	39,580
Equity					
Units on issue – Income units	11	62,260	9,596	62,260	9,596
Units on issue – Ordinary units	11	30,076	30,076	30,076	30,076
Reserves	12a	2,115	1,684	-	(92)
Undistributed income	12b	(10,365)	-	(10,365)	-
Total equity		84,086	41,356	81,971	39,580

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

Statements of Changes in Equity

Multiplex Property Income Fund

For the year ended 30 June 2008

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	Note	Consolidated		Fund	
		2008 \$000	2007* \$000	2008 \$000	2007* \$000
Opening equity		41,356	-	39,580	-
Movement in income units					
Income units issued	11	56,004	9,596	56,004	9,596
Income units redeemed	11	(3,340)	-	(3,340)	-
Ordinary units issued	11	-	30,076	-	30,076
Available for sale reserve					
Fair value movement in unlisted investments	12a	339	1,776	-	-
Fair value movement in listed investments	12a	(10,273)	(92)	(10,273)	(92)
Net change in fair value of listed property trusts recognised as an impairment expense	12a	10,365	-	10,365	-
Undistributed income					
Net (loss) / profit	12b	(3,583)	1,286	(3,583)	1,286
Distributions	12b				
- Income unitholders	6	(3,464)	(125)	(3,464)	(125)
- Ordinary unitholders	6	(3,318)	(1,161)	(3,318)	(1,161)
Closing equity		84,086	41,356	81,971	39,580

* For the period 8 March 2007 to 30 June 2007

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

Statements of Cash Flows

Multiplex Property Income Fund

For the year ended 30 June 2008

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	Note	Consolidated 2008 \$000	2007* \$000	Fund 2008 \$000	2007* \$000
Cash flows from operating activities					
Cash receipts in the course of operations		5,450	384	6,510	-
Cash payments in the course of operations		(246)	-	(231)	-
Interest received		406	7	397	6
Net cash flows from operating activities	14	5,610	391	6,676	6
Cash flows from investing activities					
Payments for investments		(44,474)	(8,998)	(17,431)	(8,998)
Proceeds from disposal of investments		720	-	720	-
Investments in controlled entities		-	-	(27,745)	-
Net cash flows used in investing activities		(43,754)	(8,998)	(44,456)	(8,998)
Cash flows from financing activities					
Proceeds from issues of income units		56,004	9,596	56,004	9,596
Redemption of income units		(3,340)	-	(3,340)	-
Distributions paid to unitholders		(6,235)	(62)	(6,235)	(62)
Net cash flows from financing activities		46,429	9,534	46,429	9,534
Net increase in cash and cash equivalents		8,285	927	8,649	542
Cash and cash equivalents at the beginning of year / period		927	-	542	-
Cash and cash equivalents at 30 June		9,212	927	9,191	542

*For the period 8 March 2007 to 30 June 2007

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

Notes to the Financial Statements

Multiplex Property Income Fund

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For the year ended 30 June 2008

1 Reporting entity

Multiplex Property Income 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, and its subsidiaries (together referred to as the Consolidated Entity).

Comparatives

The Fund was constituted on 8 March 2007. The information presented in relation to 2007 represents the period from 8 March 2007 to 30 June 2007.

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:

- Available for sale financial assets which are 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.

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.

Notes to the Financial Statements continued

Multiplex Property Income Fund

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For the year ended 30 June 2008

3 Significant accounting policies continued

b Revenue recognition

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

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Consolidated Entity and the revenue can be reliably measured. The following specific criteria for the major business activities must also be met before revenue is recognised. Where amounts do not meet these recognition criteria, they are deferred and recognised in the period in which the recognition criteria are met.

Dividends and distributions

Revenue from dividends and distributions is recognised when the right of the Consolidated Entity or the Fund to receive payment is established. In the case of distributions and dividends from listed and unlisted property equity investments, the revenue is recognised when they are declared.

Interest revenue

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

Realised profits on available for sale financial assets

Listed and unlisted investments are classified as being available for sale and are stated at fair value, with any resulting gain or loss recognised directly in equity in the balance sheet, except for impairment losses, which are recognised directly in the income statement. Where these investments are derecognised, the cumulative gain or loss previously recognised directly in equity in the balance sheet is recognised in the income statement.

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

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

For the year ended 30 June 2008, all expenses in connection with management of the Fund have been fully borne by Multiplex Property Fund (MPF) in accordance with the Product Disclosure Statement dated 31 March 2007. As such, no management fees have been paid to the Responsible Entity from assets of the Consolidated Entity.

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.

Notes to the Financial Statements continued

Multiplex Property Income Fund

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For the year ended 30 June 2008

3 Significant accounting policies continued

e Income tax

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

The Consolidated Entity fully distributes its taxable income each year, calculated in accordance with the Trust Constitution and applicable legislation, to unitholders who are presently entitled to income under the Constitution.

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

f Cash and cash equivalents

For purposes of the 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(m). Non-current receivables are measured at amortised cost using the effective interest rate method.

h Available for sale assets

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

i Derivative financial instruments

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

Hedging activities

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

j 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)), and equity securities (Note 3(h)) 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.

Notes to the Financial Statements continued

Multiplex Property Income Fund

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For the year ended 30 June 2008

3 Significant accounting policies continued

k Distributions paid or declared

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

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

l Equity

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

m Impairment

Financial assets

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

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

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

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

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

Non financial assets

The carrying amount of the Consolidated Entity's non financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists then the asset's recoverable amount is estimated. An impairment loss in respect of goodwill is not reversed. In respect of all other assets (other than goodwill), impairment losses recognised in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

n 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 unlisted property trusts, listed property trusts and other assets. Under the management approach it is anticipated segment information will be disclosed based on the Consolidated Entity's investment portfolio.

Notes to the Financial Statements continued

Multiplex Property Income Fund

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For the year ended 30 June 2008

3 Significant accounting policies continued

n New standards and interpretations not yet adopted

- 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.

4 Segment reporting

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

5 Auditors’ remuneration

All costs incurred in relation to the Consolidated Entity are borne by Multiplex Acumen Property Fund (MPF). A summary of audit fees paid by MPF on behalf of the Fund and Consolidated Entity is provided below.

	Consolidated		Fund	
	2008	2007	2008	2007
	\$	\$	\$	\$
Audit services				
Auditors of the Fund – KPMG:				
Audit and review of financial reports	45,000	25,000	15,000	15,000
Agreed upon procedures engagement in relation to Multiplex Property Income Fund’s NTA	-	13,760	-	-
	45,000	38,760	15,000	15,000

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

Notes to the Financial Statements continued

Multiplex Property Income Fund

For the year ended 30 June 2008

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6 Distributions paid or declared

Distributions paid to unitholders or declared were as follows:

	Cents per unit	Total amount \$'000	Date of payment
Income units			
June 2008 distribution	0.6967	434	17 July 2008
May 2008 distribution	0.7199	431	17 June 2008
April 2008 distribution	0.6967	401	14 May 2008
March 2008 distribution	0.7199	401	15 April 2008
February 2008 distribution	0.6753	353	18 March 2008
January 2008 distribution	0.7219	350	20 February 2008
December 2007 distribution	0.6956	319	14 January 2008
November 2007 distribution	0.6452	248	13 December 2007
October 2007 distribution	0.6727	189	14 November 2007
September 2007 distribution	0.6781	142	11 October 2007
August 2007 distribution	0.6896	110	14 September 2007
July 2007 distribution	0.6710	86	10 August 2007
Total distribution to income unitholders for the year ended 30 June 2008	8.2826	3,464	
Ordinary units			
Distributions for the year ended 30 June 2008	11.0298	3,318	Throughout the year
Total distribution to ordinary unitholders for the year ended 30 June 2008	11.0298	3,318	
Income units			
June 2007 distribution	0.6530	62	9 July 2007
May 2007 distribution	0.6710	59	7 June 2007
April 2007 distribution	0.6530	3	10 May 2007
March 2007 distribution	0.2100	1	20 April 2007
Total distribution to income unitholders for the year ended 30 June 2007	2.1870	125	
Ordinary units			
Distributions paid for the period	3.8600	1,161	9 July 2007
Total distribution to ordinary unitholders for the period ended 30 June 2007	3.8600	1,161	

	Consolidated		Fund	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
7 Trade and other receivables				
Current				
Distributions receivable – listed and unlisted property trusts	1,983	960	492	85
Distributions receivable – controlled entities	-	-	1,018	1,413
Interest receivable	45	7	45	5
Brokerage receivable	-	165	-	-
Other receivables	883	476	48	8
Total trade and other receivables	2,911	1,608	1,603	1,511

Notes to the Financial Statements continued

Multiplex Property Income Fund

For the year ended 30 June 2008

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	Consolidated		Fund	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
8 Investments - available for sale				
Listed investments				
Listed investments at cost	19,491	2,997	19,491	2,997
Fair value adjustments	-	(92)	-	(92)
Impairment	(10,365)	-	(10,365)	-
	9,126	2,905	9,126	2,905
Unlisted investments				
Unlisted investments at cost	63,042	36,077	-	-
Fair value adjustments	1,565	1,308	-	-
	64,607	37,385	-	-
Total	73,733	40,290	9,126	2,905

Impairment expense

During the year, the Fund and Consolidated Entity recognised an impairment loss, in accordance with accounting standards, of \$10,365,000, in relation to its available for sale assets (listed property trusts).

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

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

Material Investments

Investments by the Fund which constitute 5% or more by value of that investment are disclosed below.

	2008 Units	2008 % ownership	2007 Units	2007 % ownership
Unlisted managed investment schemes				
APN Champion Retail Fund	11,000,000	15.8	-	-
APN UKA Poland Retail Fund	3,016,840	8.0	3,016,840	8.0
APN UKA Vienna Retail Fund	2,400,000	5.2	2,400,000	5.2
Centro MCS 22	645,872	5.8	645,872	5.8
Charter Hall Diversified Property Fund	4,783,316	5.6	4,783,316	5.6
Reed Property Trust	5,515,213	8.2	-	-
Rimcorp Property Trust No 3	750,000	9.3	750,000	9.3

The Fund and Consolidated Entity do not hold more than 5% of any listed property trust investments.

	Fund		Fund	
	2008 Ownership %	2008 \$'000	2007 Ownership %	2007 \$'000
9 Investment in controlled entities				
Multiplex Income UPT International Investments Trust	100	19,074	100	8,074
Multiplex Income UPT Domestic Investments Trust	100	44,747	100	28,002
Investments in controlled entities		63,821		36,076

Notes to the Financial Statements continued

Multiplex Property Income Fund

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For the year ended 30 June 2008

	Consolidated		Fund	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
10 Trade and other payables				
Reimburse expense accrual	-	231	-	231
Other payables	-	15	-	-
Total trade and other payables	-	246	-	231

	2008 \$'000	2008 units	2007 \$'000	2007 units
11 Units on Issue				
<i>Ordinary Units</i>				
Opening balance	30,076	30,075,871	-	-
Units issued	-	-	30,076	30,075,871
Units redeemed	-	-	-	-
Closing balance – Ordinary units	30,076	30,075,871	30,076	30,075,871
<i>Income Units</i>				
Opening balance	9,596	9,557,653	-	-
Issue of Income units	56,004	56,114,127	9,596	9,557,653
Redemption of units	(3,340)	(3,340,335)	-	-
Closing balance - Income units	62,260	62,331,445	9,596	9,557,653

12 Reserves and undistributed income

12a Reserves

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	1,684	-	(92)	-
Fair value movement in relation to listed and unlisted investments	(9,934)	1,684	(10,273)	(92)
Impairment recognised on available for sale assets	10,365	-	10,365	-
Closing balance	2,115	1,684	-	(92)

12b Undistributed income

	Consolidated		Fund	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Opening balance	-	-	-	-
Net (loss) / profit	(3,583)	1,286	(3,583)	1,286
Distributions provided or paid				
- Ordinary unitholders	(3,318)	(1,161)	(3,318)	(1,161)
- Income unitholders	(3,464)	(125)	(3,464)	(125)
Closing balance	(10,365)	-	(10,365)	-

In accordance with the Fund's constitution, each Income unitholder is entitled to receive distributions as declared from time to time. Only ordinary unitholders are entitled to vote at unitholder meetings. In accordance with the Fund's constitution, each ordinary unit represents a right to a share in the Fund's equity in excess of the value of the issued income units.

Notes to the Financial Statements continued

Multiplex Property Income Fund

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For the year ended 30 June 2008

13 Financial instruments

Significant accounting policies

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

a. Capital risk management

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

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

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the security afforded by a sound capital position. As per the Fund's Product Disclosure Statement, the Responsible Entity seeks to restrict the level of Short Term borrowings (up to 12 months in maturity) to 30% of the total tangible assets of the Fund.

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

b. Financial risk management

Overview

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

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

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

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

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

Notes to the Financial Statements continued

Multiplex Property Income Fund

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For the year ended 30 June 2008

13 Financial instruments continued

Overview continued

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 Compliance Committee (established by the Board) is responsible for ensuring compliance with those risk management policies. The risk management framework and policies are set out in the Fund's Constitution and Product Disclosure Statement, and allow the use of certain financial derivative instruments. Neither the Fund or Consolidated Entity entered into derivative contracts during the year (2007: nil).

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 Compliance Committee of the Responsible Entity quarterly.

Investment mandate

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

Derivative financial instruments

Whilst the Fund may utilise derivative financial instruments, it will 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.

c. Credit risk

Credit risk is the risk of financial loss to the Consolidated Entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Fund and Consolidated Entity are exposed to both direct and indirect credit risk in the normal course of their operations.

Sources of credit risk and risk management strategies

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

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

Trade and other receivables

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

Investments - available for sale

Direct risk exposures

Credit risk arising from investments is mitigated by investing in securities in accordance with the Fund's Constitution and Product Disclosure Statement. The Fund's and Consolidated Entity's investments can be made in the following asset classes within specified ranges:

- unlisted property securities – target range of 50 – 100% of total assets;
- listed property securities – target range of 0 – 50 % of total assets;
- direct real property – target range of 0 – 20% of total assets;
- property investment companies – target range of 0 – 10% of total assets; and
- cash and cash equivalents – target range of 0 – 10% of total assets.

The Fund and Consolidated Entity must limit its exposures in the portfolio above to the following property sectors and geographic locations:

- property sectors – Office (20 – 60%), Retail (20- 60%), Industrial (10 – 40%) and Other (0 – 20%); and
- geographic locations – Australia (40 – 80%) and International (20 – 60%).

Notes to the Financial Statements continued

Multiplex Property Income Fund

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For the year ended 30 June 2008

13 Financial instruments continued

Sources of credit risk and risk management strategies continued

Indirect risk exposures

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

Exposure to credit risk

Direct risk exposures

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

	Note	Consolidated 2008 \$'000	2007 \$'000	Fund 2008 \$'000	2007 \$'000
Cash and cash equivalents		9,212	927	9,191	542
Trade and other receivables	7	2,911	1,608	1,603	1,511
Investments – available for sale	8	73,733	40,290	9,126	2,905
		85,856	42,825	19,920	4,958

Concentrations of credit risk exposure

Direct risk exposures

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

Indirect risk exposures

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

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

Collateral obtained / held

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

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

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

Financial assets past due but not impaired

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

Financial assets whose terms have been renegotiated

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

Impairment losses

During the period, the Fund and Consolidated Entity recognised impairment expenses of \$10,365,000 in relation to its available for sale assets (A-REIT portfolio). Refer to Note 8 for further information.

Notes to the Financial Statements continued

Multiplex Property Income Fund

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For the year ended 30 June 2008

13 Financial instruments continued

d. Liquidity risk

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

Sources of liquidity risk and risk management strategies

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

Direct liquidity risk

The main sources of direct liquidity risk for the Fund and Consolidated Entity are redemptions by unitholders and unlisted investment securities. Due to the Fund not having any interest bearing liabilities, there is no other exposure to direct liquidity risk.

The Fund's approach to managing liquidity risk is to ensure that it has sufficient cash available to meet its liabilities and redemption requests 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 through continuous monitoring of forecast and actual cash flows and matching maturity profiles of financial assets and liabilities.

Indirect liquidity risk

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

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

Interest bearing liabilities

Direct risk exposure

The Fund and Consolidated Entity is not exposed to direct liquidity risk (refinancing risk) as it does not have interest bearing loans (2007: nil).

Indirect risk exposure

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

Unitholders

The Fund is exposed to liquidity risk on the Income Units, as these can be redeemed by unitholders, subject to the following conditions:

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

Notes to the Financial Statements continued

Multiplex Property Income Fund

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For the year ended 30 June 2008

13 Financial instruments continued

d. Liquidity risk continued

Investments – Available for sale

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

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

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

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

Maturity analysis of financial liabilities

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

Consolidated

	Carrying amount \$'000	Contractual cashflows \$'000	Within 1 year \$'000	1 to 2 years \$'000	2 to 5 years \$'000
2008					
<i>Non-financial derivatives</i>					
Distributions payable	1,770	1,770	1,770	-	-
	1,770	1,770	1,770	-	-

2007

<i>Non-financial derivatives</i>					
Trade and other payables	246	246	246	-	-
Distributions payable	1,223	1,223	1,223	-	-
	1,469	1,469	1,469	-	-

The Fund

2008					
<i>Non-financial derivatives</i>					
Distributions payable	1,770	1,770	1,770	-	-
	1,770	1,770	1,770	-	-

2007

<i>Non-financial derivatives</i>					
Trade and other payables	231	231	231	-	-
Distributions payable	1,223	1,223	1,223	-	-
	1,454	1,454	1,454	-	-

Defaults and breaches

During the year ended 30 June 2008, the Fund and Consolidated Entity were not subject to any covenants, and as such, no covenants have been breached (2007: nil).

Notes to the Financial Statements continued

Multiplex Property Income Fund

For the year ended 30 June 2008

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13 Financial instruments continued

e. Market risk

Market risk is the risk that changes in market prices, such as equity prices, foreign exchange rates and interest rates will affect the Fund's and Consolidated Entity's income or the value of 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 type of direct market risk, the Fund and Consolidated Entity is exposed to is equity price risk, arising from its listed investment portfolio.

Indirect risk exposures

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

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

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

Each of these market risks 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.

The Fund and Consolidated Entity are not exposed to interest rate risk on their liabilities. They are only exposed to interest rate risk on their cash deposits with financial institutions.

Notes to the Financial Statements continued

Multiplex Property Income Fund

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For the year ended 30 June 2008

13 Financial instruments continued

e. Market risk continued

Sensitivity analysis

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		
2008						
<i>Financial assets</i>						
Cash and cash equivalents	9,212	-	-	-	-	9,212
Trade and other receivables	-	-	-	-	2,911	2,911
Investments – available for sale	-	-	-	-	73,733	73,733
	9,212	-	-	-	76,644	85,856
<i>Financial Liabilities</i>						
Distributions payable	-	-	-	-	1,770	1,770
	-	-	-	-	1,770	1,770
2007						
<i>Financial assets</i>						
Cash and cash equivalents	927	-	-	-	-	927
Trade and other receivables	-	-	-	-	1,608	1,608
Investments – available for sale	-	-	-	-	40,290	40,290
	927	-	-	-	41,898	42,825
<i>Financial liabilities</i>						
Trade and other payables	-	-	-	-	246	246
Distributions payable	-	-	-	-	1,223	1,223
	-	-	-	-	1,469	1,469
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		
2008						
<i>Financial assets</i>						
Cash and cash equivalents	9,191	-	-	-	-	9,191
Trade and other receivables	-	-	-	-	1,603	1,603
Investments – available for sale	-	-	-	-	9,126	9,126
	9,191	-	-	-	10,729	19,920
<i>Financial Liabilities</i>						
Distributions payable	-	-	-	-	1,770	1,770
	-	-	-	-	1,770	1,770
2007						
<i>Financial assets</i>						
Cash and cash equivalents	542	-	-	-	-	542
Trade and other receivables	-	-	-	-	1,511	1,511
Investments – available for sale	-	-	-	-	2,905	2,905
	542	-	-	-	4,416	4,958
<i>Financial liabilities</i>						
Trade and other payables	-	-	-	-	231	231
Distributions payable	-	-	-	-	1,223	1,223
	-	-	-	-	1,454	1,454

Notes to the Financial Statements continued

Multiplex Property Income Fund

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For the year ended 30 June 2008

13 Financial instruments continued

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 (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Fair value sensitivity for variable rate instruments

Direct risk exposure

An increase 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			
	1% Profit and loss \$'000	1% Equity \$'000	1% Profit and loss \$'000	1% Equity \$'000
Consolidated Entity				
Variable rate instruments				
- Cash and cash equivalents	63	63	2	2
The Fund				
Variable rate instruments				
- Cash and cash equivalents	61	61	2	2

A 1% decrease in interest rates would have had an equal and opposite effect on the profit and loss and equity of the Fund and Consolidated, assuming all other variables remain constant.

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 exposures of the Fund on 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.

Notes to the Financial Statements continued

Multiplex Property Income Fund

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For the year ended 30 June 2008

13 Financial instruments continued

Other market risk

Other market risk is the risk that the total value of investments will fluctuate as a result of changes in market prices. The primary source of other market risk for the Fund and Consolidated Entity is associated with its listed and unlisted investment portfolio.

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

Sensitivity analysis

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

	2008		2007	
	10% Profit and loss \$'000	10% Equity \$'000	10% Profit and loss \$'000	10% Equity \$'000
Consolidated Entity				
Listed investments	913	913	-	291
Unlisted investments*	-	6,461	-	3,739
	913	7,374	-	4,030
The Fund				
Listed investments	913	913	-	291

A 10% decrease in 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 and Consolidated Entity's listed investments would have impacted the income statement, as the change in fair value of the listed investment was recognised in the income statement as an impairment expense. Had an impairment expense not been recognised the impact would have been directly in equity.

f. Fair values

Methods for determining fair values

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

Trade and other receivables

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

Listed investments

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

Unlisted investments

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

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.

Notes to the Financial Statements continued

Multiplex Property Income Fund

For the year ended 30 June 2008

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14 Reconciliation of cash flows from operating activities

	Consolidated		Fund	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Net (loss) / profit for the period	(3,583)	1,286	(3,583)	1,286
Adjustments for:				
<i>Items classified as investing and financing activities</i>				
Loss on sale of investments	143	-	217	-
<i>Non cash items</i>				
- Impairment expense	10,365	-	10,365	-
Operating profit before changes in working capital	6,925	1,286	6,999	1,286
Changes in assets and liabilities during the period				
Increase in trade and other receivables	(1,069)	(1,141)	(92)	(1,511)
Increase in trade and other payables	(246)	246	(231)	231
Net cash flow from operating activities	5,610	391	6,676	6

15 Related parties

Responsible Entity

The Responsible Entity of the fund changed to Brookfield Multiplex Capital Management Limited (formerly Multiplex Capital Securities Limited) on 26 October 2007.

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.

No expenses were paid out of the assets of the Consolidated Entity during the year (2007: nil).

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

Directors' interests

The Directors have no interest in the unit capital of the Fund at the date of this report.

Responsible entity's fees and other transactions

Management Fees

For the year ended 30 June 2008, all expenses in connection with the preparation of accounting records and the maintenance of the register have been fully borne by Multiplex Property Fund (MPF) in accordance with the Product Disclosure Statement dated 31 March 2007. As such, no management fees have been paid to the Responsible Entity from assets of the Consolidated Entity.

Related party unitholders

ANZ Nominees Limited, custodian of Multiplex Acumen Property Fund (ARSN 104 341 988) holds all of the ordinary units of the Fund.

Unitholdings in other related parties

JP Morgan Nominees Australia Limited, as custodian for Brookfield Multiplex Capital Management Limited, as responsible entity for Multiplex Property Income Fund holds an investment in Multiplex New Zealand Property Fund (ARSN 110 281 055) of 1,325,635 units or 0.61% of the fund (2007: 1,325,635 units or 0.61% of the fund).

Notes to the Financial Statements continued

Multiplex Property Income Fund

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For the year ended 30 June 2008

15 Related parties continued

Transactions with related parties

	Consolidated		Fund	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Transactions with Multiplex Acumen Property Fund				
Distributions paid	3,318	1,161	3,318	1,161
Amounts receivable	37	-	37	-
Amounts payable	1,332	1,161	1,332	1,161
Transactions with subsidiaries				
Distribution income	-	-	5,363	1,413
Intercompany loans receivable	-	-	1,018	1,413
Investments	-	-	63,821	36,076
Transactions with related parties of the Responsible Entity				
Distribution income	126	31	-	-
Distributions receivable	31	31	-	-
Investments in related parties (at fair value) - Multiplex New Zealand Property Fund	1,591	1,870	-	-

16 Contingent liabilities and assets

No contingent liabilities or assets existed at 30 June 2008 or 30 June 2007.

17 Capital commitments

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

18 Events subsequent to reporting date

Subsequent to the reporting date, the fair value of the Fund's and 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 \$7,942,000, which represents a change of \$1,184,000. 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 \$1,184,000.

Other than the matter discussed above, there were no other matters or circumstances, which have arisen since the end of the financial period 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.

Director's Declaration

Multiplex Property Income Fund

For the year ended 30 June 2008

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

- a The consolidated financial statements and notes, set out in pages 10 to 32 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 period 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 Consolidated Entity will be able to pay its debts as and when they become due and payable.

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 Property Income Fund

Report on the financial report

We have audited the accompanying financial report of Multiplex Property Income Fund (the "Fund") and the financial report of the Consolidated Entity, being the Fund and its controlled entities (the "Fund and the Consolidated Entity"), 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 18 and the directors' declaration.

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 Fund and the Consolidated 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 Fund and the Consolidated 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.

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

Independence

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

Auditor's opinion

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

- (i) giving a true and fair view of the financial position of the Fund and the Consolidated Entity as at 30 June 2008 and of their performance for the ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

KPMG

Tanya Gilerman
Partner

Sydney, NSW
27 August 2008