

Multiplex Diversified Property Fund  
Financial Report  
For the period ended  
30 June 2008

# Multiplex Diversified Property Fund

ARSN 123 879 630

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Period ended 30 June 2008

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# Directory

## Multiplex Diversified Property Fund

Period ended 30 June 2008

### **Responsible Entity**

Brookfield Multiplex Capital Management Limited (previously Multiplex Capital Securities Limited)  
1 Kent Street  
Sydney NSW 2000  
Telephone: (02) 9256 5000  
Facsimile: (02) 9256 5001

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

Peter Morris  
Robert McCuaig  
Brian Motteram  
Mark Wilson  
Brian Kingston

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

Alex Carrodus

### **Principal Registered Office**

1 Kent Street  
Sydney NSW 2000  
Telephone: (02) 9256 5000  
Facsimile: (02) 9256 5001

### **Custodian**

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

### **Auditor**

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

# Directors' Report

## Multiplex Diversified Property Fund

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Period ended 30 June 2008

### Introduction

The Directors of Brookfield Multiplex Capital Management Limited (ABN: 32 094 936 866) (formerly Multiplex Capital Management Limited) (BMCML), the Responsible Entity of Multiplex Diversified Property Fund (the Fund), present their report together with the financial report of the Fund and the Consolidated Entity, being the Fund, its subsidiaries and the Consolidated Entity's interest in associates, for the period from the Fund's Constitution on 8 February 2007 to 30 June 2008 and the auditor's report thereon.

This is the first annual report for the Fund and the Consolidated Entity.

### Responsible Entity

The Responsible Entity of Multiplex Diversified Property Fund is Brookfield Multiplex Capital Management Limited, who was appointed Responsible Entity on 11 October 2007, replacing Multiplex Capital Securities Limited. The Responsible Entity changed its name from Multiplex Capital Management Limited (on 17 June 2008), which was subsequent to the acquisition of the Multiplex Group of Companies by Brookfield Asset Management Inc. in December 2007. The registered office and principal place of business of the Responsible Entity and the Fund is 1 Kent Street, Sydney.

### Directors

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

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

### Information on Directors

#### Peter Morris, Non-Executive Independent Chairman

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

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

#### Brian Motteram, Non-Executive Independent Director

Brian has in excess of 30 years of experience working in the area of finance and accounting. He has worked with international accounting firms, in his own private practice, and during the last 18 years in private enterprise in both the mining and property industries. He spent eight years (from 1996 to 2004) as an executive of a Perth based private property company in position of Chief Financial Officer and later, Financial Director.

#### Robert McCuaig, Non-Executive Independent Director

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

#### Mark Wilson, Executive Director

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

# Directors' Report continued

## Multiplex Diversified Property Fund

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Period ended 30 June 2008

### Information on Directors continued

#### Brian Kingston, Executive Director

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

### Company Secretary

Alex Carrodus was appointed to the position of company secretary on 25 January 2005.

### Information on Company Secretary

#### Alex Carrodus

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

### Directors' meetings

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

A – Number of meetings attended.

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

### Principal activities

The Fund was constituted on 8 February 2007 and commenced operations on the same date. The Fund issued units pursuant to its Product Disclosure Statement (PDS) on 19 March 2007. The Fund is a registered managed investment scheme domiciled in Australia and is an open ended unlisted unit trust.

The principal activity of the Fund is to invest in a diversified portfolio of property investments and cash. This includes investments in listed and unlisted property trusts and direct real property. The investment activities of the Fund are in accordance with the investment policy as outlined in the PDS dated 19 March 2007.

The Consolidated Entity did not have any employees during the period.

### Review of operations

Multiplex Diversified Property Fund (the Fund) was launched in March 2007 and was seeded with \$54,130,000 of investments comprising 40,736,000 units in Multiplex Acumen Property Fund (MPF) and 2,745,000 units in Multiplex New Zealand Property Fund (MNZPF). In the December 2007 quarter, the Fund acquired an additional \$2,000,000 of units in MNZPF and in January 2008, the Fund acquired \$3,000,000 of units in APN Champion Retail Fund.

As a result of these investments, the Fund's property investment portfolio is strongly diversified across 61 listed and unlisted property trusts, 5 real estate sectors, 32 experienced fund managers and almost 2,900 properties located throughout the world.

The Fund has recorded a net loss of \$1,255,000 for the 17 month period ended 30 June 2008, which includes its share of losses of its associate of \$2,274,000.

# Directors' Report continued

## Multiplex Diversified Property Fund

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Period ended 30 June 2008

### Review of operations continued

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

- despite the net loss recorded for the year, the Consolidated Entity generated distributable cash of \$8,091,000 or 11.1 cents per unit during the period;
- total revenue and other income was \$1,238,000;
- earnings per unit (EPU) of -1.72 cents;
- distributions per unit (DPU) over the period of 10.7 cents;
- as at 30 June 2008, net assets were \$61,543,000;
- Net tangible assets (NTA) per unit at 30 June 2008 was \$0.84; and
- total Fund return since inception is -14.86%.

### Movements in units on issue

	Fund 2008 Units
Ordinary units	
Opening balance	-
Units issued	71,634,443
Units redeemed	(1,113,455)
Units issued via the distribution reinvestment plan (DRP)	2,442,152
<b>Closing balance</b>	<b>72,963,140</b>

### Likely developments

Management's short term focus is to acquire good quality, direct property assets in order to deliver the current positive underlying fundamentals of this asset class to unitholders. The weighting to the MPF investment will reduce over time, as the Fund acquires direct property assets.

The Consolidated Entity's first acquisition is likely to come from the retail sector which currently, on a national basis, has low vacancy rates and good levels of tenant demand. Commercial office assets in Australia are also being considered for acquisition as this sector currently has low historic vacancy rates, limited supply in the short term and prospects for rental growth.

The Consolidated Entity has a competitive advantage in the market place in that assets owned or developed by the Brookfield Multiplex Group can be considered for acquisition by the Consolidated Entity. The Consolidated Entity's management team is also considering external off and on market direct property acquisition opportunities.

### Interests of the Responsible Entity

#### *Management and cost recovery fees*

The Consolidated Entity paid \$58,481 in management fees to the Responsible Entity during the period. The Consolidated Entity paid \$145,567 in cost recovery fees to the Responsible Entity during the period. These fees were paid out of the assets of the Fund.

#### *Units Held*

Brookfield Multiplex Funds Management Limited, as custodian for Brookfield Multiplex Property Trust (formerly Multiplex Property Trust) holds 54,351,427 units or 74.5% of the Fund at the reporting date.

Brookfield Multiplex Capital Pty Limited (formerly Multiplex Capital Pty Limited) holds 3,232,057 units or 4.4% of the Fund at the reporting date.

Both of these entities are related parties as the Responsible Entity of the Fund has the same ultimate parent as Brookfield Multiplex Property Trust and Brookfield Multiplex Capital Pty Limited.

### 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 period not otherwise disclosed in this report or in the financial report.

# Directors' Report continued

## Multiplex Diversified Property Fund

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Period ended 30 June 2008

### Events subsequent to reporting date

Subsequent to the reporting date, the fair value of the Fund's investment in Multiplex Acumen Property Fund, the day immediately prior to the date the financial statements were approved' was \$21,715,000, which represents a change of \$9,989,000. The financial statements have not been amended to reflect this change in fair value. Had the financial statements been amended, the impact would have been to increase impairment expense and decrease available for sale assets by \$9,989,000.

Other than the matter discussed above, there were no other matters or circumstances, which have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in subsequent financial years.

### Environmental regulation

The Consolidated Entity has systems in place to manage its environmental obligations. Based upon the results of inquiries made, the Responsible Entity is not aware of any significant breaches or non-compliance issues during the period covered by this report.

### Distributions

Distributions paid/payable to unitholders were as follows:

	Cents per unit	\$'000	Date of payment
Distribution for quarter ended 30 June 2008	2.0510	1,496	25 July 2008
Distribution for quarter ended 31 March 2008	2.0512	1,397	24 April 2008
Distribution for quarter ended 31 December 2007	2.0790	1,376	28 January 2008
Distribution for quarter ended 30 September 2007	2.0790	1,240	26 October 2007
Distribution for quarter ended 30 June 2007	2.4409	1,353	25 July 2007
Distribution for quarter ended 31 March 2007 <sup>1</sup>	-	153	-
<b>Total distribution for the period ended 30 June 2008</b>	<b>10.7011</b>	<b>7,015</b>	

<sup>1</sup> The distribution paid in the quarter ended 31 March 2007 of \$152,935 was paid prior to the issue of the Product Disclosure Statement and was payable to Brookfield Multiplex Property Trust (formerly Multiplex Property Trust).

### Indemnification and insurance premiums

Under the Fund's Constitution the Responsible Entity's officers and employees, are indemnified out of the Fund's assets for any loss, damage, expense or other liability incurred by it in properly performing or exercising any of its powers, duties or rights in relation to the Fund.

The Fund has not indemnified any auditor of the consolidated entity.

No insurance premiums are paid out of the Fund's assets in relation to cover for the Responsible Entity, its officers and employees, the Compliance Committee or auditors of the Fund. The insurance premiums are paid by the Responsible Entity.

### Lead Auditors independence declaration

The lead auditor's independence declaration is set out on page 9 and forms part of the Directors' report for the period ending 30 June 2008.

### Rounding of amounts

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

# Directors' Report continued

## Multiplex Diversified Property Fund

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Period ended 30 June 2008

### Comparatives

In accordance with s340(1) of the Corporations Act 2001, the Australian Securities and Investments Commission (ASIC) granted relief to the Fund and the Consolidated Entity from preparing annual financial statements for the period ended 30 June 2007. Further, ASIC has allowed the Fund and the Consolidated Entity to substitute the period from constitution on 8 February 2007 to 30 June 2008 as the Fund's and Consolidated Entity's first reporting period. As such no comparative information is disclosed in this annual financial report.

Dated at Sydney this 27th day of August 2008

Signed in accordance with a resolution of the Directors made pursuant to Section 306(6) of the Corporations Act 2001



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





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

To: the directors of Brookfield Multiplex Capital Management Limited, as the responsible entity of Multiplex Diversified Property Fund

I declare that, to the best of my knowledge and belief, in relation to the audit for the period from 8 February 2007 to 30 June 2008 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Tanya Gilerman  
*Partner*

Sydney  
27 August 2008

# Income Statements

## Multiplex Diversified Property Fund

For the period ended 30 June 2008

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	Note	Consolidated 2008 \$'000	Fund 2008 \$'000
<b>Revenue</b>			
Distribution income		563	7,072
Distribution income from controlled entities		-	692
Brokerage income		105	-
Interest income		410	410
Other income		160	160
<b>Total revenue and other income</b>		<b>1,238</b>	<b>8,334</b>
<b>Expenses</b>			
Share of net loss of investments accounted for using the equity method	5	(2,274)	-
Impairment expense	5,9	-	(22,758)
Responsible entity fees		(58)	(58)
Other expenses		(161)	(161)
<b>Total expenses</b>		<b>(2,493)</b>	<b>(22,977)</b>
<b>Net loss</b>		<b>(1,255)</b>	<b>(14,643)</b>

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

# Balance Sheets

## Multiplex Diversified Property Fund

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As at 30 June 2008

	Note	Consolidated 2008 \$'000	Fund 2008 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		11,216	11,216
Trade and other receivables	8	1,511	1,535
<b>Total current assets</b>		<b>12,727</b>	<b>12,751</b>
<b>Non-current assets</b>			
Investments – available for sale	9	8,149	31,704
Investments accounted for using the equity method	5	42,215	-
Investments in controlled entities	10	-	8,102
<b>Total non-current assets</b>		<b>50,364</b>	<b>39,806</b>
<b>Total assets</b>		<b>63,091</b>	<b>52,557</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	11	49	49
Distributions payable		1,499	1,499
<b>Total current liabilities</b>		<b>1,548</b>	<b>1,548</b>
<b>Total liabilities</b>		<b>1,548</b>	<b>1,548</b>
<b>Net assets</b>		<b>61,543</b>	<b>51,009</b>
<b>Equity</b>			
Units on issue	12	72,667	72,667
Reserves	13a	(2,854)	-
Undistributed losses	13b	(8,270)	(21,658)
<b>Total equity</b>		<b>61,543</b>	<b>51,009</b>

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

# Statements of Changes in Equity

## Multiplex Diversified Property Fund

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For the period ended 30 June 2008

	Note	Consolidated 2007 \$'000	Fund 2008 \$'000
<b>Opening equity – 8 February 2007</b>		-	-
<b>Units on issue</b>			
Units issued	12	71,001	71,001
Units redeemed	12	(970)	(970)
Reinvested distributions	12	2,636	2,636
<b>Available for sale reserve</b>			
Fair value movement in listed investments	13a	-	(22,758)
Fair value movement in unlisted investments	13a	47	-
Share of movement in reserves of investments accounted for using the equity method	13a	(167)	-
Net change in fair value of listed property trusts recognised as an impairment expense	9,13a	-	22,758
<b>Foreign currency translation reserve</b>			
Share of movement in reserves of investments accounted for using the equity method	13a	(3,137)	-
<b>Hedging reserve</b>			
Share of movement of reserve for investments accounted for using the equity method	13a	403	-
<b>Undistributed losses</b>			
Net loss		(1,255)	(14,643)
Distributions	7	(7,015)	(7,015)
<b>Closing equity – 30 June 2008</b>		<b>61,543</b>	<b>51,009</b>

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

# Statements of Cash Flows

## Multiplex Diversified Property Fund

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For the period ended 30 June 2008

	Note	Consolidated 2008 \$'000	Fund 2008 \$'000
<b>Cash flows from operating activities</b>			
Cash receipts in the course of operations		6,455	6,455
Cash payments in the course of operations		(174)	(174)
Interest received		348	348
<b>Net cash flows from operating activities</b>	15	<b>6,629</b>	<b>6,629</b>
<b>Cash flows from investing activities</b>			
Purchase of investments		(62,564)	(54,462)
Investments in controlled entities		-	(8,102)
<b>Net cash flows used in investing activities</b>		<b>(62,564)</b>	<b>(62,564)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of units		71,001	71,001
Redemption of units		(970)	(970)
Distributions paid to unitholders		(2,880)	(2,880)
<b>Net cash flows from financing activities</b>		<b>67,151</b>	<b>67,151</b>
Net increase in cash and cash equivalents		11,216	11,216
Cash and cash equivalents at 8 February 2007		-	-
<b>Cash and cash equivalents at 30 June</b>		<b>11,216</b>	<b>11,216</b>

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

# Notes to the Financial Statements continued

## Multiplex Diversified Property Fund

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For the period ended 30 June 2008

### 1 Reporting entity

Multiplex Diversified Property Fund (the Fund) is an Australian registered management investment scheme under the Corporations Act 2001. Brookfield Multiplex Capital Management Limited (formerly Multiplex Capital Management Limited), the Responsible Entity of the Fund was appointed on 11 October 2007 and is incorporated and domiciled in Australia. The Responsible Entity from inception to 10 October 2007 was Multiplex Capital Securities Limited.

The consolidated financial statements of the Fund as at and for the period ended 30 June 2008 comprises the Fund, its subsidiaries (together referred to as the Consolidated Entity) and the Consolidated Entity's interests in associates.

The consolidated financial report covers the period from 8 February 2007 (the date of the Fund's constitution) to 30 June 2008 (refer below).

#### Comparative information

In accordance with s340(1) of the Corporations Act 2001, the Australian Securities and Investments Commission (ASIC) granted relief to the Fund and the Consolidated Entity from preparing annual financial statements for the period ended 30 June 2007. Further ASIC allowed the Fund and the Consolidated Entity to substitute the period from constitution on 8 February 2007 to 30 June 2008 as the Fund's and Consolidated Entity's first reporting period. As such no comparative information is disclosed in this annual financial report.

### 2 Basis of preparation

#### a Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Australian Accounting Standards (AASBs) (including Australian interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the Consolidated Entity and the financial report of the Fund comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

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

#### b Basis of measurement

The consolidated financial statements have been prepared on the basis of historical cost, except for Available for sale financial assets which are measured at fair value.

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

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

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

#### c Use of estimates and judgements

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

# Notes to the Financial Statements continued

## Multiplex Diversified Property Fund

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For the period ended 30 June 2008

### 3 Significant accounting policies

The principal accounting policies set out below have been applied consistently during the period presented in these financial statements.

#### a Principles of consolidation

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

The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Consolidated Entity.

All intra-group transactions, balances, income and expenses including unrealised profits arising from intra-group transactions are eliminated in full in the consolidated financial statements. In the separate financial statements of the Fund, intra-group transactions are generally accounted for by reference to the exiting carrying value of the items. Where the transaction value differs from the carrying value, the difference is recognised as a contribution by or distribution to equity participants by the transacting entities.

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

#### b Revenue recognition

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

Exchange of goods or services of the same nature and value without any cash consideration are not recognised as revenues. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Consolidated Entity and the revenue can be reliably measured. The following specific criteria for the major business activities must also be met before revenue is recognised. Where amounts do not meet these recognition criteria, they are deferred and recognised in the period in which the recognition criteria are met.

#### Dividends and distributions

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

Dividends and distributions received from associates reduce the carrying amount of the investment of the Consolidated Entity in that associate and are not recognised as revenue.

#### Interest revenue

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

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

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

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

# Notes to the Financial Statements continued

## Multiplex Diversified Property Fund

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For the period ended 30 June 2008

### 3 Significant accounting policies continued

#### c Expense recognition

##### Finance costs

Finance costs are recognised as expenses using the effective interest rate method, unless they relate to a qualifying asset.

Finance costs include:

- interest on bank overdrafts and short-term and long-term borrowings, including amounts paid or received on interest rate swaps; amortisation of discounts or premiums relating to borrowings;
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings;
- finance lease charges.

##### Management fee

A base management fee up to 0.615% (including GST less any reduced input tax credits) per annum of the gross value of assets (excluding investments in other Multiplex Products) is payable to the Responsible Entity. The fee is payable by the Fund quarterly in arrears.

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

##### Cost recovery fee

A cost recovery fee up to 0.2% (including GST less any reduced input tax credits) per annum of the gross value of assets is payable to the Responsible Entity. The fee is payable by the Fund quarterly in arrears.

##### Other expenditure

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

#### d Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an expense item.

Receivables and payables are stated with the amount of GST. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

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



# Notes to the Financial Statements continued

## Multiplex Diversified Property Fund

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For the period ended 30 June 2008

### 3 Significant accounting policies continued

#### e Income tax

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

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

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

#### f Cash and cash equivalents

For purposes of the Cash Flow Statement, cash includes cash balances, deposits at call with financial institutions and other highly liquid investments (with short periods to maturity), which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

#### g Trade and other receivables

Trade debtors and other receivables are stated at their amortised cost using the effective interest rate method less any identified impairment losses. Impairment charges are brought to account as described in Note 3(p). Non-current receivables are measured at amortised cost using the effective interest rate method.

#### h Available for sale assets

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

#### i Associates

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

Under the equity method, investments in associates are carried in the consolidated Balance Sheet at cost plus post-acquisition changes in the Consolidated Entity's share of net assets of the associates. After application of the equity method, the Consolidated Entity determines whether it is necessary to recognise any additional impairment loss with respect to the Consolidated Entity's net investment in the associates. The consolidated Income Statement reflects the Consolidated Entity's share of the results of operations of the associates.

When the Consolidated Entity's share of losses exceeds its interest in an associate, the Consolidated Entity's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Consolidated Entity has incurred legal or constructive obligations or made payments on behalf of an associate.

Where there has been a change recognised directly in the associate's equity, the Consolidated Entity recognises its share of changes and discloses this in the consolidated Statement of Changes in Equity.

Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the Consolidated Entity's interest in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Gains and losses are recognised when the contributed assets are consumed or sold by the associate

# Notes to the Financial Statements continued

## Multiplex Diversified Property Fund

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For the period ended 30 June 2008

### 3 Significant accounting policies continued

#### j Derivative financial instruments

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

#### Hedging activities

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

#### k Non-derivative financial instruments

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

Non-derivate financial instruments are recognised initially at fair value plus, for instruments not at a fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Consolidated Entity becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Consolidated Entity's contractual rights to the cash flows from the financial assets expire or if the Consolidated Entity transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchase and sales of financial assets are accounted for at trade date, i.e., the date that the Consolidated Entity commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Consolidated Entity's obligations specified in the contract expire or are discharged or cancelled.

Accounting policies for cash and cash equivalents (Note 3 (f)), trade and other receivables (Note 3 (g)), equity securities (Note 3(h)), and trade and other payables (Note 3(l)) are discussed elsewhere within the financial report.

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

#### l Trade and other payables

Trade and other payables are stated at amortised cost using the effective interest rate method and represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial period and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

#### m Interest bearing liabilities

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

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

#### n Distributions paid or declared

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

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

#### o Equity

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

# Notes to the Financial Statements continued

## Multiplex Diversified Property Fund

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For the period ended 30 June 2008

### 3 Significant accounting policies continued

#### p Impairment

##### Financial assets

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

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

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

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

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

##### Non financial assets

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

#### q New standards and interpretations not yet adopted

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

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

# Notes to the Financial Statements continued

## Multiplex Diversified Property Fund

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For the period ended 30 June 2008

### 3 Significant accounting policies continued

- Revised AASB 127 *Consolidated and Separate Financial Statements* changes the accounting for investments in subsidiaries. Key changes include: the re-measurement to fair value of any previous/retained investment when control is obtained/lost, with any resulting gain or loss being recognised in profit or loss; and the treatment of increases in ownership interest after control is obtained as transactions with equity holders in their capacity as equity holders. The revised standard will become mandatory for the Consolidated Entity's 30 June 2010 financial statements. The Consolidated Entity has not yet determined the potential effect of the revised standard on the Consolidated Entity's financial report.

### 4 Segment reporting

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

	2008 \$'000
<b>5 Investments accounted for using the equity method</b>	
Multiplex Acumen Property Fund	42,215
Share of profit in the period from investments accounted for using the equity method as follows:	
<b>Multiplex Acumen Property Fund</b>	
Share of net loss of associate (before revaluation gains)	(2,697)
Share of net profit of associate – Fair value adjustments through property revaluation gains	423
<b>Total share of associate's loss</b>	<b>(2,274)</b>
Summary financial information for equity accounted investees, not adjusted for the percentage ownership held by the Consolidated Entity.	
Current Assets	28,369
Non-Current Assets	353,518
<b>Total assets</b>	<b>381,887</b>
Current Liabilities	7,470
Non-Current Liabilities	89,323
<b>Total liabilities</b>	<b>96,793</b>
Revenues (for the 12 months ended 30 June 2008)	43,304
Expenses (for the 12 months ended 30 June 2008)	(61,130)
<b>Net loss</b>	<b>(17,826)</b>

The Funds owns 21.41% of Multiplex Acumen Property Fund at 30 June 2008.

### Impairment

The Fund and the Consolidated Entity own 21.41% of Multiplex Acumen Property Fund (MPF).

In the Fund's stand alone financial statements, the investment in MPF is classified as an "available-for-sale asset", in accordance with AASB 139: *Financial Instruments: Recognition and Measurement*. During the year the investment was assessed for impairment in accordance with the requirements of AASB 139. An impairment expense of \$22,758,000 was recognised in the income statement of the Fund. Refer to Note 9 for further details regarding the impairment expense.

In the consolidated financial statements, the investment in MPF is classified and measured as an "investment accounted for using the equity method", in accordance with AASB 128: *Investments in Associates*. AASB 128 requires investments to be assessed for impairment in accordance with AASB 136: *Impairment of Assets*. The requirements for recognising an impairment expense differ between AASB 136 and AASB 139.

The Consolidated Entity's investment accounted for using the equity method has been tested for impairment at the reporting date, as the investment displayed indicators of impairment. As at 30 June 2008, no impairment expense has been required to be recognised.

# Notes to the Financial Statements continued

## Multiplex Diversified Property Fund

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For the period ended 30 June 2008

### 6 Auditors' remuneration

The Responsible Entity pays all expenses, including audit fees on behalf of the Fund and Consolidated Entity. These fees are not paid out of the assets of the Fund or Consolidated Entity. The Fund and Consolidated Entity pay a "cost recovery" fee to the Responsible as a contribution towards these expenses. A summary of audit fees paid by the Responsible Entity on behalf of the Fund and Consolidated Entity is provided below.

	Consolidated 2008 \$	Fund 2008 \$
<b>Audit services</b>		
Auditors of the Fund – KPMG:		
Audit and review of financial reports	25,000	15,000

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

### 7 Distributions paid and payable

Distributions paid/payable to unitholders were as follows:

	Cents per unit	\$'000	Date of payment
Distribution for quarter ended 30 June 2008	2.0510	1,496	25 July 2008
Distribution for quarter ended 31 March 2008	2.0512	1,397	24 April 2008
Distribution for quarter ended 31 December 2007	2.0790	1,376	28 January 2008
Distribution for quarter ended 30 September 2007	2.0790	1,240	26 October 2007
Distribution for quarter ended 30 June 2007	2.4409	1,353	25 July 2007
Distribution for quarter ended 31 March 2007 <sup>1</sup>	-	153	-
<b>Total distributions for the period ended 30 June 2008</b>	<b>10.7011</b>	<b>7,015</b>	

1 The distribution paid in the quarter ended 31 March 2007 of \$152,935 was paid prior to the issue of the PDS and was payable to Brookfield Multiplex Property Trust (formerly Multiplex Property Trust).

	Consolidated 2008 \$'000	Fund 2008 \$'000
<b>8 Trade and other receivables</b>		
Distributions receivable – listed and unlisted property trusts	215	1,230
Distributions receivable from associates	1,230	-
Distributions receivable from controlled entities	-	238
Interest receivable	62	62
Other income receivable	4	5
<b>Total trade and other receivables</b>	<b>1,511</b>	<b>1,535</b>

# Notes to the Financial Statements continued

## Multiplex Diversified Property Fund

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For the period ended 30 June 2008

	Consolidated 2008 \$'000	Fund 2008 \$'000
<b>9 Investments – Available for sale</b>		
<b>Listed investments</b>		
Listed investments at cost	-	54,462
Impairment	-	(22,758)
	-	<b>31,704</b>
<b>Unlisted investments</b>		
Unlisted investments at cost fair value adjustment	8,102	-
Fair value adjustments	47	-
	<b>8,149</b>	-
<b>Total investments</b>	<b>8,149</b>	<b>31,704</b>

Refer to Note 16 for details of investments in related parties.

### Impairment expense

During the period, the Fund recognised an impairment loss, in accordance with accounting standards, of \$22,758,000, in relation to its available for sale assets.

The Responsible Entity has determined there is objective evidence at the date of this report that the value of the Fund's listed property trust investment is impaired. This determination has arisen due to the significant and prolonged decline in value of listed property trusts during the period, their further subsequent decline in value after period end and market conditions within the property sector generally. As such, any previous declines in value recognised in the available for sale reserve have been recognised directly in the income statement.

The impairment loss recognised represents the difference between the cost of the portfolio and the market value as at 30 June 2008.

	2008 Ownership %	Fund 2008 \$'000
<b>10 Investments in controlled entities</b>		
Multiplex Diversified UPT Domestic Investments Trust (refer below)	100%	-
Multiplex Diversified UPT International Investments Trust	100%	8,102
<b>Investments in controlled entities</b>		<b>8,102</b>

The Fund's original investment (and its current value) in Multiplex Diversified UPT Domestic Investments Trust was \$10.

	Consolidated 2008 \$'000	Fund 2008 \$'000
<b>11 Trade and other payables</b>		
Management fees payable	21	21
Contribution fees payable	28	28
<b>Total trade and other payables</b>	<b>49</b>	<b>49</b>

# Notes to the Financial Statements continued

## Multiplex Diversified Property Fund

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For the period ended 30 June 2008

	2008 \$'000	Fund 2008 Units
<b>12 Units on issue</b>		
Ordinary units		
Opening balance	-	-
Units issued	71,001	71,634,443
Units redeemed	(970)	(1,113,455)
Units issued via the distribution reinvestment plan (DRP)	2,636	2,442,152
<b>Closing balance</b>	<b>72,667</b>	<b>72,963,140</b>

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

### 13 Reserves and undistributed income

#### 13a Reserves

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

	Consolidated 2008 \$'000	Fund 2008 \$'000
<b>Reserves</b>		
Available for sale reserve	(120)	-
Foreign currency translation reserve	(3,137)	-
Hedging reserve	403	-
<b>Total Reserves</b>	<b>(2,854)</b>	<b>-</b>

#### Available for sale reserve

Movements in the carrying value of the available for sale reserve during the period were as follows.

	Consolidated 2008 \$'000	Fund 2008 \$'000
Opening balance	-	-
Fair value movement in relation to unlisted investments	47	-
Fair value movements in relation to listed investments	-	(22,758)
Share of movement of reserves of investments accounted for using the equity method	(167)	-
Impairment recognised on available for sale assets	-	22,758
<b>Closing balance</b>	<b>(120)</b>	<b>-</b>

The Fund recognised an impairment loss on its listed property trust investment during the period. Refer to Note 9 for further details.

#### Foreign currency translation reserve

Movements in the carrying value of the foreign currency translation reserve during the period were as follows.

	Consolidated 2008 \$'000	Fund 2008 \$'000
Opening balance	-	-
Share of movement in reserves of investments accounted for using the equity method	(3,137)	-
<b>Closing balance</b>	<b>(3,137)</b>	<b>-</b>

# Notes to the Financial Statements continued

## Multiplex Diversified Property Fund

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For the period ended 30 June 2008

### 13 Reserves and undistributed income continued

#### 13a Reserves continued

##### Hedging reserve

Movements in the carrying value of the hedging reserve during the period were as follows.

	Consolidated 2008 \$'000	Fund 2008 \$'000
Opening balance	-	-
Share of movement of reserve for investments accounted for using the equity method	403	-
<b>Closing balance</b>	<b>403</b>	<b>-</b>

#### 13b Undistributed income

Movements in undistributed during the period were as follows.

	Consolidated 2008 \$'000	Fund 2008 \$'000
Opening balance	-	-
Net loss	(1,255)	(14,643)
Distributions paid to unitholders	(7,015)	(7,015)
<b>Closing balance</b>	<b>(8,270)</b>	<b>(21,658)</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.

#### a Capital risk management

The Board's policy is to maintain a strong capital base so as to maintain investor and market confidence and the sustainable future development of the Fund.

The capital position of the Fund can change daily due to the daily application for and redemption of units, which can be performed at the discretion of unitholders. The Responsible Entity monitors the level of daily applications and redemptions relative to the liquid assets in the Fund. The Fund also has access to a Liquidity Enhancement Facility should the Fund have insufficient liquid assets to meet redemption requests of unitholders. No Brookfield Multiplex Group entity will withdraw from the Fund in circumstances where the Responsible Entity would need to use the Liquidity Enhancement Facility to fund the withdrawal.

The Fund and Consolidated Entity can borrow in order to acquire assets. The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the security afforded by a sound capital position. As per the Fund's Product Disclosure Statement, the Responsible Entity seeks to restrict the extent of borrowings as follows:

- Limit borrowings (excluding borrowings used to acquire direct real property assets) to 20% of the total gross asset value of the Fund (except for periods of time to enable the Fund to take advantage of investment opportunities); and
- For borrowings used to finance the acquisition of a direct real property, that the level of borrowing relative to the direct real property value be limited to 65%.

Neither the Fund nor Consolidated Entity has external borrowings at 30 June 2008.



# Notes to the Financial Statements continued

## Multiplex Diversified Property Fund

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For the period ended 30 June 2008

### b Financial risk management

#### Overview

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

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

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

The Fund and Consolidated Entity have direct and indirect exposures to the following risks:

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

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

Compliance with the Fund's and Consolidated Entity's policies is reviewed by the Responsible Entity on a regular basis. The results of these reviews are reported to the Board and Compliance Committee of the Responsible Entity quarterly.

#### *Investment mandate*

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

#### *Derivative financial instruments*

Whilst the Fund may utilise derivative financial instruments, it will not enter into or trade derivative financial instruments for speculative purposes. The use of derivatives is governed by the Fund's investment policies, which provide written principles on the use of financial derivatives. These principles permit the use of derivatives to mitigate financial risks associated with financial instruments utilised by the Fund.

#### Credit risk

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

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

Direct credit risk arises principally from the Consolidated Entity's investments in unlisted property trusts (in terms of distributions receivable and capital invested) and cash and cash equivalents. For the Fund, credit risk arises principally from investments in listed property trusts (in terms of distributions receivable and capital invested), and receivables due from subsidiaries.

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

#### *Trade and other receivables*

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

# Notes to the Financial Statements continued

## Multiplex Diversified Property Fund

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For the period ended 30 June 2008

### 14 Financial instruments continued

#### Credit risk continued

##### Investments - available for sale

#### Direct risk exposures

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

- Direct real property – target range of 30 – 70% of total assets;
- Unlisted property securities – target range of 10 – 30% of total assets;
- Listed property securities – target range of 10 – 30 % of total assets;
- Property investment companies – target range of 0 – 10% of total assets; and
- Cash and cash equivalents – target range of 0 – 10% of total assets.

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

- Property sectors – Office (30 – 60%), Retail (15– 50%), Industrial (15 – 50%) and Other (0 – 20%); and
- Geographic locations – Australia (20 – 80%) and International (20 – 80%).

#### Indirect risk exposures

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

#### Exposure to credit risk

##### Direct risk exposures

The table below shows the maximum exposure to credit risk at the reporting date. The carrying amounts of these financial assets represent the maximum credit risk exposure at the reporting date.

	Consolidated 2008 \$'000	Fund 2008 \$'000
Cash and cash equivalents	11,216	11,216
Trade and other receivables	1,511	1,535
Investments – available for sale	8,149	31,704
<b>Total</b>	<b>20,876</b>	<b>44,455</b>

#### Concentrations of credit risk exposure

##### Direct risk exposures

The Fund and Consolidated Entity have a significant exposure to the Multiplex Acumen Property Fund. It is the Consolidated Entity's only listed investment and accounts for 62.7% of the Fund's total assets and 68.9% of the Consolidated Entity's total assets. Both the Fund and Consolidated Entity are also owed \$1,230,000 in distributions as at 30 June 2008. These amounts have been received subsequent to period end.

##### Indirect risk exposures

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

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

#### Collateral obtained / held

Neither the Fund nor Consolidated Entity have provided loans to external parties during the reporting period. As such no collateral has been obtained during the reporting period.

#### Financial assets past due but not impaired

No financial assets of the Fund or Consolidated Entity were past due at the reporting date.

# Notes to the Financial Statements continued

## Multiplex Diversified Property Fund

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For the period ended 30 June 2008

### 14 Financial instruments continued

#### Financial assets whose terms have been renegotiated

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

#### Impairment losses

During the period, the Fund recognised impairment expenses of \$22,758,000 in relation to its available for sale assets. Refer to Note 9 for further information.

#### c Liquidity risk

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

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

The Fund and Consolidated Entity are exposed to direct and indirect liquidity risk. The main sources of liquidity risk are discussed below.

##### *Direct liquidity risk*

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

The Fund and Consolidated Entity also manage liquidity risk through continuous monitoring of forecast and actual cash flows and matching maturity profiles of financial assets and liabilities.

##### *Indirect liquidity risk*

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

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

#### *Interest bearing liabilities*

##### *Direct risk exposure*

The Fund and Consolidated Entity is not directly exposed to liquidity risk (refinancing risk) as it currently has no external borrowings.

##### *Indirect risk exposure*

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

#### *Unitholders*

The Fund is exposed to daily redemptions of units by unitholders. The Fund aims to maintain a sufficient level of liquid assets to ensure it can meet redemption requests as and when they arise.

The Fund also has access to a Liquidity Enhancement Facility to enable the Fund to meet the redemption requests of unitholders. The Liquidity Enhancement Facility is funded by Brookfield Multiplex Group, which can be used by the Responsible Entity to satisfy approved withdrawal requests from unitholders within ten business days. The Liquidity Enhancement Facility is capped at the lower of \$50,000,000 or 20% of the gross asset value of the Fund. No Brookfield Multiplex Group entity will withdraw from the Fund in circumstances where the Responsible Entity would need to use the Liquidity Enhancement Facility to fund the withdrawal.

# Notes to the Financial Statements continued

## Multiplex Diversified Property Fund

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For the period ended 30 June 2008

### 14 Financial instruments continued

#### *Investments – Available for sale*

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

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

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

#### Maturity analysis of financial liabilities

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

	Carrying amount \$'000	Contractual cashflows \$'000	Within 1 year \$'000	1 to 2 years \$'000	2 to 5 years \$'000
<b>Consolidated 2008</b>					
Trade and other payables	49	49	49	-	-
Distributions payable	1,499	1,499	1,499	-	-
	<b>1,548</b>	<b>1,548</b>	<b>1,548</b>	-	-
<b>The Fund 2008</b>					
Trade and other payables	49	49	49	-	-
Distributions payable	1,499	1,499	1,499	-	-
	<b>1,548</b>	<b>1,548</b>	<b>1,548</b>	-	-

#### Defaults and breaches

During the period ended 30 June 2008, the Fund and Consolidated Entity were not subject to any covenants, and as such, no covenants have been breached.

# Notes to the Financial Statements continued

## Multiplex Diversified Property Fund

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For the period ended 30 June 2008

### 14 Financial instruments continued

#### d Market risk

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

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

The Fund and Consolidated Entity are exposed to direct and indirect market risk.

#### *Direct risk exposures*

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

- interest rate risk, arising from its cash investments;
- foreign currency risk; and
- equity price risk, arising from its listed investment portfolio.

Equity price risk is managed by investing in Underlying Funds which display characteristics of operating in stable markets and have steady income streams. All investments made into listed and unlisted funds are made in accordance with the Fund's and Consolidated Entity's investment mandate.

#### *Indirect risk exposures*

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

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

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

Each of these market risks are discussed below.

# Notes to the Financial Statements continued

## Multiplex Diversified Property Fund

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For the period ended 30 June 2008

### 14 Financial instruments continued

#### Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates.

#### Sources of risk and risk management strategies

##### *Direct risk exposure*

The only material source of interest rate risk for the Fund and Consolidated Entity is derived from their cash investments. The Fund and Consolidated Entity manage this exposure by actively monitoring the interest being earned on their cash investments.

##### *Indirect risk exposure*

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

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

	Fixed interest maturing in				Non-interest bearing \$'000	Total \$'000
	Floating rate \$'000	Less than 1 year \$'000	1 to 2 years \$'000	2 to 5 years \$'000		
<b>Consolidated 2008</b>						
<i>Financial assets</i>						
Cash and cash equivalents	11,216	-	-	-	-	11,216
Trade and other receivables	-	-	-	-	1,511	1,511
Investments – available for sale	-	-	-	-	8,149	8,149
	<b>11,216</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,660</b>	<b>20,876</b>
<i>Financial Liabilities</i>						
Trade and other payables	-	-	-	-	49	49
Distributions payable	-	-	-	-	1,499	1,499
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,548</b>	<b>1,548</b>
<b>The Fund 2008</b>						
<i>Financial assets</i>						
Cash and cash equivalents	11,216	-	-	-	-	11,216
Trade and other receivables	-	-	-	-	1,535	1,535
Investments – available for sale	-	-	-	-	31,704	31,704
	<b>11,216</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>33,239</b>	<b>44,455</b>
<i>Financial Liabilities</i>						
Trade and other payables	-	-	-	-	49	49
Distributions payable	-	-	-	-	1,499	1,499
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,548</b>	<b>1,548</b>

# Notes to the Financial Statements continued

## Multiplex Diversified Property Fund

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For the period ended 30 June 2008

### 14 Financial instruments continued

#### Sensitivity analysis

##### *Direct risk exposure*

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

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

##### Fair value sensitivity for variable rate instruments

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

	2008	
	1% Profit and loss \$'000	1% Equity \$'000
Consolidated Entity		
<i>Variable rate instruments</i>		
- Cash and cash equivalents	57	57
The Fund		
<i>Variable rate instruments</i>		
- Cash and cash equivalents	57	57

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

##### *Indirect risk exposure*

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

##### Foreign currency risk

Foreign currency risk is the risk that the market value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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

##### *Direct risk exposure*

The Fund and Consolidated Entity are not directly exposed to foreign currency risk.

##### *Indirect risk exposure*

The Fund and Consolidated Entity have invested in entities that are exposed to foreign currency risk, due to their operations being located in countries outside of Australia. Whilst the Fund and Consolidated Entity have an indirect risk exposure to foreign currency risk, no sensitivity analysis has been performed, as the impact of a reasonably possible change in foreign exchange rates on the Consolidated Entity cannot be reliably measured.

# Notes to the Financial Statements continued

## Multiplex Diversified Property Fund

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For the period ended 30 June 2008

### 14 Financial instruments continued

#### Other market risk

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

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

#### *Sensitivity analysis*

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

	2008	
	10% Profit and loss \$'000	10% Equity \$'000
Consolidated Entity Unlisted investments	-	815
The Fund Listed investments*	3,170	3,170

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

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

#### f. Fair values

##### Methods for determining fair values

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

##### *Trade and other receivables*

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

##### *Listed investments*

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

##### *Unlisted investments*

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

##### *Non-derivative financial liabilities*

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

##### Fair values versus carrying amounts

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



# Notes to the Financial Statements continued

## Multiplex Diversified Property Fund

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For the period ended 30 June 2008

### 15 Reconciliation of cash flows from operating activities

	Consolidated 2008 \$'000	Fund 2008 \$'000
Net loss for the period	(1,255)	(14,643)
Adjustments for:		
<i>Items classified as investing and financing activities</i>		
Distribution income from associate	7,072	-
<i>Non cash items</i>		
Share of associate's loss	2,274	-
Impairment expense	-	22,758
<b>Operating profit before changes in working capital</b>	<b>8,091</b>	<b>8,115</b>
<b>Changes in assets and liabilities during the period</b>		
Increase in trade and other receivables	(1,511)	(1,535)
Increase in trade and other payables	49	49
<b>Net cash flow from operating activities</b>	<b>6,629</b>	<b>6,629</b>

### 16 Related parties

#### Responsible Entity

The Responsible Entity of the Multiplex Diversified Property Fund was Brookfield Multiplex Capital Securities Limited (ACN 103 736 081) (previously Multiplex Capital Securities Limited), from constitution to October 10, 2007. From 11 October, 2007 the Responsible Entity of the Fund changed to Brookfield Multiplex Capital Management Limited (ACN 094 936 866). The Immediate and ultimate holding company of Brookfield Multiplex Capital Management Limited is Brookfield Multiplex Limited (ABN 96 008 687 063) which is incorporated and domiciled in Australia.

#### Key management personnel

The Consolidated Entity does not employ personnel in its own right. However it is required to have an incorporated Responsible Entity to manage the activities of the Consolidated Entity and this is considered the key management personnel. The directors of the Responsible Entity are key management personnel of that entity and their names are Dr Peter Morris, Mr Brian Motteram, Mr Robert McCuaig, Mr Robert Rayner, Mr Bob McKinnon, Mr Mark Wilson and Mr Brian Kingston. Messrs Rex Bevan and Ian O'Toole have resigned during the year. Messrs Bob McKinnon and Robert Rayner resigned subsequent to the reporting date. Messrs Mark Wilson and Brian Kingston were appointed as directors subsequent to the reporting date.

No expenses were paid out of the assets of the Consolidated Entity during the year.

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

#### Directors' interests

The Directors have no interest in the units, debentures, rights or options over such instruments, issued interests in registered funds and rights or options over such instruments issued by the companies within the Fund and other related bodies corporate as at the date of this report.

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

##### Management fee

A base management fee up to 0.615% per annum (including GST) of the gross value of assets excluding investments in other Multiplex products is payable to the Responsible Entity. The fee is payable by the Fund quarterly in arrears. Total management fees paid for the financial period ended 30 June 2008 by the Fund and Consolidated Entity were \$58,481.

##### Cost recoveries

A cost recovery fee up to 0.2% (including GST less any reduced input tax credits) per annum of the gross value of assets is payable to the Responsible Entity. The fee is payable by the Fund quarterly in arrears. Total cost recovery fees paid for the financial period ended 30 June 2008 by the Fund and Consolidated Entity were \$145,567.

# Notes to the Financial Statements continued

## Multiplex Diversified Property Fund

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For the period ended 30 June 2008

### Related party unitholders

Brookfield Multiplex Funds Management Limited, as custodian for Brookfield Multiplex Property Trust (formerly Multiplex Property Trust) holds 54,351,427 units or 74.5% of the Fund at the reporting date.

Brookfield Multiplex Capital Pty Limited (formerly Multiplex Capital Pty Limited) holds 3,232,057 units or 4.4% of the Fund at the reporting date.

Both of these entities are related parties as the Responsible Entity of the Fund has the same ultimate parent as Brookfield Multiplex Property Trust and Brookfield Multiplex Capital Pty Limited.

### Unitholdings in other related parties

JP Morgan Nominees Australia Limited, as custodian for Brookfield Multiplex Capital Management Limited, as responsible entity for Multiplex Diversified Property Fund holds the following investments in related party entities:

- Multiplex Acumen Property Fund (ARSN 104 341 988) – 43,430,615 units or 21.41% of the fund
- Multiplex New Zealand Property Fund (ARSN 119 281 055) – 4,345,251 units or 2.0% of the fund

### Transactions with related parties

	Consolidated 2008 \$'000	Fund 2008 \$'000
<b>Transactions with subsidiaries</b>		
Distribution income	-	692
Intercompany loans receivable	-	238
<b>Transactions with associates</b>		
Distribution income	7,072	-
Distributions receivable (included in trade and other receivables)	1,230	-
<b>Transactions with the Responsible Entity</b>		
Management fees	58	58
Cost recoveries fees	146	146
Management fees payable (included in trade and other payables)	21	21
Cost recoveries fees payable (included in trade and other payables)	28	28
<b>Transactions with related parties of the Responsible Entity</b>		
Distribution income	452	7,072
Distributions paid	6,162	6,162
Distributions receivable	103	1,230
Investments in related parties (at fair value)		
- Multiplex Acumen Property Fund	-	31,704
- Multiplex New Zealand Property Fund	5,149	-
Investments in related parties (equity accounted)		
- Multiplex Acumen Property Fund	42,215	-
Distributions payable	1,181	1,181

# Notes to the Financial Statements continued

## Multiplex Diversified Property Fund

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For the period ended 30 June 2008

### **17 Contingent assets and liabilities**

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

### **18 Capital and other commitments**

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

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

Subsequent to the reporting date, the fair value of the Fund's investment in Multiplex Acumen Property Fund, the day immediately prior to the date the financial statements were approved' was \$21,715,000, which represents a change of \$9,989,000. The financial statements have not been amended to reflect this change in fair value. Had the financial statements been amended, the impact would have been to increase impairment expense and decrease available for sale assets by \$9,989,000.

Other than the matter discussed above, there were no other matters or circumstances, which have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in subsequent financial years.

# Directors' Declaration

## Multiplex Diversified Property Fund

For the period ended 30 June 2008

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

- a The consolidated financial statements and notes, set out in pages 10 to 35 are in accordance with the Corporations Act 2001, including:
  - i giving a true and fair view of the financial position of the Fund and the Consolidated Entity as at 30 June 2008 and of their performance, for the period from constitution on 8 February 2007 to 30 June 2008; and
  - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
- b The financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a); and
- c There are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors

Dated at Sydney, this 27th day of August 2008.



**Brian Kingston**

Director

Brookfield Multiplex Capital Management Limited



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

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

We have audited the accompanying financial report of Multiplex Diversified Property Fund (the "Fund") and the financial report of the Consolidated Entity, being the Fund and its controlled entities (the "Fund and the Consolidated Entity"), which comprises the balance sheets as at 30 June 2008, and the income statements, statements of changes in equity and statements of cash flows for the period from 8 February 2007 to 30 June 2008, a description of significant accounting policies and other explanatory notes 1 to 19 and the directors' declaration.

#### *Directors' responsibility for the financial report*

The directors of Brookfield Multiplex Capital Management Limited (the Responsible Entity) are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund and the Consolidated Entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund and the Consolidated Entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Responsible Entity, as well as evaluating the overall presentation of the financial report.

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



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

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

*Independence*

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

*Auditor's opinion*

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

- (i) giving a true and fair view of the financial position of the Fund and the Consolidated Entity as at 30 June 2008 and of their performance for the period from 8 February 2007 to 30 June 2008; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

KPMG

Tanya Gilerman  
*Partner*

Sydney, NSW  
27 August 2008