

ASX Announcement

19 August 2013

Multiplex European Property Fund (ASX: MUE) 2013 Annual Results

Brookfield Capital Management Limited (BCML), as Responsible Entity for Multiplex European Property Fund (Fund) announces the Fund's financial results for the year ended 30 June 2013.

Key messages are:

- net profit after tax of \$4.3 million (30 June 2012: net loss after tax of \$21.3 million) equating to earnings per unit of 1.73 cents per unit (30 June 2012: loss per unit of 8.63 cents);
- net assets of \$5.5 million or 2 cents per unit (30 June 2012: \$26.7 million or 11 cents per unit);
- €6.8 million valuation decrement recorded across the Fund's property assets to €223.4 million; and
- post the special distribution of \$24.7 million or 10 cents per unit declared in June 2013 and paid in July 2013 the Fund retains net cash reserves in Australia of approximately \$7.5 million (3 cents per unit).

Property portfolio

BCML continues to maintain its practice of revaluing the properties each reporting period. The properties were independently valued at €223.4 million as at 30 June 2013 by Jones Lang LaSalle. This represents a decrease of 3% on the 30 June 2012 valuation of €230.2 million.

Due to appreciation of the euro against the Australian dollar, the portfolio shows an increase in value of \$31.8 million during the year to \$316.1 million.

As at 30 June 2013, portfolio occupancy was 90.2% (by area) with a weighted average lease expiry of 7.46 years (by income). Net property rental income measured in euro decreased by approximately 2% over the previous year.

Cash lock up

The Loan to Value Ratio (LVR) is approximately 103.6%. As a result of the LVR continuing to exceed 95%, the Fund's debt facility requires cash and cashflow within the German partnerships that own the Fund's property interests must be retained and cannot be repatriated or disbursed without consent of the financier.

Financier discussions regarding extension of debt facility

The Fund has a 94.9% interest in certain German partnerships. The debt facility provided by the financier, Hypothekbank Frankfurt AG (formerly known as Eurohypo AG) to the partnerships is due to expire on 15 April 2014.

Discussions with the financier continue regarding an extension of the debt facility. To date, no agreement has been reached for an extension and there is no assurance that this will occur, or, if it were to occur, what additional conditions may be imposed.

Tax audit

During the year, the German partnerships received and paid assessments for taxes including German trade tax for the 2004 to 2006 income years of approximately €2 million including interest and penalties.

In line with independent advice, the relevant entities have lodged an objection to the assessments. To date, no response has been received from the German tax authority.

As previously disclosed, a German tax audit has commenced for the 2007 to 2010 income years. Whilst each year is considered separately by the tax authorities, if they were to apply the same approach to all partnerships to 2007 to 2010 as was applied to 2004 to 2006, the current estimate of potential trade tax payable would be approximately €27.3 million (including approximately €5.7 million in interest and penalties calculated to 30 June 2013). If a tax liability was to arise following completion of the audit, such liability would be payable by the respective German partnership and ultimately its partners, being a number of the Fund's European subsidiaries.

If an assessment arose for the 2007 to 2010 income years the German tax authorities may require immediate payment of the assessment or provision of collateral. The assets of the partnerships and their partners are limited to the value of interests held in the partnership's German property portfolio, related operating cashflows and nominal capital of the partners. As the partnerships are in cash lock-up cash reserves and net operating cashflow cannot be repatriated or disbursed without consent of the financier. In the event that an assessment becomes due and payable discussions with the financier and the German tax authority would be required regarding payment of part or all of any such liability. If no deferral of the liability is achieved or in circumstances where the financier does not consent to use of the reserves this may give rise to solvency considerations in those entities and/ or an event of default under the debt facility.

An assessment for trade tax for the 2011 year of approximately €35,000 was received and paid. Independent advice is that the assessment is unlikely to have any connection to the tax audit of 2007 to 2010. An objection against the assessment has been lodged.

Consistent with prior reporting periods, having obtained independent advice, BCML's view remains that, in the event that the tax matter was pursued through to court appeal, the relevant entities are more likely than not to successfully defend their position and no trade tax would ultimately be payable. No liability has been recognised in the 30 June 2013 consolidated financial statements for the potentially outstanding amounts.

Impact on the Fund and future distributions

The Fund's Australian entities are not party to the debt facility and the Financier has no recourse to the Fund's assets held in Australia. Further, the Fund's Australian entities are not partners in the German partnerships.

The Fund currently retains net cash of approximately \$7.5 million (3 cents per unit) in Australia. Expenses incurred by the Fund outside of Germany are largely being met from earnings on cash retained in Australia and net proceeds of the forward foreign exchange contracts which remain in place until April 2014.

The Fund distributed an amount of 10 cents per unit to investors (\$24.7 million) on 23 July 2013. BCML determined to retain the balance of the cash held in Australia to meet ongoing obligations for the cross currency forward rate agreements, costs associated with management of the Fund and to retain commercial flexibility in ongoing discussions with the Financier.

Future distributions remain subject to BCML's assessment of operating and/or market conditions in Germany and Australia, ongoing discussions with the financier and taxation requirements including the outcome of the appeal process arising from German tax assessments.

Further information will be provided to investors in due course.

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MULTIPLEX EUROPEAN PROPERTY FUND

ARSN 124 527 206

Annual Report 2013

Responsible Entity
**Brookfield Capital
Management Limited**
ACN 094 936 866
AFSL 223809



In June 2013, BCML resolved to distribute 10 cents per unit to investors (\$24.7 million). This was paid on 23 July 2013.

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Message from the Chairman

On behalf of the Board of Brookfield Capital Management Limited (BCML), enclosed is the Multiplex European Property Fund (Fund) annual report for the financial year ended 30 June 2013.

FINANCIAL RESULTS

The Fund reported a net profit after tax of \$4.3 million for the year. Net assets decreased by \$21 million, mainly as a result of a \$24.7 million distribution to unitholders declared in June 2013.

Key financial results as at 30 June 2013 include:

- property portfolio valued at \$316.1 million
- net assets of \$5.5 million or \$0.02 per unit
- total property rental income of \$30.4 million

STATUS OF FUND, DEBT FACILITY AND GERMAN TAX AUDIT

As at 30 June 2013, the Fund's property portfolio value was €223.4 million and the Loan to Value Ratio (LVR) was 103.6%. As a result of the LVR continuing to exceed 95%, the Fund's debt facility requires cash and cashflow be subject to lock up and cannot be repatriated or disbursed without consent of the financier. Approximately €15 million is retained in the KG's and cash has been used to fund ongoing requirements of the property portfolio.

The debt facility is due to expire in April 2014 and discussions with the financier are ongoing regarding an extension of the facility. To date, no agreement has been reached for an extension and there is no assurance that this will occur, or, if it were to occur, what additional conditions may be imposed.

The tax audit of the German partnerships in which the Fund holds a 94.9% interest continues. To date, no response has been received from the German tax authority regarding the objection lodged for the assessment of approximately €2 million raised for the 2004 to 2006 income years. An audit of the 2007 to 2010 income years is ongoing and no findings have been received from the German tax authorities in respect of those income years.

The Fund currently retains available cash balances of approximately \$7.5 million (3 cents per unit) in Australia. Cash held in Australia is not provided as security for the debt facility and is held outside of the German partnerships and its partners.

DISTRIBUTIONS

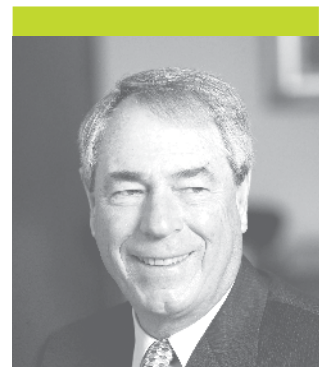
In June 2013, BCML resolved to distribute 10 cents per unit (\$24.7 million). This was paid to investors on 23 July 2013. The balance of cash held in Australia is presently retained to meet ongoing obligations for the cross currency forward rate agreements that remain in place until April 2014, costs associated with management of the Fund and to retain commercial flexibility for ongoing discussions with the financier.

Future distributions remain subject to BCML's assessment of operating and/or market conditions in Germany and Australia, ongoing discussions with the financier and taxation requirements including the outcome of the appeal process arising from German tax assessments. Further information will be provided to investors when available.

On behalf of the Board, thank you for your ongoing support.



F. Allan McDonald,
Independent Chairman



Year in Review

Brookfield Capital Management Limited (BCML) the responsible entity of Multiplex European Property Fund (the Fund) provides a review of the financial year ended 30 June 2013.

FINANCIAL RESULTS

The Fund experienced a small decline in operational performance amidst continued uncertainty surrounding the European economy.

Appreciation of the euro against the Australian dollar has made comparing financial information against prior periods difficult. However, underlying operating performance of the Fund's property assets remained largely steady, with net property rental income in euro decreasing by approximately 2% over the previous year.

When measured in Euro the property portfolio value decreased by 3% or €6.8 million. Due to appreciation of the euro against the Australian dollar, the property portfolio shows an increase in value of \$31.8 million. Overall movement in net assets of the Fund was a decrease of \$21.1 million for the year.

Key results for the financial year ended 30 June 2013 are as follows:

- distributions were \$24.7 million and distributions per unit of 10 cents per unit (2012: 15.75 cents per unit);
- net assets of \$5.5 million or 2 cents per unit (2012: \$26.7 million or 11 cents per unit);
- net profit after tax of \$4.3 million (2012: net loss after tax of \$21.3 million);
- property portfolio valued at \$316.1 million (2012: \$284.3 million); and
- property rental income of \$30.4 million (2012: \$31 million).

ASSET MANAGEMENT

The Fund's property portfolio comprises 67 properties: 55 retail properties, six nursing homes, three logistic properties and three office properties.

As at 30 June 2013, portfolio occupancy was 90.2% (by area) with a WALE of 7.46 years (by income). The occupancy rate remains impacted by an office asset in Düsseldorf which is only 8% occupied, a vacant discount supermarket at Rabenau, and 86% occupancy at Bochum. Nevertheless, two new lease contracts for Düsseldorf and a new lease contract at Bochum have recently been executed, with portfolio occupancy increasing to 91.4%.

The properties were independently valued by Jones Lang LaSalle GmbH (JLL) in Frankfurt as at 30 June 2013. Market value of the portfolio was €223.4 million which represents a 3% decline from the 30 June 2012 value of €230.2 million.

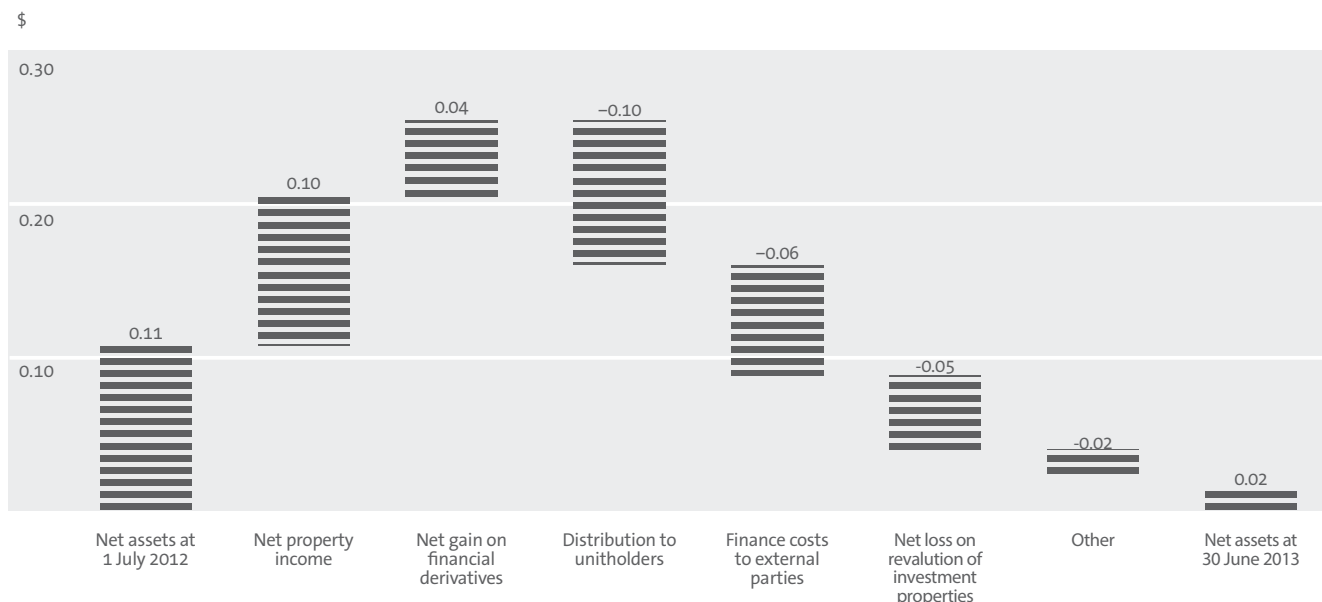
Market value was assessed using the discounted cashflow calculation methodology.

Retail Sector

The Fund has 55 retail properties including supermarkets, discounts, retail parks, DIY and hypermarkets. Large national and multi-national tenants including Aldi, Edeka, Lidl and Netto are represented across a number of the assets.

Edeka contributes more than 13% of portfolio net income over seven assets. Hornbach, the DIY operator, provides 6% of the portfolio net income.

NTA MOVEMENT (per unit)



The German retail market remains attractive to investors, with retail sales accounting for approximately 30% of total commercial property transactions.

The value of the Fund's retail portfolio declined by 4% during the year. This largely reflects a 2% increase in vacancy and shorter lease terms across the portfolio. A number of lease extensions are currently being negotiated which would increase the portfolio's income and WALE.

Nursing Homes

Nursing homes provide 25% of the Fund's asset value and remain an attractive asset class for investors, when viewed against a backdrop of an ageing German population. Discussions continue with the lessees of three nursing homes to extend existing lease terms.

Logistics Sector

The portfolio comprises three logistics sector assets which make up 8% of the Fund's portfolio value.

The two larger logistics properties are fully occupied, with TNT in Hallbergmoos having exercised an option to extend its lease by three years in 2012, providing further term security for the asset.

The property in Gera, vacated in 2012, is proving difficult to lease in a market where potential tenants require a high level of investment prior to committing to such properties.

Office Sector

The office portfolio accounts for 12% of the total portfolio value. The property in Minden increased in value by 3.5% over the year after ABB extended its lease for 5 years.

Investment into the previously vacant office property in Düsseldorf (showroom, new entrance area, refurbishment of the façade) has led to a successful completion of two lease contracts in excess of 600 square meters. Negotiations for a new lease of approximately 700 square meters is also progressing.

CALL OPTION

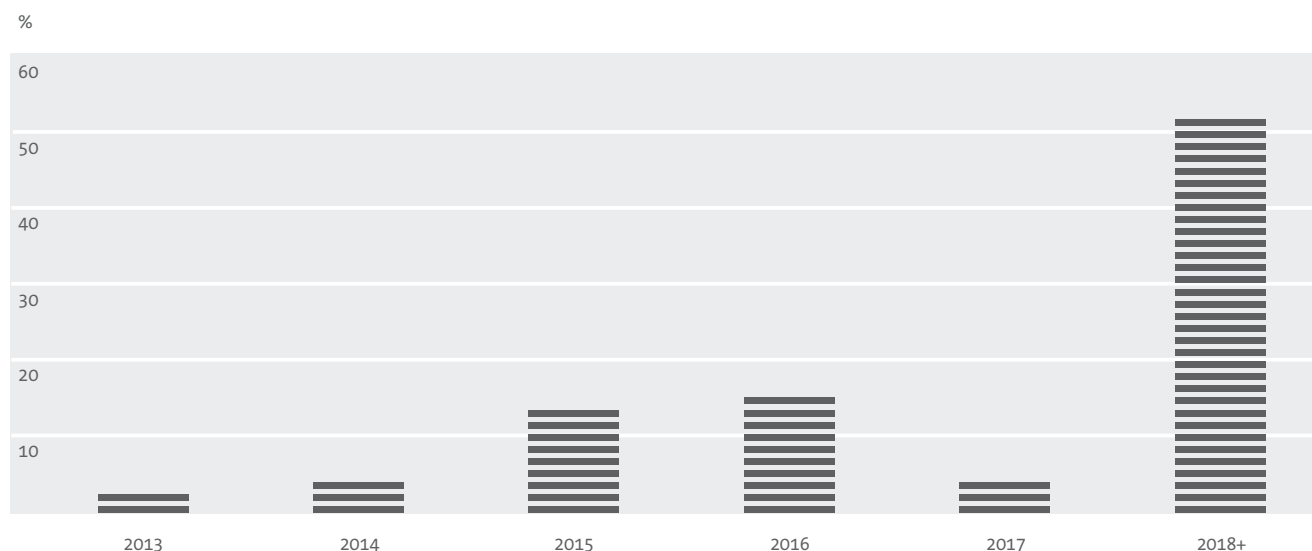
The Fund owns a 94.9% interest in the German partnerships which own the property portfolio. The remaining 5.1% interest in the partnerships is owned by a third party. At the time of acquiring a 94.9% interest in the partnerships, the Fund and that third party entered into a put and call option agreement regarding the remaining 5.1% interest. The put option expired without being exercised.

The call option gives the Fund the right to request the third party to fully withdraw from its 5.1% share of the partnerships at the current prevailing market value. This option could have been exercised by the Fund at any time up to 2 April 2013 and will again be exercisable in the three months commencing 2 October 2013. Exercising the call option is subject to meeting certain requirements under the debt facility relevant to maintaining sufficient cash reserves to meet obligations under the option agreement, taxes and costs.

In addition, the financier may require the call option to be exercised during the period 2 December 2013 to 2 January 2014.

The Fund has allowed for approximately \$1.4 million in the financial statements to potentially exercise the call option and associated taxes and costs.

LEASE EXPIRY PROFILE (by income)



Year in Review

DEBT

As at 30 June 2013, the portfolio value was €223.4 million, representing a 3% reduction from the 30 June 2012 valuation.

The LVR is approximately 103.6%. As the LVR continues to exceed 95%, the terms of debt facility provide that cash and cashflow within the partnerships that own the Fund's property interests must be retained within those entities, and cannot be repatriated or disbursed without consent of the financier. Approximately €15 million is retained and cash has been used to fund the ongoing requirements of the property portfolio.

The debt facility is due to expire in April 2014 and discussions with the financier are ongoing regarding an extension of the facility. To date, no agreement has been reached for an extension and there is no assurance that this will occur, or, if it were to occur, what additional conditions may be imposed.

Under the terms of the debt facility, in certain circumstances, the rights and obligations under the option agreement are required to be transferred from one wholly owned entity of the Fund to another wholly owned entity to the satisfaction of the financier.

The transfer was required in early 2013 and a waiver was sought from the financier but none was provided and Management executed the transfer and provided it to the financier. The financier has not provided any indication as to whether the transfer was effected to its satisfaction.

HEDGING

Other than the forward quarterly foreign exchange contracts discussed below, the net equity position of the Fund's investment in the property portfolio is not hedged. Therefore,

the Fund may be impacted by movements between the Australian dollar and the Euro.

An interest rate swap remains in place in the Fund's German partnerships with the effective interest rate fixed at 4.48% (carrying value as at 30 June 2013 of (\$9.2) million).

Forward quarterly foreign exchange contracts remain in place until April 2014 outside the Fund's German partnerships whereby Euro is exchanged for Australian dollars on a quarterly basis (carrying value as at 30 June 2013 of \$1.7 million).

BCML will continue to monitor exchange rate movements and all hedging arrangements.

CASHFLOW CONSIDERATIONS

The Fund currently has net cash balances of approximately \$7.5 million (3 cents per unit) in Australia. Cash held in Australia is not provided as security for the debt facility and is not affected by the lock up of cash in the Fund's German partnerships.

In the event that the cash lock-up continues, costs to manage the Fund (estimated to be approximately \$2.3 million per annum) will be met from cash reserves, earnings on such reserves or net proceeds from the forward quarterly foreign exchange contracts which remain in place until April 2014.

TAX AUDIT

During the year, the German partnerships in which the Fund holds a 94.9% interest received and paid assessments for taxes including German trade tax for the 2004 to 2006 income years of approximately €2 million including interest and penalties.

OCCUPANCY AND WEIGHTED AVERAGE LEASE EXPIRY (WALE)

DESCRIPTION	OCCUPANCY %	MAJOR TENANTS	YEARS (BY INCOME)
55 retail properties comprising: – discount supermarkets – full supply supermarkets – DIY markets	93	EDEKA, Hornbach, Netto, REWE	5.9
6 nursing homes	100	Kursana, Phönix	11.1
3 logistic/warehouses	87.7	Spicers, TNT	3.2
3 offices	64	State of Nord Rhine-Westphalia	13.6
Total portfolio	90		7.46

In line with independent advice, the relevant entities have lodged an objection to the assessments. To date, no response has been received from the German tax authority.

The German tax audit continues for the 2007 to 2010 income years. Whilst each year is considered separately by the tax authorities, if they were to apply the same approach to all partnerships to 2007 to 2010 as was applied to 2004 to 2006, the current estimate of potential trade tax payable would be approximately €27.3 million (including approximately €5.7 million in interest and penalties calculated as at 30 June 2013). If a tax liability was to arise following completion of the audit, such liability would be payable by the respective German partnership and ultimately its partners, being a number of the Fund's European subsidiaries.

If an assessment arose for the 2007 to 2010 income years the German tax authorities may require immediate payment of the assessment or provision of collateral. The assets of the partnerships and their partners are limited to the value of interests held in the partnership's German property portfolio, related operating cashflows and nominal capital of the partners. As the partnerships are in cash lock-up cash reserves and net operating cashflow cannot be repatriated or disbursed without consent of the financier. In the event that an assessment becomes due and payable discussions with the financier and the German tax authority would be required regarding payment of part or all of any such liability. If no deferral of the liability is achieved or in circumstances where the financier does not consent to use of the reserves this may give rise to solvency considerations in those entities and/ or an event of default under the debt facility.

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Consistent with prior reporting periods, having obtained independent advice, BCML's view remains that, in the event that the tax matter was pursued through to court appeal, the relevant entities are more likely than not to successfully defend their position and no trade tax would ultimately be payable. No liability has been recognised in the 30 June 2013 consolidated financial statements for the potentially outstanding amounts.

DISTRIBUTIONS

In June 2013, BCML resolved to distribute 10 cents per unit to investors (\$24.7 million). This was paid on 23 July 2013.

BCML determined to retain the balance of cash held in Australia to meet ongoing obligations for cross currency forward rate agreements which are in place until April 2014, costs associated with management of the Fund and to retain commercial flexibility for ongoing discussions with the Financier.

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VALUATION SUMMARY

SECTOR	30 JUNE 2012 VALUATION (€M)	31 DECEMBER 2012 VALUATION (€M)	30 JUNE 2013 VALUATION (€M)	% CHANGE JUNE 2012 – JUNE 2013
Retail	127.4	123.1	121.9	(4)
Nursing homes	56.9	57.0	56.4	(1)
Logistics	19.0	18.7	18.6	(2)
Office	26.9	26.6	26.5	(1)
Total	230.2	225.4	223.4	(3)

Performance at a Glance

FUND SNAPSHOT (as at 30 June 2013)

Listing date	3 July 2007
Market capitalisation ¹	\$6.4 million
Total assets	\$375 million
Net assets per unit	\$0.02
Portfolio occupancy	90%
Portfolio weighted average lease expiry (by income)	7.46 years
Fund gearing (total interest-bearing loans/total assets at Fund level)	87.3%
Loan to value ratio (interest-bearing loans/property assets) ²	103.6%
Management fee ³ (excluding GST)	0.41% of gross asset value
Performance fee (excluding GST)	5% to 15% of benchmark ⁴ outperformance

1 Market capitalisation as at close of trading on 30 June 2013.

2 Calculated using 30 June 2013 valuations.

3 Subject to the arrangements outlined in the Chairman's letter dated 14 June 2007.

4 S&P/ASX 300 A-REIT Accumulation Index.

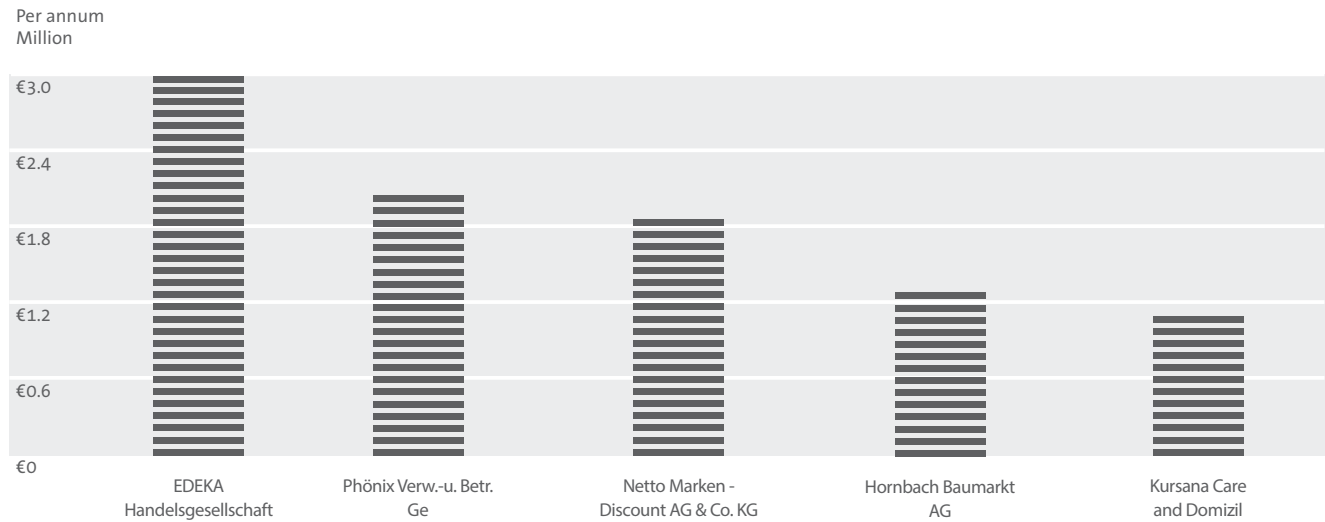
RECONCILIATION OF NORMALISED PROFIT

Net profit after tax	\$4.3 million
Adjustments:	
- net loss on revaluation of investment property	\$11.0 million
- net unrealised gain on revaluation of financial derivatives	(\$6.5) million
- deferred income tax expense	\$1.5 million
- amortisation of borrowing costs	\$0.2 million
Normalised net profit	\$10.5 million
Normalised earnings per unit	4.2 cents
Distributions per unit	10.0 cents

Portfolio at a Glance

MAJOR TENANTS

By rental income Edeka Handelsgesellschaft, Phoenix Verwaltungs- und Betriebsgesellschaft mbH, Netto Marken Discount AG & Co. KG, Hornbach Baumarkt AG, Kursana Care and Domizil are individually the most important tenants in the portfolio. The main lease contracts (by income) of these tenants generate approximately 37% of the annual rental income.



SECTOR ALLOCATION*

- 55% Retail
- 25% Nursing homes
- 12% Office
- 8% Logistics



* Calculated on the value of properties as at 30 June 2013.

Property Analysis

PROPERTY	TENANT/ANCHOR TENANT	PURCHASE PRICE €M	VALUATION 30 JUNE 2012 €M	VALUATION 30 JUNE 2013 €M
Dresden. Heideblick	Netto Marken-Discount	2.206	1.23	1.11
Artern	Netto Marken-Discount	1.827	0.95	1.15
Dresden. Tatzberg	Netto Marken-Discount	2.136	1.25	1.11
Eisleben	Netto Marken-Discount	1.737	0.92	0.87
Gernrode	Netto Marken-Discount	1.594	0.83	0.78
Geyer	Netto Marken-Discount	1.597	0.81	0.78
Schlema	Netto Marken-Discount	1.571	0.79	0.75
Jena-Lobeda	Netto Marken-Discount	1.717	0.96	0.91
Delitzsch. Beerendorfer Strasse	Netto Marken-Discount	1.409	0.78	0.70
Stockheim	Netto Marken-Discount	1.674	0.93	0.86
Burgstädt	Netto Marken-Discount	1.554	0.84	0.79
Bückerburg	Netto Marken-Discount	1.639	0.93	0.87
Merseburg. Geusaer Strasse	Netto Marken-Discount	1.792	0.89	0.85
Mühlhausen	Netto Marken-Discount	1.594	0.79	0.75
Halle. Merseburger Strasse	ALDI	3.066	1.41	1.35
Stollberg	ALDI	1.555	0.80	0.77
Oberhausen	Netto Marken-Discount	1.763	0.97	0.96
Clenze	Netto Marken-Discount	1.655	0.71	0.28
Boizenburg	Lidl	1.693	1.19	1.14
Bad Marienberg	Lidl	2.841	1.30	1.19
Delitzsch. Richard-Wagner Strasse	Lidl	2.110	1.02	1.06
Hage	Lidl	1.726	0.82	0.87
Schöppenstedt	Lidl	1.629	0.87	1.22
Woldegk	NORMA	1.844	1.13	1.07
Pampow	EDEKA	1.430	1.62	1.62
Blankenfelde	EDEKA	4.101	3.07	2.71
Prüm	EDEKA	3.930	1.42	1.16
Peine	EDEKA MIHA	1.117	0.50	0.45
Schloßvippach	REWE	2.280	1.10	1.09
Gotha	REWE	6.812	4.33	4.07
Köthen	Penny Markt	2.170	0.93	0.87
Offenburg	Penny Markt	1.491	1.14	1.05
Rabenau	Vacant	2.797	0.59	0.57
Rheinau	Penny Markt	1.858	1.02	1.02

PROPERTY	TENANT/ANCHOR TENANT	PURCHASE PRICE €M	VALUATION 30 JUNE 2012 €M	VALUATION 30 JUNE 2013 €M
Malchin	coop	3.752	1.43	1.76
Bopfingen	REWE	2.007	1.12	0.59
Burladingen	REWE	3.030	1.75	1.68
Cloppenburg	Coma Verbrauchermarkt	4.267	2.55	2.42
Tespe	EDEKA	1.796	1.03	0.69
Feldatal	Tegut Gutberlet Stiftung & Co	1.558	0.99	0.95
Saarlouis	Accord Distributa Warenhandel	2.256	1.69	1.70
Zimmern	AWG	1.817	1.13	1.04
Winkelhaid	SPICERS Deutschland	14.871	11.00	9.90
Hallbergmoos	TNT Express	16.399	7.20	8.00
Gera	Hermes Logistik	3.196	0.77	0.68
Chemnitz	Hornbach Baumarkt	20.740	17.80	16.30
Hannover	Marktkauf	16.158	10.90	9.40
Wittmund	Toom Baumarkt	10.913	1.57	3.94
Marienhafe	Marktkauf	4.779	1.97	1.68
Halle. Trothaer Strasse	Goldkuhle Fachmärkte Frick für Wand und Boden	1.710	0.87	0.71
Bünde	Markant Ostwestfalen	1.861	1.06	0.96
Minden	ABB Utilities Niederlassung Minden	6.658	3.47	3.59
Düsseldorf	Vacant	14.888	8.80	8.60
Frankfurt/Oder	Car Glass	1.359	0.90	0.75
Frankenberg	Rheika-Delta	2.021	1.34	1.29
Osnabrück	Bugsy Burger	2.484	1.49	1.00
Frankfurt/Main	Telecity Group	17.960	14.60	14.30
Kassel	Spiel In Casino	2.214	0.55	0.52
Lörrach B	EDEKA	21.699	18.70	18.10
Lörrach A	McDonald's	1.895	1.44	1.36
Bochum	EDEKA	26.753	18.30	18.30
Eisenhüttenstadt	Kursana	8.841	6.80	6.50
Schwedt	Kursana	8.593	6.30	6.10
Erfurt	Phönix	11.968	9.50	10.10
Wetzlar	Alloheim Senioren Residenzen	14.115	10.80	10.90
Göttingen	Phönix	17.234	14.50	14.60
Wiesbaden	Maternus Altenheim	13.296	9.00	8.20
Total		355.000	230.16	223.41

ASX Additional Information

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below. The equity holder information set out below was applicable as at 5 August 2013.

1. SUBSTANTIAL HOLDERS

COMPANY NAME	NO OF UNITS	% OF UNITS ON ISSUE
Brookfield Asset Management Inc.	62,500,150	25.309
Pullington Investments Pty Ltd	14,342,483	5.81

2. DISTRIBUTION OF ORDINARY UNITS

Analysis of numbers of unitholders by size of holding:

	UNITS	UNITHOLDERS
1-1,000	11,719	35
1,001-5,000	1,386,272	303
5,001-10,000	5,754,292	604
10,001-100,000	53,991,225	1,441
100,001 and over	185,806,642	241
Total	246,950,150	2,624

There were 949 holders with less than a marketable parcel of 10,416 securities (\$0.048 on 5 August 2013).

3. UNITHOLDERS

The twenty largest holders of ordinary units are listed below:

NAME	ORDINARY UNITS	
	NUMBER HELD	% OF ORDINARY UNITS
Multiplex German Investment Pty Limited	49,750,100	20.15
J P Morgan Nominees Australia Limited	28,550,122	11.56
Pullington Investments Pty Ltd	12,895,363	5.22
HSBC Custody Nominees (Australia) Limited	7,187,929	2.91
Miss Ashley Arshpreet Rai and Mr Tharnar Singh and Mrs Satwant Kaur Rai	7,000,000	2.83
Navigator Australia Ltd	5,166,168	2.09
Mr Terence Burns	3,122,734	1.26
Mr Peter Chappel & Mrs Wendy Elizabeth Chappel	2,850,000	1.15
Nabinvest Capital Partners Pty Limited	2,539,500	1.03
Horrie Pty Ltd	2,000,000	0.81
Hillmorton Custodians Pty Ltd	1,875,000	0.76
BNP Paribas Noms Pty Ltd	1,623,268	0.66
Pullington Investments Pty Ltd	1,447,120	0.59
Reddifund Limited	1,300,000	0.53
Ozone Protected Systems Pty Limited	1,300,000	0.53
JP Morgan Nominees Australia Limited	1,160,001	0.47
Mr Colin Bambrick & Mrs Lorelei Bambrick	1,000,000	0.40
Stilwood Pty Ltd	980,000	0.40
Stilwood Custodians Pty Ltd	962,703	0.39
National Nominees Limited	849,601	0.34
Ozone Protected Systems Pty Limited	820,000	0.33
Total	134,379,609	54.42

4. ON-MARKET BUY-BACK

There is no current on-market buy-back program.

5. VOTING RIGHTS

Entitlement to vote

The following is an extract from Section 16.22 of the Constitution of Multiplex European Property Fund:

(a) Subject to any rights or restrictions for the time being attached to any Class or Classes of Units and to this constitution:

(i) on a show of hands, each Member present in person and each other person present as a proxy, attorney or representative of a Member has one vote; and

(ii) on a poll, each Member present in person has one vote for each one dollar of the value of the Units held by the Member and each person present as proxy, attorney or representative of a Member has one vote for each one dollar of the value of the Units held by the Member that the person represents.

(b) A Member is not entitled to vote at a general meeting in respect of Units which are the subject of a current Restriction Agreement for so long as any breach of that agreement subsists.

Investor Relations

ASX LISTING

Multiplex European Property Fund is listed on the ASX under the code MUE. Daily unit prices can be found in all major Australian newspapers, on the ASX website and at www.au.brookfield.com.

ONLINE SERVICES

Accessing investments online is one of the many ways that Brookfield is ensuring convenience and accessibility to unitholder investment holdings. Links to the registry providers are available via the Brookfield website. Unitholders can access their account balance, transaction history and distribution details.

E-COMMUNICATIONS

The default for Brookfield annual and interim reports is electronic. Online versions of the annual and interim reports are available at www.au.brookfield.com.

Investors who have elected to receive hard copy reports will continue to receive them. Should you wish to change your preference, please contact the share registry on 1800 685 455.

CONTACT THE REGISTRY

Queries relating to individual unit holdings or requests to change investment record details such as:

- change of address (issuer sponsored holdings only)
- update method of payment for receiving distributions
- tax file number notification
- annual report election

should be addressed to:

Link Market Services Limited
 Level 12, 680 George Street
 Sydney NSW 2000
 Freecall: 1800 685 455
 Email: registrars@linkmarketservices.com.au

INVESTOR SERVICES

Investors wishing to register a complaint should direct it to:

The Manager
 Brookfield
 GPO Box 172
 Sydney NSW 2001

CONTACT US

Brookfield has personnel to assist with all investor and financial adviser enquiries.

There are several ways of accessing information about the fund and providing feedback to Customer Service:

By post

GPO Box 172
 Sydney NSW 2001

By phone

1800 570 000 (within Australia)
 +61 2 9322 2000 (outside Australia)

By fax

+61 2 9322 2001

By email

clientenquiries@au.brookfield.com

By internet

The Brookfield website provides investors with up-to-date information on all funds as well as reports, media releases, fund performance, unit price information and corporate governance guidelines.

www.au.brookfield.com



MULTIPLEX EUROPEAN PROPERTY FUND

ARSN 124 527 206

Financial Report for the year ended 30 June 2013

Responsible Entity
**Brookfield Capital
Management Limited**
ACN 094 936 866
AFSL 223809

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For the year ended 30 June 2013

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Directory

For the year ended 30 June 2013

Responsible Entity

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

Directors of Brookfield Capital Management Limited

F. Allan McDonald
Brian Motteram
Barbara Ward
Russell Proutt
Shane Ross

Company Secretary of Brookfield Capital Management Limited

Neil Olofsson

Registered Office of Brookfield Capital Management Limited

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

Custodian

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

Stock Exchange

The Fund is listed on the Australian Securities Exchange (ASX Code: MUE). The Home Exchange is Sydney.

Location of Share Registry

Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000
Telephone: +61 1300 554 474
Facsimile: +61 2 9287 0303

Auditor

Deloitte Touche Tohmatsu
Eclipse Tower
Level 19, 60 Station Street
Parramatta NSW 2150
Telephone: +61 2 9840 7000
Facsimile: +61 2 9840 7001

Directors' Report

For the year ended 30 June 2013

Introduction

The Directors of Brookfield Capital Management Limited (ABN 32 094 936 866), the Responsible Entity of Multiplex European Property Fund (ARSN 124 527 206) (Fund), present their report together with the financial statements of the Consolidated Entity, being the Fund and its subsidiaries, for the year ended 30 June 2013 and the Independent Auditor's Report thereon.

The Fund was constituted on 16 November 2006 and it was registered as a Managed Investment Scheme on 3 April 2007.

All amounts quoted in this report are in Australian dollars, unless otherwise noted.

Responsible Entity

The Responsible Entity of the Fund is Brookfield Capital Management Limited (BCML). BCML has been the Responsible Entity since inception of the Fund. 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
Russell Proutt (appointed 1 January 2010)	Executive Director
Shane Ross (appointed 16 May 2011)	Executive Director

Information on Directors

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

Allan was appointed the Non-Executive Independent Chairman of BCML on 1 January 2010 and also performs that role for Brookfield Funds Management Limited (BFML). 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. BCML is also the Responsible Entity for the listed fund Brookfield Prime Property Fund (BPA). BFML is the Responsible Entity for the 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 February 2005) and Brookfield Office Properties Inc. (appointed May 2011). During the past 3 years Allan has also served as a director of the following listed companies: Ross Human Directions Limited (April 2000 – February 2011) and Billabong International Limited (July 2000 – October 2012).

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

Brian has in excess of 40 years of experience working in the area of finance and accounting. He has worked with international accounting firms, in his own private practice, and during the last 21 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. BCML is also the Responsible Entity for the listed BPA. Brian is a fully qualified Chartered Accountant having trained with KPMG and Deloitte.

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

Barbara was appointed as a Non-Executive Independent Director of BCML on 1 January 2010 and also performs that role for BFML. 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. BCML is also the Responsible Entity for the listed BPA. BFML is the Responsible Entity for the listed Multiplex SITES Trust. Barbara is a Director of Qantas Airways Limited. During the past 3 years Barbara has also served as Chair of Essential Energy (June 2001 – June 2012) and a Director of Essential Energy, Ausgrid and Endeavour Energy (July 2012 – December 2012).

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

Russell is the Chief Financial Officer of Brookfield Australia Pty Limited and was appointed as an Executive Director of BCML on 1 January 2010 and also performs that role for BFML. BCML is also the Responsible Entity for the listed BPA. BFML is the Responsible Entity for the listed Multiplex SITES Trust. Russell joined Brookfield Asset Management Inc, the ultimate parent company of BCML, in 2006 and has held various senior management positions within Brookfield.

Shane Ross (BBus), Executive Director

Shane is the Group General Manager of Treasury for Brookfield Australia Investments Limited and was appointed as an Executive Director of BCML on 16 May 2011. BCML is also the Responsible Entity for the listed BPA. Shane joined the organisation in 2003 following a background in banking and has over 19 years experience in treasury and finance within the property industry.

Directors' Report Continued

For the year ended 30 June 2013

Information on Company Secretary

Neil Olofsson

Neil has over 18 years of international company secretarial experience and has been with the Brookfield Australia group since 2005.

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 European Property Fund units held
F. Allan McDonald	50,000
Brian Motteram	–
Barbara Ward	–
Russell Proutt	–
Shane Ross	–

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

Directors' meetings

Director	Board Meetings		Audit Committee Meetings		Board Risk and Compliance Committee Meetings	
	A	B	A	B	A	B
F. Allan McDonald	8	8	2	2	2	2
Brian Motteram	7	8	2	2	2	2
Barbara Ward	8	8	2	2	2	2
Russell Proutt	6	8	n/a	n/a	n/a	n/a
Shane Ross	8	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.

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 direct properties in Europe.

Review of operations

The Consolidated Entity recorded a net profit after tax of \$4,281,000 for the year ended 30 June 2013 (2012: net loss after tax of \$21,323,000). The reported net profit after tax includes an unrealised loss of \$11,048,000 (2012: \$31,880,000) on property revaluations.

An unrealised gain of \$6,516,000 (2012: unrealised loss of \$37,457,000) was also recorded by the Consolidated Entity on account of marking-to-market the value of the Consolidated Entity's derivatives at year end. The practice of marking-to-market value the Consolidated Entity's derivatives at each period end date will continue to introduce volatility into the Consolidated Entity's Consolidated Statement of Profit or Loss and Other Comprehensive Income and Consolidated Statement of Financial Position. However, these adjustments are non-cash related as the Consolidated Entity's derivative obligations were fixed at the time of entering into the derivatives in November 2006, and these obligations do not change during the term of the derivative, unless the Consolidated Entity exits out of the derivative positions prior to maturity date.

Future distributions remain subject to BCML's assessment of operating and/or market conditions in Germany and Australia, ongoing discussions with the financier and taxation requirements including the outcome of the appeal process arising from German tax assessments.

Some of the significant events during the year are detailed below:

- property rental income of \$30,392,000 (2012: \$31,016,000);
- total revenue and other income of \$40,694,000 (2012: \$69,843,000);
- net profit after tax of \$4,281,000 (2012: net loss after tax of \$21,323,000);
- earnings per unit (EPU) of 1.73 cents (2012: (8.63) cents);
- special distribution to unitholders totalling \$24,695,000 or 10 cents per unit for the year ended 30 June 2013, accounted for as returns of capital in the financial statements (2012: distributions totalling \$38,895,000 or 15.75 cents per unit);
- net assets of \$5,537,000 and net assets per unit of \$0.02 (2012: \$26,673,000 and \$0.11 per unit); and

Directors' Report Continued

For the year ended 30 June 2013

Review of operations *continued*

- property portfolio value of \$316,129,000 (2012: \$284,327,000) and unrealised revaluation decrement of \$11,048,000 (2012: \$31,880,000).

Impact of valuations on debt

As at 30 June 2013, the portfolio value was €223,410,000, representing a 2.9% reduction from the 30 June 2012 valuation adopted by the Consolidated Entity. The Loan to Value ratio (LVR) is approximately 103.6% at 30 June 2013. As the LVR continues to exceed 95%, the terms of debt facility provide that cash and cashflow within the partnerships that own the Consolidated Entity's investment property interests must be retained within those entities, and cannot be repatriated or disbursed without consent of the financier. No event of default arises as a direct consequence of the reduced valuation and the increased LVR.

The strategy of the Fund continues to be the active management of the Fund's property portfolio to secure quality tenants and preserve value in current economic conditions existing in Germany. The Fund continues to retain cash reserves in order to support the underlying operations of the Fund should it be required.

Financier discussions regarding extension of debt facility

The Fund has a 94.9% interest in certain German partnerships (Monti Partnerships), which are controlled entities of the Fund. The debt facility provided by Hypothekbank Frankfurt AG (Hypothekbank) (formerly known as Eurohypo AG) to the Monti Partnerships is due to mature on 15 April 2014. Management of the Monti Partnerships continue discussions with Hypothekbank regarding an extension of the debt facility. To date, no agreement has been reached for an extension of the facility past the due date and there is no assurance that this will occur, or, if it were to occur, what additional conditions may be imposed.

Tax audit

The Monti Partnerships have been the subject of a German taxation audit for the 2004-2006 income years. The primary area subject to audit relates to trade tax and was identified in the Fund's PDS (dated 20 April 2007). During the current year, an assessment from the German tax authority was received by the Monti Partnerships for approximately €2 million (including interest and penalties) for trade tax payable for the 2004 to 2006 income years. This assessment was paid in full from the Monti Partnership's cash reserves currently held in lock up by the financier. The release of the cash to meet the liability was conditional on that cash being returned to the reserve account in the event that the tax is ultimately refunded to the Monti Partnership in cash. In line with independent advice, the relevant entities have lodged an objection to the assessment. To date, no response has been received from the German tax authority.

Subsequent to half year end, a German tax audit was commenced for the 2007 to 2010 income years. Whilst each year is considered separately by the tax authorities, if they were to apply the same approach to 2007 to 2010 as was applied to 2004 to 2006, the current estimate of potential trade tax payable would be approximately €27.3 million (including approximately €5.7 million in interest and penalties calculated as at 30 June 2013). If a tax liability was to arise following completion of the audit, such liability would be payable by the respective Monti Partnership and ultimately its partners, being a number of the Fund's European subsidiaries. The German tax authorities may require immediate payment.

An assessment for trade tax for the 2011 year for an amount of approximately €35,000 was received prior to year end and paid subsequent to year end. Independent advice is that the assessment is unlikely to have any connection to the tax audit of 2007 to 2010. An objection against the assessment has been lodged.

Consistent with prior reporting periods, having obtained independent advice, BCML's view remains that, in the event that the tax matter was pursued through to court appeal, the relevant entities are more likely than not to successfully defend their position and no trade tax would ultimately be payable. No liability has been recognised in the 30 June 2013 consolidated financial statements for the potentially outstanding amounts.

Corporate governance

BCML, in its capacity as Responsible Entity for the Fund, is required under the ASX Listing Rules to prepare a Corporate Governance Statement (the Statement) and include the Statement in its annual financial report.

The Statement discloses the extent to which BCML has followed the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations with 2010 Amendments (2nd edition), (the ASX Principles) during the reporting period.

Directors' Report Continued

For the year ended 30 June 2013

Corporate governance *continued*

The ASX Principles are guidelines for businesses which set out eight core principles the Corporate Governance Council believes lie behind good corporate governance. BCML is committed to maintaining high standards of corporate governance.

As a wholly owned subsidiary of Brookfield Australia Investments Limited (BAIL), BCML will, wherever possible, make use of the existing governance framework and expertise within the Brookfield Australia Investments Group (the Group) as it applies to the Fund's operations and will continue to review and update its governance practices and policies from time to time.

The Principles have been adopted by BCML, where appropriate, to ensure stakeholder interests are protected, however, some of the Principles are neither relevant nor practically applicable to the investment structure of the Fund. This Statement outlines BCML's main governance policies and practices, and the extent of its compliance with the ASX Principles for the reporting period 1 July 2012 to 30 June 2013.

Principle 1: Lay solid foundations for management and oversight

It is the Board's responsibility to ensure that the foundations for management and oversight of the Fund are established and documented appropriately.

Role of the Board & Senior Executives

The Board identifies the role of the Board, its committees and the powers reserved to the Board in a charter. The Board Charter reserves the following powers for the Board:

- Approval of risk management strategy;
- approval of financial statements and any significant changes to accounting policies;
- approval of distribution payments;
- approval and monitoring of major investments or divestitures and strategic commitments;
- consideration of recommendations from the Audit Committee and Board Risk and Compliance Committee; and
- any matter which, according to law, is expressly reserved for Board determination.

A copy of the Board Charter is available on the Brookfield Australia website at www.au.brookfield.com.

In addition, the Board is responsible for:

- monitoring the implementation of the financial and other objectives of the Fund;
- overseeing and approving the risk, control and accountability systems;
- monitoring compliance with legal, constitutional and ethical standards; and
- ensuring there is effective communication with unitholders and other stakeholders of the Fund.

On appointment, each independent director of the Board receives a letter of appointment which details the key terms and expectations of their appointment.

Process for evaluating the performance of senior executives

The Management team responsible for the operation of the Fund and BCML are employees of the Group and are subject to the Group's performance evaluation process.

All new employees, including senior executives, attend a formal induction which provides an overall introduction to the various business units within the Group.

Principle 2: Structure the Board to add value

Majority of Independent Directors

Throughout the reporting period the Board had a majority of Independent Directors. The independent status of those Directors was determined using the criteria set out in Recommendation 2.1 of the ASX Principles. The table below sets out the details of each of the Directors including their independent status and length of tenure.

Name	Position held	Independent (Yes/No)	Date appointed to the Board
F. Allan McDonald	Non-Executive Independent Chairman	Yes	1 January 2010
Brian Motteram	Non-Executive Independent Director	Yes	21 February 2007
Barbara Ward	Non-Executive Independent Director	Yes	1 January 2010
Russell Proutt	Executive Director	No	1 January 2010
Shane Ross	Executive Director	No	16 May 2011

The Board considers that collectively, the Directors have an appropriate mix of skills, experience and expertise which allow it to meet the Fund's objectives. The composition of the Board is subject to continuous review. Profiles of each of the Directors may be found on page 4.

Directors' Report Continued

For the year ended 30 June 2013

Corporate governance continued

Principle 2: Structure the Board to add value continued

Chairperson and independence

The ASX Corporate Governance Council recommends that the Chairperson of the Board be independent.

Allan McDonald, the Chairman of the Board, is an independent, non-executive Director.

Roles of the Chairman and CEO

The ASX Corporate Governance Council recommends that the roles of Chairman and Chief Executive Officer be split and not exercised by the same individual.

Allan McDonald, the Chairman of the Board, is an independent, non-executive Director.

Nomination Committee

The ASX Corporate Governance Council recommends that boards establish a nomination committee to oversee the selection and appointment of directors. Ultimate responsibility for director selection rests with the full board.

BCML does not have a nomination committee. The nomination and appointment of Directors is undertaken by BAIL in consultation with the Board. This practice is in accordance with BCML's Charter and the Corporations Act.

Evaluation of the performance of the Board, its Committees and individual Directors

The Board is responsible for reviewing and monitoring its performance and the performance of its committees and directors. The Board undertakes an annual self-evaluation of its performance. The evaluation is conducted by way of a survey of each Director, followed by an analysis and discussion of the results. As part of the review, consideration is given to the existing skills and competency of the Directors to ensure there is an appropriate mix of skills for managing BCML and the Fund.

Induction and education

An induction programme for Directors is facilitated by the Company Secretary. The programme provides new directors with an understanding of the financial, strategic, operational and risk management position of BCML, the Fund and the Group.

Access to information

All Directors have unrestricted access to records of BCML and the Fund and receive regular financial and operational reports from senior management to enable them to carry out their duties.

The Board Charter grants the Board collectively, and each Director individually, the right to seek independent professional advice at BCML's expense to help them carry out their responsibilities.

The Board and the Company Secretary

All Directors have access to the Company Secretary. The Company Secretary is accountable to the Board on all governance matters and supports the Board by monitoring and maintaining Board policies and procedures, and coordinating the timely completion and dispatch of the Board agenda and briefing material.

The appointment and removal of the Company Secretary is a matter for BAIL in consultation with the Board.

Principle 3: Promote ethical and responsible decision making

The Brookfield Group has a Code of Business Conduct and Ethics (the Code) which sets out the requirements for workplace and human resource practices, risk management and legal compliance.

Code of Business Conduct and Ethics

The Board acknowledges that all employees of the Group and Directors of BCML are subject to the Code and are required to act honestly and with integrity. The Code is designed to ensure that all directors, officers and employees conduct activities with the highest standards of honesty and integrity and in compliance with all legal and regulatory requirements. The Code is aligned to the Group's core values of teamwork, integrity and performance and is fully supported by the Board.

A copy of the Code is available on the Brookfield Australia website at www.au.brookfield.com.

Diversity Policy

The ASX Corporate Governance Council recommends that Companies establish a policy concerning diversity.

BCML is not part of an ASX listed group of companies and does not directly employ staff. As a result, BCML has not developed a policy concerning diversity.

Principle 4: Safeguard integrity in financial reporting

The approach adopted by the Board is consistent with the Principle. The Board requires the Chief Executive Officer and the Chief Financial Officer to provide a written statement that the financial statements of the Fund present a true and fair view, in all material aspects, of the financial position and operational results.

Directors' Report Continued

For the year ended 30 June 2013

Corporate governance continued

Principle 4: Safeguard integrity in financial reporting continued

Audit Committee

The Board has established an Audit Committee to oversee the integrity of the financial reporting controls and procedures used by BCML when acting in its capacity as the Responsible Entity.

The Audit Committee is responsible for:

- overseeing financial reporting to ensure balance, transparency and integrity; and
- evaluating and monitoring the effectiveness of the external audit function.

The members of the Audit Committee throughout the reporting period were:

Name	Position	Number of Meetings in Year	Attendance
Brian Motteram	Chairman	2	2
F. Allan McDonald	Member	2	2
Barbara Ward	Member	2	2

The members of the Audit Committee are not substantial shareholders of BCML or the Fund or officers of, or otherwise associated directly with, a substantial shareholder of BCML or the Fund and therefore are deemed independent.

With three members, the Audit Committee satisfies all the requirements of ASX Recommendation 4.2 which suggests that an audit committee should have 'at least three members'. The structure of the Audit Committee satisfied the three other requirements of Recommendation 4.2.

The Board considers that during the reporting period the Audit Committee was of sufficient size, independence and technical expertise to discharge its mandate effectively.

Charter of the Audit Committee

The Audit Committee has adopted a formal Charter which sets out their responsibilities with respect to financial reporting, external audit (including procedures regarding appointment, removal of and term of engagement with the external auditor), and performance evaluation.

A copy of the Audit Committee's Charter is available on the Brookfield Australia website at www.au.brookfield.com.

Principle 5: Make timely and balanced disclosure

BCML is committed to complying with the continuous disclosure obligations contained in the ASX Listing Rules. The Board has adopted a Continuous Disclosure Policy which is designed to ensure that all unit holders have equal and timely access to material information concerning the Fund. The Continuous Disclosure Policy applies to all Directors, managers and employees involved in the operation of the Fund and BCML.

The Company Secretary is primarily responsible for the Fund's compliance with its continuous disclosure obligations and maintaining the Continuous Disclosure Policy. The Company Secretary is also the liaison between the Board and the ASX.

A copy of the Continuous Disclosure Policy is available on the Brookfield Australia website at www.au.brookfield.com.

Principle 6: Respect the rights of the Fund's unitholders

BCML's communication strategy is incorporated into the Continuous Disclosure Policy.

BCML is committed to timely and ongoing communication with the Fund's unitholders. The Annual Report also provides an update to investors on major achievements and the financial results of the Fund.

Up to date information on the Fund, including any continuous disclosure notices given by the Fund, financial reports and distribution information is available on the Brookfield Australia website at www.au.brookfield.com.

Principle 7: Recognise and manage risk

Risk management and compliance framework

An important role of BCML is to effectively manage the risks inherent in its business while supporting the performance and success of the Fund. BCML is committed to ensuring that it has a robust system of risk oversight and management and internal controls in compliance with ASX Principle 7.

The Board has delegated responsibility for the oversight of BCML's compliance program to a Board Risk and Compliance Committee.

The members of the Board Risk and Compliance Committee throughout the financial period were:

Name	Position	Number of Meetings in Year	Attendance
Barbara Ward	Chairperson	2	2
F. Allan McDonald	Member	2	2
Brian Motteram	Member	2	2

Directors' Report Continued

For the year ended 30 June 2013

Corporate governance continued

Principle 7: Recognise and manage risk continued

Risk management and compliance framework continued

The Board Risk and Compliance Committee is governed by a formal Charter which is available on the Brookfield Australia website at www.au.brookfield.com.

The Board has adopted a Risk Management Strategy (RMS) and has assigned accountability and responsibility for the management of risk to Management. The RMS describes the key elements of the risk management framework that relates to the delivery of financial services by Australian Financial Services License Holders and their Authorised Representatives.

In addition to the RMS, Risk Registers are used by management to record and manage potential sources of material business risks that could impact upon BCML or the Fund.

Risk management and internal control system

The Board is ultimately responsible for overseeing and managing risks to BCML or the Fund. Management reports to the Board on risk management and compliance via a Board Risk and Compliance Committee. Financial risks are managed by the Audit Committee. Designated compliance staff assist BCML by ensuring that a robust system of compliance and risk management is in place. The Compliance Manager for the Group is responsible for reviewing and monitoring the efficiency of compliance systems on an ongoing basis. The Group has an internal audit function which may review aspects of BCML's business and the Fund as part of its annual program. A summary of BCML's policies on risk oversight and management is available on the Brookfield Australia website at www.au.brookfield.com.

Chief Executive Officer and Chief Financial Officer Assurance

The Board has received assurance from the Executive Director and Chief Financial Officer that the sign off of the financial statements is based upon a sound system of risk management and that the internal compliance and control systems are operating efficiently in all material respects in relation to financial reporting risks.

Principle 8: Remunerate fairly and responsibly

The ASX Corporate Governance Council suggests that Companies should establish a dedicated Remuneration Committee. The Directors receive a fee for service and BCML does not directly employ staff, therefore no remuneration committee has been established.

Independent and non-executive Directors receive fees for serving as Directors. Director's fees are not linked to performance of BCML or the Fund.

Interests of the Responsible Entity

Management Fees

For the year ended 30 June 2013, the Consolidated Entity incurred \$1,407,000 in management fees to the Responsible Entity (2012: \$1,515,000). \$372,000 of management fees remain payable as at year end (2012: \$331,000).

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 consolidated financial statements.

Events subsequent to the reporting date

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, other than those disclosed in this report or in the consolidated financial statements.

Likely developments

Other than the matters already included in the Directors' Report, information on likely developments in the operations of the Consolidated Entity in future financial years and the expected results of those operations have 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

For the year ended 30 June 2013

Distributions and returns of capital

During the current year, no distributions were paid by the Fund to unitholders. The special distribution payable at 30 June 2013 has been accounted for as a return of capital in the financial statements. Distributions and returns of capital declared/paid are detailed below.

	Cents per unit	Total amount \$'000	Date of payment
Ordinary units			
Special distribution	10.000	24,695	23 July 2013
Total return of capital to ordinary unitholders for the year ended 30 June 2013	10.000	24,695	
	Cents per unit	Total amount \$'000	Date of payment
Ordinary units			
September 2011 distribution	0.625	1,543	31 October 2011
Special distribution	9.500	23,461	16 November 2011
December 2011 distribution	0.625	1,543	31 January 2012
Special distribution	5.000	12,348	30 April 2012
Total distribution to ordinary unitholders for the year ended 30 June 2012	15.750	38,895	

Indemnification and insurance of officers and auditors

BCML is a wholly owned subsidiary of Brookfield Australia Investments Limited (BAIL). BAIL has entered into deeds of access and indemnity with each of its Directors, Company Secretary and other nominated Officers. The terms of the deeds are in accordance with the provisions of the *Corporations Act 2001* and will indemnify these executives (to the extent permitted by law) for up to seven years after serving as an Officer against legal costs incurred in defending civil or criminal proceedings against the executives, except where proceedings result in unfavourable decisions against the executives, and in respect of reasonable legal costs incurred by the executives in good faith in obtaining legal advice in relation to any issue relating to the executives being an officer of the Group, including BCML.

Under the deeds of access and indemnity, BAIL has agreed to indemnify these persons (to the extent permitted by law) against:

- liabilities incurred as a director or officer of BCML or a company in the Group, except for those liabilities incurred in relation to the matters set out in section 199A(2) of the *Corporations Act 2001*; and
- reasonable legal costs incurred in defending an action for a liability or alleged liability as a director or officer, except for costs incurred in relation to the matters set out in section 199A(3) of the *Corporations Act 2001*.

BAIL has also agreed to effect, maintain and pay the premium on a directors' and officers' liability insurance policy. This obligation is satisfied by BAIL being able to rely upon Brookfield's global directors' and officers' insurance policy, for which it pays a portion of the premium.

As is usual, this policy has certain exclusions and therefore does not insure against liabilities arising out of matters including but not limited to:

- fraudulent, dishonest or criminal acts or omissions and improper personal profit or advantage;
- violation of US Securities Act of 1933;
- losses for which coverage under a different kind of insurance policy is readily available such as, for example, liability insurance, employment practices liability and pollution liability (there can be limited coverage for some of these exposures); and
- claims made by a major shareholder (threshold is ownership of 10% or greater).

The obligation to effect, maintain and pay the premium on a policy continues for a period of seven years after the director or officer has left office to the extent such coverage is available with reasonable terms in the commercial insurance marketplace.

Contract of insurance

The Group has paid or agreed to pay a portion of the premium in respect of a contract taken out by Brookfield Asset Management Inc. insuring the Directors and officers of Brookfield Asset Management Inc. and its subsidiaries, which include BCML, against a liability.

The Group has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of BCML or of any related body corporate against a liability incurred as such an officer or auditor.

Directors' Report Continued

For the year ended 30 June 2013

Non-audit services

All amounts paid to Deloitte during the current and prior years for audit, review and regulatory services are disclosed in Note 7.

No fees for non-audit services were incurred by the Consolidated Entity to Deloitte during the current year (2012: nil).

Remuneration report

a Remuneration of Directors and Key Management Personnel of the Responsible Entity

The Consolidated Entity does not employ personnel in its own right. However, it is required to have an incorporated Responsible Entity to manage the activities of the Fund and this is considered the Key Management Personnel (KMP). The Directors of the Responsible Entity are KMP of that entity and their names are:

F. Allan McDonald (appointed 1 January 2010)
 Brian Motteram (appointed 21 February 2007)
 Barbara Ward (appointed 1 January 2010)
 Russell Proutt (appointed 1 January 2010)
 Shane Ross (appointed 16 May 2011)

The Responsible Entity is entitled to a management fee which is calculated as a proportion of gross asset value. Details of the fees are shown below.

No compensation is paid directly by the Consolidated Entity to Directors or to any of the KMP of the Responsible Entity. Since the end of the financial year, no Director or KMP of the Responsible Entity has received or become entitled to receive any benefit because of a contract made by the Responsible Entity with a Director or KMP, or with a firm of which the Director or KMP is a member, or with an entity in which the Director or KMP has a substantial interest, except at terms set out in the Fund Constitution.

Loans to Directors and Key Management Personnel of the Responsible Entity

The Consolidated Entity has not made, guaranteed or secured, directly or indirectly, any loans to the Directors and KMP or their personally related entities at any time during the year.

Other transactions with Directors and Specified Executives of the Responsible Entity

From time to time, Directors and KMP or their personally-related entities may buy or sell units in the Fund. These transactions are subject to the same terms and conditions as those entered into by other Fund investors.

No Director or KMP has entered into a contract for services with the Responsible Entity during the year and there were no contracts involving Directors or KMP subsisting at year end.

b Management fees

The management fees incurred by the Consolidated Entity to the Responsible Entity for the year ended 30 June 2013 was \$1,407,000 (2012: \$1,515,000).

Rounding of amounts

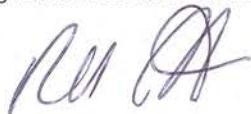
The Consolidated Entity is of a kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand dollars, unless otherwise stated.

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

The lead auditor's independence declaration is set out on page 13 and forms part of the Directors' Report for the year ended 30 June 2013.

Dated at Sydney this 19th day of August 2013.

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



Russell Proutt

Director

Brookfield Capital Management Limited

Auditor's Independence Declaration

For the year ended 30 June 2013

Deloitte.

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Deloitte Touche Tohmatsu
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The Board of Directors
Brookfield Capital Management Limited
(as Responsible Entity for Multiplex European Property Fund)
Level 22, 135 King Street
Sydney NSW 2000

19 August 2013

Dear Directors

MULTIPLEX EUROPEAN 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 Capital Management Limited as the Responsible Entity for Multiplex European Property Fund.

As lead audit partner for the audit of the financial statements of Multiplex European Property Fund for the year ended 30 June 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully



DELOITTE TOUCHE TOHMATSU



Helen Hamilton-James
Partner
Chartered Accountants

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2013

	Note	Consolidated Year ended 30 June 2013 \$'000	Year ended 30 June 2012 \$'000
Revenue			
Property rental income		30,392	31,016
Interest income		1,267	2,371
Net realised gain on financial derivatives		2,519	36,456
Net unrealised gain on revaluation of financial derivatives	6	6,516	–
Total revenue and other income		40,694	69,843
Expenses			
Property expenses		5,379	4,645
Finance costs to external parties		13,596	14,058
Management fees		1,407	1,515
Net loss on revaluation of investment properties	13	11,048	31,880
Net unrealised loss on revaluation of financial derivatives	6	–	37,457
Other expenses		1,095	2,362
Total expenses		32,525	91,917
Profit/(loss) before income tax		8,169	(22,074)
Income tax (expense)/benefit	9	(3,888)	751
Net profit/(loss) after tax for the year		4,281	(21,323)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Changes in foreign currency translation reserve	18	(722)	(452)
Other comprehensive loss for the year, net of income tax		(722)	(452)
Total comprehensive income/(loss) for the year		3,559	(21,775)
Net profit/(loss) attributable to ordinary unitholders		4,281	(21,323)
Total comprehensive income/(loss) attributable to ordinary unitholders		3,559	(21,775)
Earnings per unit			
Basic and diluted earnings per ordinary unit (cents)	8	1.73	(8.63)

The Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Notes to the Consolidated Financial Statements.

Consolidated Statement of Financial Position

For the year ended 30 June 2013

	Note	Consolidated 2013 \$'000	2012 \$'000
Assets			
Current assets			
Cash and cash equivalents	11	54,310	44,767
Trade and other receivables	12	1,352	574
Fair value of foreign currency financial derivatives	22	1,677	2,452
Total current assets		57,339	47,793
Non-current assets			
Investment properties	13	316,129	284,327
Fair value of foreign currency financial derivatives	22	–	2,218
Deferred tax asset	9	1,453	2,633
Total non-current assets		317,582	289,178
Total assets		374,921	336,971
Liabilities			
Current liabilities			
Trade and other payables	14	6,492	6,338
Return of capital payable	10	24,695	–
Interest bearing liabilities	15	327,204	–
Fair value of interest rate financial derivatives	15	9,180	–
Non-controlling interest payable	16	1,415	1,235
Total current liabilities		368,986	7,573
Non-current liabilities			
Trade and other payables	14	398	695
Interest bearing liabilities	15	–	285,393
Fair value of interest rate financial derivatives	15	–	16,637
Total non-current liabilities		398	302,725
Total liabilities		369,384	310,298
Net assets		5,537	26,673
Equity			
Units on issue	17	202,533	227,228
Reserves	18	(900)	(178)
Undistributed losses	19	(196,096)	(200,377)
Total equity		5,537	26,673

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2013

Consolidated Entity	Attributable to Unitholders of the Fund			Total \$'000
	Ordinary units \$'000	Undistributed profits/(losses) \$'000	Foreign currency translation reserves \$'000	
Opening equity - 1 July 2012	227,228	(200,377)	(178)	26,673
Changes in foreign currency translation reserve	–	–	(722)	(722)
Other comprehensive loss for the year	–	–	(722)	(722)
Net profit for the year	–	4,281	–	4,281
Total comprehensive income/(loss) for the year	–	4,281	(722)	3,559
Transactions with unitholders in their capacity as unitholders:				
Return of capital	(24,695)	–	–	(24,695)
Total transactions with unitholders in their capacity as unitholders	(24,695)	–	–	(24,695)
Closing equity – 30 June 2013	202,533	(196,096)	(900)	5,537

Consolidated Entity	Attributable to Unitholders of the Fund			Total \$'000
	Ordinary units \$'000	Undistributed profits/(losses) \$'000	Foreign currency translation reserves \$'000	
Opening equity - 1 July 2011	227,228	(140,159)	274	87,343
Changes in foreign currency translation reserve	–	–	(452)	(452)
Other comprehensive loss for the year	–	–	(452)	(452)
Net loss for the year	–	(21,323)	–	(21,323)
Total comprehensive loss for the year	–	(21,323)	(452)	(21,775)
Transactions with unitholders in their capacity as unitholders:				
Distributions declared/paid	–	(38,895)	–	(38,895)
Total transactions with unitholders in their capacity as unitholders	–	(38,895)	–	(38,895)
Closing equity – 30 June 2012	227,228	(200,377)	(178)	26,673

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2013

	Note	Consolidated Year ended 30 June 2013 \$'000	Year ended 30 June 2012 \$'000
Cash flows from operating activities			
Cash receipts in the course of operations		30,051	31,843
Cash payments in the course of operations		(8,981)	(9,355)
Gross proceeds from settlement on FX forwards		7,854	7,854
Gross payments for settlement on FX forwards		(5,357)	(5,544)
Interest received		1,376	3,509
Financing costs paid		(13,129)	(13,611)
2004 to 2006 German trade tax assessment paid		(2,450)	–
Net cash flows from operating activities	23	9,364	14,696
Cash flows from investing activities			
Payments for additions to investment properties		(2,198)	(2,292)
Net cash flows used in investing activities		(2,198)	(2,292)
Cash flows from financing activities			
Proceeds from early termination of financial derivatives		–	34,827
Distributions paid		–	(40,438)
Net cash flows used in financing activities		–	(5,611)
Net increase in cash and cash equivalents		7,166	6,793
Impact of foreign exchange		2,377	(1,218)
Cash and cash equivalents at beginning of year		44,767	39,192
Cash and cash equivalents at 30 June		54,310	44,767

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2013

1 Reporting entity

Multiplex European Property Fund (Fund) is an Australian registered managed investment scheme under the *Corporations Act 2001*. Brookfield Capital Management Limited (BCML), 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 2013 comprise the Fund and its subsidiaries (together referred to as the Consolidated Entity).

2 Basis of preparation

a Statement of compliance

The consolidated 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 comply with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Boards (IASB).

The consolidated financial statements were authorised for issue by the Directors on this 19th day of August 2013.

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;
- investment properties which are measured at fair value; and
- Interest bearing liabilities which are measured at amortised cost.

The methods used to measure the above 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 Europe. The functional currency of the controlled entities that hold these operations is Euros.

The Consolidated Entity is of a kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand dollars, unless otherwise stated.

c Use of estimates and judgments

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 amounts recognised in the consolidated financial statements are provided in investment properties (Note 13) and financial instruments (Note 22).

d Going concern

The consolidated financial statements have been prepared on the going concern basis which assumes the Consolidated Entity will be able to realise its assets and discharge its liabilities in the normal course of business.

Notwithstanding that the Directors of the Responsible Entity believe it is appropriate to adopt the going concern basis, as disclosed further in Note 15, a subsidiary of the Fund holds bank debt with a contracted maturity of 15 April 2014. Based on the 30 June 2013 independent property valuations the debt exceeds the value of the property assets by €7,990,000. Management remain in discussions with the lender regarding the debt facility. As at 30 June 2013, the debt is classified as current and, as investment properties remain as non-current, the Consolidated Entity is in a net current liability position of \$311,647,000.

In the event the debt facility is unable to be renewed or a replacement facility obtained, significant uncertainty would exist as to whether the Consolidated Entity will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business. The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classifications of liabilities that might be necessary should the Consolidated Entity not continue as a going concern.

e New and amended standards adopted

The following new and amended standards have been applied in preparing this financial report:

AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income introduces new terminology for the statement of comprehensive income and income statement and groups items in other comprehensive income and associated tax on the basis of whether items are potentially reclassifiable to profit and loss subsequently. Under the amendments to AASB 101, the statement of comprehensive income is renamed as a statement of

Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2013

2 Basis of preparation *continued*

e New and amended standards adopted *continued*

profit or loss and other comprehensive income. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to AASB 101 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets

The amendments from AASB 2010-8 introduces a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale and therefore impact the measurement of the deferred tax liability or asset. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The adoption of this standard does not impact the amounts recognised in the current or prior period as MUE currently does not recognise the deferred tax arising in respect of its investment properties on the basis that it is not deemed probable that sufficient taxable profits will be generated against which the deferred tax asset can be utilised.

3 Significant accounting policies

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

a Principles of consolidation

Subsidiaries

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

The results of the subsidiaries acquired or disposed of during the year are included in the Consolidated Statement of Profit or Loss and Other Comprehensive Income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

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

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

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

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

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

Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2013

3 Significant accounting policies *continued*

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 period end 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 Consolidated Statement of Profit or Loss and Other Comprehensive Income. Foreign currency differences are recognised directly in equity in the foreign currency translation reserve (FCTR).

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 Consolidated Statement of Profit or Loss and Other 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 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 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, being an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Where a qualifying asset exists, borrowing costs that are directly attributable to the acquisition, construction or production of the qualifying asset is capitalised as part of the cost of that asset.

Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2013

3 Significant accounting policies *continued*

e Expense recognition *continued*

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 less fair value of derivatives is payable to the Responsible Entity. The fee is payable by the Consolidated Entity quarterly in arrears.

Performance fee

A performance fee of 20% (including GST less any reduced input tax credits) of the outperformance of the Consolidated Entity against the benchmark return (S&P/ASX 300 Property Trust Accumulation Index) is recognised on an accruals basis. Any previous underperformance must be recovered before a performance fee becomes payable.

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). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an expense item.

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

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

g Value added tax (VAT)

Revenues, expenses and assets are recognised net of the amount of VAT (where applicable), except where the amount of VAT incurred is not recoverable from the relevant tax authority. In these circumstances, the VAT 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 VAT. The net amount of VAT recoverable from, or payable to, the relevant tax authority is included as a current asset or liability in the Consolidated Statement of Financial Position.

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

h 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 Fund fully distributes its taxable income each year, calculated in accordance with the Trust Constitution and applicable tax law to unitholders who are presently entitled to income under the Constitution.

The subsidiary entities of the Fund that own properties in Germany are liable to pay tax under German tax legislation at the current corporate rate of 15% plus a solitary surcharge of 5.5%. Wholly owned entities of the Fund that are based in Luxembourg are subject to tax at just under 30%.

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the notional income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

The carrying amount of deferred income tax assets is reviewed at each period end date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2013

3 Significant accounting policies *continued*

h Income tax - funds *continued*

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.

i Cash and cash equivalents

For purposes of presentation in the Consolidated 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.

j Trade and other receivables

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

k 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.

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 an investment property is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income in the period in which they arise.

Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2013

3 Significant accounting policies *continued*

l 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 Consolidated Statement of Profit or Loss and Other Comprehensive Income.

m Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity securities, 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 fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

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

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

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

n 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 Consolidated Statement of Profit or Loss and Other Comprehensive Income. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available for sale financial assets that are debt securities, the reversal is recognised in the Consolidated Statement of Profit or Loss and Other 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.

o Earnings per unit

The Consolidated Entity presents basic and diluted earnings per unit (EPU) data for all its ordinary unitholders. Basic EPU is calculated by dividing the profit or loss attributable to ordinary unitholders of the Consolidated Entity by the weighted average number of ordinary units outstanding during the period. Diluted EPU is determined by adjusting the profit or loss attributable to ordinary unitholders and the weighted average number of ordinary units outstanding for the effects of all dilutive potential ordinary units.

Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2013

3 Significant accounting policies *continued*

p 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.

q 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 Consolidated Statement of Profit or Loss and Other 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 period date.

r Distributions

A provision for distribution is recognised in the Consolidated Statement of Financial Position if the distribution has been declared prior to period 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 Consolidated Statement of Cash Flows.

s 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.

t Segment reporting

Operating segments are identified on the basis of internal reports about components of the Consolidated Entity that are regularly reviewed by the Chief Operating Decision Maker in order to allocate resources to segments and to assess their performance. Management have identified that this function is performed by the Board of Directors of the Responsible Entity. Further details are provided in segment reporting (Note 5).

u 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 2013 but have not been applied in preparing this financial report:

AASB 9 *Financial Instruments*, AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9*, AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* and AASB 2012-6 *Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures* (effective for annual reporting periods beginning on or after 1 January 2015)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and liabilities and will replace the existing AASB 139 *Financial Instruments: Recognition and Measurement*. The standard is not applicable until 1 January 2015 but is available for early adoption. Under AASB 9, financial assets will be measured at either amortised cost or fair value based on the objective of an entity's business model for managing financial assets and the characteristics of the contractual cash flows. This will replace the categories of financial assets under AASB 139, where each had its own classification criteria. For example, 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 held for trading and an irrevocable election is made upon initial recognition. 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 Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Financial assets may also be designated and measured at fair value through profit or loss if doing so eliminates or significantly reduces certain inconsistencies. For financial liabilities, the new requirements under AASB 9 only affect the accounting for financial liabilities designated at fair value through profit or loss. The Consolidated Entity does not expect to adopt AASB 9 before its operative date and therefore will apply the new standard for the annual reporting period ending 30 June 2016. The Consolidated Entity is still assessing the consequential impact of the amendments.

AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities*, revised AASB 127 *Separate Financial Statements*, AASB 128 *Investments in Associates and Joint Ventures* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* and AASB 2012-10 *Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments* (effective for annual reporting periods beginning on or after 1 January 2013)

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2013

3 Significant accounting policies *continued*

u New standards and interpretations not yet adopted *continued*

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements*, and Interpretation 12 *Consolidation – Special Purpose Entities*. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities, whereby an investor controls an investee only if the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns. There is also new guidance on participating and protective rights and on agent/principal relationships.

AASB 11 replaces AASB 131 *Interests in Joint Ventures*. AASB 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under AASB 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under AASB 131, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under AASB 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under AASB 131 can be accounted for using the equity method of accounting or proportionate accounting.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept.

The Consolidated Entity does not expect to adopt the new standards and amendments before their operative date and therefore will apply the amendments for the annual reporting period ending 30 June 2014.

AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* (effective for annual reporting periods beginning on or after 1 January 2013)

AASB 13 was released in September 2011 and sets out in a single standard a framework for measuring fair value, including related disclosure requirements in relation to fair value measurement. The Consolidated Entity does not expect to adopt AASB 13 before its operative date and therefore will apply the amendments for the annual reporting period ending 30 June 2014.

AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* (effective for annual reporting periods beginning on or after 1 July 2013)

The amendments from AASB 2011-4 remove the individual key management personnel disclosure requirements from AASB 124 *Related Party Disclosures*, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the *Corporations Act 2001*. The Consolidated Entity will adopt the amendments from AASB 2011-4 for the annual reporting period ending 30 June 2014.

AASB 2012-2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to AASB 7)* (effective for annual reporting periods beginning on or after 1 January 2013)

AASB 2012-2 amends AASB 7 *Financial Instruments: Disclosures* to require an entity to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement. The Consolidated Entity will adopt the amendments from AASB 2012-2 for the annual reporting period ending 30 June 2014.

AASB 2012-3 *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (Amendments to AASB 132)* (effective for annual reporting periods beginning on or after 1 January 2014)

AASB 2012-3 address inconsistencies in current practice when applying the offsetting criteria in AASB 132 *Financial Instruments: Presentation*. Clarifies the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'. The Consolidated Entity will adopt the amendments from AASB 2012-2 for the annual reporting period ending 30 June 2015.

With the exception of AASB 9, where the Consolidated Entity is still assessing the consequential impact of the amendments, the Consolidated Entity does not expect any impact on the financial results from the adoption of the new standards and interpretations detailed above.

Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2013

3 Significant accounting policies *continued*

u New standards and interpretations not yet adopted *continued*

AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle* (effective for annual reporting periods beginning on or after 1 January 2013)

AASB 2012-5 amends a number of pronouncements as a result of the 2009-2011 annual improvements cycle. The Consolidated Entity will adopt the amendments from AASB 2012-2 for the annual reporting period ending 30 June 2014. The Consolidated Entity is still assessing the consequential impact of the amendments.

4 Parent entity disclosures

	Fund	
	2013 \$'000	2012 \$'000
Assets		
Current assets	26,925	73
Non-current assets	–	27,097
Total assets	26,925	27,170
Liabilities		
Current liabilities	25,194	497
Total liabilities	25,194	497
Equity		
Units on issue	202,533	227,228
Undistributed losses	(200,802)	(200,555)
Total equity	1,731	26,673

	Fund	
	Year ended 30 June 2013 \$'000	Year ended 30 June 2012 \$'000
Net loss for the year	(247)	(482)
Total comprehensive loss for the year	(247)	(482)

5 Segment reporting

Management have identified that the Chief Operating Decision Maker function is performed by the Board of Directors of the Responsible Entity (Board). The Board assesses the performance of the Consolidated Entity in its entirety. The allocation of resources is not performed in separate segments by the Board. The Board reviews and assesses the information in relation to the performance of the Consolidated Entity as set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income and Consolidated Statement of Financial Position, therefore no further segment reporting is required. All property rental income is derived from properties in Germany.

	Consolidated	
	Year ended 30 June 2013 \$'000	Year ended 30 June 2012 \$'000
6 Net unrealised gain/(loss) on revaluation of financial derivatives		
Interest rate swaps	9,509	(4,956)
Cross currency interest rate swaps	–	(33,457)
Forward foreign exchange contracts	(2,993)	(303)
Minority interest option	–	1,259
Net unrealised gain/(loss) on revaluation of financial derivatives	6,516	(37,457)

Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2013

	Consolidated Year ended 30 June 2013 \$	Year ended 30 June 2012 \$
7 Auditor's remuneration		
Auditors of the Fund:		
Audit and review of financial reports	174,894	169,800
Network firms to the auditors of the Fund:		
Audit and review of financial reports	18,873	15,351
Other audit firms:		
Audit and review of the financial reports	7,549	6,483
Total auditor's remuneration	201,316	191,634

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

8 Earnings per unit

Classification of securities as ordinary units

All securities have been classified as ordinary units and included in basic EPU as they have the same entitlement to distributions. There are no dilutive potential ordinary units, therefore diluted EPU is the same as basic EPU.

Earnings per unit

Earnings per unit have been calculated in accordance with the accounting policy per Note 3o.

		Consolidated Year ended 30 June 2013	Year ended 30 June 2012
Net profit/(loss) attributable to unitholders	\$'000	4,281	(21,323)
Weighted average number of ordinary units used in the calculation of basic and diluted EPU	'000	246,950	246,950
Basic and diluted weighted earnings per ordinary unit	cents	1.73	(8.63)

		Consolidated Year ended 30 June 2013 \$'000	Year ended 30 June 2012 \$'000
9 Income tax			
a Major components of income tax expense			
Current income tax charge and adjustments in respect of prior year charges		(2,383)	(60)
Total current income tax expense		(2,383)	(60)
Deferred income tax			
Relating to origination and reversal of temporary differences		(1,505)	811
Total deferred income tax (expense)/benefit		(1,505)	811
Total income tax (expense)/benefit reported in the Consolidated Statement of Profit or Loss and Other Comprehensive Income		(3,888)	751
b Income tax expense			
Numerical reconciliation between tax expense and pre-tax net profit			
Profit/(loss) before income tax		8,169	(22,074)
Add back (profit)/loss to arrive at local accounting profit ¹		(8,054)	22,331
Total accounting profit subject to tax		115	257
Prima facie income tax expense on profit using the Luxembourg tax rate of just under 30% (2012: just under 30%)		(33)	(74)
Origination and reversal of temporary timing differences		(1,505)	811
2004 to 2006 German trade tax assessment		(2,450)	–
Other ²		100	14
Total income tax (expense)/benefit reported in the Consolidated Statement of Profit or Loss and Other Comprehensive Income		(3,888)	751

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. Furthermore, the Fund's subsidiaries that are subject to taxation are subject to taxation in regimes that do not apply International Financial Reporting Standards. The adjustments above also reflect adjustments in order to arrive at local GAAP accounting profit/(loss). These adjustments primarily include revaluation of investment property and derivatives.

2 Other amounts above include non-deductible expenses and the effect of different statutory tax rates in Germany.

Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2013

9 Income tax continued

	Consolidated	
	2013 \$'000	2012 \$'000
c Tax assets and liabilities		
Tax liability – current (recognised within trade and other payables)	(211)	(253)
Deferred tax asset – non-current	1,453	2,633

d Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Consolidated						
Derivative fair value adjustments	1,453	2,633	–	–	1,453	2,633
Total	1,453	2,633	–	–	1,453	2,633

In accordance with AASB 112 *Income taxes*, a deferred tax asset of \$1,882,000 (2012: \$616,000) arising from the fair value of investment properties has not been recognised.

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

10 Distributions and returns of capital

During the current year, no distributions were paid by the Fund to unitholders. The special distribution payable at 30 June 2013 has been accounted for as a return of capital in the financial statements. Distributions and returns of capital declared/paid are detailed below.

	Cents per unit	Total amount \$'000	Date of payment
Ordinary units			
Special distribution	10.000	24,695	23 July 2013
Total return of capital to ordinary unitholders for the year ended 30 June 2013	10.000	24,695	
Ordinary units			
September 2011 distribution	0.625	1,543	31 October 2011
Special distribution	9.500	23,461	16 November 2011
December 2011 distribution	0.625	1,543	31 January 2012
Special distribution	5.000	12,348	30 April 2012
Total distribution to ordinary unitholders for the year ended 30 June 2012	15.750	38,895	

	Consolidated	
	30 June 2013 \$'000	30 June 2012 \$'000
11 Cash and cash equivalents		
Cash at bank	33,047	31,251
Restricted cash	21,263	13,516
Total cash and cash equivalents	54,310	44,767

Subsequent to the prior period ended 31 December 2011, following receipt of the 31 December 2011 external valuations of the investment properties, the Consolidated Entity received a notice from its financier regarding the operation of the rental accounts held within Germany. The provision of the notice restricted the cash that was generated and held within the partnerships that own the Consolidated Entity's investment property. This restriction continues to be in place. Further details are contained within note 15 interest bearing liabilities. As at 30 June 2013, the value of cash held within these entities was \$21,263,000 or €15,027,000 (2012: \$13,516,000 or €10,941,000).

Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2013

	Consolidated 2013 \$'000	2012 \$'000
12 Trade and other receivables		
Trade receivables	1,227	355
Prepayments other receivables	125	219
Total trade and other receivables	1,352	574

13 Investment properties

Description	Latest external valuation date	Latest external valuation ¹ \$'000	2013 Carrying value \$'000	2012 Carrying value \$'000
Retail				
Netto Marken-Discount, Dresden	Jun-13	1,571	1,571	1,519
Netto Marken-Discount, Artern	Jun-13	1,627	1,627	1,174
Netto Marken-Discount, Dresden	Jun-13	1,571	1,571	1,544
Netto Marken-Discount, Eisleben	Jun-13	1,231	1,231	1,137
Netto Marken-Discount, Gernrode	Jun-13	1,104	1,104	1,025
Netto Marken-Discount, Geyer	Jun-13	1,104	1,104	1,001
Netto Marken-Discount, Schlema	Jun-13	1,061	1,061	976
Netto Marken-Discount, Jena-Lobeda	Jun-13	1,288	1,288	1,186
Netto Marken-Discount, Delitzsch	Jun-13	991	991	964
Netto Marken-Discount, Stockheim	Jun-13	1,217	1,217	1,149
Netto Marken-Discount, Burgstadt	Jun-13	1,118	1,118	1,038
Netto Marken-Discount, Buckeburg	Jun-13	1,231	1,231	1,149
Netto Marken-Discount, Merseburg	Jun-13	1,203	1,203	1,099
Netto Marken-Discount, Muhlhausen	Jun-13	1,061	1,061	976
ALDI, Halle	Jun-13	1,910	1,910	1,742
ALDI, Stollberg	Jun-13	1,090	1,090	988
Netto Marken-Discount, Oberhausen	Jun-13	1,358	1,358	1,198
Netto Marken-Discount, Clenze	Jun-13	396	396	877
Lidl, Boizenburg	Jun-13	1,613	1,613	1,470
Lidl, Bad Marienberg	Jun-13	1,684	1,684	1,606
Lidl, Delitzsch	Jun-13	1,500	1,500	1,260
Lidl, Hage	Jun-13	1,231	1,231	1,013
Lidl, Schoppenstedt	Jun-13	1,726	1,726	1,075
NORMA, Woldegk	Jun-13	1,514	1,514	1,396
EDEKA, Pampow	Jun-13	2,292	2,292	2,001
EDEKA, Blankenfelde	Jun-13	3,835	3,835	3,792
EDEKA, Prum	Jun-13	1,641	1,641	1,754
EDEKA, Peine-Dungelbeck	Jun-13	637	637	618
REWE, SchloBvippach	Jun-13	1,542	1,542	1,359
REWE, Gotha	Jun-13	5,759	5,759	5,349
Penny Markt, Kothen	Jun-13	1,231	1,231	1,149
Penny Markt, Offenburg	Jun-13	1,486	1,486	1,408
Rabenau	Jun-13	807	807	729
Penny Markt, Rheinau	Jun-13	1,443	1,443	1,260
Coop-Markt, Malchin	Jun-13	2,490	2,490	1,767
REWE, Bopfingen	Jun-13	835	835	1,384
REWE, Burladingen	Jun-13	2,377	2,377	2,162
Coma Verbrauchermarkt, Cloppenburg	Jun-13	3,424	3,424	3,150
EDEKA, Tespe	Jun-13	976	976	1,272
Tegut Gutberlet Stiftung & Co, Feldatal	Jun-13	1,344	1,344	1,223
Accord Distributa Warenhandels, Saarlouis	Jun-13	2,406	2,406	2,088
AWG, Zimmern ob Rottweil	Jun-13	1,472	1,472	1,396
Hornbach Baumarkt, Chemnitz	Jun-13	23,065	23,065	21,989
Marktkauf Autonom, Hannover	Jun-13	13,301	13,301	13,465
Toom BauMarkt, Wittmund	Jun-13	5,575	5,575	1,939
Marktkauf Autonom, Marienhafe	Jun-13	2,377	2,377	2,434
Goldkuhle Fachmarkte, Halle	Jun-13	1,005	1,005	1,075

Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2013

13 Investment properties <i>continued</i>	Latest external valuation date	Latest external valuation¹ \$'000	2013 Carrying value \$'000	2012 Carrying value \$'000
Description				
Markant Ostwestfalen, Bünde	Jun-13	1,358	1,358	1,309
RHEIKA-Delta, Frankenburg	Jun-13	1,825	1,825	1,655
EDEKA, Bochum	Jun-13	25,895	25,895	22,607
Car Glass GmbH, Frankfurt/Oder	Jun-13	1,061	1,061	1,112
Bugsy Burger GmbH, Osnabruck	Jun-13	1,415	1,415	1,841
Spiel in Casino, Kassel	Jun-13	736	736	679
EDEKA, Lorrach	Jun-13	25,612	25,612	23,101
McDonalds, Lorrach	Jun-13	1,924	1,924	1,779
Total retail		172,546	172,546	157,408
Logistics				
SPICERS Deutschland, Winkelhaid	Jun-13	14,009	14,009	13,589
TNT Express, Hallbergmoos	Jun-13	11,320	11,320	8,894
Hermes Logistik, Gera	Jun-13	962	962	951
Total logistics		26,291	26,291	23,434
Office				
ABB, Minden	Jun-13	5,080	5,080	4,287
Dusseldorf	Jun-13	12,169	12,169	10,871
Telecity Group, Frankfurt/Main	Jun-13	20,235	20,235	18,036
Total office		37,484	37,484	33,194
Nursing Home				
Kursana, Eisenhüttenstadt	Jun-13	9,198	9,198	8,400
Kursana, Schwedt/Oder	Jun-13	8,632	8,632	7,783
Phönix Verwaltungs, Erfurt	Jun-13	14,292	14,292	11,736
Alloheim Senioren Residenzen AG, Wetzlar	Jun-13	15,424	15,424	13,342
Phönix Seniorenzentrum, Göttingen	Jun-13	20,659	20,659	17,912
Maternus Altenheim, Wiesbaden	Jun-13	11,603	11,603	11,118
Total nursing home		79,808	79,808	70,291
Total investment properties		316,129	316,129	284,327

¹ Last valuation in Euro has been converted at the 30 June 2013 exchange rate of €0.7067 to \$1.00 (2012: €0.8095 to \$1.00). The Euro valuation totals €223,410,000 (2012: €230,160,000).

Independent valuations

Property investments are investments in properties which are held either to earn rental income or for capital appreciation or for both. Property investments are stated at fair value. An external valuation company, having an appropriately recognised professional qualification and recent experience in the location and category of property being valued, values the portfolio 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. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller, in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The entire property portfolio has been independently valued at 30 June 2013 and 30 June 2012 by Jones Lang LaSalle. The valuation conducted by Jones Lang LaSalle has been made on the basis of fair value, using the Discounted Cash Flow (DCF) calculation method. The capitalisation rate utilised for the 30 June 2013 valuation ranges from 6.75% to 11.00% (30 June 2012: 6.75% to 11.50%).

Valuations reflect, where appropriate, the type of tenants, future rent reviews and market conditions. Any change in any of these factors could have a significant impact on the value of the Consolidated Entity's property investments. Any gain or loss from a change in fair value is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. All property acquisition costs in respect of properties acquired are capitalised into the value of the property investments at the time of purchase to reflect the total acquisition cost in the Consolidated Statement of Financial Position. Additions and other expenditure on property investments which are capital in nature are capitalised as incurred.

Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2013

13 Investment properties continued

Independent valuations continued

Reconciliation of the carrying amount of investment properties is set out below:

	Consolidated	
	Year ended 30 June 2013 \$'000	Year ended 30 June 2012 \$'000
Carrying amount at beginning of year	284,327	341,643
Capital expenditure and incentives	2,068	3,139
Net loss from fair value adjustments to investment properties	(11,048)	(31,880)
Foreign currency translation exchange adjustment	40,782	(28,575)
Carrying amount at year end	316,129	284,327

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 consolidated financial statements are receivable as follows:

	Consolidated	
	2013 \$'000	2012 \$'000
Within one year	31,187	28,063
Later than one year but not later than five years	97,534	88,514
Later than five years	91,090	86,781
Total	219,811	203,358

Minimum lease payments in Euro have been converted at the 30 June 2013 exchange rate of €0.7067 to \$1.00 (2012: €0. 8095 to \$1.00).

Annual rent receivable by the Consolidated Entity under current leases from tenants is from retail, logistics, office and nursing home assets held. The weighted average lease term is 7.46 years (2012: 7.6 years).

	Consolidated	
	2013 \$'000	2012 \$'000
14 Trade and other payables		
Current		
Trade payables	1,530	1,058
Interest payable	3,138	2,704
Management fee payable	372	331
Other payables and accruals	1,452	2,245
Total current	6,492	6,338
Non-current		
Trade payables	398	695
Total non-current	398	695
Total trade and other payables	6,890	7,033

	Consolidated	
	2013 \$'000	2012 \$'000
15 Interest bearing liabilities		
Current		
Secured bank debt ¹	327,437	–
Debt establishment fees ²	(233)	–
Total current	327,204	–
Non-current		
Secured bank debt ¹	–	285,855
Debt establishment fees ²	–	(462)
Total non-current	–	285,393
Total interest bearing liabilities	–	285,393

¹ Only interest is paid on this facility until the maturity of the facility.

² The debt establishment fees are amortised using the effective interest rate method.

Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2013

15 Interest bearing liabilities continued

Finance arrangements	Expiry Date	Consolidated	
		2013 \$'000	2012 \$'000
Facilities available			
Bank debt facility	15 April 2014	327,437	285,855
Less: Facilities utilised		(327,437)	(285,855)
Facilities not utilised			
		-	-

The bank debt facility consists of a €231,400,000 facility financed by Hypothekbank Frankfurt AG (formerly Eurohypo AG). At 30 June 2013, the facility was fully drawn at €231,400,000 (30 June 2012: fully drawn at €231,400,000). The movement in the balance of secured debt during the year is solely due to changes in foreign exchange rates as set out below. The 30 June 2013 debt balance has been translated at the 30 June 2013 foreign exchange rate of €0.7067 to \$1.00 (30 June 2012: €0.8095 to \$1.00).

Finance arrangements	Consolidated	
	Year ended 30 June 2013 \$'000	Year ended 30 June 2012 \$'000
Non-current – secured bank debt		
Opening balance	285,855	312,660
Changes in foreign currency	41,582	(26,805)
Total secured debt	327,437	285,855

The Consolidated Entity has granted the lender a first ranking security over its interest in the relevant investment properties in Note 13 and the cash that is reflected as restricted cash in Note 11.

As at 30 June 2013, the portfolio value was €223,410,000, representing a 2.9% reduction from the 30 June 2012 valuation adopted by the Consolidated Entity. The Loan to Value ratio (LVR) is approximately 103.6% at 30 June 2013. As the LVR continues to exceed 95%, the terms of debt facility provide that cash and cashflow within the partnerships that own the Consolidated Entity's investment property interests must be retained within those entities, and cannot be repatriated or disbursed without consent of the financier. No event of default arises as a direct consequence of the reduced valuation and the increased LVR.

The Fund has a 94.9% interest in certain German partnerships (Monti Partnerships), which are controlled entities of the Fund. The debt facility provided by Hypothekbank Frankfurt AG (Hypothekbank) (formerly known as Eurohypo AG) to the Monti Partnerships is due to mature on 15 April 2014. Management of the Monti Partnerships continue discussions with Hypothekbank regarding an extension of the debt facility. To date, no agreement has been reached for an extension of the facility past the due date and there is no assurance that this will occur, or, if it were to occur, what additional conditions may be imposed.

The interest rate in respect of amounts drawn under the facilities (including margin) was 0.9% at 30 June 2013 (2012: 1.45%). The amount does not include the effect of swaps. The effect after swaps including all margins is an interest rate of 4.48% (2012: 4.48%).

The Consolidated Entity has entered into an interest rate swap agreement to hedge the interest rate risk on the floating rate interest bearing liabilities detailed above. The interest rate swap agreement swaps the floating interest obligation for a fixed rate obligation. The floating interest rate on the term facility is Euribor plus 0.69% per annum. Fair value movements of the interest rate swap assets are recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. The Consolidated Entity's holdings in interest rate swap derivatives are detailed below:

Expiry date	Underlying instrument	Floating rate		Fixed rate		Notional amount of contracts outstanding		Fair value of interest rate swaps	
		2013 %	2012 %	2013 %	2012 %	2013 €'000	2012 €'000	2013 \$'000	2012 \$'000
15 April 2014	Floating to fixed	0.90	1.45	4.48	4.48	231,400	231,400	(9,180)	(16,637)

The Fund does not hold interest rate swap derivatives.

Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2013

16 Non-controlling interest payable

The Fund indirectly owns a 94.9% interest in the Monti partnerships which own the portfolio of 67 properties located throughout Germany. The remaining 5.1% interest in the Monti partnerships is owned by Naiad Property S.a.r.l. (NAIAD). The Fund and NAIAD have entered into a put and call option agreement regarding that interest. The agreement states the following;

- The Fund grants NAIAD a put option to call upon the Fund to purchase its 5.1% share of the Monti partnerships at the current prevailing market value. The put option was exercisable by NAIAD for the four weeks commencing 2 April 2013. This option was not exercised.
- NAIAD grants the Fund a call option in respect of its 5.1% share of the Monti partnerships at the current prevailing market value at the time of exercise of the option. This option can be exercised by the Fund at any time up to 2 April 2013 (not exercised) and in the three months commencing 2 October 2013.

This option and costs associated with its exercise have been valued at €1,000,000 or \$1,415,000 (2012: €1,000,000 or \$1,235,000) and is shown as a current liability due to the exercise date (2012: current). It has not been determined if the call option will be exercised.

	Year ended 30 June 2013 \$'000	Year ended 30 June 2013 Units	Year ended 30 June 2012 \$'000	Year ended 30 June 2012 Units
17 Units on issue				
Opening balance	227,228	246,950,150	227,228	246,950,150
Return of capital	(24,695)	–	–	–
Closing balance	202,533	246,950,150	227,228	246,950,150

Ordinary units entitle the holder to participate in distributions and the proceeds on winding up of the Fund in proportion to the number of units held. On a show of hands, every holder of units present at a meeting of unitholders, in person or by proxy, is entitled to one vote, and upon a poll each unit is entitled to one vote. All units in the Fund are of the same class and carry equal rights.

18 Reserves

Foreign Currency Translation Reserve

	Consolidated	
	Year ended 30 June 2013 \$'000	Year ended 30 June 2012 \$'000
Opening balance	(178)	274
Movement in reserves due to changes in foreign exchange rates	(722)	(452)
Closing balance	(900)	(178)

19 Undistributed losses

	Consolidated	
	Year ended 30 June 2013 \$'000	Year ended 30 June 2012 \$'000
Opening balance	(200,377)	(140,159)
Net profit/(loss)	4,281	(21,323)
Distributions to unitholders	–	(38,895)
Closing balance	(196,096)	(200,377)

Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2013

	Country of Incorporation	Ownership interest 2013 %	Ownership interest 2012 %
20 Controlled entities			
Multiplex German Property Fund	Australia	100.0	100.0
Multiplex German Landowning Fund	Australia	100.0	100.0
Multiplex Malta 1 Ltd	Malta	100.0	100.0
Multiplex Malta 2 Ltd	Malta	100.0	100.0
Multiplex Luxembourg Holding S.a.r.l.	Luxembourg	100.0	100.0
Multiplex Luxembourg Limited Partner S.a.r.l.	Luxembourg	100.0	100.0
Multiplex Luxembourg General Partner S.a.r.l.	Luxembourg	100.0	100.0
Multiplex Luxembourg 1 S.a.r.l.	Luxembourg	100.0	100.0
Multiplex German Investments GmbH	Germany	100.0	100.0
Monti Partnerships ¹	Germany	94.9	94.9

¹ The Fund owns a 94.9% interest in the following seven partnerships: Erste Monti Immobiliengesellschaft mbH & Co. KG; Zweite Monti Immobiliengesellschaft mbH & Co. KG; Dritte Monti Immobiliengesellschaft mbH & Co. KG; Vierte Monti Immobiliengesellschaft mbH & Co. KG; Funfte Monti Immobiliengesellschaft mbH & Co. KG; Sechste Monti Immobiliengesellschaft mbH & Co. KG; and Siebente Monti Immobiliengesellschaft mbH & Co. KG (collectively Monti or Monti partnerships). Refer to Note 16 for information regarding non-controlling interest payable.

	Ownership %	Fund 2013 \$'000	2012 \$'000
21 Investment in controlled entity			
Investment in Multiplex German Property Fund	100%	192,972	218,654
Provision for impairment		(192,972)	(193,671)
Total investment in controlled entity		-	24,983

The carrying value of the Fund's investment in Multiplex German Property Fund (MGPF) has been reduced in the current year following the declaration of a return of capital from MGPF to the Fund. A reversal of provisions for impairment was subsequently recorded, bringing the Fund's net investment in MGPF to nil.

22 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 consolidated 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 monitors the market unit price of the Consolidated Entity against the Consolidated Entity's net asset value, along with earnings per unit invested and distributions paid per unit. There were no changes in the Consolidated Entity's approach to capital management during the year. Neither the Fund nor any of its subsidiaries are subject to externally imposed capital requirements.

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.

Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2013

22 Financial instruments continued

b Financial risk management continued

Investment mandate

The Consolidated Entity's investment mandate, as disclosed in its Constitution and Product Disclosure Statement (PDS), is the investment in direct properties in Europe.

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. As at 30 June 2013 and 30 June 2012, the Consolidated Entity is/was party to one interest rate swap (IRS) and a number of forward foreign exchange (FFX) agreements.

c Credit risk

Credit risk is the risk of financial loss to the Consolidated Entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Sources of credit risk and risk management strategies

Credit risk arises principally from the Consolidated Entity's tenants and derivative counterparties. Other credit risk also arises for the Consolidated Entity in relation to cash and cash equivalent balances held.

Trade and other receivables

The Consolidated Entity's exposure to credit risk is 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 (where appropriate);
- 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 that meet the Consolidated Entity's minimum credit rating criteria. 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 2012.

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	
	2013	2012
	\$'000	\$'000
Cash and cash equivalents	54,310	44,767
Trade and other receivables	1,352	574
Financial derivatives at fair value	1,677	4,670
Total exposure to credit risk	57,339	50,011

Concentrations of credit risk exposure

Hypothenbank Frankfurt AG (formerly Eurohypo AG) (Hypothenbank) is the counterparty to the term debt facility, one IRS, a number of FFX agreements and, in prior years, one CCIRS. Therefore the Consolidated Entity has a concentration of credit risk with this party. In assessing this risk, the Consolidated Entity has taken into account Hypothenbank's financial position, market share and reputation, previous experience with these types of transactions, and independent ratings for various covered and uncovered securities offerings. In considering all these factors, the Consolidated Entity does not consider there to be a significant risk of default by the counterparty as at the balance date.

The majority of the cash held by the Consolidated Entity is deposited with the Australian and New Zealand Bank (ANZ). Therefore the Consolidated Entity has a concentration of credit risk with this party. In assessing this risk, the Consolidated Entity has taken into account ANZ's financial position, market share and reputation, previous experience with these types of transactions, and independent ratings for various covered and uncovered securities offerings. In considering all these factors, the Consolidated Entity does not consider there to be a significant risk of default by the counterparty as at the balance date.

Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2013

22 Financial instruments continued

c Credit risk continued

Collateral obtained/held

Where applicable, the Consolidated Entity obtains collateral from counterparties to minimise the risk of default on their 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 reporting date the Consolidated Entity did not hold any other collateral in respect of its financial assets.

During the year ended 30 June 2013, the Consolidated Entity did not call on any collateral provided (2012: nil).

Financial assets past due but not impaired

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

	Consolidated 2013 \$'000	2012 \$'000
Current	1,165	502
Past due 0-30 days	22	13
Past due 31-120 days	133	40
Past due 121 days to one year	14	14
More than one year	18	5
Total trade and other receivables	1,352	574

Financial assets past due but not impaired continued

A majority of the receivables reflected above relate to service charges recoverable from tenants. The standard terms of business in Germany include payment of these amounts with what would normally be regarded as extended credit terms to ensure accurate payment. There are no significant financial assets that have had their terms renegotiated that would otherwise have rendered the financial assets past due or impaired.

Impairment losses

During the year ended 30 June 2013, bad debt expense of \$62,000 (2012: bad debt expense of \$5,000) was recognised by the Consolidated Entity.

d Liquidity risk

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

Sources of liquidity risk and risk management strategies

The main source of liquidity risk for the Consolidated Entity is related to the refinancing of interest bearing liabilities.

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 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.

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 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

Under the terms of the debt facility, in certain circumstances, the rights and obligations under the option agreement are required to be transferred from one wholly owned entity of the Fund to another wholly owned entity to the satisfaction of the financier. The transfer was required in early 2013 and a waiver was sought from the financier but none was provided and management executed the transfer and provided it to the financier. The financier has not provided any indication as to whether the transfer was effected to its satisfaction.

Other than noted above, during the financial years ended 30 June 2013 and 30 June 2012, the Consolidated Entity was not in default or breach of any terms of its loan amounts or covenants.

On an annual basis, the financier and the Consolidated Entity appoint a joint valuation of the investment properties.

Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2013

22 Financial instruments continued

d Liquidity risk continued

Defaults and breaches continued

As at 30 June 2013, the portfolio value was €223,410,000 and the LVR is approximately 103.6%. As the LVR continues to exceed 95%, the terms of debt facility provide that cash and cashflow within the partnerships that own the Consolidated Entity's investment property interests must be retained within those entities, and cannot be repatriated or disbursed without consent of the financier.

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 cash flows	Within 1 year	1 to 2 years	2 to 5 years	Greater than 5 years
2013						
Financial liabilities						
Trade and other payables	3,541	3,541	3,143	398	–	–
Return of capital payable	24,695	24,695	24,695	–	–	–
Interest bearing liabilities	327,204	327,437	327,437	–	–	–
Non-controlling interest payable	1,415	1,415	1,415	–	–	–
	356,855	357,088	356,690	398	–	–
Interest payable on debt	631	2,360	2,360	–	–	–
Effect of interest rate swap	11,687	9,375	9,375	–	–	–
Net interest payable on debt	12,318	11,735	11,735	–	–	–
Total financial liabilities	369,173	368,823	368,425	398	–	–

	Consolidated \$'000					
	Carrying amount	Contractual cash flows	Within 1 year	1 to 2 years	2 to 5 years	Greater than 5 years
2012						
Financial liabilities						
Trade and other payables	4,329	4,329	3,634	347	348	–
Interest bearing liabilities	285,393	285,855	–	285,855	–	–
Non-controlling interest payable	1,235	1,235	1,235	–	–	–
	290,957	291,419	4,869	286,202	348	–
Interest payable on debt	874	7,400	4,136	3,264	–	–
Effect of interest rate swap	18,467	15,511	8,670	6,841	–	–
Net interest payable on debt	19,341	22,911	12,806	10,105	–	–
Total financial liabilities	310,298	314,330	17,675	296,307	348	–

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 equivalent 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 ensuring up to 100% of its interest bearing liabilities are on a fixed rate basis. This is achieved by entering into interest rate swaps, as detailed in interest bearing liabilities (Note 15). The table below shows the Consolidated Entity's direct exposure to interest rate risk at year end:

Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2013

22 Financial instruments continued

e Market risk continued

Interest rate risk continued

	Floating rate \$'000	Fixed rate \$'000	Non- interest bearing \$'000	Total \$'000
Consolidated 2013				
Financial assets				
Cash and cash equivalents	50,084	4,226	–	54,310
Trade and other receivables	–	14	1,338	1,352
Financial derivatives	–	–	1,677	1,677
Total financial assets	50,084	4,240	3,015	57,339
Financial liabilities				
Trade and other payables	–	3,138	3,752	6,890
Return of capital payable	–	–	24,695	24,695
Interest bearing liabilities	327,437	–	(233)	327,204
Financial derivatives	9,180	–	–	9,180
Other	–	–	1,415	1,415
Total financial liabilities	336,617	3,138	29,629	369,384

	Floating rate \$'000	Fixed rate \$'000	Non- interest bearing \$'000	Total \$'000
Consolidated 2012				
Financial assets				
Cash and cash equivalents	15,003	29,764	–	44,767
Trade and other receivables	–	123	451	574
Financial derivatives	–	–	4,670	4,670
Total financial assets	15,003	29,887	5,121	50,011
Financial liabilities				
Trade and other payables	–	2,704	4,329	7,033
Interest bearing liabilities	285,855	–	(462)	285,393
Financial derivatives	16,637	–	–	16,637
Other	–	–	1,235	1,235
Total financial liabilities	302,492	2,704	5,102	310,298

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.

	+ 1% Profit or loss	2013 + 1% Equity	- 1% Profit or loss	2013 - 1% Equity	+ 1% Profit or loss	2012 + 1% Equity	- 1% Profit or loss	2012 - 1% Equity
Consolidated								
Interest on cash	501	501	(501)	(501)	150	150	(150)	(150)
Interest bearing liabilities	(3,274)	(3,274)	3,274	3,274	(2,859)	(2,859)	2,859	2,859
Interest on swaps	3,274	3,274	(3,274)	(3,274)	2,859	2,859	(2,859)	(2,859)
Fair value of derivatives	2,452	2,452	(756)	(756)	2,156	2,156	(1,184)	(1,184)
Total increase/(decrease)	2,953	2,953	(1,257)	(1,257)	2,306	2,306	(1,334)	(1,334)

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.

Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2013

22 Financial instruments continued

e Market risk continued

Foreign currency risk continued

Sources of risk and risk management strategies

The Consolidated Entity undertakes the majority of their transactions in the Euro currency, as the assets of the Consolidated Entity are located in Europe. As a consequence, all activities of the Consolidated Entity are exposed to exchange rate risk.

This arises as 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;
- forward exchange contracts may be utilised to hedge net income earned in Europe which is repatriated to Australia to pay distributions to unitholders (which are paid in Australian dollars); and
- in prior years, a controlled entity of the Consolidated Entity was party to a foreign exchange rate hedge in the form of a CCIRS with physical exchange of principal front end and back end with an interest rate swap component to hedge capital. The CCIRS was early terminated during the year ended 30 June 2012.

No new derivative contracts were entered into during the current year (2012: no new derivative contracts).

Details of the forward foreign exchange contracts are shown below:

Type of contract	Expiry date	Underlying exposure	Fixed rate	Notional amount of contracts outstanding 30 June 2013 €'000	Fair value of forward foreign exchange asset 30 June 2013 \$'000	Fair value of forward foreign exchange asset 30 June 2012 \$'000
Forward foreign exchange	Quarterly until 15 April 2014	Euro	0.5476	4,301	1,677	4,670

The unrealised effect of movements of the \$/Euro exchange rates on the Consolidated Entity are recorded in the foreign currency translation reserve.

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

	Consolidated 2013 \$'000	2012 \$'000
<i>Australia (Australian dollar-denominated)</i>		
Gross assets	32,397	30,445
Gross liabilities	(25,194)	(667)
<i>Europe (Euro-denominated)</i>		
Gross assets	242,064	248,129
Gross liabilities	(243,241)	(250,643)

The following Euro exchange rates were applied to transactions during the year:	Euro		2012 reporting date spot rate	Year ended 30 June 2012 average rate
	2013 reporting date spot rate	Year ended 30 June 2013 average rate		
1 Australian Dollar	0.7067	0.7948	0.8095	0.7713

Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2013

22 Financial instruments continued

e Market risk continued

Foreign currency risk continued

Sensitivity analysis

At year end a 5% strengthening/(weakening) of the Australian dollar against the Euro would have increased/(decreased) profit or loss and equity by the amounts shown below. This analysis assumes that all other variables remain constant.

	2013		2013		2012		2012	
	+ 5%	+ 5%	- 5%	- 5%	+ 5%	+ 5%	- 5%	- 5%
	Profit or loss \$'000	Equity \$'000	Profit or loss \$'000	Equity \$'000	Profit or loss \$'000	Equity \$'000	Profit or loss \$'000	Equity \$'000
Consolidated	410	490	(453)	(541)	(684)	(536)	756	592

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.

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 derivative contracts is based on the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Non-derivative financial liabilities

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

Fair values versus carrying amounts

The Consolidated Entity is required to disclose fair value measurements by level of the following fair value measurement hierarchy:

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

The following table presents the Consolidated Entity's assets and liabilities measured and recognised at fair value at 30 June 2013. 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 2013	Level 2 \$'000	Total \$'000
Assets		
Financial derivatives at fair value through profit or loss	1,677	1,677
Total assets	1,677	1,677
Liabilities		
Financial derivatives at fair value through profit or loss	9,180	9,180
Total liabilities	9,180	9,180
Consolidated Entity – at 30 June 2012	Level 2 \$'000	Total \$'000
Assets		
Financial derivatives at fair value through profit or loss	4,670	4,670
Total assets	4,670	4,670
Liabilities		
Financial derivatives at fair value through profit or loss	16,637	16,637
Total liabilities	16,637	16,637

Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2013

22 Financial instruments *continued*

f Fair values *continued*

As at 30 June 2013 and 30 June 2012, there were no financial assets or liabilities in levels 1 or 3. During the current and prior years, there were no financial assets or liabilities which transferred between levels 1, 2 or 3.

23 Reconciliation of cash flows from operating activities

	Consolidated	
	Year ended 30 June 2013	Year ended 30 June 2012
	\$'000	\$'000
Net profit/(loss) after tax for the year	4,281	(21,323)
Adjustments for:		
<i>Items classified as financing activities</i>		
Net realised gain on financial derivatives recognised in financing activities	–	(34,146)
<i>Non-cash items</i>		
Net loss on revaluation of investment properties	11,048	31,880
Net unrealised (gain)/loss on revaluation of financial derivatives	(6,516)	37,457
Deferred tax expense/(benefit)	1,505	(610)
Other	(393)	(6)
Operating profit before changes in working capital	9,925	13,252
Changes in assets and liabilities during the year:		
(Increase)/decrease in trade and other receivables	(778)	2,543
Increase/(decrease) in trade and other payables	217	(1,099)
Net cash flows from operating activities	9,364	14,696

24 Related parties

Responsible Entity

The Responsible Entity of the Fund is Brookfield Capital Management Limited

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)
 Russell Proutt (appointed 1 January 2010)
 Shane Ross (appointed 16 May 2011)

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

No compensation is paid to any of the Key Management Personnel of the Responsible Entity directly by the Fund or Consolidated Entity.

Directors' interests

The 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 European Property Fund units held
F. Allan McDonald	50,000
Brian Motteram	–
Barbara Ward	–
Russell Proutt	–
Shane Ross	–

Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2013

24 Related parties continued

Responsible Entity's fees and other transactions

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

Performance fee

A performance fee of 20% (including GST less any reduced input tax credits) of the outperformance of the Consolidated Entity against the benchmark return (S&P/ASX 300 Property Trust Accumulation Index) is recognised on an accruals basis. Any previous underperformance must be recovered before a performance fee becomes payable. The performance fee expense for the year ended 30 June 2013 was nil (2012: nil). As at 30 June 2013, the performance fee payable to the Responsible Entity was nil (2012: nil).

Management fee

A management fee based on the gross value of assets, less fair value of derivatives, is payable to the Responsible Entity. The fee is payable by the Consolidated Entity quarterly in arrears. The management fee expense for the year ended 30 June 2013 was \$1,407,000 (2012: \$1,515,000). As at 30 June 2013, the management fee payable to the Responsible Entity was \$372,000 (2012: \$331,000).

Establishment fee

The Fund was constituted on 16 November 2006 and it was registered as a Managed Investment Scheme on 3 April 2007. The Consolidated Entity was previously ultimately owned by Multiplex Limited (71.91% ownership), Brookfield Australia Property Trust (22.36% ownership) and Brookfield Australian Opportunities Fund (5.73% ownership) from inception to 26 June 2007. On 27 June 2007 the Fund allotted units to unitholders under the Fund's PDS dated 20 April 2007. The Consolidated Entity listed on the ASX on 3 July 2007.

Prior to the allotment of units to external unitholders, Brookfield Multiplex Limited held 160,000,000 units or 71.91% ownership of the Fund. These units were fully redeemed. Multiplex German Investment Pty Ltd as trustee for Multiplex German Investment Trust, retained its 49,750,100 units. JP Morgan Chase Bank N.A., as custodian for Brookfield Australian Opportunities Fund, retained its 12,750,050 units, until October 2012 when it disposed its holdings to BAO Trust. These are related parties by virtue of their Responsible Entities being part of the Brookfield group.

Related party unitholders

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

- Multiplex German Investment Pty Ltd as trustee for Multiplex German Investment Trust, owned 100% by Brookfield Australia Property Trust, holds 49,750,100 units or 20.2% of the Fund at year end (2012: 49,750,100 units or 20.2%);
- JP Morgan Chase Bank N.A., as custodian for BAO Trust, holds 12,750,050 units or 5.2% of the Fund at year end (2012: nil); and
- JP Morgan Chase Bank N.A., as custodian for Brookfield Australian Opportunities Fund, disposed of its holdings during the current year (2012: 12,750,050 units or 5.2%).

	Consolidated 2013 \$'000	2012 \$'000
Transactions with the Responsible Entity		
Management fees	1,407	1,515
Cost reimbursements	140	358
Management fee payable	372	331
Cost reimbursements payable	–	25
Transactions with related parties of the Responsible Entity		
Return of capital to Multiplex German Investment Trust	4,975	7,836
Return of capital payable to Multiplex German Investment Trust	4,975	–
Return of capital to BAO Trust	1,275	–
Return of capital payable to BAO Trust	1,275	–
Distribution to Brookfield Australian Opportunities Fund	–	2,008

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

Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2013

25 Contingent liabilities and assets

Tax audit

The Fund has a 94.9% interest in certain German partnerships (Monti Partnerships), which are controlled entities of the Fund.

The Monti Partnerships have been the subject of a German taxation audit for the 2004-2006 years. The primary area subject to audit relates to trade tax and was identified in the Fund's PDS (dated 20 April 2007). During the current year, an assessment from the German tax authority was received by the Monti Partnerships for approximately €2 million (including interest and penalties) for trade tax payable for the 2004 to 2006 income years. This assessment was paid in full from the Monti Partnership's cash reserves currently held in lock up by the financier. The release of the cash to meet the liability was conditional on that cash being returned to the reserve account in the event that the tax is ultimately refunded to the Monti Partnership in cash. In line with independent advice, the relevant entities have lodged an objection to the assessment. To date, no response has been received from the German tax authority.

Subsequent to half year end, a German tax audit was commenced for the 2007 to 2010 income years. Whilst each year is considered separately by the tax authorities, if they were to apply the same approach to 2007 to 2010 as was applied to 2004 to 2006, the current estimate of potential trade tax payable would be approximately €27.3 million (including approximately €5.7 million in interest and penalties calculated as at 30 June 2013). If a tax liability was to arise following completion of the audit, such liability would be payable by the respective Monti Partnership and ultimately its partners, being a number of the Fund's European subsidiaries. The German tax authorities may require immediate payment.

An assessment for trade tax for the 2011 year for an amount of approximately €35,000 was received prior to year end and paid subsequent to year end. Independent advice is that the assessment is unlikely to have any connection to the tax audit of 2007 to 2010. An objection against the assessment has been lodged.

Consistent with prior reporting periods, having obtained independent advice, BCML's view remains that, in the event that the tax matter was pursued through to court appeal, the relevant entities are more likely than not to successfully defend their position and no trade tax would ultimately be payable. No liability has been recognised in the 30 June 2013 consolidated financial statements for the potentially outstanding amounts.

There are no other contingent liabilities or assets at 30 June 2013 (30 June 2012: nil).

26 Capital and other commitments

There are no capital or other commitments at 30 June 2013 (30 June 2012: nil).

27 Events subsequent to the reporting date

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, other than those disclosed in this report or in the consolidated financial statements.

Directors' Declaration

For the year ended 30 June 2013

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

- a The consolidated financial statements and notes, set out in pages 14 to 43, 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 2013 and of its performance for the financial year ended on that date;
 - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
 - iii complying with International Financial Reporting Standards, as stated in note 2 to the consolidated 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.

The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2013.

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

Dated at Sydney this 19th day of August 2013.



Russell Prutt
Director
Brookfield Capital Management Limited

Independent Auditor's Report

For the year ended 30 June 2013



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

We have audited the accompanying financial report of Multiplex European Property Fund ('the Fund'), which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated 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 14 to 44.

Directors' Responsibility for the Financial Report

The directors of the Responsible Entity of the Fund ("the Directors") are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply 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. Those 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 of the financial report that gives a true and fair view, 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.

Independent Auditor's Report Continued

For the year ended 30 June 2013

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*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Responsible Entity, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Multiplex European Property Fund is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Fund's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

Emphasis of matter

Without modifying our opinion, we draw attention to note 2 in the financial statements regarding the status of the consolidated entity's financing arrangements. The existing debt facility is due to expire on 15 April 2014. If the debt facility is unable to be renewed or a replacement facility obtained, significant uncertainty will be cast on the consolidated entity's ability to continue as a going concern, and therefore the consolidated entity may be unable to realise its assets and extinguish its liabilities in the normal course of business.



DELOITTE TOUCHE TOHMATSU



Helen Hamilton-James
Partner
Chartered Accountants
Parramatta, 19 August 2013

Corporate Directory

RESPONSIBLE ENTITY

Brookfield Capital Management Limited
Level 22
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Sydney NSW 2000
Telephone: (02) 9322 2000
Facsimile: (02) 9322 2001

DIRECTORS

F. Allan McDonald
Barbara Ward
Brian Motteram
Russell Proutt
Shane Ross

COMPANY SECRETARY

Neil Olofsson

REGISTERED OFFICE

Level 22
135 King Street
Sydney NSW 2000
Telephone: (02) 9322 2000
Facsimile: (02) 9322 2001

CUSTODIAN

Brookfield Funds Management Limited
Level 22
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Sydney NSW 2000
Telephone: (02) 9322 2000

STOCK EXCHANGE

The Fund is listed on the Australian Securities Exchange (ASX Code: MUE).
The Home Exchange is Sydney.

AUDITOR

Deloitte Touche Tohmatsu
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