

Multiplex Group  
Interim Report 2006

# Interim Report

**MULTIPLEX**

# Financial Information

## Multiplex Group Results for the Half Year to 31 December 2005<sup>1</sup>

	31 Dec 2005	31 Dec 2004
Total revenue and other income (\$m)	1,730.8	1,579.3
Net (loss)/profit after tax attributable to stapled securityholders (\$m)	(119.6)	11.9
Net underlying (loss)/profit after tax <sup>2</sup> (\$m)	(165.3)	34.7
Earnings per security (cents)	(14.3)	1.9
Total distributions payable per security (cents)	8.0	15.8
	31 Dec 2005	30 Jun 2005
Net assets (\$m)	2,954.9	3,157.2
Net tangible asset backing per stapled security (including SITES) (\$)	3.14	3.38
Net tangible asset backing per stapled security (excluding SITES) (\$)	2.61	2.85
Interest bearing debt to total assets (%)	37.5	34.9
Net interest bearing debt to total assets (%)	32.7	27.4
Number of securities on issue (million)	837.4	837.4

### Notes:

<sup>1</sup> Results have been prepared for the first time under AIFRS and all prior period comparatives have been restated to comply with AIFRS.

<sup>2</sup> Net underlying (loss)/profit after tax calculated as Group (loss)/profit after tax before fair value adjustments, stapling eliminations and minority interests.

### Results in Brief

- Group revenue increased by 9.6% to \$1.73 billion in the period primarily as a result of increased property rental revenue within the Trust and the inclusion of fair value adjustments to the carrying value of investment properties.
- Net loss after tax attributable to stapled securityholders was \$119.6 million, compared to a profit after tax attributable to stapled securityholders of \$11.9 million for the corresponding period to December 2004.
- The net loss was after including fair value adjustments to the carrying value of investment properties totalling \$112.5 million. Net underlying loss after tax, before these fair value adjustments and also before stapling eliminations and minority interests, was \$165.3 million. This compared to a net profit of \$34.7 million in the half year ended 31 December 2004.
- The result for the period was significantly and adversely impacted by additional losses incurred in respect to the Wembley project of \$250.7 million after tax.
- The Trust net profit of \$184.1 million compares to \$75.0 million in the half year ended 31 December 2004.

# Chairman's Report

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It is extremely disappointing that the Group's financial results have been so adversely impacted by additional and substantial losses from our Wembley National Stadium construction project in the United Kingdom. Your Board deeply regrets the ongoing problems we have experienced at Wembley and we remain resolute to ensure the project is completed and any residual risks are mitigated.

You will note in this report that, under the guidance of our new Chief Financial Officer, Bob McKinnon, additional provisions have been made in relation to a number of previously completed construction projects and also some completed residential development inventory. In addition we have fully provisioned for possible liquidated damages at Wembley and made further allowances for additional costs associated with any unforeseen programme delays through to completion. These are conservative and in the circumstances prudent measures.

While risks remain in respect of the Wembley project, we believe that the provisioning that has been made will be adequate. Importantly, the lessons we have learned from this project continue to be reinforced in the form of greater risk control measures across the Group.

Operationally, the senior management team of Multiplex Group has been strengthened in recent months with the appointment of Ross McDiven to the role of Chief Operating Officer, James Tuckey as Executive Chairman for the UK division and Jayne McGivern as Managing Director, UK Developments.

Excluding Wembley, the balance of the business performed broadly in line with expectations during the period and the outlook remains positive. This is discussed in more detail in the Chief Executive's Report.

Your Board looks forward to returning the Group to a profitable position and restoring the confidence of our securityholders.



**Allan MacDonald**  
Non-Executive Chairman

The results for the six months to 31 December 2005 are clearly very disappointing and were significantly impacted by further losses on our Wembley construction project in the United Kingdom. Largely as a result of this, the Group recorded a net loss after tax attributable to stapled securityholders of \$119.6 million for the six months ended 31 December 2005.

An interim distribution of \$0.08 per stapled security was paid on 28 February 2006. The distribution comprises an interim distribution from the Trust and no Company dividend.

## Multiplex Property Trust

The Trust contributed \$184.1 million to the overall Group result, consolidating on the substantial expansion to its portfolio during the year to 30 June 2005. At 31 December 2005 total assets of the Trust were \$4.86 billion compared to \$4.88 billion at 30 June 2005.

The Trust profit included fair value adjustments<sup>1</sup> of \$92.7 million in respect to its investment properties. This included \$17.3 million arising from investments held within equity accounted entities.

During the period the Trust has:

- Secured 75 new or renewed leases totalling 43,900sqm of net lettable area.
- Undertaken 239 rent reviews for an average increase of 3.2%.
- Increased portfolio occupancy during the period from 93% to 94%.
- Retained 98% of its existing tenancies that expired during the period.
- Maintained the portfolio's weighted average lease term to expiry at 6.9 years.

## Multiplex Limited Construction

The Construction division's overall result for the period has been materially and adversely affected by additional losses of \$250.7 million after tax incurred in respect to the Wembley project. This includes a provision for potential liquidated damages of \$23.7 million after tax.

The status of the Company's construction workbook, apart from Wembley, remains strong with 41 of the other 42 current projects achieving margins in line with historical norms and the other project making a relatively small loss. The outlook for the division remains strong within both Australia and internationally, following continued success in securing profitable new work. Since June 2005, 14 new contracts have been awarded, with contract value of \$2.3 billion. This includes the Melbourne Convention Centre contract awarded on 22 February 2006.

The UK construction division also has a solid workbook in hand and the emphasis will be on the successful delivery of existing opportunities over the next two years rather than necessarily growing the workbook.

## Property Development

The Property Development division continues to benefit from strong fundamentals in the commercial office markets across Australia and New Zealand and is in advanced negotiations to provide new commercial premises to several major tenants on a number of strategic development sites controlled by the Group. The division's result for the period included a \$34.7 million after tax profit on the Stratford transaction in the United Kingdom.

The division has suffered from a weaker inner city residential market in Sydney during the period and has provided \$13 million after tax against the carrying value of its Sydney residential development inventory.



Southern Cross, Melbourne (Artist's impression)



Wembley National Stadium, London



Melbourne Convention Centre, Melbourne (Artist's impression)



American Express Building, Sydney (Artist's impression)

During the period the division has achieved:

- The pre-commitment of American Express to a 14,250sqm commercial office building at King Street Wharf, Sydney.
- Completion of two multi-residential projects (The Chancellor, Double Bay and Lakeland's Villas, Queensland).
- Settlement of Stage 1 of the Vale master-planned community, Western Australia and strong pre-sales (55%) for the Newport Quays master-planned community in Adelaide.
- Planning approval for two retail centres and is pursuing approvals for a further three.

The UK Development division has commenced construction of the 85,000sqm Eden Retail and Leisure Centre at High Wycombe in Southern England. The project, in which Multiplex has a 50% interest, has a gross developed value of \$624 million. During the period planning work has also progressed on a variety of retail, residential and regeneration projects, mainly within the UK.

#### Property Funds Management

This division's contribution to profit increased substantially with the stable of investment funds, including Multiplex Property Trust, growing to over \$6 billion in funds under management. All funds performed strongly.

Highlights for the period included:

- Multiplex New Zealand Property Fund (MNZPF) increased its NTA by 33%. Funds under management increased by 48% to \$817 million<sup>2</sup>.
- AMP NZ Office Trust provided a total return of 15% and an increase in management fees following property revaluations at June 2005.
- The launch of the division's first land syndication, Multiplex Acumen Vale Syndicate.
- Increased transaction fees.

#### Facilities Management

The Facilities Management division continued to perform steadily, securing 15 new facilities management contracts during the period. These included a 10-year contract for the Parramatta Justice Precinct and an 18-year contract for Centrelink Headquarters, Canberra.

#### Outlook

In Australia and New Zealand, Multiplex is in a strong position to capitalise on the strengthening commercial office markets through each of its operating divisions. Where possible we will also look to capitalise on our ability to develop high quality investment grade real estate to further enhance the depth and scale of the Group's property funds management business.

In the United Kingdom, completion of Wembley remains a key priority. Whilst we remain fully committed to the UK business, further consolidation of the UK development portfolio has, and continues to be, an integral part of the Group's overall strategy. Our primary focus is to rationalise our opportunities to those which can optimise return for our securityholders.

**Andrew Roberts**  
Chief Executive

- 1 In accordance with Group Policy, all investment properties were fair valued during the period, with 15 properties (55% of the portfolio) valued independently. All properties will again be fair valued at 30 June 2006 and those properties not independently valued during this period will be independently valued at that time.
- 2 Post acquisition of 8 properties in Wellington, Auckland, New Plymouth and Whakatane for which MNZPF has exchanged contracts.



Eden at High Wycombe,  
South East England  
(Artist's impression)



Vale Master Planned Community,  
Perth



Howick Shopping Centre,  
Auckland



Parramatta Justice Precinct,  
Sydney (Artist's impression)

# Income Statement

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For the half year ended 31 December 2005

	Consolidated half year ended 31 Dec 2005 \$m	Consolidated half year ended 31 Dec 2004 \$m
Revenue from sale of development properties	210.8	175.9
Construction revenue	1,170.9	1,163.2
Property rental revenue	87.3	48.0
Recoverable outgoings	7.7	5.5
Property and funds management revenue	41.6	37.5
Interest revenue	14.8	16.1
<b>Total revenue</b>	<b>1,533.1</b>	<b>1,446.2</b>
Net fair value adjustments on investment properties	95.2	31.7
Profit on sale of investments	67.1	–
Other income	35.4	101.4
<b>Total revenue and other income</b>	<b>1,730.8</b>	<b>1,579.3</b>
Movement in development property inventories	172.1	(154.6)
Subcontractor and consumable costs	1,448.6	1,501.8
Rates, taxes and other property outgoings	21.8	14.4
Employee expenses	134.0	107.1
Loss on sale of investments	–	18.2
Depreciation and amortisation expense	8.8	6.7
Finance costs	74.1	40.5
Other expenses	143.5	55.6
<b>Total expenses</b>	<b>2,002.9</b>	<b>1,589.7</b>
Share of net profits of equity accounted entities	52.3	5.5
<b>Net loss before income tax</b>	<b>(219.8)</b>	<b>(4.9)</b>
Income tax benefit	117.3	18.3
<b>Net (loss)/profit for the half year</b>	<b>(102.5)</b>	<b>13.4</b>
Net Profit attributable to minority interests	17.1	1.5
<b>Net (loss)/profit attributable to stapled securityholders of Multiplex Group</b>	<b>(119.6)</b>	<b>11.9</b>
	cents	cents
<b>Basic and diluted earnings per stapled security</b>	<b>(14.3)</b>	<b>1.9</b>

A full set of the half year financial statements was lodged with the Australian Stock Exchange and the Australian Securities and Investments Commission on 23 February 2006 and is available on Multiplex Group's website at [www.multiplex.biz](http://www.multiplex.biz) under 'Investors'.

# Balance Sheet

As at 31 December 2005

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	Consolidated as at 31 Dec 2005 \$m	Consolidated as at 30 June 2005 \$m
<b>Current assets</b>		
Cash assets	258.7	308.4
Receivables	733.8	1,209.3
Inventories	430.3	725.2
Equity accounted investments	–	12.3
Other financial assets	2.2	–
Other	47.8	41.2
<b>Total current assets</b>	<b>1,472.8</b>	<b>2,296.4</b>
<b>Non-current assets</b>		
Receivables	331.3	231.3
Inventories	538.3	425.7
Equity accounted investments	1,308.5	1,279.2
Other financial assets	29.7	48.6
Property, plant and equipment	393.5	347.6
Investment properties	1,928.5	1,743.1
Deferred tax assets	230.7	106.5
Intangible assets	324.7	330.5
Other	77.2	98.5
<b>Total non-current assets</b>	<b>5,162.4</b>	<b>4,611.0</b>
<b>Total assets</b>	<b>6,635.2</b>	<b>6,907.4</b>
<b>Current liabilities</b>		
Payables	737.0	876.8
Interest bearing liabilities	659.5	665.2
Non-interest bearing liabilities	8.8	36.1
Current tax liabilities	20.5	43.5
Provisions	112.4	166.2
Contract work in progress	259.6	148.3
<b>Total current liabilities</b>	<b>1,797.8</b>	<b>1,936.1</b>
<b>Non-current liabilities</b>		
Interest bearing liabilities	1,830.0	1,745.8
Non-interest bearing liabilities	28.4	49.0
Deferred tax liabilities	17.2	17.2
Provisions	6.9	2.1
<b>Total non-current liabilities</b>	<b>1,882.5</b>	<b>1,814.1</b>
<b>Total liabilities</b>	<b>3,680.3</b>	<b>3,750.2</b>
<b>Net assets</b>	<b>2,954.9</b>	<b>3,157.2</b>
<b>Equity</b>		
Contributed equity	2,764.3	2,764.3
Reserves	(9.8)	(9.1)
Accumulated losses	(240.3)	(41.9)
<b>Total equity interest</b>	<b>2,514.2</b>	<b>2,713.3</b>
Minority interests	440.7	443.9
<b>Total equity</b>	<b>2,954.9</b>	<b>3,157.2</b>

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An aerial, night-time photograph of a harbor. A large cargo ship is docked at a pier in the foreground. In the middle ground, a multi-decked ferry is moving across the water. The background shows a city skyline with lights reflecting on the water. The entire image has a light blue overlay.

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