

Multiplex Property Income Fund  
Financial report  
For the year ended  
30 June 2010

# Multiplex Property Income Fund

ARSN 117 674 049

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# Directory

## Multiplex Property Income Fund

For the year ended 30 June 2010

### **Responsible Entity**

Brookfield Multiplex Capital Management Limited  
Level 22, 135 King Street  
Sydney NSW 2000  
Telephone: +61 2 9322 2000  
Facsimile: +61 2 9322 2001

### **Directors of Brookfield Multiplex Capital Management Limited**

F. Allan McDonald  
Brian Motteram  
Barbara Ward  
Tim Harris  
Russell Prutt

### **Company Secretary of Brookfield Multiplex Capital Management Limited**

Neil Olofsson

### **Registered Office**

Level 22, 135 King Street  
Sydney NSW 2000  
Telephone: +61 2 9322 2000  
Facsimile: +61 2 9322 2001

### **Custodian**

JP Morgan Nominees Australia Limited  
Level 35, Suncorp Building  
259 George Street  
Sydney NSW 2000  
Telephone: +61 2 9256 5000  
Facsimile: +61 2 9256 4111

### **Location of Share Registry**

Registries (Victoria) Pty Limited  
Level 7, 207 Kent Street  
Sydney NSW 2000  
Telephone: +61 2 9290 9600  
Facsimile: +61 2 9279 0664

### **Auditor**

Deloitte Touche Tohmatsu  
Grosvenor Place, 225 George Street  
Sydney NSW 2000  
Telephone: +61 2 9322 7000  
Fax: +61 2 9322 7001

# Directors' Report

## Multiplex Property Income Fund

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For the year ended 30 June 2010

### Introduction

The Directors of Brookfield Multiplex Capital Management Limited (ABN 32 094 936 866), the Responsible Entity of Multiplex Property Income Fund (ARSN 104 341 988) (MPIF or Fund), present their report together with the financial statements of the Consolidated Entity, being the Fund and its subsidiaries (together referred to as the Consolidated Entity), for the year ended 30 June 2010 and the Independent Auditor's Report thereon. The Fund was constituted on 8 March 2007.

### Responsible Entity

The Responsible Entity of the Fund is Brookfield Multiplex Capital Management Limited (BMCML). The registered office and principal place of business of the Responsible Entity and the Fund is Level 22, 135 King Street, Sydney NSW 2000.

### Directors

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

Name	Capacity
F. Allan McDonald (appointed 1 January 2010)	Non-Executive Independent Chairman
Brian Motteram (appointed 21 February 2007)	Non-Executive Independent Director
Barbara Ward (appointed 1 January 2010)	Non-Executive Independent Director
Tim Harris (appointed 17 March 2010)	Executive Director
Russell Proutt (appointed 1 January 2010)	Executive Director
Peter Morris (appointed 14 April 2004 – resigned 1 January 2010)	Non-Executive Independent Chairman
Robert McCuaig (appointed 31 March 2004 – resigned 1 January 2010)	Non-Executive Independent Director
Brian Kingston (appointed 27 August 2008 – resigned 17 March 2010)	Executive Director
Mark Wilson (appointed 27 August 2008 – resigned 1 January 2010)	Executive Director

### Information on Directors

#### F. Allan McDonald (BEcon, FCPA, FAIM, FCIS), Non-Executive Independent Chairman

Allan was appointed the Non-Executive Independent Chairman of Brookfield Multiplex Capital Management Limited on 1 January 2010 and also performs that role for Brookfield Multiplex Funds Management Limited (BMFML). Allan has had extensive experience in the role of Chairman and is presently associated with a number of companies as a consultant and Company Director. BMCML is also the Responsible Entity for the following listed funds; Multiplex Prime Property Fund (MAFCB), Multiplex European Property Fund (MUE) and Multiplex Acumen Property Fund (MPF). BMFML is the Responsible Entity for listed Multiplex SITES Trust. Allan's other directorships of listed entities are Astro Japan Property Management Limited (responsible entity of Astro Japan Property Trust) (appointed November 2004), Billabong International Limited (appointed July 2000), and Ross Human Directions Limited (appointed April 2000). During the past 3 years, Allan has also served as a director of the following listed company: Multiplex Limited (December 2003 to October 2007 – delisted December 2007). Age 70.

#### Brian Motteram (BBus, CA), Non-Executive Independent Director

Brian has in excess of 40 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 19 years in private enterprise in both the mining and property industries. He spent 8 years (from 1996 to 2004) as an executive of a Perth-based property company in the position of Chief Financial Officer and, later, as Financial Director. BMCML is also the Responsible Entity for the following listed funds; MAFCB, MUE and MPF. Brian is a fully qualified Chartered Accountant having trained with KPMG and Deloitte. Age 57.

#### Barbara Ward (BEcon, MPolEcon, MAICD), Non-Executive Independent Director

Barbara was appointed as a Non-Executive Independent Director of Brookfield Multiplex Capital Management Limited on 1 January 2010 and also performs that role for Brookfield Multiplex Funds Management Limited. Barbara has gained extensive business and finance experience through her role as Chief Executive Officer of Ansett Worldwide Aviation Services, as General Manager Finance for the TNT Group and as a Senior Ministerial Advisor. BMCML is also the Responsible Entity for the following listed funds; MAFCB, MUE and MPF. BMFML is the Responsible Entity for listed Multiplex SITES Trust. Barbara is Chairman of Country Energy, and a Director of Qantas Airways Limited (appointed June 2008). During the past 3 years Ms Ward has also served as a Director of Multiplex Limited (December 2003 to October 2007 – delisted December 2007), Lion Nathan Limited (February 2003 to October 2009 and Allco Finance Group Limited (April 2005 to January 2008)). Age 56.

# Directors' Report continued

## Multiplex Property Income Fund

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For the year ended 30 June 2010

### Information on Directors *continued*

#### Tim Harris (BA (Hons.), ACA), Executive Director

Tim Harris is the Chief Financial Officer of Brookfield Multiplex Group and was appointed as an Executive Director of Brookfield Multiplex Capital Management Limited on 17 March 2010 and also performs that role for debt listed companies Brookfield Secured Bonds Series A Limited (BSBSA) and Brookfield Secured Bonds Series B Limited (BSBSB) (both appointed March 2010). BMCML is also the Responsible Entity for the following listed funds; MAFCB, MUE and MPF. Tim joined the organisation in February 2009, prior to which he held various senior finance positions with the Westfield Group. Tim has also worked for Lion Nathan Australia, Southcorp Wines and The Walt Disney Company in London. Tim is a fully qualified Chartered Accountant having trained with Ernst & Young in London. Age 39.

#### Russell Proutt (BComm, CA, CBV), Executive Director

Russell Proutt is the Chief Financial Officer of Brookfield Australia and was appointed as an Executive Director of Brookfield Multiplex Capital Management Limited on 1 January 2010 and also performs that role for BMFML (appointed 17/03/10) and for debt listed companies BSBSA Issuer Limited (appointed 30/04/09) and BSBSB Issuer Limited (appointed 02/09/09). BMCML is also the Responsible Entity for the following listed funds; MAFCB, MUE and MPF. Russell joined Brookfield Asset Management Inc., the parent company of Brookfield Multiplex Capital Management Limited, in 2006 and has held various senior management positions within Brookfield, including managing the Bridge Lending Fund, mergers and acquisitions involving subsidiaries as well as transactions involving Brookfield's restructuring fund, Tricap Partners. Age 42.

### Information on Company Secretary

#### Neil Olofsson

Neil has over 14 years international company secretarial experience including having worked at KPMG, Clifford Chance and Schroder Investment Management prior to joining Brookfield Multiplex Group Company Secretariat.

### 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:

Director	Multiplex Property Income Fund units held
F. Allan McDonald	–
Brian Motteram	–
Barbara Ward	–
Tim Harris	–
Russell Proutt	–

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

### Directors' meetings

Director	Board Meetings		Audit Committee Meetings		Board Risk and Compliance Committee Meetings <sup>1</sup>	
	A	B	A	B	A	B
F. Allan McDonald	4	4	1	1	1	1
Brian Motteram	8	9	2	2	1	1
Barbara Ward	4	4	1	1	1	1
Tim Harris	1	2	n/a	n/a	n/a	n/a
Russell Proutt	4	4	n/a	n/a	n/a	n/a
Peter Morris	5	5	1	1	n/a	n/a
Robert McCuaig	5	5	1	1	n/a	n/a
Mark Wilson	5	5	n/a	n/a	n/a	n/a
Brian Kingston	6	7	n/a	n/a	n/a	n/a

A – Number of meetings attended.

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

<sup>1</sup> – Board Risk and Compliance Committee Meetings were established from January 2010. Compliance and Risk Committee Meetings were held prior to January 2010, as a committee comprising a majority of external members, when it was disbanded.

### Committee meetings

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

### 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 year end.

# Directors' Report continued

## Multiplex Property Income Fund

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For the year ended 30 June 2010

### Review of operations

The Consolidated Entity has recorded a net loss of \$6,219,000 for the year ended 30 June 2010 (2009: net loss \$23,816,000). The reported net loss of \$6,219,000 includes \$8,062,000 in impairment losses on the Consolidated Entity's listed and unlisted property securities portfolio. Some of the significant events during the year are as follows:

- total revenue and other income of \$1,843,000 (2009: \$3,127,000);
- net loss attributable to unitholders totalled \$6,219,000 (2009: net loss of \$23,816,000);
- distributions to income unitholders of \$1,659,000 and distributions per unit (DPU) of 3.14 cents (2009: \$3,664,000 and 5.63 cents);
- net assets of \$39,246,000 (2009: \$45,191,000);
- A-REIT portfolio value of \$1,838,000 (2009: \$1,437,000);
- unlisted security portfolio value of \$33,621,000 (2009: \$41,851,000);
- net tangible assets (NTA) per income unit of \$0.74 (2009: \$0.86);
- NTA per ordinary unit of nil (2009: nil);
- the Consolidated Entity received a total consideration of \$1,043,000 for the wind up of Northgate Property Trust; and
- the Consolidated Entity participated in the liquidity facility offered to unitholders of Multiplex New Zealand Property Fund (MNZPF), redeeming 9.35% of its investment. Total consideration received was \$89,000.

The Fund and Consolidated Entity have 52,791,450 income units on issue at the reporting date. Under the terms of the Fund's Product Disclosure Statement, income unitholders have a targeted monthly priority distribution payment (PDP), which is calculated with reference to a margin of 2.5% per annum above the distribution yield on the S&P/ASX 200 Property Trust Index (with a minimum distribution of 7.5% per annum and a maximum of 8.5% per annum).

In circumstances where the Fund and Consolidated Entity do not meet the PDP to its income unitholders, Multiplex Acumen Property Fund (MPF), the Fund's and Consolidated Entity's ordinary unitholder, will be prevented from making distributions to its unitholders unless the shortfall has been met.

As the Fund and Consolidated Entity distributed less than the PDP for the year ended 30 June 2010, MPF is prevented from making a distribution to its unitholders. This distribution stopper will remain in place until any shortfall in the PDP for the preceding twelve months is, or has been, paid to income unitholders of the Fund. As at 30 June 2010, the shortfall totals \$2,822,000.

The issue and redemption price of income units is \$1.00 per unit and is not determined by reference to the value of the Fund's and Consolidated Entity's assets. In practical terms, any increase in value above \$1.00 will accrue to the ordinary unitholder as will any decrease in value, unless the value falls below the amount contributed by income unitholders. At 30 June 2010, the value of the Fund's assets is below the value contributed by income unitholders by \$13,714,000. At 30 June 2010 and at the date of this report, the Fund remains closed to new applications and redemptions.

### Investment in unlisted property securities

The Consolidated Entity invests directly in 28 unlisted property securities funds. Due to a lack of liquidity in the underlying investment portfolios, 5 have suspended redemptions, 17 have always been closed to redemptions due to the investment structure as outlined in their original constitutions, 3 investments were listed on the Australian Stock Exchange but are now deemed insolvent and 3 have limited liquidity features, meaning that the Consolidated Entity, should it want to, has limited ability to realise these investments due to limited or no redemption options available through these structures. Unit prices have continued to be provided by the respective managers on either a monthly or quarterly basis.

Consistent with 30 June 2009, the Consolidated Entity has valued its investments in each of the underlying unlisted property securities funds based on the net asset value provided as at 30 June 2010, or where this has not been provided, the latest available net asset value. In circumstances where the latest available net asset value has not been obtained, an assessment of the appropriateness of the value has been made based on knowledge of valuation and transactional movements in the underlying investment's structure as compared to similar portfolios. As the Fund and Consolidated Entity are not seeking to sell their assets in the near term, an additional discount would not normally be applied. However further consideration was then given to each net asset value in the current environment to determine whether an additional discount should be applied by assessing other prevailing market evidence, including transactional evidence and an assessment of the ability of the underlying investments to continue as a going concern. This analysis included application of discounts to unaudited net asset values where the funds' underlying property investments were all located in Europe.

Although the Directors of the Responsible Entity consider this value to represent fair value as at the reporting date, uncertainty exists as to the likely unit price of each of the unlisted property securities funds when these funds re-commence acceptance of redemptions.

# Directors' Report continued

## Multiplex Property Income Fund

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For the year ended 30 June 2010

### **Interests of the Responsible Entity**

#### **Management Fees**

For the year ended 30 June 2010, all expenses in relation to the management of the Consolidated Entity have been fully borne by 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 (2009: nil).

#### **Related party unitholders**

ANZ Nominees Limited, as custodian of MPF, 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 Consolidated Entity that occurred during the financial year other than those disclosed in this report or in the financial statements.

### **Events subsequent to reporting date**

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 enquiries made, the Responsible Entity is not aware of any significant breaches or non-compliance issues during the period covered by this report.

# Directors' Report continued

## Multiplex Property Income Fund

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For the year ended 30 June 2010

### Distributions

Distributions paid/payable to unitholders were as follows:

	Cents per unit	Total amount \$'000	Date of payment
<b>Income Units</b>			
June 2010 distribution	0.53152	281	19 July 2010
May 2010 distribution	0.31336	165	18 June 2010
April 2010 distribution	0.22378	118	20 May 2010
March 2010 distribution	0.41046	217	20 April 2010
February 2010 distribution	0.38648	204	19 March 2010
January 2010 distribution	0.57667	304	19 February 2010
November 2009 distribution	0.34522	182	21 December 2009
September 2009 distribution	0.35521	188	22 October 2009
<b>Total distribution to income unitholders for the year ended 30 June 2010</b>	<b>3.14270</b>	<b>1,659</b>	
<b>Ordinary units</b>			
Distributions for the year ended 30 June 2010	-	-	
<b>Total distribution to ordinary unitholders for the year ended 30 June 2010</b>	<b>-</b>	<b>-</b>	
<b>Income Units</b>			
May 2009 distribution	0.39366	250	22 June 2009
April 2009 distribution	0.13648	87	21 May 2009
March 2009 distribution	0.17831	113	23 April 2009
February 2009 distribution	0.38976	247	20 March 2009
January 2009 distribution	0.45464	289	20 February 2009
December 2008 distribution	0.52423	333	22 January 2009
November 2008 distribution	0.69672	450	17 December 2008
October 2008 distribution	0.71995	473	19 November 2008
September 2008 distribution	0.69672	465	20 October 2008
August 2008 distribution	0.71995	488	18 September 2008
July 2008 distribution	0.71995	469	19 August 2008
<b>Total distribution to income unitholders for the year ended 30 June 2009</b>	<b>5.63037</b>	<b>3,664</b>	
<b>Ordinary units</b>			
Distributions for the year ended 30 June 2009	-	-	
<b>Total distribution to ordinary unitholders for the year ended 30 June 2009</b>	<b>-</b>	<b>-</b>	

### Indemnification and insurance premiums

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

Neither the Fund nor any controlled entity has 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 or its officers, the Compliance Committee or auditors of the Fund. The insurance premiums are paid by the Responsible Entity.

### 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.



# Directors' Report continued Multiplex Property Income Fund

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For the year ended 30 June 2010

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

The auditor's independence declaration is set out on page 10 and forms part of the Directors' report for the year ended 30 June 2010.

Signed in accordance with a resolution of the Directors made pursuant to Section 298(2) of the *Corporations Act 2001*.

Dated at Sydney this 25th day of August 2010.



**Russell Proutt**

Director

Brookfield Multiplex Capital Management Limited

The Board of Directors  
Brookfield Multiplex Capital Management Limited  
(as Responsible Entity for Multiplex Property Income Fund)  
135 King Street  
SYDNEY, NSW 2000

25 August 2010

Dear Directors

## MULTIPLEX PROPERTY INCOME FUND

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Brookfield Multiplex Capital Management Limited as the Responsible Entity for Multiplex Property Income Fund.

As lead audit partner for the audit of the financial statements of Multiplex Property Income Fund for the year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

  
DELOITTE TOUCHE TOHMATSU



Helen Hamilton-James  
Partner  
Chartered Accountants

# Statement of Comprehensive Income

## Multiplex Property Income Fund

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For the year ended 30 June 2010

	Note	Consolidated	
		Year ended 30 June 2010 \$'000	Year ended 30 June 2009 \$'000
<b>Revenue and other income</b>			
Distribution income – listed and unlisted property trusts		1,489	2,556
Gain on disposal of listed and unlisted property trusts		235	–
Interest income		105	571
Other income		14	–
<b>Total revenue and other income</b>		<b>1,843</b>	<b>3,127</b>
<b>Expenses</b>			
Impairment expense		8,062	26,177
Loss on disposal of listed and unlisted property trusts		–	766
<b>Total expenses</b>		<b>8,062</b>	<b>26,943</b>
<b>Net loss for the year</b>		<b>(6,219)</b>	<b>(23,816)</b>
<b>Other comprehensive income</b>			
Changes in fair value of available for sale financial assets		1,933	(2,115)
<b>Other comprehensive income/(loss) for the year</b>		<b>1,933</b>	<b>(2,115)</b>
<b>Total comprehensive loss for the year</b>		<b>(4,286)</b>	<b>(25,931)</b>
Net profit/(loss) attributable to:			
Ordinary unitholders		–	(19,711)
Income unitholders		(6,219)	(4,105)
<b>Net loss for the year</b>		<b>(6,219)</b>	<b>(23,816)</b>
Total comprehensive income/(loss) attributable to:			
Ordinary unitholders		–	(21,826)
Income unitholders		(4,286)	(4,105)
<b>Total comprehensive loss for the year</b>		<b>(4,286)</b>	<b>(25,931)</b>

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

# Statement of Financial Position

## Multiplex Property Income Fund

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As at 30 June 2010

	Note	Consolidated 2010 \$'000	2009 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		3,590	1,221
Trade and other receivables	7	478	696
<b>Total current assets</b>		<b>4,068</b>	<b>1,917</b>
<b>Non-current assets</b>			
Investments – available for sale	8	35,459	43,288
<b>Total non-current assets</b>		<b>35,459</b>	<b>43,288</b>
<b>Total assets</b>		<b>39,527</b>	<b>45,205</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	10	–	14
Distribution payable	6	281	–
<b>Total current liabilities</b>		<b>281</b>	<b>14</b>
<b>Total non-current liabilities</b>		<b>–</b>	<b>–</b>
<b>Total liabilities</b>		<b>281</b>	<b>14</b>
<b>Net assets</b>		<b>39,246</b>	<b>45,191</b>
<b>Equity</b>			
Units on issue – Ordinary units	11	30,076	30,076
Units on issue – Income units	11	52,960	52,960
Reserves	12	1,933	–
Undistributed losses	13	(45,723)	(37,845)
<b>Total equity</b>		<b>39,246</b>	<b>45,191</b>

The Statement of Financial Position should be read in conjunction with the Notes to the Financial Statements.

# Statement of Changes in Equity

## Multiplex Property Income Fund

For the year ended 30 June 2010

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	Attributable to Ordinary unitholders of the Fund				Attributable to Income unitholders of the Fund				Total equity \$'000
	Ordinary units \$'000	Undistributed profits/(losses) \$'000	Reserves \$'000	Total \$'000	Income units \$'000	Undistributed profits/(losses) \$'000	Reserves \$'000	Total \$'000	
<b>Consolidated entity</b>									
<b>Opening equity - 1 July 2009</b>	<b>30,076</b>	<b>(30,076)</b>	<b>-</b>	<b>-</b>	<b>52,960</b>	<b>(7,769)</b>	<b>-</b>	<b>45,191</b>	<b>45,191</b>
Changes in fair value of available for sale financial assets	-	-	-	-	-	-	1,933	1,933	1,933
<b>Other comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,933</b>	<b>1,933</b>	<b>1,933</b>
Net loss for the year	-	-	-	-	-	(6,219)	-	(6,219)	(6,219)
<b>Total comprehensive (loss)/income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,219)</b>	<b>1,933</b>	<b>(4,286)</b>	<b>(4,286)</b>
<b>Transactions with unitholders in their capacity as unitholders:</b>									
Distributions paid/payable	-	-	-	-	-	(1,659)	-	(1,659)	(1,659)
<b>Total transactions with unitholders in their capacity as unitholders</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,659)</b>	<b>-</b>	<b>(1,659)</b>	<b>(1,659)</b>
<b>Closing equity - 30 June 2010</b>	<b>30,076</b>	<b>(30,076)</b>	<b>-</b>	<b>-</b>	<b>52,960</b>	<b>(15,647)</b>	<b>1,933</b>	<b>39,246</b>	<b>39,246</b>

# Statement of Changes in Equity continued

## Multiplex Property Income Fund

For the year ended 30 June 2010

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	Attributable to Ordinary unitholders of the Fund				Attributable to Income unitholders of the Fund				Total equity \$'000
	Ordinary units \$'000	Undistributed profits/(losses) \$'000	Reserves \$'000	Total \$'000	Income units \$'000	Undistributed profits/(losses) \$'000	Reserves \$'000	Total \$'000	
<b>Consolidated entity</b>									
<b>Opening equity - 1 July 2008</b>	<b>30,076</b>	<b>(10,365)</b>	<b>2,115</b>	<b>21,826</b>	<b>62,260</b>	<b>-</b>	<b>-</b>	<b>62,260</b>	<b>84,086</b>
Changes in fair value of available for sale financial assets	-	-	(2,115)	(2,115)	-	-	-	-	(2,115)
<b>Other comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>(2,115)</b>	<b>(2,115)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,115)</b>
Net loss for the year	-	(19,711)	-	(19,711)	-	(4,105)	-	(4,105)	(23,816)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>(19,711)</b>	<b>(2,115)</b>	<b>(21,826)</b>	<b>-</b>	<b>(4,105)</b>	<b>-</b>	<b>(4,105)</b>	<b>(25,931)</b>
<b>Transactions with unitholders in their capacity as unitholders:</b>									
Units issued	-	-	-	-	8,934	-	-	8,934	8,934
Units redeemed	-	-	-	-	(18,234)	-	-	(18,234)	(18,234)
Distributions paid/payable	-	-	-	-	-	(3,664)	-	(3,664)	(3,664)
<b>Total transactions with unitholders in their capacity as unitholders</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(9,300)</b>	<b>(3,664)</b>	<b>-</b>	<b>(12,964)</b>	<b>(12,964)</b>
<b>Closing equity - 30 June 2009</b>	<b>30,076</b>	<b>(30,076)</b>	<b>-</b>	<b>-</b>	<b>52,960</b>	<b>(7,769)</b>	<b>-</b>	<b>45,191</b>	<b>45,191</b>

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

# Statement of Cash Flows

## Multiplex Property Income Fund

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For the year ended 30 June 2010

	Note	Consolidated Year ended 30 June 2010 \$'000	Year ended 30 June 2009 \$'000
<b>Cash flows from operating activities</b>			
Cash receipts in the course of operations		1,743	3,917
Cash payments in the course of operations		–	–
Interest received		106	604
<b>Net cash flows from operating activities</b>	15	<b>1,849</b>	4,521
<b>Cash flows from investing activities</b>			
Payments for investments		(236)	(239)
Proceeds from disposal of investments		2,134	2,461
<b>Net cash flows from investing activities</b>		<b>1,898</b>	2,222
<b>Cash flows from financing activities</b>			
Proceeds from issues of income units		–	8,771
Redemption of income units		–	(18,234)
Distributions paid to unitholders		(1,378)	(5,271)
<b>Net cash flows used in financing activities</b>		<b>(1,378)</b>	(14,734)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>2,369</b>	(7,991)
Cash and cash equivalents at beginning of the year		1,221	9,212
<b>Cash and cash equivalents at 30 June</b>		<b>3,590</b>	1,221

The Statement of Cash Flows 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 2010

### 1 Reporting entity

Multiplex Property Income Fund (Fund) is an Australian registered managed investment scheme under the *Corporations Act 2001*. Brookfield Multiplex Capital Management Limited (BMCML), 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 2010 comprise the Fund and its subsidiaries (together referred to as the Consolidated Entity).

### 2 Basis of preparation

#### a Statement of compliance

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASB) (including Australian interpretations) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The financial reports of the Consolidated Entity and the Fund (financial statements) comply with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Boards (IASB).

The financial statements were authorised for issue by the directors on this 25th day of August 2010.

#### b Basis of measurement

The consolidated financial statements have been prepared on the basis of historical cost, except for 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 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.

#### c Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount 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 significant effect on amounts recognised in the financial statements is provided in available for sale financial assets (Note 3h) and investments – available for sale (Note 8).

#### d Financial statement presentation

The Consolidated Entity and Fund have applied the revised AASB 101 *Presentation of Financial Statements*, which became effective on 1 January 2009. The revised standard requires the separate presentation of a Statement of Comprehensive Income and a Statement of Changes in Equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the Consolidated Entity and Fund had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

Previous primary statement:	Current primary statement:
Income Statement	Statement of Comprehensive Income
Balance Sheet	Statement of Financial Position
Statement of Changes in Equity	Statement of Changes in Equity
Cash Flow Statement	Statement of Cash Flows



# Notes to the Financial Statements continued

## Multiplex Property Income Fund

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For the year ended 30 June 2010

### 3 Significant accounting policies

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

#### a Principles of consolidation

##### Subsidiaries

The consolidated financial statements incorporate the financial statements of the Fund and its subsidiaries. Control is achieved where the Fund has the power to govern the financial and operational policies of an entity so as to obtain benefits from its activities.

The results of the subsidiaries acquired or disposed of during the year are included in the consolidated Statement of Comprehensive Income 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 (common control transactions) are generally accounted for by reference to the existing carrying value of the items. Where the transaction value of common control transactions differs from their 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 less impairment, if applicable.

Non-controlling interests in subsidiaries are identified separately from the Consolidated Entity's equity therein. The interests of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Consolidated Entity's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Consolidated Entity's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to unitholders.

When the Consolidated Entity loses control of a subsidiary, the gain or loss on disposal is calculated as the difference between the aggregate of the fair value of the consideration received and the fair value of any retained interest and the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

#### 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, which is generally when they have been declared.

##### Interest revenue

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

# Notes to the Financial Statements continued

## Multiplex Property Income Fund

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For the year ended 30 June 2010

### **3 Significant accounting policies** continued

#### **b Revenue recognition** continued

##### **Gains and losses 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 Statement of Financial Position, except for impairment losses, which are recognised directly in the Statement of Comprehensive Income. Where these investments are derecognised, the cumulative gain or loss previously recognised directly in equity in the Statement of Financial Position is recognised in the Statement of Comprehensive Income.

#### **c Expense recognition**

##### **Management Fees**

All expenses in connection with management of the Consolidated Entity have been fully borne by Multiplex Acumen 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**

Expenses are recognised by the Consolidated Entity on an accruals basis.

#### **d Goods and services tax (GST)**

Revenues, expenses and assets are recognised net of the amount of 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 Statement of Financial Position.

Cash flows are included in Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

#### **e Income tax – funds**

Under current income tax legislation, the Consolidated Entity is not liable for Australian income tax provided that the taxable income is fully distributed to unitholders each year. 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 buildings, plant and equipment are distributed to unitholders in the form of a tax deferred component of the distributions.

#### **f Cash and cash equivalents**

For purposes of presentation in the Statement of Cash Flows, cash includes cash balances, deposits at call with financial institutions and other highly liquid investments with short periods to maturity which are readily convertible to cash 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. Non-current receivables are measured at amortised cost using the effective interest rate method.

#### **h Available for sale financial assets**

Listed and unlisted 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 the Statement of Comprehensive Income. Where listed and unlisted investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in the Statement of Comprehensive Income.

#### **i Non-derivative financial instruments**

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

# Notes to the Financial Statements continued

## Multiplex Property Income Fund

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For the year ended 30 June 2010

### 3 Significant accounting policies continued

#### i Non-derivative financial instruments continued

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, trade and other receivables and trade and other payables are discussed elsewhere within the financial statements.

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

#### j 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.

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 the Statement of Comprehensive Income. Any cumulative loss in respect of an available for sale financial asset recognised previously in equity is transferred to the Statement of Comprehensive Income.

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 the Statement of Comprehensive Income. 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 is 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.

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.

#### k Trade and other payables

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.

#### l Distributions

A provision for distribution is recognised in the Statement of Financial Position if the distribution has been declared prior to balance date. Distributions paid and payable on units are recognised as a reduction in equity. Distributions paid are included in cash flows from financing activities in the Statement of Cash Flows.

#### m Units on issue

Issued and paid up units are recognised as changes in equity at the fair value of the consideration received by the Consolidated Entity, less any incremental costs directly attributable to the issue of new units.

#### 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 entity in the period of initial application. They are available for early adoption at 30 June 2010 but have not been applied in preparing this financial report:

AASB 9 *Financial Instruments* and AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* (effective from 1 January 2013).

# Notes to the Financial Statements continued

## Multiplex Property Income Fund

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For the year ended 30 June 2010

### 3 Significant accounting policies continued

#### n New standards and interpretations not yet adopted continued

AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not traded. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in the profit or loss of the Statement of Comprehensive Income. The Consolidated Entity has not yet decided when to adopt AASB 9 or the consequential impact of the amendment.

AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 and 139]*

In May 2009 the AASB issued a number of improvements to AASB 5 Non-current Assets Held for Sale and Discontinued Operations, AASB 8 Operating Segments, AASB 101 Presentation of Financial Statements, AASB 107 Statement of Cash Flows, AASB 117 Leases, AASB 118 Revenue, AASB 136 Impairment of Assets and AASB 139 Financial Instruments: Recognition and Measurement. The Consolidated Entity will apply the revised Standards from 1 July 2010. The Consolidated Entity does not expect that any adjustments will be necessary as a result of applying the revised rules.

### 4 Parent entity disclosures

	Fund	
	2010 \$'000	2009 \$'000
<b>Assets</b>		
Current assets	3,969	1,325
Non-current assets	35,839	45,011
<b>Total assets</b>	<b>39,808</b>	<b>46,336</b>
<b>Liabilities</b>		
Current liabilities	3,675	1,145
Non-current liabilities	–	–
<b>Total liabilities</b>	<b>3,675</b>	<b>1,145</b>
<b>Equity</b>		
Units on issue – Ordinary units	30,076	30,076
Units on issue – Income units	52,960	52,960
Reserves	339	–
Undistributed losses	(47,242)	(37,845)
<b>Total equity</b>	<b>36,133</b>	<b>45,191</b>

	Fund	
	Year ended 30 June 2010 \$'000	Year ended 30 June 2009 \$'000
Net loss for the year	(7,738)	(23,816)
Other comprehensive income for the year	339	–
<b>Total comprehensive loss for the year</b>	<b>(7,399)</b>	<b>(23,816)</b>

### 5 Auditor's remuneration

All auditor's remuneration costs incurred in relation to the Consolidated Entity are borne by MPF. A summary of fees incurred by MPF on behalf of the Consolidated Entity is provided below. Fees paid to the auditors of the Fund and Consolidated Entity in relation to compliance plan audits are borne by the Responsible Entity.

	Consolidated	
	2010 \$	2009 \$
<b>Auditors of the Fund:</b>		
Audit and review of the financial report	30,000	68,800
Non-audit services	–	5,200
<b>Total auditor's remuneration</b>	<b>30,000</b>	<b>74,000</b>

During the year, the auditor of the Consolidated Entity and Fund changed from KPMG to Deloitte Touche Tohmatsu (Deloitte).

# Notes to the Financial Statements continued

## Multiplex Property Income Fund

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For the year ended 30 June 2010

<b>6 Distributions</b>	Cents per unit	Total amount \$'000	Date of payment
<b>Income units</b>			
June 2010 distribution	0.53152	281	19 July 2010
May 2010 distribution	0.31336	165	18 June 2010
April 2010 distribution	0.22378	118	20 May 2010
March 2010 distribution	0.41046	217	20 April 2010
February 2010 distribution	0.38648	204	19 March 2010
January 2010 distribution	0.57667	304	19 February 2010
November 2009 distribution	0.34522	182	21 December 2009
September 2009 distribution	0.35521	188	22 October 2009
<b>Total distribution to income unitholders for the year ended 30 June 2010</b>	<b>3.14270</b>	<b>1,659</b>	
<b>Ordinary units</b>			
Distributions for the year ended 30 June 2010	–	–	
<b>Total distribution to ordinary unitholders for the year ended 30 June 2010</b>	<b>–</b>	<b>–</b>	
<b>Income units</b>			
May 2009 distribution	0.39366	250	22 June 2009
April 2009 distribution	0.13648	87	21 May 2009
March 2009 distribution	0.17831	113	23 April 2009
February 2009 distribution	0.38976	247	20 March 2009
January 2009 distribution	0.45464	289	20 February 2009
December 2008 distribution	0.52423	333	22 January 2009
November 2008 distribution	0.69672	450	17 December 2008
October 2008 distribution	0.71995	473	19 November 2008
September 2008 distribution	0.69672	465	20 October 2008
August 2008 distribution	0.71995	488	18 September 2008
July 2008 distribution	0.71995	469	19 August 2008
<b>Total distribution to income unitholders for the year ended 30 June 2009</b>	<b>5.63037</b>	<b>3,664</b>	
<b>Ordinary units</b>			
Distributions for the year ended 30 June 2009	–	–	
<b>Total distribution to ordinary unitholders for the year ended 30 June 2009</b>	<b>–</b>	<b>–</b>	
		Consolidated 2010 \$'000	2009 \$'000
<b>7 Trade and other receivables</b>			
<b>Current</b>			
Distributions receivable – listed and unlisted property trusts		418	636
Interest receivable		12	12
Other receivables		48	48
<b>Total trade and other receivables</b>		<b>478</b>	<b>696</b>

# Notes to the Financial Statements continued

## Multiplex Property Income Fund

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For the year ended 30 June 2010

<b>8 Investments – available for sale</b>	<b>Consolidated</b> 2010 \$'000	2009 \$'000
<b>Listed investments</b>		
Listed investments at cost	4,944	4,874
Fair value adjustments	339	–
Impairment	(3,445)	(3,437)
<b>Total listed investments</b>	<b>1,838</b>	<b>1,437</b>
<b>Unlisted investments</b>		
Unlisted investments at cost	58,632	62,081
Fair value adjustments	1,594	–
Impairment	(26,605)	(20,230)
<b>Total unlisted investments</b>	<b>33,621</b>	<b>41,851</b>
<b>Total investments</b>	<b>35,459</b>	<b>43,288</b>

Reconciliation of the carrying amount of impairment is set out below:

	<b>Consolidated</b> Year ended 30 June 2010 \$'000	Year ended 30 June 2009 \$'000
<b>Investments – available for sale (listed property trusts)</b>		
Carrying amount at beginning of the year	(3,437)	(10,365)
Reduction of impairment balance due to disposal of investments	–	12,858
Impairment recognised in the current year	(8)	(5,930)
<b>Carrying amount at year end</b>	<b>(3,445)</b>	<b>(3,437)</b>
<b>Investments – available for sale (unlisted property trusts)</b>		
Carrying amount at beginning of the year	(20,230)	–
Reduction of impairment balance due to disposal of investments	1,679	17
Impairment recognised in the current year	(8,054)	(20,247)
<b>Carrying amount at year end</b>	<b>(26,605)</b>	<b>(20,230)</b>

Reconciliation of the impairment expense is set out below:

	<b>Consolidated</b> 2010 \$'000	2009 \$'000
<b>Investments – available for sale</b>		
Impairment recognised – listed property trusts	(8)	(5,930)
Impairment recognised – unlisted property trusts	(8,054)	(20,247)
<b>Investments – controlled entities</b>		
Impairment recognised – investment in controlled entities	–	–
<b>Impairment expense recognised in the Statement of Comprehensive Income</b>	<b>(8,062)</b>	<b>(26,177)</b>

### Impairment expense

During the year, the Consolidated Entity recognised an impairment loss in accordance with accounting standards of \$8,062,000 in relation to its available for sale investments (2009: \$26,177,000).

The impairment loss recognised during the period in relation to available for sale investments represents the difference between the cost of the investments and their market value as at 30 June 2010, less any previously recorded impairment losses.

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 and unlisted property trust portfolio is impaired. This determination has arisen due to the significant and prolonged decline in value of listed and unlisted property trusts during the year, their further subsequent decline in value after year end and market conditions within the property sector generally.

# Notes to the Financial Statements continued

## Multiplex Property Income Fund

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For the year ended 30 June 2010

### 8 Investments – available for sale continued

#### Investment in unlisted property securities

The Consolidated Entity invests directly in 28 unlisted property securities funds. Due to a lack of liquidity in the underlying investment portfolios, 5 have suspended redemptions, 17 have always been closed to redemptions due to the investment structure as outlined in their original constitutions, 3 investments were listed on the Australian Stock Exchange but are now deemed insolvent and 3 have limited liquidity features, meaning that the Consolidated Entity, should it want to, has limited ability to realise these investments due to limited or no redemption options available through these structures. Unit prices have continued to be provided by the respective managers on either a monthly or quarterly basis.

Consistent with 30 June 2009, the Consolidated Entity has valued its investments in each of the underlying unlisted property securities funds based on the net asset value provided as at 30 June 2010, or where this has not been provided, the latest available net asset value. In circumstances where the latest available net asset value has not been obtained, an assessment of the appropriateness of the value has been made based on knowledge of valuation and transactional movements in the underlying investment's structure as compared to similar portfolios. As the Consolidated Entity is not seeking to sell its assets in the near term, an additional discount would not normally be applied. However further consideration was then given to each net asset value in the current environment to determine whether an additional discount should be applied by assessing other prevailing market evidence, including transactional evidence and an assessment of the ability of the underlying investments to continue as a going concern. This analysis included application of discounts to unaudited net asset values where the funds' underlying property investments were all located in Europe.

Although the Directors of the Responsible Entity consider this value to represent fair value as at the reporting date, uncertainty exists as to the likely unit price of each of the unlisted property securities funds when these funds re-commence acceptance of redemptions.

#### Material investments

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

Consolidated	2010	2010	2009	2009
	Units	Ownership %	Units	Ownership %
<b>Unlisted managed investment schemes</b>				
APN Champion Retail Fund	11,000,000	19.7	11,000,000	19.7
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 - Kidman Park Investment Trust	645,872	9.0	645,872	9.0
Charter Hall Diversified Property Fund	4,783,316	6.3	4,783,316	6.3
Reed Property Trust	5,515,213	7.0	5,515,213	8.3
Rimcorp Property Trust No 3	750,000	9.3	750,000	9.3

	Fund		Fund	
	2010	2010	2009	2009
	Ownership %	\$'000	Ownership %	\$'000
<b>9 Investments in controlled entities</b>				
Multiplex Income UPT International Investments Trust	100	19,074	100	19,074
Provision for impairment		(12,985)		(8,130)
<b>Carrying amount – Multiplex Income UPT International Investments Trust</b>		<b>6,089</b>		<b>10,944</b>
Multiplex Income UPT Domestic Investments Trust	100	44,747	100	44,747
Provision for impairment		(16,835)		(12,117)
<b>Carrying amount – Multiplex Income UPT Domestic Investments Trust</b>		<b>27,912</b>		<b>32,630</b>
<b>Total investments in controlled entities</b>		<b>34,001</b>		<b>43,574</b>

A review of the carrying value of the investments in controlled entities at 30 June 2010 indicated that the investments in Multiplex Income UPT International Investments Trust and Multiplex Income UPT Domestic Investments Trust are impaired. Provisions of \$4,855,000 and \$4,718,000 respectively, were therefore recorded in the current year (2009: \$8,130,000 and \$12,117,000 respectively) to reflect the value of the investments at a value equivalent to the value of net assets attributable to the underlying subsidiary investments.



# Notes to the Financial Statements continued

## Multiplex Property Income Fund

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For the year ended 30 June 2010

	Consolidated 2010 \$'000	2009 \$'000
<b>10 Trade and other payables</b>		
Other payables	–	14
<b>Total trade and other payables</b>	<b>–</b>	<b>14</b>

	Year ended 30 June 2010 \$'000	Year ended 30 June 2010 units	Year ended 30 June 2009 \$'000	Year ended 30 June 2009 units
<b>11 Units on issue</b>				
<b>Ordinary units</b>				
Opening balance	30,076	30,075,871	30,076	30,075,871
<b>Closing balance – ordinary units</b>	<b>30,076</b>	<b>30,075,871</b>	<b>30,076</b>	<b>30,075,871</b>
<b>Income units</b>				
Opening balance	52,960	52,791,450	62,260	62,331,445
Units issued	–	–	8,934	8,687,012
Units redeemed	–	–	(18,234)	(18,227,007)
<b>Closing balance - income units</b>	<b>52,960</b>	<b>52,791,450</b>	<b>52,960</b>	<b>52,791,450</b>

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. Each ordinary unit represents a right to a share in the Fund's equity in excess of the value of the issued income units.

During the prior year, 162,669 income units at a value of \$162,669 were issued via the Distribution Reinvestment Plan (DRP), which was closed after the October 2008 DRP units were issued.

### 12 Reserves

	Consolidated Year ended 30 June 2010 \$'000	Year ended 30 June 2009 \$'000
<b>Available for sale reserve</b>		
Opening balance	–	2,115
Fair value movement in relation to unlisted investments	1,594	(22,362)
Fair value movement in relation to listed investments	339	(5,930)
Impairment recognised on available for sale assets	–	26,177
<b>Closing balance</b>	<b>1,933</b>	<b>–</b>

### 13 Undistributed losses

	Consolidated Year ended 30 June 2010 \$'000	Year ended 30 June 2009 \$'000
Opening balance	(37,845)	(10,365)
Net loss	(6,219)	(23,816)
Distributions to income unitholders	(1,659)	(3,664)
Distributions to ordinary unitholders	–	–
<b>Closing balance</b>	<b>(45,723)</b>	<b>(37,845)</b>

### 14 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.

Throughout the year, in assessing the size and frequency of any distributions, the capacity of the Consolidated Entity to accept redemption requests or to accept new applications for units, the Responsible Entity considers all of the risk factors disclosed below. This includes considering the liquid/illiquid nature of any assets or investments made by the Consolidated Entity.



# Notes to the Financial Statements continued

## Multiplex Property Income Fund

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For the year ended 30 June 2010

### 14 Financial instruments continued

#### Significant accounting policies continued

On 17 December 2008, the Responsible Entity of the Fund resolved to temporarily close the Fund to new applications and redemptions. At the year end date, the Fund remains temporarily closed to new applications and redemptions.

#### a Capital risk management

The Board's intention is to maintain a capital base that supports investor confidence and the sustainable future development of the Consolidated Entity. The Board monitors the net tangible assets (NTA) of the Consolidated Entity, along with earnings per unit invested and distributions paid per unit.

As per the Consolidated Entity'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 Consolidated Entity.

#### b Financial risk management

##### Overview

The Consolidated Entity is exposed to financial risks in the course of their operations. These exposures arise at two levels, direct exposures, which arise from the Consolidated Entity's use of financial instruments and indirect exposures, which arise from the Consolidated Entity's equity investments in other funds (Underlying Funds), and can be summarised as follows:

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

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 Consolidated Entity earns from these investments and the investment values.

The Responsible Entity has responsibility for the establishment and monitoring of a risk management framework. This framework seeks to minimise the potential adverse impact of the above risks on the Consolidated Entity's financial performance. The Board of the Responsible Entity is responsible for developing risk management policies and the Board Risk and Compliance Committee (which is established by the Board) is responsible for ensuring compliance with those risk management policies as outlined in the compliance plan.

Compliance with the 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 Board Risk and Compliance Committee of the Responsible Entity quarterly.

##### Investment mandate

The Consolidated Entity'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 Consolidated Entity 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 Consolidated Entity'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 Consolidated Entity. At 30 June 2010 the Consolidated Entity is not party to any derivative agreements (2009: nil).

#### 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.

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

The Consolidated Entity is exposed to both direct and indirect credit risk in the normal course of its operations. Direct credit risk arises principally from the Consolidated Entity's investment securities (in terms of distributions receivable and capital invested). Other credit risk also arises for the Consolidated Entity from cash and cash equivalents.

##### Trade and other receivables

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

# Notes to the Financial Statements continued

## Multiplex Property Income Fund

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For the year ended 30 June 2010

### 14 Financial instruments continued

#### c Credit risk continued

##### Investments - available for sale – listed and unlisted property trusts

Credit risk arising from investments is mitigated by investing in securities in accordance with the Consolidated Entity's Constitution and Product Disclosure Statement. The 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 Consolidated Entity must limit its exposures in the portfolio 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%).

Prior to making an investment in an Underlying Fund, the Responsible Entity will assess the Underlying Funds' asset portfolio to ensure the risk investment strategy of the Underlying Fund is consistent with the investment objectives of the Consolidated Entity.

The Consolidated Entity's overall strategy of credit risk management remains unchanged from 2009.

##### Exposure to credit risk

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.

	Consolidated 2010 \$'000	2009 \$'000
Cash and cash equivalents	3,590	1,221
Trade and other receivables	478	696
Investments – available for sale	35,459	43,288
<b>Total exposure to credit risk</b>	<b>39,527</b>	<b>45,205</b>

##### Concentrations of credit risk exposure

The Consolidated Entity does not have any significant concentrations of credit risk at the reporting date.

##### Collateral obtained/held

Where applicable, the Consolidated Entity obtains collateral from counterparties to minimise the risk of default on their contractual obligations. At the reporting date, the Consolidated Entity did not hold any collateral in respect of its financial assets (2009: nil). During the year ended 30 June 2010, the Consolidated Entity did not call on any collateral provided (2009: nil).

##### Financial assets past due but not impaired

The ageing of the Consolidated Entity's receivables at the reporting date is detailed below:

	Consolidated 2010 \$'000	2009 \$'000
Current	361	60
Past due 0-30 days	–	–
Past due 31-120 days	69	593
Past due 121 days to one year	–	43
More than one year	48	–
<b>Total trade and other receivables</b>	<b>478</b>	<b>696</b>

For the Consolidated Entity, amounts recognised above are not deemed to be impaired. There are no significant financial assets that have had their terms renegotiated that would otherwise have rendered the financial assets past due or impaired (2009: nil). During the year ended 30 June 2010, receivables totalling nil were written off by the Consolidated Entity (2009: \$18,250).

# Notes to the Financial Statements continued

## Multiplex Property Income Fund

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For the year ended 30 June 2010

### 14 Financial instruments continued

#### d Liquidity risk

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

##### Sources of liquidity risk and risk management strategies

The Consolidated Entity is exposed to direct and indirect liquidity risk in the normal course of its operations. The main sources of liquidity risk for the Consolidated Entity are related to redemptions by unitholders and unlisted investment securities. The Consolidated Entity does not have any interest bearing liabilities.

The Consolidated Entity's approach to managing liquidity risk is to work to ensure that it has sufficient cash available to meet its liabilities as and when they fall due without incurring unacceptable losses or risking damage to the Consolidated Entity's reputation.

The main source of indirect liquidity risk for the 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 remit to the Consolidated Entity. The Consolidated Entity's approaches to managing this risk forms part of the investment selection process. The Consolidated Entity will only invest in Underlying Funds with investment strategies consistent with the investment objectives of the Consolidated Entity and will monitor the performance of those funds.

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

##### Interest bearing liabilities

The Consolidated Entity is not exposed to liquidity risk (refinancing risk) on interest bearing loans as no interest bearing loans exist. The Underlying Funds are exposed to liquidity risk (refinancing risk) on their interest bearing liabilities. The Consolidated Entity manages this risk by ensuring the Consolidated Entity only invests in funds with investment strategies consistent with the investment objectives of the Consolidated Entity and monitoring the performance of those funds.

##### Unitholders

Effective 17 December 2008, the Fund temporarily closed to applications and redemptions.

The Fund was exposed to liquidity risk during a portion of the prior year on income units as these units were able to be redeemed by unitholders, subject to the following conditions:

- indirect unitholders (via wrap platforms) – unit redemptions were made at the beginning of every month at a price of \$1.00 per unit.
- redemptions were 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 were only made after the units had been held for a minimum period of twelve months. Unit redemptions could be settled either in cash or by issuance of units in Multiplex Acumen Property Fund. The terms of settlement were at the discretion of the Responsible Entity.

This liquidity risk therefore existed for a portion of the prior year only.

##### Available for sale investments

The Consolidated Entity's listed investments are considered readily realisable as they are listed on the Australian Securities Exchange. The Consolidated Entity's unlisted investments are not considered as liquid as listed investments. The Consolidated Entity manages this risk by ensuring the Consolidated Entity only invests in funds with investment strategies consistent with the investment objectives of the Consolidated Entity and monitoring the performance of those funds.

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

The Consolidated Entity's overall strategy to liquidity risk management remains unchanged from 2009.

##### Defaults and breaches

During the year ended 30 June 2010, the Consolidated Entity was not subject to any covenants, and as such, no covenants have been breached (2009: nil).

##### Maturity analysis of financial liabilities

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

# Notes to the Financial Statements continued

## Multiplex Property Income Fund

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For the year ended 30 June 2010

### 14 Financial instruments continued

#### d Liquidity risk continued

##### Maturity analysis of financial liabilities continued

	Carrying amount	Contractual cash flows	Consolidated \$'000			
			0 to 12 months	1 to 2 years	2 to 5 years	Greater than 5 years
<b>2010</b>						
Distribution payable	281	281	281	–	–	–
Trade and other payables	–	–	–	–	–	–
<b>Total financial liabilities</b>	<b>281</b>	<b>281</b>	<b>281</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>2009</b>						
Trade and other payables	14	14	14	–	–	–
<b>Total financial liabilities</b>	<b>14</b>	<b>14</b>	<b>14</b>	<b>–</b>	<b>–</b>	<b>–</b>

#### 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 Consolidated Entity's income or the value of its 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 Consolidated Entity is exposed to both direct and indirect market risk in the normal course of their operations. Direct market risk arises principally from the Consolidated Entity's listed property securities investment portfolio and the related equity price risk. Indirect market risk arises in the form of equity price risk, interest rate risk and foreign currency risk.

The Consolidated Entity will only invest in funds with investment strategies consistent with the investment objectives of the Consolidated Entity and will monitor the performance of those funds.

##### 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. Cash and cash equivalents balances will also fluctuate with changes in interest rates due to interest earned. The key source of interest rate risk for the Consolidated Entity is derived from cash balances. The Consolidated Entity is not exposed to interest rate risk on liabilities.

The table below shows the Consolidated Entity's direct exposure to interest rate risk.

	Floating rate \$'000	Non-interest bearing \$'000	Total \$'000
<b>Consolidated 2010</b>			
<b>Financial assets</b>			
Cash and cash equivalents	3,590	–	3,590
Trade and other receivables	–	478	478
Investments – available for sale	–	35,459	35,459
<b>Total financial assets</b>	<b>3,590</b>	<b>35,937</b>	<b>39,527</b>
<b>Financial liabilities</b>			
Trade and other payables	–	281	281
<b>Total financial liabilities</b>	<b>–</b>	<b>281</b>	<b>281</b>
<b>Consolidated 2009</b>			
<b>Financial assets</b>			
Cash and cash equivalents	1,221	–	1,221
Trade and other receivables	–	696	696
Investments – available for sale	–	43,288	43,288
<b>Total financial assets</b>	<b>1,221</b>	<b>43,984</b>	<b>45,205</b>
<b>Financial liabilities</b>			
Trade and other payables	–	14	14
<b>Total financial liabilities</b>	<b>–</b>	<b>14</b>	<b>14</b>

# Notes to the Financial Statements continued

## Multiplex Property Income Fund

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For the year ended 30 June 2010

### 14 Financial instruments continued

#### e Market risk continued

##### Sensitivity analysis

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

	2010		2010		2009		2009	
	+ 1%	+ 1%	- 1%	- 1%	+ 1%	+ 1%	- 1%	- 1%
	Profit and loss	Equity	Profit and loss	Equity	Profit and loss	Equity	Profit and loss	Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Consolidated Entity</b>								
Interest on cash	36	36	(36)	(36)	113	113	(113)	(113)
<b>Total increase/(decrease)</b>	<b>36</b>	<b>36</b>	<b>(36)</b>	<b>(36)</b>	<b>113</b>	<b>113</b>	<b>(113)</b>	<b>(113)</b>

##### 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.

During the current year, the Consolidated Entity has not been exposed to direct foreign currency risk (2009: nil). The Consolidated Entity is exposed to indirect foreign currency risk due to its investments in entities that are exposed to foreign currency risk related to their overseas operations. The Consolidated Entity manages this risk by ensuring the Consolidated Entity only invests in funds with investment strategies consistent with the investment objectives of the Consolidated Entity and monitoring the performance of those funds.

Whilst the Consolidated Entity has 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.

#### f 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 Consolidated Entity is associated with its listed and unlisted investment portfolio. The Responsible Entity manages the Consolidated Entity's market risk on a daily basis in accordance with the Consolidated Entity's investment objectives and policies. These are detailed in the Consolidated Entity's constitution and Product Disclosure Statement.

##### Sensitivity analysis

A 10% increase in equity prices would have increased/(decreased) profit and loss and equity by the amounts shown below. This analysis assumes that all other variables remain constant.

	2010		2010		2009		2009	
	+ 10%	+ 10%	+ 10%	+ 10%	+ 10%	+ 10%	- 10%	- 10%
	Profit and loss	Equity	Profit and loss	Equity	Profit and loss	Equity	Profit and loss	Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Consolidated Entity</b>								
Listed investments	184	184	(184)	(184)	144	144	(144)	(144)
Unlisted investments	3,362	3,362	(3,362)	(3,362)	4,185	4,185	(4,185)	(4,185)
<b>Total increase/(decrease)</b>	<b>3,546</b>	<b>3,546</b>	<b>(3,546)</b>	<b>(3,546)</b>	<b>4,329</b>	<b>4,329</b>	<b>(4,329)</b>	<b>(4,329)</b>

#### g Fair values

##### Methods for determining fair values

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

##### Cash and cash equivalents and 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.

##### Investments – available for sale

Fair value for listed investments is calculated based on the closing bid price of the security at the reporting date. Fair value for unlisted investments is calculated based on the latest available net asset values. Refer to note 8 for further details.

# Notes to the Financial Statements continued

## Multiplex Property Income Fund

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For the year ended 30 June 2010

### 14 Financial instruments continued

#### g Fair values continued

##### 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

As of 1 July 2009, the Consolidated Entity has adopted the amendments to AASB 7 *Financial Instruments: Disclosures* (Revised AASB 7) which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Consolidated Entity's assets and liabilities measured and recognised at fair value at 30 June 2010. The carrying amounts of cash and cash equivalents, trade and other receivables, and trade and other payables are assumed to reasonably approximate their fair values due to their short-term nature. Accordingly, fair value disclosures are not provided for such assets and liabilities.

Consolidated Entity – at 30 June 2010	Level 1 \$'000	Level 3 \$'000	Total \$'000
<b>Assets</b>			
Investments – available for sale			
– Listed investments	1,838	–	1,838
– Unlisted investments	–	33,621	33,621
<b>Total assets</b>	<b>1,838</b>	<b>33,621</b>	<b>35,459</b>

Reconciliation of level 3 fair value measurements:

Consolidated Entity – for the year ended 30 June 2010	Investments available for sale \$'000	Total \$'000
Adoption of Revised AASB 7	41,851	41,851
Losses recognised in the income statement	(8,054)	(8,054)
Gains recognised in other comprehensive income	1,594	1,594
Purchases/(sales)	(3,449)	(3,449)
Issues/(settlements)	–	–
Other	1,679	1,679
<b>Closing balance</b>	<b>33,621</b>	<b>33,621</b>
<b>Total gains/(losses) for the year included in profit/(loss) attributable to gains/(losses) relating to assets held at the end of year</b>	<b>(8,054)</b>	<b>(8,054)</b>

As at 30 June 2010, there were no financial assets or liabilities in level 2. During the year, there were no financial assets or liabilities which transferred between levels 1, 2 or 3.

# Notes to the Financial Statements continued

## Multiplex Property Income Fund

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For the year ended 30 June 2010

### 15 Reconciliation of cash flows from operating activities

	Consolidated	
	Year ended 30 June 2010 \$'000	Year ended 30 June 2009 \$'000
<b>Net loss for the year</b>	<b>(6,219)</b>	<b>(23,816)</b>
Adjustments for:		
<i>Items classified as investing activities</i>		
(Gain)/loss on sale of investments	(235)	766
Other	37	–
<i>Non cash items</i>		
Impairment expense	8,062	26,177
<b>Operating profit before changes in working capital</b>	<b>1,645</b>	<b>3,127</b>
<b>Changes in assets and liabilities during the year</b>		
Decrease in trade and other receivables	218	1,380
(Decrease)/increase in trade and other payables	(14)	14
<b>Net cash flows from operating activities</b>	<b>1,849</b>	<b>4,521</b>

### 16 Related parties

#### Key management personnel

The Fund is required to have an incorporated Responsible Entity to manage the activities of the Fund and the Consolidated Entity. The Directors of the Responsible Entity are key management personnel of that entity.

F. Allan McDonald (appointed 1 January 2010)  
 Brian Motteram (appointed 21 February 2007)  
 Barbara Ward (appointed 1 January 2010)  
 Tim Harris (appointed 17 March 2010)  
 Russell Proutt (appointed 1 January 2010)  
 Peter Morris (appointed 14 April 2004 – resigned 1 January 2010)  
 Robert McCuaig (appointed 31 March 2004 – resigned 1 January 2010)  
 Brian Kingston (appointed 27 August 2008 – resigned 17 March 2010)  
 Mark Wilson (appointed 27 August 2008 – resigned 1 January 2010)

No expenses to related parties were paid out of the assets of the Consolidated Entity during the year (2009: nil).

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

#### Directors' interests

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

#### Responsible Entity fees and other transactions

##### Management Fees

For the year ended 30 June 2010, all expenses in connection with the preparation of accounting records and the maintenance of the register have been fully borne by 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 MPF holds all of the ordinary units of the Fund.

##### Unitholdings in other related parties

JP Morgan Nominees Australia Limited, as custodian for BMCML, as responsible entity for the Consolidated Entity and Fund, holds an investment in Multiplex New Zealand Property Fund (ARSN 110 281 055) of 1,201,696 units or 0.55% of the fund (2009: 1,325,635 units or 0.61% of the fund). The Fund sold units in Multiplex New Zealand Property Fund (MNZPF) on an arm's length basis through the liquidity facility offered by Brookfield Multiplex Capital Management Limited, the responsible entity of both the Fund and MNZPF. The Fund sold 9.35% of its investment for total consideration of \$89,000.

# Notes to the Financial Statements continued

## Multiplex Property Income Fund

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For the year ended 30 June 2010

### 16 Related parties continued

#### Transactions with related parties

	Consolidated 2010 \$'000	2009 \$'000
<b>Transactions with Multiplex Acumen Property Fund</b>		
Amounts receivable	40	39
<b>Transactions with related parties of the Responsible Entity</b>		
Distribution income	–	27
Distributions receivable	–	–
Investment in Multiplex New Zealand Property Fund (at fair value)	817	808
Consideration from disposal of units in Multiplex New Zealand Property Fund	89	–

Transactions with related parties are conducted on normal commercial terms and conditions.

### 17 Contingent liabilities and assets

No contingent liabilities or assets existed at 30 June 2010 (2009: nil)

### 18 Capital commitments

There were no capital commitments at 30 June 2010 (2009: nil).

### 19 Events subsequent to reporting date

There were no 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.



# Director's Declaration

## Multiplex Property Income Fund

For the year ended 30 June 2010

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

- a The consolidated financial statements and notes, set out in pages 11 to 32, are in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of the financial position of the Consolidated Entity as at 30 June 2010 and of its performance, for the financial year ended on that date;
  - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
  - iii complying with International Financial Reporting Standards, as stated in note 2 to the financial statements.
- b There are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors of Brookfield Multiplex Capital Management Limited pursuant to Section 295(5) of the *Corporations Act 2001*.

Dated at Sydney this 25th day of August 2010.



**Russell Proutt**  
Director  
Brookfield Multiplex Capital Management Limited

## **Independent Auditor's Report to the Unitholders of Multiplex Property Income Fund**

We have audited the accompanying financial report of Multiplex Property Income Fund ("the Fund"), which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, 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 as set out on pages 11 to 33.

### *Directors' Responsibility for the Financial Report*

The directors of Brookfield Multiplex Capital Management Limited, the Responsible Entity of the fund, 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. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the consolidated financial statements and notes, complies with International Financial Reporting Standards.

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

