Multiplex Diversified Property Fund
Financial report
For the year ended
30 June 2009

Multiplex Diversified Property Fund

ARSN 123 879 630

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For the year ended 30 June 2009

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Directory
Multiplex Diversified Property Fund
For the year ended 30 June 2009

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

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

Company Secretary of Brookfield Multiplex Capital Management Limited
Neil Olofsson

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

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

Location of Share Registry
Registries (Victoria) Pty Limited
Level 7
207 Kent Street
Sydney NSW 2000
Telephone: (02) 9290 9600
Facsimile: (02) 9279 0664

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

Introduction

The Directors of Brookfield Multiplex Capital Management Limited (ABN 32 094 936 866), the Responsible Entity of Multiplex Diversified Property Fund (ARSN 123 879 630) (Fund), present their report together with the financial report of the Consolidated Entity, being the Fund and its subsidiaries, for the year ended 30 June 2009 and the Independent Auditor's Report thereon. The Fund was constituted on 8 February 2007. Comparative information in this financial report is therefore presented for the period 08 February 2007 to 30 June 2008.

Responsible Entity

The Responsible Entity of the Fund is Brookfield Multiplex Capital Management Limited (BMCML) and has been responsible entity since inception of the Fund. BMCML is a wholly owned subsidiary of Brookfield Multiplex Limited. 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 year:

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

Information on Directors

Peter Morris, Non-Executive Independent Chairman

Peter has more than 38 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 BMCML. There are no listed companies of which Peter has served as a director during the past three years.

Brian Motteram, Non-Executive Independent Director

Brian has in excess of 32 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 property company in the position of Chief Financial Officer and, later, as Financial Director. There are no listed companies of which Brian has served as a director during the past three years.

Robert McCuaig, Non-Executive Independent Director

Robert is Chairman of the Advisory Board of Colliers International Property Consultants in Australia. Along with David Collier, he formed McCuaig and Collier, which in 1988 became the New South Wales office of Colliers International. He was a forerunner in the establishment of Colliers in Australia, now one of the world's largest professional property service groups. Robert has acted as a property adviser to the University of Sydney, Westpac, Qantas Airways, Presbyterian Church, Sydney Ports Authority, Benevolent Society of New South Wales, the State of New South Wales and the Commonwealth of Australia. There are no listed companies of which Robert has served as a director during the past three years.

Mark Wilson, Executive Director

Mark is the CEO for Funds Management and Infrastructure for Brookfield Multiplex Limited. Mark has overall responsibility for the strategy and operations of the funds management business. In his 12 years at Brookfield Multiplex Limited, 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 19 years' operating and investing experience and is a Fellow of Finance with Financial Services Institute of Australasia. There are no listed companies of which Mark has served as a director during the past three years.

Brian Kingston, Executive Director
Brian is the Chief Financial and Investment 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. There are no listed companies other than Brookfield Multiplex Limited (delisted December 2007) of which Brian has served as a director during the past three years.

Information on Company Secretary

Neil Olofsson
Neil has over 13 years international company secretarial experience including having worked at KPMG, Clifford Chance and Schroder Investment Management prior to joining Brookfield Multiplex Group Company Secretariat.

Directors' interests

The following table sets out each Director's relevant interest in the units, debentures, rights or options over such instruments, interests in registered schemes and rights or options over such instruments issued by the entities within the Consolidated Entity and other related bodies corporate as at the date of this report:

Director	Multiplex Diversified Property Fund units held
Peter Morris	–
Brian Motteram	–
Robert McCuaig	–
Mark Wilson	–
Brian Kingston	–

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

Directors' meetings

		Board Meetings		Audit Committee Meetings	
Director		A	B	A	B
Peter Morris		15	15	3	3
Brian Motteram		13	15	3	3
Robert McCuaig		12	15	3	3
Mark Wilson		14	14	N/A	N/A
Brian Kingston		12	14	N/A	N/A
Robert Rayner	(Resigned 22 August 2008)	1	1	N/A	N/A
Bob McKinnon	(Resigned 18 July 2008)	–	–	N/A	N/A

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

Committee meetings

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

Principal activities

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

Review of operations

The Consolidated Entity currently has investments in 1 listed and 2 unlisted property trusts which provide indirect exposure to 48 listed and unlisted property funds across 25 managers and 5 property sectors throughout the world. It should be noted that the current period below relates to the year ended 30 June 2009 while the 2008 comparative period below relates to a 17 month period, or the period 8 February 2007 to 30 June 2008.

Multiplex Diversified Property Fund has recorded a net loss of $32,921,000 for the year ended 30 June 2009 (2008: $1,255,000). The reported net loss of $32,921,000 includes $30,560,000 share of net loss from equity accounted investments (2008: share of net loss of $2,274,000) and $2,949,000 impairment expense (2008: nil).

Some of the significant events during the period are as follows:
- total revenue and other income of $803,000 (2008: $1,238,000);
- distributions to unitholders of $2,492,000 and distributions per unit (DPU) of 3.11 cents; (2008: $7,015,000 and 10.7 cents respectively);
- net assets of $31,541,000 and NTA of $0.39 (2008: $61,543,000 and $0.84 respectively); and
- no debt at the Fund level.

The Fund made no acquisitions or disposals during the year.

Investment accounted for using the equity method

The Consolidated Entity owns 21.41% of the ordinary units of Multiplex Acumen Property Fund (MPF). In accordance with Australian accounting standards, the Consolidated Entity therefore has significant influence over MPF and accounts for its investment under the equity accounting method whereby the Consolidated Entity records its share of profit or loss of MPF's operations. Any changes to the results and operations of the underlying investment are presented in the Consolidated Entity's financial report through the share of net loss/profit of investments accounted for using the equity method line item in the income statement and the carrying value of the investments accounted for using the equity method in the balance sheet.

At 30 June 2009 MPF had a $74,200,000 debt facility (Facility) which was fully drawn. This Facility is scheduled to mature on 31 December 2009. The Facility has three financial covenants: the interest coverage ratio (ICR), a gearing covenant and an extension ratio limit (ERL).

MPF has reported in its annual report to the ASX dated 31 August 2009 that it is not in compliance with its ICR, gearing or ERL covenants. MPF has reported that a detailed term sheet setting out the terms on which the financier will extend the new facility was signed on 28 August 2009. This term sheet is subject to finalising formal documentation and various conditions precedent and specifies a staged pay down of the existing debt, removal of the gearing and ERL covenants, relaxation of the existing ICR covenant and extension of the Facility to 31 December 2011. The financier has waived the ICR, gearing and ERL covenant breaches until 30 September 2009, by which time MPF has anticipated that the extended facility will have been formally documented.

Interests of the Responsible Entity

Fee payments

The following fees were paid to BMCML out of the Fund's assets during the financial year:

- Management fees incurred by the Fund during the year were $118,286 (2008: $58,481)
- Expense recovery fees incurred by the Fund during the year were $96,646 (2008: $145,567)

Investments held

The following interests were held in the Consolidated Entity during the financial period:
- Brookfield Multiplex Funds Management Limited, as custodian for Brookfield Multiplex Property Trust, holds 54,351,427 units or 66.5% of the Fund at the reporting date (2008: 54,351,427 units or 74.5%).
- Brookfield Multiplex Capital Pty Limited holds 3,232,057 units or 4.0% of the Fund at the reporting date (2008: 3,232,057 units or 4.4%).

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.

Events subsequent to reporting date

Subsequent to the reporting date, the fair value of the Fund's A-REIT portfolio the day immediately prior to the date the financial statements were approved was $3,474,449, which represents a change of $868,612. 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 decrease the Fund's impairment expense and increase available for sale assets by $868,612.

The Consolidated Entity's investment in A-REIT securities is limited to the investment in MPF, which is accounted for using the equity method of accounting. The movement in value of the A-REIT portfolio therefore does not impact the Consolidated Entity.

The Consolidated Entity owns 21.41% of the ordinary units of MPF. MPF has reported in its annual report to the ASX dated 31 August 2009 that it is not in compliance with its ICR, gearing or ERL covenants. MPF has reported that a detailed term sheet setting out the terms on which the financier will extend the new facility was signed on 28 August 2009. This term sheet is subject to finalising formal documentation and various conditions precedent and specifies a staged pay down of the existing debt, removal of the gearing and ERL covenants, relaxation of the existing ICR covenant and extension of the Facility to 31 December 2011. The financier has waived the ICR, gearing and ERL covenant breaches until 30 September 2009, by which time MPF has anticipated that the extended facility will have been formally documented.

Further information can be found in Note 5 to the financial report.

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

Likely developments

Information on likely developments in the operations of the Consolidated Entity in future financial years and the expected results of those operations has not been included in this report because the directors believe that to do so would be likely to result in unreasonable prejudice to the Consolidated Entity.

Environmental regulation

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

Distributions

Distributions paid/payable to unitholders were as follows:

	Cents per unit	Total amount $'000	Date of payment
December 2008 distribution	1.34600	1,098	30 January 2009
September 2008 distribution	1.75960	1,394	24 October 2008
Total distributions year ended 30 June 2009	3.10560	2,492	
June 2008 distribution	2.0510	1,496	25 July 2008
March 2008 distribution	2.0512	1,397	24 April 2008
December 2007 distribution	2.0790	1,376	28 January 2008
September 2007 distribution	2.0790	1,240	26 October 2007
June 2007 distribution	2.4409	1,353	25 July 2007
March 2007 distribution[1]	–	153	–
Total distributions for the year ended 30 June 2008	10.7011	7,015	

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 paid to Brookfield Multiplex Property Trust.

Distributions paid for the year ended 30 June 2009 and 2008 have been paid out of operating earnings.

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.

Rounding of amounts
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.

Lead auditor's independence declaration under Section 307C of the Corporations Act 2001
The lead auditor's independence declaration is set out on page 9 and forms part of the Directors' Report for the year ended 30 June 2009.

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

Dated at Sydney this 31st day of August 2009.

Mark Wilson
Director
Brookfield Multiplex Capital Management Limited

KPMG

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

To: the directors of Brookfield Multiplex Capital Management Limited, as 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 financial year ended 30 June 2009 there have been:

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

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

KPMG

KPMG

T. Gilerman

Tanya Gilerman
Partner

Sydney
31 August 2009

Income Statement

Multiplex Diversified Property Fund

For the year ended 30 June 2009

	Note	Consolidated Year ended 30 June 2009 $'000	Consolidated Period from 8 February 2007 to 30 June 2008 $'000	Fund Year ended 30 June 2009 $'000	Fund Period from 8 February 2007 to 30 June 2008 $'000
Revenue and other income					
Distribution income from property trusts		99	563	977	7,072
Distribution income from controlled entities		–	–	99	692
Brokerage income		–	105	–	–
Interest income		704	410	704	410
Other income		–	160	–	160
Total revenue and other income		**803**	**1,238**	**1,780**	**8,334**
Expenses					
Share of net loss of investments accounted for using the equity method	5	30,560	2,274	–	–
Impairment expense	9	2,949	–	32,071	22,758
Management fees		118	58	118	58
Other expenses		97	161	97	161
Total expenses		**33,724**	**2,493**	**32,286**	**22,977**
Net loss		**(32,921)**	**(1,255)**	**(30,506)**	**(14,643)**

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

Balance Sheet

Multiplex Diversified Property Fund

As at 30 June 2009

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	Fund 2009 $'000	Fund 2008 $'000
Assets					
Current assets					
Cash and cash equivalents		15,728	11,216	15,728	11,216
Trade and other receivables	8	39	1,511	63	1,535
Total current assets		**15,767**	**12,727**	**15,791**	**12,751**
Non-current assets					
Investments – available for sale	9	5,153	8,149	2,606	31,704
Investments accounted for using the equity method	5	10,660	42,215	–	–
Investments in controlled entities	10	–	–	5,129	8,102
Total non-current assets		**15,813**	**50,364**	**7,735**	**39,806**
Total assets		**31,580**	**63,091**	**23,526**	**52,557**
Liabilities					
Current liabilities					
Trade and other payables	11	39	49	39	49
Distribution payable		–	1,499	–	1,499
Total current liabilities		**39**	**1,548**	**39**	**1,548**
Total liabilities		**39**	**1,548**	**39**	**1,548**
Net assets		**31,541**	**61,543**	**23,487**	**51,009**
Equity					
Units on issue	12	78,143	72,667	78,143	72,667
Reserves	13	(2,919)	(2,854)	–	–
Undistributed losses	14	(43,683)	(8,270)	(54,656)	(21,658)
Total equity		**31,541**	**61,543**	**23,487**	**51,009**

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

Statement of Changes in Equity
Multiplex Diversified Property Fund
For the year ended 30 June 2009

		Consolidated		Fund	
	Note	Year ended 30 June 2009 $'000	Period from 8 February 2007 to 30 June 2008 $'000	Year ended 30 June 2009 $'000	Period from 8 February 2007 to 30 June 2008 $'000
Opening equity		61,543	–	51,009	–
Units on issue					
Units issued	12	6,435	71,001	6,435	71,001
Units redeemed	12	(1,219)	(970)	(1,219)	(970)
Reinvested distributions	12	260	2,636	260	2,636
Available for sale reserve					
Fair value movement in listed investments	13	(7,983)	–	(29,098)	(22,758)
Fair value movement in unlisted investments	13	(2,996)	47	–	–
Share of movement in reserves of investments accounted for using the equity method	13	8,150	(167)	–	–
Net change in fair value of listed property trusts recognised as an impairment expense	13	2,949	–	29,098	22,758
Foreign currency translation reserve					
Share of movement in reserves of investments accounted for using the equity method	13	218	(3,137)	–	–
Hedging reserve					
Share of movement of reserve for investments accounted for using the equity method	13	(403)	403	–	–
Undistributed losses					
Net loss	14	(32,921)	(1,255)	(30,506)	(14,643)
Distributions	7	(2,492)	(7,015)	(2,492)	(7,015)
Closing equity		**31,541**	**61,543**	**23,487**	**51,009**

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

Cash Flow Statement

Multiplex Diversified Property Fund

For the year ended 30 June 2009

	Note	Consolidated Year ended 30 June 2009 $'000	Consolidated Period from 8 February 2007 to 30 June 2008 $'000	Fund Year ended 30 June 2008 $'000	Fund Period from 8 February 2007 to 30 June 2008 $'000
Cash flows from operating activities					
Cash receipts in the course of operations		2,521	6,455	2,521	6,455
Cash payments in the course of operations		(222)	(174)	(222)	(174)
Interest received		728	348	728	348
Net cash flows from operating activities	16	**3,027**	**6,629**	**3,027**	**6,629**
Cash flows from investing activities					
Purchase of investments		–	(62,564)	–	(54,462)
Investments in controlled entities		–	–	–	(8,102)
Net cash flows used in investing activities		**–**	**(62,564)**	**–**	**(62,564)**
Cash flows from financing activities					
Proceeds from issue of units		6,435	71,001	6,435	71,001
Redemption of units		(1,219)	(970)	(1,219)	(970)
Distributions paid to unitholders		(3,731)	(2,880)	(3,731)	(2,880)
Net cash flows from financing activities		**1,485**	**67,151**	**1,485**	**67,151**
Net increase in cash and cash equivalents		4,512	11,216	4,512	11,216
Cash and cash equivalents at beginning of period		11,216	–	11,216	–
Cash and cash equivalents at 30 June		**15,728**	**11,216**	**15,728**	**11,216**

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

1 Reporting entity
Multiplex Diversified Property Fund (Fund) is an Australian registered managed investment scheme under the *Corporations Act 2001*. Brookfield Multiplex Capital Management Limited, the Responsible Entity of the Fund, is incorporated and domiciled in Australia. The consolidated financial statements of the Fund as at and for the year ended 30 June 2009 comprise the Fund and its subsidiaries (together referred to as the Consolidated Entity) and the Consolidated Entity's interest in associates. The Fund was constituted on 8 February 2007. Comparative information in this financial report is therefore presented for the period 08 February 2007 to 30 June 2008

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

The financial statements were authorised for issue by the directors on this 31st day of August 2009.

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 and investments accounted for using the equity method.

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

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

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

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

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

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements is provided in Note 3h, available for sale financial assets and Note 3i, associates.

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

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

The results of the subsidiaries acquired or disposed of during the year are included in the consolidated 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 transitions, balances, income and expenses, including unrealised profits arising from intra-group transactions, are eliminated in full in the consolidated financial statements. In the separate financial statements of the Fund, intra-group transactions (common control transactions) are generally accounted for by reference to the existing carrying value of the items. Where the transaction value of common control transactions differs from their carrying value, the difference is recognised as a contribution by or distribution to equity participants by the transacting entities.

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

3 Significant accounting policies continued

b Revenue recognition

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

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

Dividends and distributions

Revenue from dividends and distributions is recognised when the right of the Consolidated Entity or the Fund to receive payment is established, which is generally when they have been declared.

Interest revenue

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

Gains and losses 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.

c Expense recognition

Management fees

A base management fee calculated on the gross value of assets is payable to the Responsible Entity. The fee is payable by the Fund quarterly in arrears.

Other expenditure

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

d Goods and services tax (GST)

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

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

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

e Income tax – Funds

Under current income tax legislation, the Fund is not liable for Australian income tax provided that the taxable income is fully distributed to unitholders each year. The Fund fully distributes its taxable income each year, calculated in accordance with the Trust Constitution and applicable legislation to unitholders who are presently entitled to income under the Constitution.

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

f Cash and cash equivalents

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

3 Significant accounting policies continued

h Available for sale financial assets

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

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 which the Consolidated Entity has 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.

j Non-derivative financial instruments

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

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

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

Accounting policies for cash and cash equivalents (Note 3f), trade and other receivables (Note 3g) and trade and other payables (Note 3l) 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.

k Impairment

Financial assets

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

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

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

3 Significant accounting policies continued

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

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

Non financial assets

The carrying amount of the Consolidated Entity's non financial assets, other than investment property, and deferred tax assets, are is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

An impairment loss in respect of goodwill is not reversed. In respect of all other assets, 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.

l Trade and other payables

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

m Distributions

A provision for distribution is recognised in the Balance Sheet if the distribution has been declared prior to balance date. Distributions paid and payable on units are recognised as a reduction in net assets attributable to unitholders. Distributions paid are included in cash flows from financing activities in the Cash Flow Statement.

n Units on issue

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

o New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2009 but have not been applied preparing this financial report:

Revised AASB 3 Business Combinations (2008) incorporates the following changes that are likely to be relevant to the Consolidated Entity's operations:

- the definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations
- contingent consideration will be measured at fair value, with subsequent changes therein recognised in profit or loss
- transaction costs, other than share and debt issue costs, will be expensed as incurred
- any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognised in profit or loss
- any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

Revised AASB 3, which becomes mandatory for the Consolidated Entity's 30 June 2010 financial statements, will be applied prospectively and therefore there will be no impact on prior periods in the Consolidated Entity's 2010 consolidated financial statement.

Amended AASB 127 Consolidated and Separate Financial Statements (2008) requires accounting for changes in ownership interests by the Consolidated Entity in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Consolidated Entity loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The amendments to AASB 127, which become mandatory for the Consolidated Entity's 30 June 2010 financial statements, are not expected to have a significant impact on the consolidated financial statements.

3 Significant accounting policies continued

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, requires a change in presentation and 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 for listed vehicles only. Currently the Consolidated Entity presents segment information in respect of its business and geographical segments (see Note 4). Under the new standard, the Consolidated Entity will no longer be required to present segment information.

Revised AASB 101 Presentation of Financial Statements (2008) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement) or, in an income statement and a separate statement of comprehensive income. Revised AASB 101, which becomes mandatory for the Consolidated Entity's 30 June 2010 financial statements, is expected to have a significant impact on the presentation of the consolidated financial statements. The Consolidated Entity plans to provide total comprehensive income in a single statement of comprehensive income for its 2010 consolidated financial statements.

Revised AASB 132 Financial Instruments: Presentation and AASB 2008-2 Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations Arising on Liquidation provides an exception to the definition of a financial liability to enable certain financial instruments to be classified as equity. The revised AASB 132 becomes mandatory for the Consolidated Entity's 30 June 2010 financial statements however it is not expected to have any impact on the financial statements.

AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Process and 2008-6 Further Amendments to Australian Accounting Standards arising from The Annual Improvements Process affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Consolidated Entity's 30 June 2010 financial statements, are not expected to have any impact on the financial statements.

AASB 2008-7 Amendments to Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate changes the recognition and measurement of distribution receipts as income and addresses the accounting of a newly formed parent entity in the separate financial statements. The amendments become mandatory for the Consolidated Entity's 30 June 2010 financial statements. The Consolidated Entity has not yet determined the potential effect of the amendments.

AASB Interpretation 17 Distributions of Non-Cash Assets to Owners provides guidance in respect of measuring the value of distributions of non-cash assets to owners. AASB Interpretation 17 will become mandatory for the Consolidated Entity's 30 June 2010 consolidated financial statements. The Consolidated Entity has not yet determined the potential effect of the Interpretation.

AASB 2009-3 introduced a three level hierarchy for determining the amount of information to be disclosed around estimating fair values and clarifies quantitative disclosure on liquidity risk. The amendments require that fair value measurement disclosures use a three-level fair value hierarchy that reflects the significance of the inputs used in measuring fair values. The revised standard is applicable from 1 January 2009. The amendments to the standard are expected impact the disclosures made in future financial statements.

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.

	Consolidated 2009 $'000	2008 $'000
5 Investments accounted for using the equity method		
Multiplex Acumen Property Fund	**10,660**	**42,215**
Share of profit in the period from investments accounted for using the equity method as follows:		
Multiplex Acumen Property Fund		
Share of net loss of associate before investment property revaluations	(16,710)	(2,697)
Share of net (loss)/profit of associate – fair value adjustments related to property revaluations	(5,418)	423
Share of movement in reserves of associate	(8,432)	–
Total share of associate's loss	**(30,560)**	**(2,274)**

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

	2009 $'000	2008 $'000
Current assets	5,990	28,369
Non-current assets	205,028	353,518
Total assets	**211,018**	**381,887**
Current liabilities	75,465	7,470
Non-current liabilities	10,299	89,323
Total liabilities	**85,764**	**96,793**
Revenues	10,818	43,304
Expenses	(114,175)	(61,130)
Net loss	**(103,357)**	**(17,826)**

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 investment 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 $32,071,000 was recognised in the income statement of the Fund (2008: $22,758,000). Refer to Note 9 for further details regarding the impairment expense.

In the Consolidated Entity's financial statements, the investment in MPF is accounted for using the equity method. As such, the Consolidated Entity recognises its proportionate share of the associate's losses in the year. Due to the recognition of losses during the year, primarily due to the associate's recognition of impairment losses on available for sale investments, no further impairment to the investment accounted for using the equity method is required.

Multiplex Acumen Property Fund

The Fund's and Consolidated Entity's investment in the units of MPF represents approximately 34% of the Consolidated Entity's total assets. As the Consolidated Entity owns 21.41% of the units of MPF, the Consolidated Entity has significant influence over MPF and accounts for its investment under the equity accounting method whereby the Consolidated Entity records its share of profit or loss of MPF's operations. Any changes to the results and operations of the underlying investment are presented in the Fund's financial report through the share of net loss/profit of investments accounted for using the equity method line item in the income statement and the carrying value of the investments accounted for using the equity method in the balance sheet.

5 Investments accounted for using the equity method continued

MPF has an existing debt facility of $74,200,000 that is scheduled to mature on 31 December 2009, of which $74,200,000 was drawn at 31 December 2008. It is understood that MPF has been in discussions with the existing financier regarding the refinancing or extension of the existing facility.

At 30 June 2009 MPF had a $74,200,000 debt facility (Facility) which was fully drawn. This Facility is scheduled to mature on 31 December 2009. The Facility has three financial covenants: the interest coverage ratio (ICR), a gearing covenant and an extension ratio limit (ERL).

MPF has reported in its annual report to the ASX dated 31 August 2009 that it is not in compliance with its ICR, gearing or ERL covenants. MPF has reported that a detailed term sheet setting out the terms on which the financier will extend the new facility was signed on 28 August 2009. This term sheet is subject to finalising formal documentation and various conditions precedent and specifies a staged pay down of the existing debt, removal of the gearing and ERL covenants, relaxation of the existing ICR covenant and extension of the Facility to 31 December 2011. The financier has waived the ICR, gearing and ERL covenant breaches until 30 September 2009, by which time MPF has anticipated that the extended facility will have been formally documented.

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 an expense recovery fee to the Responsible Entity as a contribution towards these expenses. A summary of fees incurred by the Responsible Entity on behalf of the Fund and Consolidated Entity is provided below. Fees in relation to compliance plan audits are borne by the Responsible Entity.

	Consolidated		Fund	
	2009 $	2008 $	2009 $	2008 $
Auditors of the Fund, KPMG:				
Audit and review of financial reports	26,000	25,000	26,000	25,000
Non-audit services	2,400	–	2,400	–
	28,400	**25,000**	**28,400**	**25,000**

7 Distributions

	Cents per unit	Total amount $'000	Date of payment
December 2008 distribution	1.34600	1,098	30 January 2009
September 2008 distribution	1.75960	1,394	24 October 2008
Total distributions for the year ended 30 June 2009	3.10560	2,492	
June 2008 distribution	2.0510	1,496	25 July 2008
March 2008 distribution	2.0512	1,397	24 April 2008
December 2007 distribution	2.0790	1,376	28 January 2008
September 2007 distribution	2.0790	1,240	26 October 2007
June 2007 distribution	2.4409	1,353	25 July 2007
March 2007 distribution[1]	–	153	–
Total distributions for the period ended 30 June 2008	10.7011	7,015	

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 paid to Brookfield Multiplex Property Trust.

Distributions paid for the year ended 30 June 2009 have been paid out of the Consolidated Entity's realised revenues and expenses.

	Consolidated 2009 $'000	Consolidated 2008 $'000	Fund 2009 $'000	Fund 2008 $'000
8 Trade and other receivables				
Distributions receivable – listed and unlisted property trusts	–	215	–	1,230
Distributions receivable from associates	–	1,230	–	–
Distributions receivable from controlled entities	–	–	24	238
Interest receivable	38	62	38	62
Other	1	4	1	5
Total trade and other receivables	**39**	**1,511**	**63**	**1,535**

Details of related party transactions are included in note 17.

	Consolidated 2009 $'000	Consolidated 2008 $'000	Fund 2009 $'000	Fund 2008 $'000
9 Investments – available for sale				
Listed investments				
Listed investments at cost	–	–	54,462	54,462
Impairment	–	–	(51,856)	(22,758)
	–	–	**2,606**	**31,704**
Unlisted investments				
Unlisted investments at cost fair value adjustment	8,102	8,102	–	–
Impairment	(2,949)	–	–	–
Fair value adjustments	–	47	–	–
	5,153	**8,149**	–	–
Total investments	**5,153**	**8,149**	**2,606**	**31,704**

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

	Consolidated 2009 $'000	Consolidated 2008 $'000	Fund 2009 $'000	Fund 2008 $'000
Investments – available for sale (listed property trusts)				
Carrying amount as at beginning of period	–	–	(22,758)	–
Impairment recognised in the period	–	–	(29,098)	(22,758)
Carrying amount as at 30 June	**–**	**–**	**(51,856)**	**(22,758)**
Investments – available for sale (unlisted property trusts)				
Carrying amount as at beginning of period	–	–	–	–
Impairment recognised in the period	(2,949)	–	–	–
Carrying amount as at 30 June	**(2,949)**	**–**	**–**	**–**

Reconciliation of the impairment expense is set out below:

	Consolidated 30 June 2009 $'000	Consolidated 30 June 2008 $'000	Fund 30 June 2009 $'000	Fund 30 June 2008 $'000
Investments – available for sale				
Impairment recognised – listed property trusts	–	–	(29,098)	(22,758)
Impairment recognised – unlisted property trusts	(2,949)	–	–	–
Investments – controlled entities				
Impairment recognised – investment in controlled entities	–	–	(2,973)	–
Net impairment expense recognised in the income statement	**(2,949)**	**–**	**(32,071)**	**(22,758)**

9 Investments – available for sale continued

Impairment expense

During the year, the Consolidated Entity recognised an impairment loss in accordance with accounting standards of $2,949,000 in relation to its available for sale investments (2008: nil). The Fund recognised an impairment loss in relation to its available for sale assets of $29,098,000 (2008: $22,758,000). The Fund also recognised an impairment loss in relation to its investments in controlled entities totalling $2,973,000 (2008: nil). Further information related to investments in controlled entities can be found in Note 10 of the financial report.

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 and the Consolidated Entity's unlisted property trust investments are impaired. This determination has arisen due to the significant and prolonged decline in value of listed and unlisted property trusts during the year and general market conditions within the property sector. As such, any previous declines in value recognised in the available for sale reserves related to the Fund's listed property trust investment and the Consolidated Entity's unlisted property trust investments have been recognised directly in the income statement. On consolidation, the Fund's listed property trust investment is accounted for using the equity method. See Note 5 for further detail.

The impairment loss recognised in relation to available for sale investments represents the difference between the cost of the portfolio and the fair value as at 30 June 2009.

Investment in unlisted property securities

The Consolidated Entity invests directly in 2 unlisted property securities funds. Due to a lack of liquidity in their underlying investment portfolios, both investments are closed-ended per the terms of their original constitutions. Unit prices have continued to be provided by the respective managers on either a monthly or quarterly basis.

Consistent with 30 June 2008, the Consolidated Entity has valued its investments in each of the underlying unlisted property securities funds based on the net asset value provided as at 30 June 2009, or where this has not been provided, the latest available net asset value. In circumstances where the latest available net asset value has not been obtained, an assessment of the appropriateness of the value has been made based on knowledge of valuation and transactional movements in the underlying investment's structure as compared to similar portfolios. As the Fund is not seeking to sell its assets in the near term, an additional discount would not normally be applied. However further consideration was then given to each net asset value in the current environment to determine whether an additional discount should be applied by assessing other prevailing market evidence, including transactional evidence and an assessment of the ability of the underlying investments to continue as a going concern. This analysis included application of discounts to a number of unaudited net asset values and unit prices.

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

	Fund			
	2009 Ownership %	2009 $'000	2008 Ownership %	2008 $'000
10 Investments in controlled entities				
Multiplex Diversified UPT Domestic Investments Trust	100	–	100	–
Carrying amount – Multiplex Diversified UPT Domestic Investments Trust (refer below)		**–**		**–**
Multiplex Diversified UPT International Investments Trust	100	8,102	100	8,102
Provision for impairment		(2,973)		–
Carrying amount – Multiplex Diversified UPT International Investments Trust		**5,129**		**–**
Investments in controlled entities		**5,129**		**8,102**

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

A review of the carrying value of the investments in controlled entities at 30 June 2009 indicated that the investment in Multiplex Diversified UPT International Investments Trust is impaired. A provision of $2,973,000 was therefore recorded in the current year to reflect the value of the investment at a value equivalent to the value of net assets attributable to the underlying subsidiary investment.

	Consolidated 2009 $'000	Consolidated 2008 $'000	Fund 2009 $'000	Fund 2008 $'000
11 Trade and other payables				
Management fees payable	27	21	27	21
Amounts owed to controlled entities	–	–	–	–
Expense recovery fees payable	12	28	12	28
Total trade and other payables	**39**	**49**	**39**	**49**

Details of related party transactions are included in note 17.

	Fund 2009 $'000	Fund 2009 Units	Fund 2008 $'000	Fund 2008 Units
12 Units on issue				
Ordinary units				
Opening balance	72,667	72,963,140	–	–
Units issued	6,435	10,627,881	71,001	71,634,443
Units redeemed	(1,219)	(2,380,785)	(970)	(1,113,455)
Units issued via the distribution reinvestment plan (DRP)	260	485,572	2,636	2,442,152
Closing balance	**78,143**	**81,695,808**	**72,667**	**72,963,140**

In accordance with the Fund's constitution, each unitholder is entitled to receive distributions as declared form 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.

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

13 Reserves

Reserves

A summary of reserves balances is as follows:

Reserves	Consolidated 2009 $'000	Consolidated 2008 $'000	Fund 2009 $'000	Fund 2008 $'000
Available for sale reserve	–	(120)	–	–
Foreign currency translation reserve	(2,919)	(3,137)	–	–
Hedging reserve	–	403	–	–
	(2,919)	**(2,854)**	**–**	**–**

Available for sale reserve

Movements in the available for sale reserve during the current year and comparative period were as follows:

	Consolidated 2009 $'000	Consolidated 2008 $'000	Fund 2009 $'000	Fund 2008 $'000
Opening balance	(120)	–	–	–
Fair value movement in relation to unlisted investments	(2,996)	47	–	–
Fair value movements in relation to listed investments	(7,983)	–	(29,098)	(22,758)
Share of movement of reserves of investments accounted for using the equity method	8,150	(167)	–	–
Impairment recognised on available for sale assets	2,949	–	29,098	22,758
Closing balance	–	**(120)**	**–**	**–**

During the year, the Fund recognised an impairment loss on its listed property trust investment. Refer to Note 9 for further details.

13 Reserves continued

Foreign currency translation reserve

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

	Consolidated		Fund	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Opening balance	(3,137)	–	–	–
Share of movement in reserves of investments accounted for using the equity method	218	(3,137)	–	–
Closing balance	**(2,919)**	**(3,137)**	**–**	**–**

Hedge reserve

Movements in the hedge reserve were as follows:

	Consolidated		Fund	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Opening balance	403	–	–	–
Share of movement in reserves of investments accounted for using the equity method	(403)	403	–	–
Closing balance	–	**403**	**–**	**–**

14 Undistributed losses

Movements in undistributed losses during the current year and comparative period were as follows.

	Consolidated		Fund	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Opening balance	(8,270)	–	(21,658)	–
Net loss	(32,921)	(1,255)	(30,506)	(14,643)
Distributions paid to unitholders	(2,492)	(7,015)	(2,492)	(7,015)
Closing balance	**(43,683)**	**(8,270)**	**(54,656)**	**(21,658)**

15 Financial instruments

Significant accounting policies

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

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

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 Fund temporarily closed to applications and redemptions on 17 December 2008. Prior to this date, the capital position of the Fund changed daily due to the daily application for and redemption of units, which were performed at the discretion of unitholders. The Responsible Entity monitored 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. At the balance date, the Fund remains temporarily closed to applications and redemptions.

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 level of borrowing relative to the direct real property value shall be limited to 65%.

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, which arise from the Fund's and Consolidated Entity's use of financial instruments and indirect exposures, which arise from the Fund's and Consolidated Entity's equity investments in other funds (Underlying Funds), and can be summarised as follows:

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

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

The Responsible Entity has responsibility for the establishment and monitoring of a risk management framework. This framework seeks to minimise the potential adverse impact of the above risks on the 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 as outlined in the compliance plan.

Compliance with the Fund 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.

15 Financial instruments continued

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. At 30 June 2009 the Consolidated Entity and Fund are not party to any derivative agreements (2008: nil).

c Credit risk

Sources of credit risk and risk management strategies

Credit risk is the risk of financial loss to the Fund or Consolidated Entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Fund and Consolidated Entity are exposed to both direct and indirect credit risk in the normal course of their operations. Direct credit risk arises principally from the Consolidated Entity's investment securities (in terms of distributions receivable and capital invested). For the Fund, credit risk arises principally from investment securities (in terms of distributions receivable and capital invested), and receivables due from subsidiaries. Other credit risk also arises for both the Fund and Consolidated Entity from cash and cash equivalents.

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

Trade and other receivables

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

Investments – available for sale – listed and unlisted property trusts

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%).

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

The Fund's and Consolidated Entity's overall strategy of credit risk management remains unchanged from 2008.

Exposure to credit risk

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

	Consolidated 2009 $'000	Consolidated 2008 $'000	Fund 2009 $'000	Fund 2008 $'000
Cash and cash equivalents	15,728	11,216	15,728	11,216
Trade and other receivables	39	1,511	63	1,535
Investments – available for sale	5,153	8,149	2,606	31,704
Total	**20,920**	**20,876**	**18,397**	**44,455**

Concentrations of credit risk exposure

The Fund and Consolidated Entity have a significant exposure to MPF. MPF is the Consolidated Entity's only listed investment and accounts for 11% of the Fund's total assets and 34% of the Consolidated Entity's total assets.

Collateral obtained / held

Neither the Fund nor Consolidated Entity has provided loans to external parties during the reporting period (2008: nil). As such no collateral has been obtained during the reporting period (2008: nil).

15 Financial instruments continued

Financial assets past due but not impaired

No financial assets of the Fund or Consolidated Entity were past due at the reporting date (2008: nil). There are no financial assets that have had their terms renegotiated that would otherwise have rendered the financial assets past due or impaired.

During the year, the Fund recognised impairment expenses of $32,071,000 in relation to its available for sale assets (2008: $22,758,000). During the year, the Consolidated Entity recognised impairment expenses of $2,949,000 in relation to its available for sale assets (2008: nil). Refer to Note 9 for further information.

d Liquidity risk

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

Sources of liquidity risk and risk management strategies

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

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

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

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

Interest bearing liabilities

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

Unitholders

The Fund was exposed to liquidity risk during a portion of the year as units were able to be redeemed by unitholders. During periods where redemption is applicable, 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.

Effective 17 December 2008, the Fund temporarily closed to applications and redemptions. This liquidity risk therefore existed for a portion of the current year only.

Available for sale investments

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

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

The Fund's and Consolidated Entity's overall strategy to liquidity risk management remains unchanged from 2008.

15 Financial instruments continued

Defaults and breaches

During the year ended 30 June 2009, the Fund and Consolidated Entity were not subject to any covenants, and as such, no covenants have been breached (2008: nil).

Maturity analysis of financial liabilities

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

	Consolidated $'000					
	Carrying amount	Contractual cash flows	0 to 12 months	1 to 2 years	2 to 5 years	Greater than 5 years
2009						
Trade and other payables	39	39	39	–	–	–
Total financial liabilities	**39**	**39**	**39**	**–**	**–**	**–**
2008						
Trade and other payables	49	49	49	–	–	–
Distributions payable	1,499	1,499	1,499	–	–	–
Total financial liabilities	**1,548**	**1,548**	**1,548**	**–**	**–**	**–**

	Fund $'000					
	Carrying amount	Contractual cash flows	0 to 12 months	1 to 2 years	2 to 5 years	Greater than 5 years
2009						
Trade and other payables	39	39	39	–	–	–
Total financial liabilities	**39**	**39**	**39**	**–**	**–**	**–**
2008						
Trade and other payables	49	49	49	–	–	–
Distributions payable	1,499	1,499	1,499	–	–	–
Total financial liabilities	**1,548**	**1,548**	**1,548**	**–**	**–**	**–**

e Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Fund's and Consolidated Entity's income or the value of its 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 both direct and indirect market risk in the normal course of their operations. Direct market risk arises principally from the Consolidated Entity's listed property securities investment portfolio and the related equity price risk. Indirect market risk arises in the form of equity price risk, interest rate risk and foreign currency risk.

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

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Cash and cash equivalents balances will also fluctuate with changes in interest rates due to interest earned. The key source of interest rate risk for the Fund and Consolidated Entity is derived from cash balances. The Fund and Consolidated Entity are not exposed to interest rate risk on liabilities.

15 Financial instruments continued

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

	Floating rate $'000	Non-interest bearing $'000	Total $'000
Consolidated 2009			
Financial assets			
Cash and cash equivalents	15,728	–	**15,728**
Trade and other receivables	–	39	**39**
Investments – available for sale	–	5,153	**5,153**
Total financial assets	**15,728**	**5,192**	**20,920**
Financial liabilities			
Trade and other payables	–	39	**39**
Total financial liabilities	**–**	**39**	**39**
Fund 2009			
Financial assets			
Cash and cash equivalents	15,728	–	**15,728**
Trade and other receivables	–	63	**63**
Investments – available for sale	–	2,606	**2,606**
Total financial assets	**15,728**	**2,669**	**18,397**
Financial liabilities			
Trade and other payables	–	39	**39**
Total financial liabilities	**–**	**39**	**39**
Consolidated 2008			
Financial assets			
Cash and cash equivalents	11,216	–	**11,216**
Trade and other receivables	–	1,511	**1,511**
Investments – available for sale	–	8,149	**8,149**
Total financial assets	**11,216**	**9,660**	**20,876**
Financial liabilities			
Trade and other payables	–	49	**49**
Distributions payable	–	1,499	**1,499**
Total financial liabilities	**–**	**1,548**	**1,548**
Fund 2008			
Financial assets			
Cash and cash equivalents	11,216	–	**11,216**
Trade and other receivables	–	1,535	**1,535**
Investments – available for sale	–	31,704	**31,704**
Total financial assets	**11,216**	**33,239**	**44,455**
Financial liabilities			
Trade and other payables	–	49	**49**
Distributions payable	–	1,499	**1,499**
Total financial liabilities	**–**	**1,548**	**1,548**

15 Financial instruments continued

Sensitivity analysis

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

	2009		2009		2008		2008	
	+ 1% Profit and loss $'000	+ 1% Equity $'000	- 1% Profit and loss $'000	- 1% Equity $'000	+ 1% Profit and loss $'000	+ 1% Equity $'000	- 1% Profit and loss $'000	- 1% Equity $'000
Consolidated Entity								
Interest on cash	152	152	(152)	(152)	57	57	(57)	(57)
Total increase/(decrease)	**152**	**152**	**(152)**	**(152)**	**57**	**57**	**(57)**	**(57)**
Fund								
Interest on cash	152	152	(152)	(152)	57	57	(57)	(57)
Total increase/(decrease)	**152**	**152**	**(152)**	**(152)**	**57**	**57**	**(57)**	**(57)**

Foreign currency risk

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

During the current year the Fund and Consolidated Entity have not been exposed to direct foreign currency risk (2008: nil). The Fund and Consolidated Entity are exposed to indirect foreign currency risk due to their investment in entities that are exposed to foreign currency risk related to their overseas operations. The Fund and Consolidated Entity manage this risk by ensuring the Fund only invests in funds with investment strategies consistent with the investment objectives of the Fund and monitoring the performance of those funds.

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.

f Other market risk

Other market risk is the risk that the total value of investments will fluctuate as a result of changes in market prices. The primary source of other market risk for the 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) profit and loss and equity by the amounts shown below. This analysis assumes that all other variables remain constant.

	2009		2009		2008		2008	
	+ 10% Profit and loss $'000	+ 10% Equity $'000	- 10% Profit and loss $'000	- 10% Equity $'000	+ 10% Profit and loss $'000	+ 10% Equity $'000	- 10% Profit and loss $'000	- 10% Equity $'000
Consolidated Entity								
Unlisted investments	515	515	(515)	(515)	–	815	–	(815)
Total increase/(decrease)	**515**	**515**	**(515)**	**(515)**	**–**	**815**	**–**	**(815)**
Fund								
Listed investments	261	261	(261)	(261)	3,170	3,170	(3,170)	(3,170)
Total increase/(decrease)	**261**	**261**	**(261)**	**(261)**	**3,170**	**3,170**	**(3,170)**	**(3,170)**

15 Financial instruments continued

g Fair values

Methods for determining fair values

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

Trade and other receivables

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

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.

16 Reconciliation of cash flows from operating activities

	Consolidated		Fund	
	Year ended 30 June 2009 $'000	Period from 8 February 2007 to 30 June 2008 $'000	Year ended 30 June 2009 $'000	Period from 8 February 2007 to 30 June 2008 $'000
Net loss for the period	(32,921)	(1,255)	(30,506)	(14,643)
Adjustments for:				
Items classified as investing activities				
Distribution income from associate	977	7,072	–	–
Non cash items				
Share of associate's loss	30,560	2,274	–	–
Impairment expense	2,949	–	32,071	22,758
Operating profit before changes in working capital	**1,565**	**8,091**	**1,565**	**8,115**
Changes in assets and liabilities during the period				
Decrease/(increase) in trade and other receivables	1,472	(1,511)	1,472	(1,535)
Increase/(decrease) in trade and other payables	(10)	49	(10)	49
Net cash flow from operating activities	**3,027**	**6,629**	**3,027**	**6,629**

17 Related parties

Key management personnel

The Fund is required to have an incorporated Responsible Entity to manage the activities of the Fund and the Consolidated Entity. The Directors of the Responsible Entity are key management personnel of that entity and their names are Dr Peter Morris, Mr Brian Motteram, Mr Robert McCuaig, Mr Mark Wilson and Mr Brian Kingston. Messrs Robert Rayner and Bob McKinnon resigned during the year.

The Responsible Entity is entitled to a management fee which is calculated as a proportion of gross assets attributable to unitholders. Refer below for further details related to the management fee and other fees the Responsible Entity is entitled to.

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

Directors' interests

The Directors have no interest in the 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.

17 Related parties continued

Responsible Entity's fees and other transactions

Management fee

A management fee based on the gross value of assets excluding investments in other Brookfield Multiplex products is payable to the Responsible Entity. The fee is payable by the Fund quarterly in arrears. The management fee expense for the year ended 30 June 2009 was $118,216 (2008: $58,481). At 30 June 2009, the management fee payable to the Responsible Entity was $26,904 (2008: $20,805).

Expense recovery

An expense recovery fee based on the gross value of assets is payable to the Responsible Entity. The fee is payable by the Fund quarterly in arrears. Total expense recovery fees paid for the year ended 30 June 2009 by the Fund and Consolidated Entity were $96,646 (2008: $145,567).

Related party unitholders

- Brookfield Multiplex Funds Management Limited, as custodian for Brookfield Multiplex Property Trust, holds 54,351,427 units or 66.5% of the Fund at the reporting date (2008: 54,351,427 units or 74.5%).
- Brookfield Multiplex Capital Pty Limited holds 3,232,057 units or 4.0% of the Fund at the reporting date (2008: 3,232,057 units or 4.4%).

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 – 43,430,615 units or 21.41% of the fund (2008: 43,430,615 units or 21.41%)
- Multiplex New Zealand Property Fund – 4,345,251 units or 2.0% of the fund (2008: 4,345,251 units or 2.0%)

Transactions with related parties

	Consolidated 2009 $'000	Consolidated 2008 $'000	Fund 2009 $'000	Fund 2008 $'000
Transactions with controlled entities				
Distribution income	–	–	211	692
Intercompany receivable	–	–	222	238
Intercompany payable	–	–	87	–
Transactions with associate				
Distribution income	977	7,072	–	–
Distributions receivable	–	1,230	–	–
Transactions with the Responsible Entity				
Management fees	118	58	118	58
Expense recovery fees	97	146	97	146
Management fees payable	27	21	27	21
Expense recovery fees payable	12	28	12	28
Transactions with related parties of the Responsible Entity				
Distribution income	87	452	977	7,072
Distributions paid	1,788	6,162	1,788	6,162
Distributions receivable	–	103	–	1,230
Investments in related parties (at fair value)				
- Multiplex Acumen Property Fund	–	–	2,606	31,704
- Multiplex New Zealand Property Fund	2,648	5,149	–	–
Investments in related parties (equity accounted)				
- Multiplex Acumen Property Fund	10,660	42,215	–	–
Distributions payable	–	1,181	–	1,181

Transactions with related parties are conducted on normal commercial terms and conditions. Distributions paid by the Consolidated Entity to related parties are made on the same terms and conditions applicable to all unitholders.

18 Contingent liabilities and assets

No contingent liabilities or assets existed at 30 June 2009 (2008: nil).

19 Capital and other commitments

The Consolidated Entity had no capital or other commitments at 30 June 2009 (2008: nil).

20 Events subsequent to the reporting date

Subsequent to the reporting date, the fair value of the Fund's A-REIT portfolio the day immediately prior to the date the financial statements were approved was $3,474,449, which represents a change of $868,612. 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 decrease the Fund's impairment expense and increase available for sale assets by $868,612.

The Consolidated Entity's investment in A-REIT securities is limited to the investment in MPF, which is accounted for using the equity method of accounting. The movement in value of the A-REIT portfolio therefore does not impact the Consolidated Entity.

The Consolidated Entity owns 21.41% of the ordinary units of MPF. MPF has reported in its annual report to the ASX dated 31 August 2009 that it is not in compliance with its ICR, gearing or ERL covenants. MPF has reported that a detailed term sheet setting out the terms on which the financier will extend the new facility was signed on 28 August 2009. This term sheet is subject to finalising formal documentation and various conditions precedent and specifies a staged pay down of the existing debt, removal of the gearing and ERL covenants, relaxation of the existing ICR covenant and extension of the Facility to 31 December 2011. The financier has waived the ICR, gearing and ERL covenant breaches until 30 September 2009, by which time MPF has anticipated that the extended facility will have been formally documented.

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

Directors' Declaration
Multiplex Diversified Property Fund
For the year ended 30 June 2009

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

a The consolidated financial statements and notes, set out in pages 10 to 33, are in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the financial position of the Fund and Consolidated Entity as at 30 June 2009 and of their performance, for the financial period year ended on that date; and

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

b The financial report also complies with International Financial Reporting Standards as disclosed in Note X(X).

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

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

Dated at Sydney, this 31st day of August 2009.

Mark Wilson
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), which comprises the balance sheets as at 30 June 2009, and the income statements, statements of changes in equity and cash flow statements for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 20 and the directors' declaration of the Consolidated Entity comprising the Fund and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of Brookfield Multiplex Capital Management Limited (the Responsible Entity) are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

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

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

Whilst we draw attention to the significant uncertainties as described below, in our opinion:

(a) 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 Fund's and the Consolidated Entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and

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

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

Carrying value of equity accounted investment in Multiplex Acumen Property Fund

Without qualification to the opinion expressed above attention is drawn to note 5 of the financial statements. The Consolidated Entity holds a material investment in an associate, Multiplex Acumen Property Fund ("MPF"). MPF is currently in the process of finalising refinancing discussions with its financier. As at the date of this report, a term sheet, which is subject to finalisation of formal documentation and various conditions precedent, setting out the proposed terms of a new facility has been provided by the financier, and accordingly the financial statements of MPF have been prepared on a going concern basis. If the debt facility is unable to be renewed and alternative financing options are unsuccessful, significant uncertainty will be cast on the ability of MPF to continue as a going concern and as such the Consolidated Entity may be required to realise its assets at amounts lower than those stated in the financial statements.

KPMG

MPF holds a material investment in an associate Multiplex New Zealand Property Fund ("MNZPF"). MNZPF is currently in discussions with its bankers in relation to the renewal of its debt facility. The outcome of these negotiations is uncertain. If the debt facility is unable to be renewed, significant uncertainty will be cast on the ability of the Fund to realise its investment in MPF at the amount stated in the financial statements at 30 June 2009.

MPF holds material investments in unlisted property security funds, which as a result of a lack of liquidity have suspended redemptions or only have limited liquidity facilities. As outlined in note 9 of the financial statements, the directors of the Responsible Entity of MPF have adopted the net asset value as the fair value of each of the underlying property security funds at 30 June 2009 with an additional discount applied to specific investments; however significant uncertainty exists as to whether the underlying property security funds will be able to be realised at the net asset value when redemption facilities re-open.

The issues outlined above may ultimately impact on the ability of the Consolidated Entity to realise its investment in MPF at the amount stated in the financial statements at 30 June 2009.

KPMG

KPMG

T. Gilerman

Tanya Gilerman
Partner

Sydney

31 August 2009