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

Multiplex New Zealand Property Fund

ARSN 110 281 055

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Responsible Entity
Brookfield Multiplex Capital Management Limited
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Telephone: +61 2 9322 2000
Facsimile: +61 2 9322 2001

Directors of Brookfield Multiplex Capital Management Limited
F. Allan McDonald
Brian Motteram
Barbara Ward
Tim Harris
Russell Proutt

Company Secretary of Brookfield Multiplex Capital Management Limited
Neil Olofsson

Registered Office
Level 22, 135 King Street
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Telephone: +61 2 9322 2000
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Custodian
Brookfield Multiplex Funds Management Limited
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Sydney NSW 2000
Telephone: +61 2 9322 2000
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Location of Share Registry
Registries (Victoria) Pty Limited
Level 7, 207 Kent Street
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Telephone: +61 2 9290 9600
Facsimile: +61 2 9279 0664

Auditor
Deloitte Touche Tohmatsu
Grosvenor Place, 225 George Street
Sydney NSW 2000
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Introduction

The Directors of Brookfield Multiplex Capital Management Limited (ABN 32 094 936 866), the Responsible Entity of Multiplex New Zealand Property Fund (ARSN 110 281 055) (Fund), present their report together with the financial statements of the Consolidated Entity, being the Fund and its subsidiaries (together referred to as the Consolidated Entity), for the year ended 30 June 2010 and the Independent Auditor's Report thereon. The Fund was constituted on 28 July 2004.

Responsible Entity

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

Directors

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

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

Information on Directors

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

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

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

Brian has in excess of 33 years of experience working in the area of finance and accounting. He has worked with international accounting firms, in his own private practice, and during the last 19 years in private enterprise in both the mining and property industries. He spent 8 years (from 1996 to 2004) as an executive of a Perth-based property company in the position of Chief Financial Officer and, later, as Financial Director. BMCML is also the Responsible Entity for the following listed funds; MAFCB, MUE and MPF. Brian is a fully qualified Chartered Accountant having trained with KPMG and Deloitte. Age 57.

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

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

Information on Directors continued

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

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

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

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

Information on Company Secretary

Neil Olofsson

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

Directors' interests

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

Director	Multiplex New Zealand Property Fund units held
F. Allan McDonald	26,000
Brian Motteram	–
Barbara Ward	–
Tim Harris	–
Russell Proutt	–

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

Directors' meetings

	Board Meetings		Audit Committee Meetings		Board Risk and Compliance Committee Meetings[1]	
Director	A	B	A	B	A	B
F. Allan McDonald	4	4	1	1	1	1
Brian Motteram	9	10	2	2	1	1
Barbara Ward	4	4	1	1	1	1
Tim Harris	1	2	n/a	n/a	n/a	n/a
Russell Proutt	4	4	n/a	n/a	n/a	n/a
Peter Morris	6	6	1	1	n/a	n/a
Robert McCuaig	6	6	1	1	n/a	n/a
Mark Wilson	6	6	n/a	n/a	n/a	n/a
Brian Kingston	7	8	n/a	n/a	n/a	n/a

A – Number of meetings attended.
B – Number of meetings held during the time the Director held office during the year.
1 – Board Risk and Compliance Committee Meetings were established from January 2010. Compliance and Risk Committee Meetings were held prior to January 2010, as a committee comprising a majority of external members, when it was disbanded.

Committee meetings

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

Principal activities

The principal activity of the Consolidated Entity is the investment in properties in New Zealand.

Review of operations

The Consolidated Entity has recorded a net loss after tax before distributions to unitholders of $17,727,000 for the year ended 30 June 2010 (2009: $94,314,000). The reported net loss includes $44,247,000 of unrealised losses on revaluations of investment properties (2009: $77,091,000) and $5,798,000 net gain on financial derivatives (2009: $21,720,000 loss).

Some of the significant events during the year are as follows:
- total revenue and other income of $66,675,000 (2009: $78,310,000);
- distributions to unitholders of nil and distributions per unit of nil cents per unit (2009: $4,359,000 and 2.0 cents per unit);
- net assets attributable to unitholders of $148,314,000 (2009: $164,005,000) and net tangible asset (NTA) per unit of $0.68 (2009: $0.75);
- the current weighted average lease term to expiry is approximately 4.92 years (2009: 5.52 years) and the portfolio occupancy rate is 99% (2009: 99%);
- the sale of Wiri Distribution Centre, Auckland was settled on 9 October 2009 for NZ$19,000,000; and
- the sale of South City Shopping Centre, Christchurch was settled on 8 June 2010 for NZ$34,000,000.

Debt renewal

The Consolidated Entity entered into a new debt facility on 22 December 2009. The total facility limit is NZ$385,673,000. As at 30 June 2010, NZ$385,673,000 was drawn down on the facility.

The total facility comprises of Tranche A drawn to NZ$350,000,000, expiring on 30 August 2011 with a margin of 3.75% and Tranche B drawn to NZ$35,673,000, expiring on 31 October 2010 with a margin of 5.00%. The revised covenants of the facility stipulate a loan to value ratio requirement of no more than 65% until 30 December 2010, 55% at 31 December 2010 and 50% at 29 June 2011. There are 2 interest cover ratios of greater than 1.4 times on an historic basis and 1.3 times on a forward basis. The payment of management fees is restricted until Tranche B is repaid and the loan to value ratio is less than 50%.

At 30 June 2010, the Consolidated Entity was in compliance with its debt covenants.

A portion of the existing debt facility is classified as current in the Statement of Financial Position. $28,953,000 of the total debt balance has a maturity date of 31 October 2010 and at the date of this report, this portion of the debt has not been refinanced beyond this date. Due to this classification, the Consolidated Entity's current liabilities exceed current assets by $2,990,000. Investment properties totalling $453,862,000 are classified as non-current assets in accordance with accounting standards.

In accordance with AASB 101 *Presentation of Financial Statements*, an entity shall prepare financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. At the date of this report, management has no intention to either liquidate the Consolidated Entity or to cease trading and believes realistic alternatives to liquidation or cessation of trading are available. These realistic alternatives include the realisation of assets currently classified as non-current investment properties in the Statement of Financial Position.

Interests of the Responsible Entity

Fee payments

The Consolidated Entity incurred the following fees to Brookfield Multiplex Capital Management Limited during the financial year:

- Management fees incurred by the Fund during the year were $3,740,000 (2009: $4,975,000);
- Leasing fees incurred by the Consolidated Entity during the year were $260,000 (2009: $212,000); and
- Property sale fees incurred by the Consolidated Entity during the year were nil (2009: $1,731,000).

Investments held

The following interests were held in the Consolidated Entity during the year:

- ANZ Nominees Limited as custodian for Brookfield Multiplex Capital Management Limited as responsible entity for Multiplex Acumen Property Fund holds 46,866,127 units or 21.49% of the Fund at year end (2009: 51,699,755 units or 23.71% of the Fund).
- Brookfield Multiplex Funds Management Limited as custodian for Brookfield Multiplex Property Trust holds 47,461,298 units or 21.77% of the Fund at year end (2009: 47,461,298 units or 21.77% of the Fund).
- Perpetual Trust Limited as custodian for Multiplex Tasman Property Fund holds 4,629,041 units or 2.12% of the Fund at year end (2009: 4,701,355 units or 2.16% of the Fund).
- JP Morgan Nominees Australia Limited as custodian for Brookfield Multiplex Capital Management Limited as responsible entity for Multiplex Diversified Property Fund holds nil units of the Fund at year end (2009: 4,345,251 units or 1.99% of the Fund).
- JP Morgan Nominees Australia Limited as custodian for Brookfield Multiplex Capital Management Limited as responsible entity for Multiplex Property Income Fund holds 1,201,696 units or 0.55% of the Fund at year end (2009: 1,325,635 units or 0.61% of the Fund).
- Brookfield Multiplex Capital Management Limited holds 13,017,856 units or 5.97% of the Fund at year end (2009: 6,056,977 units or 2.78% of the Fund).
- Multiplex APF Pty Ltd, as trustee for Multiplex APF Trust, holds 3,712,913 units or 1.70% of the Fund at year end (2009: nil).
- Brookfield Multiplex Capital Pty Ltd holds 220,793 units or 0.10% of the Fund at year end (2009: nil).

Significant changes in the state of affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the Consolidated Entity that occurred during the financial year other than those disclosed in this report or in the financial statements.

Events subsequent to the reporting date

The investment property at 180 Molesworth Street was sold on 13 August for a consideration of $31,000,000. Net proceeds from the sale were used to repay in full the Tranche B debt and a portion of the Tranche A debt.

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

Likely developments

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

Environmental regulation

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

Directors' Report continued
Multiplex New Zealand Property Fund
For the year ended 30 June 2010

Distributions
Distributions paid/payable by the Consolidated Entity to unitholders are detailed below. The Consolidated Entity did not pay a distribution for the current year ended 30 June 2010. This cash was used to repay debt and/or essential maintenance capital expenditure as required. The terms of the Consolidated Entity's debt facility prevent the Consolidated Entity from making a distribution until the Tranche B debt currently drawn to NZ$35,673,000 is fully repaid and the loan to value ratio is less than 50%. Distributions paid for the year ended 30 June 2009 have been paid out of the Consolidated Entity's realised revenues and expenses.

	Cents per unit	Total amount $'000	Date of payment
Ordinary units			
Total distribution for the year ended 30 June 2010	–	–	
Ordinary units			
September 2008 distribution	2.000	4,359	3 November 2008
Total distribution for the year ended 30 June 2009	**2.000**	**4,359**	

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

Neither the Fund nor any controlled entity has indemnified any auditor of the Consolidated Entity.

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

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

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 2010.

Dated at Sydney this 25th day of August 2010.

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

Russell Proutt
Director
Brookfield Multiplex Capital Management Limited

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

25 August 2010

Dear Directors

MULTIPLEX NEW ZEALAND PROPERTY FUND

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

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

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Helen Hamilton-James
Partner
Chartered Accountants

Statement of Comprehensive Income
Multiplex New Zealand Property Fund
For the year ended 30 June 2010

	Note	Consolidated Year ended 30 June 2010 $'000	Year ended 30 June 2009 $'000
Revenue and other income			
Property rental income		60,689	70,448
Interest income		188	432
Realised gain on foreign exchange transactions		–	1,047
Net gain on financial derivatives	5	5,798	–
Reversal of performance fee		–	6,383
Total revenue and other income		**66,675**	**78,310**
Expenses			
Property expenses		13,433	15,110
Loss on sale of investment property		3,311	11,003
Net loss on financial derivatives	5	–	21,720
Net loss on revaluation of investment property	10	44,247	77,091
Finance costs to external parties		33,241	35,846
Management fees		3,740	4,975
Other expenses		187	334
Total expenses		**98,159**	**166,079**
Loss before income tax		**(31,484)**	**(87,769)**
Income tax benefit/(expense)	7	13,757	(6,545)
Net loss after income tax for the year		**(17,727)**	**(94,314)**
Other comprehensive income			
Currency translation differences		2,036	4,103
Other comprehensive income for the year		**2,036**	**4,103**
Total comprehensive loss for the year		**(15,691)**	**(90,211)**
Net loss attributable to ordinary unit holders		**(17,727)**	**(94,314)**
Total comprehensive loss attributable to unitholders		**(15,691)**	**(90,211)**

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

Statement of Financial Position
Multiplex New Zealand Property Fund
As at 30 June 2010

	Note	Consolidated 2010 $'000	2009 $'000
Assets			
Current assets			
Cash and cash equivalents		17,420	11,125
Trade and other receivables	9	1,780	2,781
Held for sale investment properties	10	30,679	–
Total current assets		**49,879**	**13,906**
Non-current assets			
Investment properties	10	453,862	564,733
Total non-current assets		**453,862**	**564,733**
Total assets		**503,741**	**578,639**
Liabilities			
Current liabilities			
Trade and other payables	12	23,916	23,888
Fair value of financial derivatives		–	1,955
Interest bearing liabilities	13	28,953	349,222
Total current liabilities		**52,869**	**375,065**
Non-current liabilities			
Fair value of financial derivatives		5,541	9,383
Interest bearing liabilities	13	280,588	–
Deferred income tax liability	7	16,429	30,186
Total non-current liabilities		**302,558**	**39,569**
Total liabilities		**355,427**	**414,634**
Net assets		**148,314**	**164,005**
Equity			
Units on issue	14	203,396	203,396
Reserves	15	(41,187)	(43,223)
Undistributed (losses)/income	16	(13,895)	3,832
Total equity		**148,314**	**164,005**

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

Statement of Changes in Equity
Multiplex New Zealand Property Fund
For the year ended 30 June 2010

Consolidated entity	Ordinary units $'000	Attributable to unitholders of the Fund Undistributed profits/(losses) $'000	Reserves $'000	Total $'000
Opening equity – 1 July 2009	**203,396**	**3,832**	**(43,223)**	**164,005**
Currency translation differences	–	–	2,036	**2,036**
Other comprehensive income for the year	**–**	**–**	**2,036**	**2,036**
Net loss for the year	–	(17,727)	–	**(17,727)**
Total comprehensive income/(loss) for the year	**–**	**(17,727)**	**2,036**	**(15,691)**
Transactions with unitholders in their capacity as unitholders:				
Distributions paid/payable	–	–	–	–
Total transactions with unitholders in their capacity as unitholders	**–**	**–**	**–**	**–**
Closing equity – 30 June 2010	**203,396**	**(13,895)**	**(41,187)**	**148,314**

Consolidated entity	Ordinary units $'000	Attributable to unitholders of the Fund Undistributed profits/(losses) $'000	Reserves $'000	Total $'000
Opening equity – 1 July 2008	**203,131**	**102,505**	**(47,326)**	**258,310**
Currency translation differences	–	–	4,103	**4,103**
Other comprehensive income for the year	**–**	**–**	**4,103**	**4,103**
Net loss for the year	–	(94,314)	–	**(94,314)**
Total comprehensive income/(loss) for the year	**–**	**(94,314)**	**4,103**	**(90,211)**
Transactions with unitholders in their capacity as unitholders:				
Units reinvested	265	–	–	**265**
Distributions paid/payable	–	(4,359)	–	**(4,359)**
Total transactions with unitholders in their capacity as unitholders	**265**	**(4,359)**	**–**	**(4,094)**
Closing equity – 30 June 2009	**203,396**	**3,832**	**(43,223)**	**164,005**

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

Statement of Cash Flows
Multiplex New Zealand Property Fund
For the year ended 30 June 2010

	Note	Consolidated Year ended 30 June 2010 $'000	 Year ended 30 June 2009 $'000
Cash flows from operating activities			
Cash receipts in the course of operations		69,100	70,335
Cash payments in the course of operations		(22,204)	(25,488)
Interest received		181	432
Settlement of derivatives		–	5,259
Financing costs paid		(33,701)	(33,567)
Net cash flows from operating activities	18	**13,376**	**16,971**
Cash flows from investing activities			
Proceeds from sale of investment properties		43,062	110,851
Payments for purchase of, and additions to, investment properties		(5,695)	(14,351)
Net cash flows from investing activities		**37,367**	**96,500**
Cash flows from financing activities			
Distributions paid		–	(9,268)
Proceeds from interest bearing liabilities		–	14,890
Repayments of interest bearing liabilities		(39,393)	(112,383)
Debt establishment costs paid		(5,180)	–
Net cash flows used in financing activities		**(44,573)**	**(106,761)**
Net increase in cash and cash equivalents		6,170	6,710
Impact of foreign exchange		125	(4,436)
Cash and cash equivalents at beginning of year		11,125	8,851
Cash and cash equivalents at 30 June		**17,420**	**11,125**

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

1 Reporting entity

Multiplex New Zealand Property Fund (Fund) is an Australian registered managed investment scheme under the *Corporations Act 2001*. Brookfield Multiplex Capital Management Limited (BMCML), the Responsible Entity of the Fund, is incorporated and domiciled in Australia. The consolidated financial statements of the Fund as at and for the year ended 30 June 2010 comprise the Fund and its subsidiaries (together referred to as the Consolidated Entity).

2 Basis of preparation

a Statement of compliance

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

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

b Basis of measurement

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

- derivative financial instruments which are measured at fair value; and
- investment property which is measured at fair value.

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

The consolidated financial statements are presented in Australian dollars, which is the Fund's presentation currency. The Fund's functional currency is Australian dollars, however, the Consolidated Entity is predominantly comprised of operations that are located in New Zealand. The functional currency of the controlled entity that holds these operations is the New Zealand dollar.

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

A portion of the existing debt facility is classified as current in the Statement of Financial Position. $28,953,000 of the total debt balance has a maturity date of 31 October 2010 and at the date of this report, this portion of the debt has not been refinanced beyond this date. Due to this classification, the Consolidated Entity's current liabilities exceed current assets by $2,990,000. Investment properties totalling $453,862,000 are classified as non-current assets in accordance with accounting standards.

The investment property at 180 Molesworth Street was sold on 13 August for a consideration of $31,000,000. Net proceeds from the sale were used to repay in full the Tranche B debt and a portion of the Tranche A debt. In accordance with AASB 101 *Presentation of Financial Statements*, an entity shall prepare financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. At the date of this report, management has no intention to either liquidate the Consolidated Entity or to cease trading and believes realistic alternatives to liquidation or cessation of trading are available. These realistic alternatives include the realisation of assets currently classified as non-current investment properties in the Statement of Financial Position.

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 investment properties (Note 10) and financial instruments (Note 17).

d Financial statement presentation

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

2 Basis of preparation continued

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

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 Statement of Comprehensive Income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Consolidated Entity. The assets and liabilities of foreign controlled entities are translated into Australian dollars at rates of exchange current at the balance date, while their income and expenditure are translated at the exchange rate at the date of the transactions.

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

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

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

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

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

b Foreign and cross currency transactions

Foreign and cross currency transactions of the Consolidated Entity are converted to Australian dollars at the rate of exchange prevailing at the date of the transaction or at hedge rates where applicable. Amounts receivable or payable by entities within the Consolidated Entity that are outstanding as at the balance date and are denominated in foreign currencies are converted to Australian dollars using rates of exchange at the end of the period. All resulting exchange differences arising on settlement are brought to account in the Statement of Comprehensive Income.

Foreign currency differences are recognised directly in equity in the foreign currency translation reserve (FCTR).

3 Significant accounting policies continued

c Revenue recognition

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

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Consolidated Entity and the revenue can be reliably measured.

The following specific criteria for the major business activities must also be met before revenue is recognised. Where amounts do not meet these recognition criteria, they are deferred and recognised in the period in which the recognition criteria are met.

Property rental revenue

Rental income from investment property leased out under an operating lease is recognised in the Statement of Comprehensive Income on a straight-line basis over the term of the lease.

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

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

Dividends and distributions

Revenue from dividends and distributions is recognised when the right of the 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.

d Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreements so as to reflect the risks and benefits incidental to ownership.

Operating leases

The minimum rental revenues of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as income on a straight-line basis over the lease term, which is considered to best represent the time pattern in which benefits derived from the leased asset are diminished.

Leasing fees

Leasing fees in relation to the initial leasing of the property after a redevelopment are capitalised and amortised over the period to which the lease relates.

Costs that are directly associated with negotiating and executing the ongoing renewal of tenant lease agreements (including commissions, legal fees and costs of preparing and processing documentation for new leases) are also capitalised and amortised over the lease term in proportion to the rental revenue recognised in each financial year.

Leasing incentives

Lease incentives which may take the form of up-front payments, contributions to certain lease costs, relocation costs and fit-outs and improvements are recognised in aggregate as a reduction of rental income over the lease term.

e Expense recognition

Finance costs

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

Finance costs include:
- interest on bank overdrafts and short-term and long-term borrowings, including amounts paid or received on interest rate swaps;
- amortisation of discounts or premiums relating to borrowings;
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings;
- finance lease charges; and
- certain exchange differences arising from foreign currency borrowings.

Management fees

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

3 Significant accounting policies continued

e Expense recognition continued

Performance fee

A performance fee of 2% of the gross value of assets to the extent the net asset value exceeds the capital subscribed (less any capital returns other than amounts returned as a distribution of operating cash flow) is payable to the Responsible Entity. An additional fee of 2% of the gross value of assets is payable provided unitholders have achieved a 50% premium on capital subscribed (less capital returns).

The performance fee is calculated each time there is a rollover of the Consolidated Entity or on sale of the Consolidated Entity's assets prior to termination of the Consolidated Entity. If a performance fee is payable, then it will be paid by the Fund within two months after it is calculated.

Other expenditure

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

f 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) or the New Zealand Inland Revenue (IRD). 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 or the IRD is included as a current asset or liability in the Statement of Financial Position.

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

g Income tax - funds

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

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

The wholly-owned sub-trust of the Fund which owns properties in New Zealand is liable to pay tax under New Zealand tax legislation at the current corporate rate of 30%.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

h Cash and cash equivalents

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

i Trade and other receivables

Trade debtors and other receivables are stated at their amortised cost using the effective interest rate method less any identified impairment losses. Non-current receivables are measured at amortised cost using the effective interest rate method.

3 Significant accounting policies continued

j Investment property

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

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

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

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

Valuations

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

The investment properties of the Consolidated Entity are internally valued at each reporting date. The Consolidated Entity's policy is to obtain external valuations when internal valuations performed indicate the property value has changed by more than 5%, or whenever it is believed that the fair value of a property differs significantly from its carrying value, based on a material change to the assumptions and market conditions underlying the valuation. An external valuation is obtained at least every 3 years. All external valuations are adopted as the fair value of the investment property at the relevant reporting date. When internal valuations indicate a change from the carrying value between 2% and 5% the internal valuation will be adopted.

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

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

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

Rental income from investment property is accounted for in accordance with Note 3c.

k Derivative financial instruments

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

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value, with the changes in fair value during the period recognised in the Statement of Comprehensive Income.

l Non-derivative financial instruments

Non-derivative financial instruments comprise investments in trade and other receivables, cash and cash equivalents, interest bearing liabilities and trade and other payables.

Non-derivative 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.

3 Significant accounting policies continued

l Non-derivative financial instruments continued

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

Accounting policies for cash and cash equivalents, trade and other receivables, trade and other payables, and interest bearing liabilities are discussed elsewhere within the financial statements.

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

m Impairment

Financial assets

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

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

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

All impairment losses are recognised in the Statement of Comprehensive Income. 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, the reversal is recognised in the Statement of Comprehensive Income.

Non-financial assets

The carrying amount of the Consolidated Entity's non-financial assets, other than investment property and deferred tax assets, is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists then the asset's recoverable amount is estimated.

Impairment losses recognised in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

n 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.

o Interest bearing liabilities

Interest bearing liabilities are recognised initially at fair value less any attributable transaction costs. Subsequent to initial recognition, interest bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in the Statement of Comprehensive Income over the period of the borrowings on an effective interest rate basis. Interest bearing loans and borrowings are classified as current liabilities unless the Consolidated Entity has an unconditional right to defer settlement of the liability to at least 12 months after the year end date.

p Distributions

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

q Net assets attributable to unitholders

Change in accounting policy

The financial statements reflect the changes to AASB 132 *Financial Instruments: Presentation* as updated by AASB 2008-2 *Amendments to Australian Accounting Standards.* The amendment defines puttable instruments and changes the classification and presentation of amounts owing to the Consolidated Entity's unitholders from non-current liabilities to equity.

3 Significant accounting policies continued

q Net assets attributable to unitholders continued

Change in accounting policy continued

As a result of this amendment, total liabilities have decreased and equity has increased by $148,314,000 (2009: $164,005,000). The effect of this amendment has been applied to the current and comparative period to ensure consistency of presentation.

r Units on issue

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

s New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2010 but have not been applied in preparing these financial statements:

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

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

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

4 Parent entity disclosures

	Fund 2010 $'000	Fund 2009 $'000
Assets		
Current assets	22,722	19,147
Non-current assets	150,718	150,718
Total assets	**173,440**	**169,865**
Liabilities		
Current liabilities	12,597	8,802
Non-current liabilities	–	–
Total liabilities	**12,597**	**8,802**
Equity		
Units on issue	203,396	203,396
Reserves	–	–
Undistributed losses	(42,553)	(42,333)
Total equity	**160,843**	**161,063**

	Fund Year ended 30 June 2010 $'000	Fund Year ended 30 June 2009 $'000
Net loss for the year	(220)	(25,726)
Other comprehensive income/(loss) for the year	–	–
Total comprehensive loss for the year	**(220)**	**(25,726)**

5 Net gains and losses on financial derivatives

Net realised gains on settlement of financial derivatives are as follows:

	Consolidated Year ended 30 June 2010 $'000	Consolidated Year ended 30 June 2009 $'000
Forward foreign exchange contracts	–	5,259
Net realised gain on settlement of financial derivatives	**–**	**5,259**

Net unrealised gains/losses on revaluation of financial derivatives are as follows:

	Consolidated Year ended 30 June 2010 $'000	Consolidated Year ended 30 June 2009 $'000
Interest rate swaps	5,798	(19,684)
Forward foreign exchange contracts	–	(7,295)
Net unrealised gain/(loss) on revaluation of financial derivatives	**5,798**	**(26,979)**
Net gain/(loss) on financial derivatives	**5,798**	**(21,720)**

6 Auditor's remuneration	Consolidated Year ended 30 June 2010 $	Consolidated Year ended 30 June 2009 $
Auditors of the Fund:		
Audit and review of the financial report	55,000	121,000
Non-audit services	–	19,700
Total auditor's remuneration	**55,000**	**140,700**

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

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

	Consolidated Year ended 30 June 2010 $'000	Consolidated Year ended 30 June 2009 $'000
7 Income tax		
Major components of income tax expense		
Current income tax	(1,604)	4,075
Utilisation of previously recognised tax losses	1,604	(4,075)
Total current income tax	**–**	**–**
Deferred income tax		
Relating to origination and reversal of temporary differences	(7,789)	6,545
Benefit arising from previously unrecognised tax losses	(5,968)	–
Total deferred income tax	**(13,757)**	**6,545**
Total income tax (benefit)/expense reported in the Statement of Comprehensive Income	**(13,757)**	**6,545**
Income tax (benefit)/expense		
Numerical reconciliation between tax expense and pre-tax net profit		
Loss for the year after tax	(17,727)	(94,314)
Total income tax (benefit)/expense	(13,757)	6,545
Loss before income tax	**(31,484)**	**(87,769)**
(Profit)/loss attributable to the Australian Fund and not subject to taxation[1]	3,923	(2,261)
Loss before income tax attributable to Brookfield Multiplex Albert Street Landowning Trust (BMASLT)	**(27,561)**	**(90,030)**

7 Income tax continued

	Consolidated Year ended 30 June 2010 $'000	Year ended 30 June 2009 $'000
Prima facie income tax benefit on profit using the BMASLT tax rate of 30% (2009: 30%)	(8,268)	(27,009)
Recognition of previously unrecognised tax losses	(5,968)	–
Timing differences in respect of properties	2,736	23,625
Permanent differences on sale of properties	2,603	8,749
Non-assessable income related to settlement of foreign exchange derivatives	–	(1,578)
Change in timing differences due to change in tax rate	(1,142)	–
Other[2]	(3,718)	2,758
Total income tax (benefit)/expense reported in the Statement of Comprehensive Income	**(13,757)**	**6,545**

1 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.
2 Other includes other non-deductible and non-assessable items and the impact of foreign exchange.

	Consolidated 2010 $'000	2009 $'000
Tax assets and liabilities		
Deferred tax assets	8,894	5,254
Deferred income tax liability – non current	(25,323)	(35,440)

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2010 $'000	Assets 2009 $'000	Liabilities 2010 $'000	Liabilities 2009 $'000	Net 2010 $'000	Net 2009 $'000
Consolidated						
Timing differences on investment properties	–	–	(25,323)	(35,440)	(25,323)	(35,440)
Derivative fair value adjustments	1,551	3,402	–	–	1,551	3,402
Tax losses	7,295	1,832	–	–	7,295	1,832
Other	48	20	–	–	48	20
Total	**8,894**	**5,254**	**(25,323)**	**(35,440)**	**(16,429)**	**(30,186)**

There are no tax amounts recognised directly in equity for the current or prior year.

8 Distributions

Distributions paid/payable by the Consolidated Entity to unitholders are detailed below. The Consolidated Entity did not pay distributions in the current year. The Consolidated Entity's income was instead used to repay debt and/or essential maintenance capital expenditure as required. The terms of the Consolidated Entity's debt facility prevent the Consolidated Entity from making a distribution until the Tranche B debt currently drawn to NZ$35,673,000 is fully repaid and the loan to value ratio is less than 50%. Distributions paid for the year ended 30 June 2009 were paid out of the Consolidated Entity's realised revenues and expenses.

8 Distributions continued

	Cents per unit	Total amount $'000	Date of payment
Ordinary units			
Total distribution for the year ended 30 June 2010	**–**	**–**	
Ordinary units			
September 2008 distribution	2.000	4,359	3 November 2008
Total distribution for the year ended 30 June 2009	**2.000**	**4,359**	

	Consolidated 2010 $'000	2009 $'000
9 Trade and other receivables		
Current		
Trade receivables	554	517
Prepayments and accrued income	409	1,256
Other receivables	817	1,008
Total trade and other receivables	**1,780**	**2,781**

10 Investment properties

The Consolidated Entity holds the following properties at the reporting date:

Description	Latest external valuation date	Latest external valuation[1] $'000	Consolidated[3] 2010 book value[2] $'000	2009 book value[2] $'000
Retail				
The Hub – Whakatane	June 10	29,624	29,624	29,973
Valley Mega Centre - Stage 1	June 10	19,235	19,235	19,311
South City Shopping Centre	–	–	–	29,771
Valley Mega Centre - Stage 2	June 10	16,030	16,030	15,610
Total retail		**64,889**	**64,889**	**94,665**
Office				
AIA Building	June 10	22,401	22,401	22,530
Gen-i Tower	June 10	64,118	64,118	67,589
University Building	June 10	8,279	8,279	8,690
Telecom House	June 10	34,494	34,494	41,439
Uniservices House	June 10	14,853	14,853	14,242
The Plaza	June 10	7,873	7,873	8,570
ASB Bank Centre	June 10	97,395	97,395	111,040
ANZ Business Centre	June 10	18,262	18,262	18,989
EDS House	June 10	22,725	22,725	25,547
143 Willis Street	June 10	11,769	11,769	12,874
Conservation House	June 10	29,016	29,016	29,771
NZ Police - 180 Molesworth	June 10	32,262	30,679	34,358
Total office		**363,447**	**361,864**	**395,639**
Industrial				
Mangere Distribution Centre	June 10	57,788	57,788	57,531
Wiri Distribution Centre	June 09	–	–	16,898
Total industrial		**57,788**	**57,788**	**74,429**
Total investment properties		**486,124**	**484,541**	**564,733**

1 Last valuation in NZ$ is converted at the 30 June 2010 exchange rate A$1 = NZ$1.2321.
2 Book value represents the last valuation plus capital expenditure since the last valuation. June 2010 book value in NZ$ is converted at the 30 June 2010 exchange rate A$1 = NZ$1.2321 (2009: A$1 = NZD1.2428). The value of cost including additions at 30 June 2010 is NZ$627,090,000 (2009: NZ$682,826,000). The value of the properties at 30 June 2010 is NZ$597,000,000 (2009: NZ$701,850,000).
3 There are no investment properties held by the Fund.

10 Investment properties continued

Independent valuations

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

At 30 June 2010, the entire property portfolio was valued by independent valuers Colliers International. At 30 June 2010, all valuations have been undertaken using a discounted cash flow (DCF) approach and a capitalisation method. The capitalisation rates utilised in the 30 June 2010 independent valuations range from 8.50% to 10.75%.

Investment properties held for sale

The property at 180 Molesworth Street, which was previously included in investment properties, has been classified as held for sale with a carrying value of $30,679,000 at 30 June 2010. This asset was sold on 13 August 2010.

	Consolidated	
	Year ended 30 June 2010 $'000	Year ended 30 June 2009 $'000
Reconciliation of the carrying amount of investment properties is set out below:		
Investment properties		
Carrying amount at beginning of year	564,733	735,633
Sale of investment property	(45,545)	(119,954)
Capital expenditure	3,808	14,435
Net loss from fair value adjustments to investment properties	(44,247)	(77,091)
Rent straight-lining	586	–
Foreign currency translation exchange adjustment	5,206	11,710
Carrying amount at year end	**484,541**	**564,733**

Foreign currency translation exchange adjustments arise due to changes in opening and closing foreign exchange rates. NZ$ balances at 30 June 2010 have been translated at a rate of A$1 = NZ$1.2321. NZ$ balances at 30 June 2009 have been translated at a rate of A$1 = NZ$1.2428.

Leasing arrangements

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

	Consolidated	
	2010 $'000	2009 $'000
Within one year	37,882	50,850
Later than one year but not later than five years	99,769	131,902
Later than five years	71,184	101,356
Total minimum lease payments	**208,835**	**284,108**

Minimum lease payments in NZ$ has been converted at the 30 June 2010 exchange rate of AU$1 = NZ$1.2321.

Annual rent receivable by the Consolidated Entity under current leases from tenants is from commercial, industrial, retail and car park assets held. The average lease term is 4.92 years (2009: 5.52 years) and rent reviews are generally performed on a three yearly basis and are based on market rent.

	Ownership %	Fund 2010 $'000	Fund 2009 $'000
11 Investment in controlled entities			
Investment in Multiplex Albert Street Investment Trust	99	207,993	207,993
Provision for impairment		(57,462)	(57,462)
Investment in Brookfield Multiplex Albert Street Landowning Trust	1	259	259
Provision for impairment		(72)	(72)
Total investments in controlled entities		**150,718**	**150,718**

11 Investment in controlled entities continued

A review of the carrying value of the investments in controlled entities at 30 June 2010 indicated that no further impairments to the investments in Multiplex Albert Street Investment Trust and Brookfield Multiplex Albert Street Landowning Trust are required. No further provisions were therefore recorded in the current year (2009: $57,534,000) to reflect the value of the investment at a value equivalent to the net assets attributable to the underlying subsidiary investments.

	Consolidated 2010 $'000	2009 $'000
12 Trade and other payables		
Trade payables	533	2,003
Interest payable	5,225	8,087
Management fee payable	11,814	8,075
Other payables and accruals	6,344	5,723
Total trade and other payables	**23,916**	**23,888**

	Consolidated 2010 $'000	2009 $'000
13 Interest bearing liabilities		
Current		
Secured bank debt	28,953	349,356
Debt establishment fees	–	(134)
Total current interest bearing liabilities	**28,953**	**349,222**
Non-current		
Secured bank debt	284,068	–
Debt establishment fees	(3,480)	–
Total non-current interest bearing liabilities	**280,588**	**–**

	Expiry Date	Consolidated 2010 $'000	2009 $'000
Finance arrangements			
Bank debt facility	30 August 2011	284,068	–
Bank debt facility	31 October 2010	28,953	–
Bank debt facility	30 October 2009	–	438,525
Less: Facilities utilised		(313,021)	(349,356)
Facilities not utilised		**–**	**89,169**

The Consolidated Entity entered into a new debt facility on 22 December 2009. The total facility limit is NZ$385,673,000. As at 30 June 2010, NZ$385,673,000 was drawn down on the facility.

The total facility comprises of Tranche A with a limit of NZ$350,000,000, expiring on 30 August 2011 with a margin of 3.75% and Tranche B with a limit of NZ$35,673,000, expiring on 31 October 2010 with a margin of 5.00%. As disclosed in note 22, subsequent to year end the property at 180 Molesworth was sold, the proceeds of this have been used to fully repay Tranche B. The revised covenants of the facility stipulate a loan to value ratio requirement of no more than 65% until 30 December 2010, 55% at 31 December 2010 and 50% at 29 June 2011. There are 2 interest cover covenants which require this ratio to be greater than 1.4 times on an historic basis and 1.3 times on a forward basis. The Consolidated Entity is restricted from making distributions or management fee payments until Tranche B is repaid and the loan to value ratio is less than 50%. $11,814,000 of management fees payable is included in the value of trade and other payables in the Statement of Financial Position.

At 30 June 2010 the Consolidated Entity was in compliance with its debt covenants.

At 30 June 2010 the weighted average interest rate in respect of the amounts drawn under the facilities, including margin, was 6.66% (2009: 3.53%). The amount does not include the effect of swaps. The effect after swaps is an interest rate of 8.40% (2009: 6.75%).

13 Interest bearing liabilities continued

The Consolidated Entity has entered into interest rate swap agreements to hedge the interest rate risk on the floating rate interest bearing liabilities detailed above. Fair value movements of the interest rate swap assets are recognised in the Statement of Comprehensive Income. The Fund does not hold interest rate swap derivatives. The Consolidated Entity's holdings in interest rate swap derivatives are detailed below:

Consolidated 2010

Expiry date	Underlying instrument	Fixed rate %	Notional amount of contracts outstanding NZ$'000	Fair value (liabilities) NZ$'000	Fair value (liabilities) A$'000
31 August 2011	Floating to fixed	6.765	198,567	(6,826)	(5,541)
Total interest rate swap derivatives			**198,567**	**(6,826)**	**(5,541)**

Consolidated 2009

Expiry date	Underlying instrument	Fixed rate %	Notional amount of contracts outstanding NZ$'000	Fair value (liabilities) NZ$'000	Fair value (liabilities) A$'000
31 August 2009	Floating to fixed	6.720	189,413	(1,222)	(984)
31 August 2009	Floating to fixed	6.825	150,000	(995)	(800)
31 August 2009	Floating to fixed	6.490	17,500	(106)	(85)
31 August 2009	Floating to fixed	6.520	17,500	(107)	(86)
31 August 2011	Floating to fixed	6.765	198,567	(11,661)	(9,383)
Total interest rate swap derivatives			**572,980**	**(14,091)**	**(11,338)**

	Year ended 30 June 2010 $'000	Year ended 30 June 2010 Units	Year ended 30 June 2009 $'000	Year ended 30 June 2009 Units
14 Units on issue				
Ordinary units				
Opening balance	203,396	218,056,451	203,131	217,841,285
Units issued via the distribution reinvestment plan (DRP)	–	–	265	215,166
Closing balance	**203,396**	**218,056,451**	**203,396**	**218,056,451**

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

15 Reserves

	Consolidated 2010 $'000	2009 $'000
Foreign currency translation reserve	(41,187)	(43,223)
Closing balance	**(41,187)**	**(43,223)**

Foreign currency translation reserve

Movements in the carrying value of the foreign currency translation reserve during the current and comparative year were as follows.

	Consolidated Year ended 30 June 2010 $'000	Year ended 30 June 2009 $'000
Opening balance	(43,223)	(47,326)
Movement in reserves due to changes in foreign exchange rates	2,036	4,103
Closing balance	**(41,187)**	**(43,223)**

16 Undistributed losses

	Consolidated	
	Year ended 30 June 2010 $'000	Year ended 30 June 2009 $'000
Opening balance	3,832	102,505
Net loss for the year	(17,727)	(94,314)
Distributions paid to unitholders	–	(4,359)
Closing balance	**(13,895)**	**3,832**

17 Financial instruments

Significant accounting policies

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

Throughout the year, in assessing the size and frequency of any distributions, the Responsible Entity considers all of the risk factors disclosed below. This includes considering the liquid/illiquid nature of any assets or investments held by the Consolidated Entity.

a Capital risk management

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

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.

b Financial risk management

Overview

The Consolidated Entity is exposed to financial risks in the course of its operations. These risks can be summarised as follows:

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

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

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

Investment mandate

The Fund's investment mandate, as disclosed in its Constitution and Product Disclosure Statement (PDS), is to invest in property assets across New Zealand.

Derivative financial instruments

Whilst the Consolidated Entity utilises derivative financial instruments, it does not enter into or trade derivative financial instruments for speculative purposes. The use of derivatives is governed by the Consolidated Entity's investment policies, which provide written principles on the use of financial derivatives. These principles permit the use of derivatives to mitigate financial risks associated with financial instruments utilised by the Consolidated Entity. At 30 June 2010 and 30 June 2009, the Consolidated Entity is party to an interest rate swap agreement to hedge the interest rate risk on floating rate interest bearing liabilities. Refer to interest bearing liabilities (Note 13) for further details.

c Credit risk

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.

17 Financial instruments continued

c Credit risk continued

Trade and other receivables

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

- obtaining guarantees from tenants of the Consolidated Entity's direct properties;
- managing and minimising exposures to individual tenants (where appropriate);
- monitoring receivables balances on an ongoing basis; and
- obtaining other collateral as security (where appropriate).

Fair value of financial derivatives

Transactions with derivative counterparties are limited to established financial institutions. The Consolidated Entity also utilises the International Swaps and Derivatives Association's (ISDA's) agreements with derivative counterparties where possible to limit the credit risk exposure of such transactions by allowing settlement of derivative transaction on a net rather than gross basis.

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

Exposure to credit risk

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

	Consolidated 2010 $'000	2009 $'000
Cash and cash equivalents	17,420	11,125
Trade and other receivables	1,780	2,781
Total exposure to credit risk	**19,200**	**13,906**

Concentrations of credit risk exposure

Commonwealth Bank of Australia (CBA) and ANZ National Bank Limited (ANZ) are counterparties to the term debt facility and interest rate swap agreements. Therefore the Consolidated Entity has a concentration of credit risk with these parties. In assessing this risk, the Consolidated Entity has taken into account CBA's and ANZ's financial positions, market share and reputation, previous experience with these types of transactions, and independent ratings for various covered and uncovered securities. In considering all these factors, the Consolidated Entity does not consider there to be a significant risk of default by the counterparties as at the balance date.

Collateral obtained/held

Where applicable, the Consolidated Entity obtains collateral from counterparties to minimise the risk of default on its contractual obligations. The majority of tenants of the Consolidated Entity's property assets have provided bank guarantees in favour of the direct property-owning entities within the Consolidated Entity. At the current and prior reporting dates, the Consolidated Entity did not hold any other collateral in respect of its financial assets (2009: nil).

During the year ended 30 June 2010, the Consolidated Entity did not call on any collateral provided (2009: nil).

Financial assets past due but not impaired

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

	Consolidated 2010 $'000	2009 $'000
Current	1,707	2,505
Past due 0-30 days	38	163
Past due 31-120 days	35	113
Past due 121 days to one year	–	–
More than one year	–	–
Total trade and other receivables	**1,780**	**2,781**

17 Financial instruments continued

c Credit risk continued

Financial assets past due but not impaired continued

For the Consolidated Entity, amounts recognised above are not deemed to be impaired. There are no significant financial assets that have had their terms renegotiated that would otherwise have rendered the financial assets past due or impaired (2009: nil). During the year ended 30 June 2010, $119,170 bad debt impairment was recognised by the Consolidated Entity (2009: $21,975).

d Liquidity risk

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

Sources of liquidity risk and risk management strategies

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

Interest bearing liabilities

The Consolidated Entity is exposed to liquidity risk (refinancing risk) on its interest bearing loans. The Consolidated Entity manages this risk by ensuring debt maturity dates and loan covenants are regularly monitored and negotiations with counterparties are commenced well in advance of the debt's maturity date.

Unitholders

The Fund is not exposed to liquidity risk associated with unitholder redemptions in the short term as its units are not eligible for redemption until the first review date of the Fund on 1 September 2011.

The Consolidated Entity's liquidity risk is managed in accordance with the Consolidated Entity's investment strategy as detailed in the PDS. The Consolidated Entity invests in direct property. As a result, the investments are not liquid in nature. However, the Consolidated Entity's operations are structured to allow for sufficient rental income to enable the Fund and Consolidated Entity to meet its debts as and when they are due. The Consolidated Entity also manages liquidity risk by maintaining adequate banking facilities, through continuous monitoring of forecast and actual cash flows and matching maturity profiles of financial assets and liabilities.

Defaults and breaches

During the year ended 30 June 2010, the Consolidated Entity did not default or breach any terms of its loan amounts or covenants. At 30 June 2009, the Consolidated Entity's ICR, LVR and gearing covenants were met, however the Consolidated Entity was in breach of the TTA covenant under the previous facility. This breach was remedied as a result of the refinancing of loans during the year. Refer to interest bearing liabilities (Note 13) for further details regarding covenants associated with the existing facility.

Maturity analysis of financial liabilities

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

	Consolidated $'000					
	Carrying amount	Contractual cashflows	0 to 12 months	1 to 2 years	2 to 5 years	Greater than 5 years
2010						
Trade and other payables	18,691	18,691	18,691	–	–	–
Interest bearing liabilities	309,541	313,021	28,953	284,068	–	–
Interest payable on debt	5,225	22,271	19,192	3,079	–	–
Effect of interest rate swap	5,541	7,701	6,583	1,118	–	–
Net interest payable on debt	10,766	29,972	25,775	4,197	–	–
Total financial liabilities	**338,998**	**361,684**	**73,419**	**288,265**	–	–
2009						
Trade and other payables	15,801	15,801	15,801	–	–	–
Interest bearing liabilities	349,222	349,356	349,356	–	–	–
Interest payable on debt	8,087	15,161	15,161	–	–	–
Effect of interest rate swap	11,338	12,854	6,639	5,728	487	–
Net interest payable on debt	19,425	28,015	21,800	5,728	487	–
Total financial liabilities	**384,448**	**393,172**	**386,957**	**5,728**	**487**	**–**

17 Financial instruments continued

e Market risk

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

Sources of market risk and risk management strategies

The Consolidated Entity is exposed to market risk in the form of interest rate risk and foreign currency risk. The Consolidated Entity enters into derivatives in order to manage interest rate and foreign currency risks. Derivatives are not entered into for speculative or trading purposes.

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Cash and cash equivalents balances will also fluctuate with changes in interest rates due to interest earned. The key source of interest rate risk for the Consolidated Entity is derived from interest bearing liabilities. The Consolidated Entity manages this exposure by entering into interest rate swap agreements to fix the interest rate charged on its interest bearing liabilities are on a fixed rate basis. This is achieved by entering into interest rate swaps, as detailed in Note 13.

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

	Floating rate $'000	Non-interest bearing $'000	Total $'000
Consolidated 2010			
Financial assets			
Cash and cash equivalents	17,420	–	17,420
Trade and other receivables	–	1,780	1,780
Total financial assets	**17,420**	**1,780**	**19,200**
Financial liabilities			
Trade and other payables	–	23,916	23,916
Interest bearing liabilities	313,021	–	313,021
Total financial liabilities	**313,021**	**23,916**	**336,937**
Consolidated 2009			
Financial assets			
Cash and cash equivalents	11,125	–	11,125
Trade and other receivables	–	2,781	2,781
Total financial assets	**11,125**	**2,781**	**13,906**
Financial liabilities			
Trade and other payables	–	23,888	23,888
Interest bearing liabilities	349,356	–	349,356
Total financial liabilities	**349,356**	**23,888**	**373,244**

Sensitivity analysis

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

	2010		2010		2009		2009	
	+ 1%	+ 1%	- 1%	- 1%	+ 1%	+ 1%	- 1%	- 1%
	Profit and loss $'000	Net assets $'000	Profit and loss $'000	Net assets $'000	Profit and loss $'000	Net assets $'000	Profit and loss $'000	Net assets $'000
Consolidated Entity								
Interest on cash	174	174	(174)	(174)	111	111	(111)	(111)
Interest bearing liabilities	(3,130)	(3,130)	3,130	3,130	(3,494)	(3,494)	3,494	3,494
Interest on swaps	1,612	1,612	(1,612)	(1,612)	4,610	4,610	(4,610)	(4,610)
Fair value of derivatives	1,780	1,780	(1,810)	(1,810)	3,694	3,694	(3,781)	(3,781)
Total increase/(decrease)	**436**	**436**	**(466)**	**(466)**	**4,921**	**4,921**	**(5,008)**	**(5,008)**

17 Financial instruments continued

e Market risk continued

Foreign currency risk

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

Sources of risk and risk management strategies

The Consolidated Entity undertakes the majority of its transactions in the New Zealand dollar (NZ$) currency, as the assets of the Consolidated Entity are located in New Zealand. As a consequence, all activities of the Consolidated Entity are exposed to exchange rate risk. This arises due to the capital raised by the Fund (and subsequently redeemed) is in Australian Dollars, and all distributions are paid to unitholders in Australian dollars.

The Consolidated Entity uses the following strategies to hedge its foreign currency exposures:

- for assets which earn income in a foreign currency, borrowings are sourced in the same currency as the asset, which creates a natural hedge; and
- forward exchange contracts may be utilised to hedge net income earned in New Zealand which is repatriated to Australia to pay distributions to unitholders (which are paid in Australian Dollars).

The Consolidated Entity held no forward foreign exchange contracts at 30 June 2010 (2009: nil).

The following table shows the direct foreign currency exposures of the Consolidated Entity at the reporting date, based on notional amounts.

	Consolidated 2010 $'000	2009 $'000
Australia (Australian Dollar-denominated)		
Gross assets	38	163
Gross liabilities	12,597	8,802
New Zealand (New Zealand Dollar-denominated)		
Gross assets	620,610	718,930
Gross liabilities	422,397	504,368

The following exchange rates were applied to transactions occurring during the year.

	Australian Dollar 2010 Reporting date spot rate	2009 Reporting date spot rate	2010 Average rate	2009 Average rate
1 New Zealand Dollar	1.2321	1.2428	1.2554	1.2287

Sensitivity analysis

At year end a 5% strengthening/(weakening) of the Australian dollar against the New Zealand dollar would have increased/(decreased) profit and loss and net assets available to unitholders by amounts shown below. This analysis assumes all other variables remain constant.

	2010 + 5% Profit and loss $'000	+ 5% Net assets $'000	2010 - 5% Profit and loss $'000	- 5% Net assets $'000	2009 + 5% Profit and loss $'000	+ 5% Net assets $'000	2009 - 5% Profit and loss $'000	- 5% Net assets $'000
Consolidated Entity	(632)	(8,292)	698	9,165	(4,610)	(12,832)	5,096	14,182

f Fair values

Methods for determining fair values

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

17 Financial instruments continued

f Fair values continued

Cash and cash equivalents and trade and other receivables

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

Derivatives

The fair value of interest rate swaps is estimated by discounting future cash flows based on the terms and maturity of each contract and using market interest rates for similar instruments 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

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

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

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

Consolidated Entity – at 30 June 2010	Level 2 $'000	Total $'000
Liabilities		
Financial derivatives at fair value through profit or loss	5,541	5,541
Total liabilities	**5,541**	**5,541**

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

18 Reconciliation of cash flows from operating activities	Consolidated Year ended 30 June 2010 $'000	Year ended 30 June 2009 $'000
Net loss for the year	**(17,727)**	**(94,314)**
Adjustments for:		
Non-cash items		
Net loss from investment property valuations	44,247	77,091
Loss on sale of property	3,311	11,003
(Gain)/loss from revaluation of financial derivatives	(5,798)	26,978
Amortisation of debt establishment fees	2,638	674
Income tax	(13,757)	–
Other	(567)	325
Operating profit before changes in working capital	**12,347**	**21,757**
Changes in assets and liabilities during the year:		
Decrease/(increase) in trade and other receivables	1,001	(113)
Increase/(decrease) in trade and other payables	28	(4,673)
Net cash flows from operating activities	**13,376**	**16,971**

19 Related parties

Key management personnel

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

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

Responsible Entity fees

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

Allan McDonald, a Director of the Responsible Entity, holds 26,000 units in the Fund. No other Directors have interests in the unit capital of the Fund at the date of this report. No options are held by/have been issued to any Directors.

Responsible Entity's fees and other transactions

In accordance with the Fund Constitution, Brookfield Multiplex Capital Management Limited is entitled to receive:

Performance fee

The performance fee is calculated in accordance with the constitution, which requires a fee to be paid equivalent of up to 2.0% of the gross value of the assets of the Fund, to the extent that the net assets exceed the capital subscribed, as at the end of the first period (September 2011). The performance fee expense for the year ended 30 June 2010 was nil (2009: reversal of expense of $6,383,000). As at 30 June 2010, the performance fee payable to the Responsible Entity was nil (2009: nil).

Management fee

A management fee based on the gross value of assets is payable to the Responsible Entity, less a fee of NZ$1,500 per week payable to Multiplex Tasman Management New Zealand Limited. The fee is payable by the Fund monthly in arrears. The management fee expense for the year ended 30 June 2010 was $3,740,000 (2009: $4,975,000). As at 30 June 2010, the management fee payable to the Responsible Entity was $11,814,000 (2009: $8,075,000).

Establishment fee

An establishment fee up to 5% of the gross value of assets acquired which compensates the Manager from the risks and expenses associated with raising equity acquiring assets and establishing the Fund is payable to the Responsible Entity. From this fee, the Manager will pay commissions in relation to subscriptions. This fee is payable by the Fund on the completion or purchase of assets. No establishment fees have been incurred or paid to the Responsible Entity in 2010 or 2009.

Expense reimbursements

The Responsible Entity is reimbursed by the Consolidated Entity for all expenses incurred on behalf of the Consolidated Entity.

Leasing fees

Leasing fees are payable to the Responsible Entity for an amount not more than 8.5% of the gross proceeds for the first year of the new or extended term of a lease of premises that form part of the property. The leasing fees incurred by the Consolidated Entity in the year ended 30 June 2010 were $260,000 (2009: $212,000). As at 30 June 2010, the leasing fees payable to the Responsible Entity are $479,000 (2009: $212,000).

19 Related parties continued

Responsible Entity's fees and other transactions continued

Property sales fees

Property sales fees are payable to the Responsible Entity at a rate of 2% of the gross sales price, only to the extent this fee will not cause the net sales proceeds to fall below the purchase price plus all acquisition costs for the asset sold. An additional fee of 2% is payable to the extent the net sales proceeds represent more than a 50% premium on the purchase price plus acquisition costs. The property sales fees incurred by the Consolidated Entity in the year ended 30 June 2010 was nil (2009: $1,731,000). As at 30 June 2010, the property sales fees payable to the Responsible Entity are $1,732,000 (2009: $1,717,000).

The following related parties held units in the Fund during the year:

- ANZ Nominees Limited, as custodian for Brookfield Multiplex Capital Management Limited, as responsible entity for Multiplex Acumen Property Fund, holds 46,866,127 units or 21.49% of the Fund at year end (2009: 51,699,755 units or 23.71% of the Fund);
- Brookfield Multiplex Funds Management Limited, as custodian for Brookfield Multiplex Property Trust, holds 47,461,298 units or 21.77% of the Fund at year end (2009: 47,461,298 units or 21.77% of the Fund);
- Perpetual Trust Limited, as custodian for Multiplex Tasman Property Fund, holds 4,629,041 units or 2.12% of the Fund at year end (2009: 4,701,355 units or 2.16% of the Fund);
- JPMorgan Nominees Australia Limited, as custodian for Brookfield Multiplex Capital Management Limited, as responsible entity for Multiplex Diversified Property Fund, holds nil units of the Fund at year end (2009: 4,345,251 units or 1.99% of the Fund);
- JPMorgan Nominees Australia Limited, as custodian for Brookfield Multiplex Capital Management Limited, as responsible entity for Multiplex Property Income Fund, holds 1,201,696 units or 0.55% of the Fund at year end (2009: 1,325,635 units or 0.61% of the Fund); and
- Brookfield Multiplex Capital Management Limited holds 13,017,856 units or 5.97% of the fund at year end (2009: 6,056,977 units or 2.78% of the Fund).
- Multiplex APF Pty Ltd, as trustee for Multiplex APF Trust, holds 3,712,913 units or 1.70% of the Fund at year end (2009: nil).
- Brookfield Multiplex Capital Pty Ltd holds 220,793 units or 0.10% of the Fund at year end (2009: nil).

Transactions with related parties

	Consolidated 2010 $'000	2009 $'000
Transactions with the Responsible Entity		
Management fees	3,740	4,975
Performance fees	–	(6,383)
Property sale fees	–	1,731
Leasing fees	260	212
Cost reimbursements	98	64
Management fees payable	11,814	8,075
Property sale fees payable	1,732	1,717
Leasing fees payable	479	212
Cost reimbursements payable	164	179
Transactions with Brookfield Multiplex Limited and its controlled entities (excluding the Responsible Entity)		
Custodian fees	22	29
Custodian fees payable	34	13
Management service fees payable	–	1,306

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.

Right of first refusal

Prior to the Fund's acquisitions of Multiplex Albert Street Investment Trust and Brookfield Multiplex Albert Street Landowning Trust in September 2004, these trusts were owned by Brookfield Multiplex Property Trust. The Manager has granted rights of first refusal to Brookfield Multiplex Property Trust in relation to the future sale by the Consolidated Entity of any of the properties or of a beneficial interest in them.

20 Contingent liabilities and assets

Under the terms of certain lease agreements, tenants have certain contractual obligations to reinstate and make good the premises upon lease expiry. At 30 June 2010, the Consolidated Entity received confirmation from a tenant under two separate leases that these obligations will not be completed through reinstatement and will be settled in cash. The estimate of this settlement at 30 June 2010 is $1,489,327 (NZ$1,835,000) (2009: settlement of $1,639,000 or NZ$2,037,000).

Other than the matters noted above, no other contingent liabilities or assets existed at 30 June 2010 or 30 June 2009.

21 Capital and other commitments

The Consolidated Entity is committed to refurbishment, upgrade and other works as required by the terms of lease or other agreements. At 30 June 2010 this commitment totals $3,571,139 (NZ$4,400,000) (2009: $4,015,920 or NZ$4,990,987).

22 Events subsequent to the reporting date

The investment property at 180 Molesworth Street was sold on 13 August for a consideration of $31,000,000. Net proceeds from the sale were used to repay in full the Tranche B debt and a portion of the Tranche A debt.

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

Directors' Declaration

Multiplex New Zealand Property Fund

For the year ended 30 June 2010

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

a The consolidated financial statements and notes, set out in pages 10 to 35, are in accordance with the *Corporations Act 2001*, including:

  i giving a true and fair view of the financial position of the Consolidated Entity as at 30 June 2010 and of its performance for the financial year ended on that date; and

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

  iii complying with International Financial Reporting Standards, as stated in note 2 to the financial statements.

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

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

Dated at Sydney this 25th day of August 2010.

Russell Proutt
Director
Brookfield Multiplex Capital Management Limited

Deloitte.

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Independent Auditor's Report to the Unitholders of Multiplex New Zealand Property Fund

We have audited the accompanying financial report of Multiplex New Zealand Property Fund ("the Fund"), which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the fund and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 10 to 36.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Auditor's Independence Declaration

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

Auditor's Opinion

In our opinion:

(a) the financial report of Multiplex New Zealand Property Fund is in accordance with the *Corporations Act 2001*, including:
   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its 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*; and

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Helen Hamilton-James
Partner
Chartered Accountants
Sydney, 25 August 2010