Appendix 4D – Additional Disclosure
Multiplex European Property Fund

For the half year ended 31 December 2012

Name of Fund:	Multiplex European Property Fund (MUE or Fund)
Details of reporting period	
Current reporting period:	1 July 2012 to 31 December 2012
Prior corresponding period:	1 July 2011 to 31 December 2011

This Financial Report should be read in conjunction with the Financial Report for the half year ended 31 December 2012. It is also recommended that the Financial Report be considered together with any public announcements made by the Fund during the half year ended 31 December 2012 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

Results for announcement to the market

	Half year ended 31 December 2012 $'000	Half year ended 31 December 2011 $'000	Movement $'000	Movement %
Total revenue and other income	18,821	52,753	(33,932)	(64%)
Total expenses	(17,618)	(80,405)	62,787	78%
Income tax (expenses)/benefit	(2,884)	945	(3,829)	(405%)
Net loss after tax attributable to the unitholders of MUE	(1,681)	(26,707)	25,026	94%
Property fair value adjustments from investments included in the above	(7,402)	(29,255)	21,853	75%
Earnings per unit (cents)	(0.68)	(10.81)	10.13	94%

Distributions

No distributions were paid or payable to ordinary unitholders during the current period. Distributions paid/payable to ordinary unitholders for the prior period were as follows:

	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
Total distributions for the half year ended 31 December 2011	**10.750**	**26,547**	

This preliminary final report is given to the ASX in accordance with Listing Rule 4.2.A.

Commentary and analysis of the result for the current period can be found in the attached Multiplex European Property Fund ASX release dated 28th February 2013. This ASX release forms part of the Appendix 4D.

The Fund has a formally constituted Audit Committee of the Board of Directors. The release of the report was approved by resolution of the Board of Directors on 28th February 2013.

Multiplex European Property Fund
Interim financial report
For the half year ended
31 December 2012

Multiplex European Property Fund

ARSN 124 527 206

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Multiplex European Property Fund

For the half year ended 31 December 2012

Directory
Multiplex European Property Fund
For the half year ended 31 December 2012

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
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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 2 8280 7111
Facsimile: +61 2 9287 0303

Auditor
Deloitte Touche Tohmatsu
Eclipse Tower
Level 19
60 Station Street
Parramatta
NSW 2150
Telephone: +61 2 9840 7000
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Directors' Report
Multiplex European Property Fund
For the half year ended 31 December 2012

Introduction
The Directors of Brookfield Capital Management Limited (BCML) (ABN 32 094 936 866), the Responsible Entity of Multiplex European Property Fund (ARSN 124 527 206) (Fund), present their report together with the condensed consolidated interim financial statements of the Consolidated Entity, being the Fund and its subsidiaries, for the six months ended 31 December 2012 and the Independent Auditor's Review Report thereon.

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

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 period:

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

Principal activities
The principal activity of the Consolidated Entity is the investment in properties in Europe.

Review of operations
The Consolidated Entity recorded a net loss after tax of $1,681,000 for the six month period ended 31 December 2012 (2011: net loss after tax of $26,707,000). The reported net loss after tax includes an unrealised loss of $7,402,000 on property revaluations (2011: unrealised losses of $29,255,000).

An unrealised gain of $1,929,000 (2011: unrealised loss $39,258,000) was also recorded by the Consolidated Entity on account of marking-to-market value the Consolidated Entity's derivatives at period 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 Statement of Profit or Loss and Other Comprehensive Income and 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.

Declaration of any future distributions will remain subject to BCML's assessment of the effects of the cash lock up (refer to the impact of valuations on debt section below for further information), operating and/or market conditions in Germany and Australia and taxation requirements including the outcome of the German taxation audit which is continuing.

Some of the significant events during the period are detailed below.
- property rental income of $14,931,000 (2011: $15,787,000);
- total revenue and other income of $18,821,000 (2011:$52,753,000);
- net loss after tax of $1,681,000 (2011: net loss after tax of $26,707,000);
- earnings per unit (EPU) of (0.68) cents (2011: (10.81) cents);
- distributions to unitholders for the half year ended 31 December 2012 were nil (2011: $26,547,000 or 10.75 cents per unit);
- net assets of $24,900,000 and net asset per unit of $0.10 (30 June 2012: $26,673,000 and net asset per unit of $0.11); and
- property portfolio value of $286,413,000 (30 June 2012: $284,327,000).

Impact of valuations on debt
As at 31 December 2012, the portfolio value was €225,350,000, representing a 2.1% reduction from the 30 June 2012 valuation adopted by the Consolidated Entity. The value is lower than the amount under the debt facility. The Loan to Value ratio (LVR) calculated for the purposes of the debt facility is approximately 102.7% at 31 December 2012. As the LVR exceeds 95% the terms of the debt facility provide that the cash and cash flow within the partnerships that own the Consolidated Entity's investment property interests be retained within those entities, and financier consent will be required to pay certain expenses.

The debt remains classified as non-current debt within the financial statements as 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.

Put and 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 acquisition of the 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.

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. Management has sought a waiver to this requirement to transfer. Without a waiver, the financier considers that failure to comply with this requirement results in an event of default existing under the facility. As the Fund has not yet obtained a waiver to this requirement steps have been taken to remedy this position by executing and delivering to the financier a transfer agreement.

There is a risk that if the transfer has not been effected to the satisfaction of the financier, then the financier may determine that the debt facility remains in breach and that an event of default under the facility is outstanding. If an event of default is outstanding, for as long as it remains unremedied, the financier may take action to accelerate the debt and enforce its security.

Trade tax audit

A partnership that is a controlled entity in which the Fund has an interest of 94.9%, within the Consolidated Entity has 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 period, an assessment from the German tax authority was received by a controlled entity 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 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 partnerships in cash. In line with independent advice, an objection has been lodged in relation to the assessment.

Post current period end, a notice was received from the German tax authorities stating that an audit of the partnerships for the 2007 to 2010 years was to commence on 11 February 2013. The scope of the audit will include determination of the partnership profit, German trade tax and value added tax. Presently, it is not known how long the audit will take to complete. Whilst each year is considered separately, if the tax authorities were to adopt the same views to 2007 as applied to 2004 to 2006 the current estimate of potential trade tax payable for that year would be approximately €27.6 million (including approximately €5.3 million interest and penalties calculated as at 1 February 2013). Such liability would be payable by the respective German partnership and ultimately its partners. It is not expected that a liability exists for trade tax for the 2008-2010 income years. The assets of this partnership and its partners are limited to the value of interests held in the partnership's German property portfolio, related operating cash flows and nominal capital of the partners. No liability has been recognised in the 31 December 2012 financial statements for this amount.

Rounding of amounts

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

Lead auditor's independence declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 6 and forms part of the Directors' Report for the half year ended 31 December 2012.

Dated at Sydney this 28th day of February 2013.

Signed in accordance with a resolution of the Directors made pursuant to Section 306(3) of the *Corporations Act 2001*.

Shane Ross
Director
Brookfield Capital Management Limited

Deloitte.

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 St
Sydney NSW 2000

28 February 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 of Multiplex European Property Fund.

As lead audit partner for the review of the financial statements of Multiplex European Property Fund for the half year ended 31 December 2012, 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 review; and

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Helen Hamilton-James
Partner
Chartered Accountants

Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income

Multiplex European Property Fund

For the half year ended 31 December 2012

	Note	Consolidated Half year ended 31 December 2012 $'000	Half year ended 31 December 2011 $'000
Revenue and other income			
Property rental income		14,931	15,787
Interest income		698	1,467
Net realised gain on financial derivatives		1,263	35,499
Net unrealised gain on revaluation of financial derivatives		1,929	–
Total revenue and other income		**18,821**	**52,753**
Expenses			
Property expenses		2,155	2,784
Finance costs to external parties		6,668	7,298
Management fees		693	810
Net loss on revaluation of investment properties	7	7,402	29,255
Net unrealised loss on revaluation of financial derivatives		–	39,258
Other expenses		700	1,000
Total expenses		**17,618**	**80,405**
Profit/(loss) before income tax		**1,203**	**(27,652)**
Income tax (expense)/benefit		(2,884)	945
Net loss after tax		**(1,681)**	**(26,707)**
Other comprehensive income, net of income tax			
Items that may be reclassified subsequently to profit or loss			
Changes in foreign currency translation reserve		(92)	(992)
Other comprehensive loss for the period, net of income tax		**(92)**	**(992)**
Total comprehensive loss for the period		**(1,773)**	**(27,699)**
Net loss attributable to ordinary unitholders		**(1,681)**	**(26,707)**
Total comprehensive loss attributable to ordinary unitholders		**(1,773)**	**(27,699)**

Earnings per unit		
Basic and diluted earnings per ordinary unit (cents)	(0.68)	(10.81)

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

Condensed Consolidated Interim Statement of Financial Position

Multiplex European Property Fund

As at 31 December 2012

	Note	Consolidated 31 December 2012 $'000	30 June 2012 $'000
Assets			
Current assets			
Cash and cash equivalents	6	47,524	44,767
Trade and other receivables		1,150	574
Fair value of financial derivatives		2,294	2,452
Total current assets		**50,968**	**47,793**
Non-current assets			
Investment properties	7	286,413	284,327
Fair value of financial derivatives		1,065	2,218
Deferred tax asset		2,196	2,633
Total non-current assets		**289,674**	**289,178**
Total assets		**340,642**	**336,971**
Liabilities			
Current liabilities			
Trade and other payables		6,050	6,338
Minority interest payable		1,271	1,235
Total current liabilities		**7,321**	**7,573**
Non-current liabilities			
Trade and other payables		783	695
Interest bearing liabilities	8	293,761	285,393
Fair value of financial derivatives	8	13,877	16,637
Total non-current liabilities		**308,421**	**302,725**
Total liabilities		**315,742**	**310,298**
Net assets		**24,900**	**26,673**
Equity			
Units on issue	9	227,228	227,228
Reserves		(270)	(178)
Undistributed losses		(202,058)	(200,377)
Total equity		**24,900**	**26,673**

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

Condensed Consolidated Interim Statement of Changes in Equity

Multiplex European Property Fund

For the half year ended 31 December 2012

Consolidated Entity	Ordinary units $'000	Undistributed profits/(losses) $'000	Reserves $'000	Total $'000
	Attributable to Unitholders of the Fund			
Opening equity - 1 July 2012	**227,228**	**(200,377)**	**(178)**	**26,673**
Changes in foreign currency translation reserve	–	–	(92)	**(92)**
Other comprehensive loss for the period, net of income tax	–	–	**(92)**	**(92)**
Net loss for the period	–	(1,681)	–	**(1,681)**
Total comprehensive loss for the period	–	**(1,681)**	**(92)**	**(1,773)**
Total transactions with unitholders in their capacity as unitholders	–	–	–	**–**
Closing equity - 31 December 2012	**227,228**	**(202,058)**	**(270)**	**24,900**

Consolidated Entity	Ordinary units $'000	Undistributed profits/(losses) $'000	Reserves $'000	Total $'000
	Attributable to Unitholders of the Fund			
Opening equity - 1 July 2011	**227,228**	**(140,159)**	**274**	**87,343**
Changes in foreign currency translation reserve	–	–	(992)	**(992)**
Other comprehensive loss for the period, net of income tax	**–**	**–**	**(992)**	**(992)**
Net loss for the period	–	(26,707)	–	**(26,707)**
Total comprehensive income/(loss) for the period	**–**	**(26,707)**	**(992)**	**(27,699)**
Transactions with unitholders in their capacity as unitholders:				
Distributions paid/payable	–	(26,547)	**–**	**(26,547)**
Total transactions with unitholders in their capacity as unitholders	**–**	**(26,547)**	**–**	**(26,547)**
Closing equity - 31 December 2011	**227,228**	**(193,413)**	**(718)**	**33,097**

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

Condensed Consolidated Interim Statement of Cash Flows

Multiplex European Property Fund

For the half year ended 31 December 2012

	Consolidated Half year ended 31 December 2012 $'000	Consolidated Half year ended 31 December 2011 $'000
Cash flows from operating activities		
Cash receipts in the course of operations	14,637	16,287
Cash payments in the course of operations	(6,832)	(5,369)
Gross proceeds from settlement on FX forwards	3,927	3,927
Gross payments for settlement on FX forwards	(2,645)	(2,869)
Interest received	764	2,558
Financing costs paid	(6,483)	(7,147)
Net cash flows from operating activities	**3,368**	**7,387**
Cash flows from investing activities		
Payments for additions to investment properties	(1,053)	(1,553)
Net cash flows used in investing activities	**(1,053)**	**(1,553)**
Cash flows from financing activities		
Proceeds from early termination of financial derivatives	–	34,827
Distributions paid	–	(26,547)
Net cash flows from financing activities	**–**	**8,280**
Net increase in cash and cash equivalents	2,315	14,114
Impact of foreign exchange	442	(625)
Cash and cash equivalents at beginning of the period	44,767	39,192
Cash and cash equivalents at 31 December	**47,524**	**52,681**

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

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 interim financial report of the Fund as at and for the six months ended 31 December 2012 comprises the Fund and its subsidiaries (together referred to as the Consolidated Entity).

2 Significant accounting policies

Statement of compliance

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The consolidated interim financial report does not include notes of the type normally included in annual financial statements and should be read in conjunction with the most recent annual financial statements of the Consolidated Entity as at and for the year ended 30 June 2012.

Basis of preparation

The consolidated interim financial report is presented in Australian dollars, which is the Fund's presentation and functional currency, 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 (updated by CO 05/641 effective 28 July 2005 and CO 06/51 effective 31 January 2006), and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand dollars, unless otherwise stated.

The accounting policies and methods of computation adopted in the preparation of the consolidated interim financial report are consistent with those adopted and disclosed in the consolidated financial report as at and for the year ended 30 June 2012, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

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 profit or loss and other comprehensive income and the income statement is renamed as a statement of profit or loss.

The adoption of the above revised Standards and Interpretations has not resulted in any changes to the accounting policies and has no effect on the amounts reported for the current or prior periods. However, the application of AASB 2011-9 has resulted in changes to the presentation and disclosure.

Going concern

The 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 8, a subsidiary of the Fund holds bank debt with a contracted maturity of 15 April 2014. Based on 31 December 2012 independent valuations the debt exceeds the value of the property assets by €6,050,000. Management remain in discussions with the lender regarding the debt facility.

The debt remains classified as non-current debt within the financial statements as no event of default arises as a direct consequence of the valuation.

Transfer of Minority Option

As disclosed in note 10, the Fund owns a 94.9% interest in the German partnerships which own the portfolio of 67 properties located throughout Germany. The remaining 5.1% interest is owned by a third party.

At the time of acquisition of the 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 agreement states the following:

– The third party grants the Fund a call option, or 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 can be exercised by the Fund at any time up to 2 April 2013 and in the three months commencing 2 October 2013.

– The Fund grants the third party a put option to call upon the Fund to purchase its 5.1% share of the partnerships at the current prevailing market value. The put option is exercisable by the third party for four weeks commencing 2 April 2013.

2 Significant accounting policies continued

Going concern continued

Transfer of minority option continued

Under the terms of the external debt facility, in certain circumstances which have arisen subsequent to 31 December 2012, 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. Management has sought a waiver to this requirement to transfer. Without a waiver, the financier considers that failure to comply with this requirement results in an event of default existing under the facility. As the Fund has not obtained a waiver to this requirement steps have been taken to remedy this position by executing and delivering to the financier a transfer agreement.

There is a risk that if the transfer has not been effected to the satisfaction of the financier, then the financier may determine that the Fund remains in breach of its obligations under the debt facility and that an event of default under the facility is outstanding. If an event of default is outstanding, for as long as it remains unremedied, the financier may take action to accelerate the debt and enforce its security.

Should this situation arise, or should property values not recover prior to the contracted maturity date, or the financier be unwilling or unable to refinance the debt on 15 April 2014 or a replacement facility not be obtained by this date, there is a risk that at that time one or more of the material subsidiaries of the Consolidated Entity (the entity that holds the debt and the investment property) may be forced to sell some or all of the property or determine that it is not able to continue as a going concern.

As a result, this situation would give rise to material uncertainty as to the ability of the Consolidated Entity to continue as a going concern and therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in the financial report.

The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts, nor to the amounts and classification of liabilities that might be necessary should the Fund and Consolidated Entity not continue as a going concern.

3 Estimates

The preparation of the consolidated interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from those estimates.

4 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 Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income and Condensed Consolidated Interim Statement of Financial Position, therefore no further segment reporting is required. All property rental income is derived from properties in Germany.

5 Distributions

No distributions were paid or payable to unitholders during the current period. Distributions paid/payable during the prior period were as follows:

	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
Total distribution for the six months ended 31 December 2011	**10.750**	**26,547**	

6 Cash and cash equivalents

	Consolidated 31 December 2012 $'000	30 June 2012 $'000
Cash at bank	32,170	31,251
Restricted cash	15,354	13,516
Total cash and cash equivalents	**47,524**	**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 properties. This restriction continues to be in place. Further details are contained within note 8 interest bearing liabilities. As at 31 December 2012, the value of cash held within these entities was $15,354,000 or €12,080,000.

7 Investment properties

The Consolidated Entity holds the following categories of investment properties at the reporting date:

Description	**Latest external valuation $'000**	**31 December 2012 book value $'000**	**30 June 2012 book value $'000**
Total retail investment properties	156,393	156,393	157,408
Total commercial investment properties	33,833	33,833	33,194
Total logistics investment properties	23,742	23,742	23,434
Total nursing home investment properties	72,445	72,445	70,291
Total investment properties	**286,413**	**286,413**	**284,327**

Last valuation in Euro has been converted at the 31 December 2012 exchange rate of €0.7868 to $1.00. The Euro valuation totals €225,350,000 (30 June 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 31 December 2012 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 31 December 2012 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 Condensed Consolidated Interim 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 Condensed Consolidated Interim Statement of Financial Position. Additions and other expenditure on property investments which are capital in nature are capitalised as incurred.

7 Investment properties continued

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

	Consolidated Half year ended 31 December 2012 $'000
Carrying amount at beginning of period	284,327
Capital expenditure and incentives	1,243
Net loss from fair value adjustments to investment properties	(7,402)
Foreign currency translation exchange adjustment	8,245
Carrying amount at end of period	**286,413**

8 Interest bearing liabilities

	Consolidated 31 December 2012 $'000	30 June 2012 $'000
Non-current		
Secured bank debt[1]	294,103	285,855
Debt establishment fees[2]	(342)	(462)
Total interest bearing liabilities	**293,761**	**285,393**

1 Only interest is paid on this facility and no other repayments within 12 months have been forecast, hence all the debt due is non-current.
2 The debt establishment fees are amortised using the effective interest rate method.

	Expiry Date	Consolidated 31 December 2012 $'000	30 June 2012 $'000
Finance arrangements			
Facilities available			
Bank debt facility	15 April 2014	294,103	285,855
Less: Facilities utilised		(294,103)	(285,855)
Facilities not utilised		**–**	**–**

The bank debt facility consists of a €231,400,000 facility financed by Hypothekenbank Frankfurt AG (formerly Eurohypo AG). At 31 December 2012, 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 period is solely due to changes in foreign exchange rates as set out below. The 31 December 2012 debt balance has been translated at the 31 December 2012 foreign exchange rate of €0.7868 to A$1.00 (30 June 2012: €0.8095 to A$1.00).

The Consolidated Entity has granted the lender a first ranking security over its interest in the relevant investment properties.

On an annual basis, the financier and the Consolidated Entity appoint a joint valuation of the investment properties. As at 31 December 2012, the portfolio value was €225,350,000. As the LVR exceeds 95% the terms of the debt facility provide that the cash and cash flow within the partnerships that own the Consolidated Entity's investment property interests be retained within those entities, and financier consent will be required to pay certain expenses.

The debt remains classified as non-current debt within the financial statements as no event of default arises as a direct consequence of the reduced valuation and the increased LVR. The restrictions on cash remittances from the partnerships will be eliminated only in limited circumstances if certain conditions are met including no event of default exists and a reduction in the LVR to 95% or below and an Interest Cover Ratio of greater than 140% for the two immediately preceding interest payment dates.

The interest rate in respect of amounts drawn under the facilities (including margin) was 0.90% at 31 December 2012 (30 June 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% (30 June 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 Statement of Profit or Loss and Other Comprehensive Income. The Fund does not hold interest rate swap derivatives.

8 Interest bearing liabilities continued

The Consolidated Entity's holdings in interest rate swap derivatives are detailed below:

		Floating rate		Fixed rate		Notional amount of contracts outstanding		Fair value of interest rate swaps	
Expiry date	Underlying instrument	31 December 2012 %	30 June 2012 %	31 December 2012 %	30 June 2012 %	31 December 2012 €'000	30 June 2012 €'000	31 December 2012 $'000	30 June 2012 $'000
15 April 2014	Floating to fixed	0.90	1.45	4.48	4.48	231,400	231,400	(13,877)	(16,637)

9 Units on issue

	Half year ended 31 December 2012 $'000	Half year ended 31 December 2012 Units	Year ended 30 June 2012 $'000	Year ended 30 June 2012 Units
Opening balance	227,228	246,950,150	227,228	246,950,150
Closing balance	**227,228**	**246,950,150**	**227,228**	**246,950,150**

10 Minority interest payable

The Fund 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) and 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 is exercisable by NAIAD for four weeks commencing 2 April 2013.
- NAIAD grants the Fund a call option, or the right to request NAIAD fully withdraw from its 5.1% share of the Monti partnerships at the current prevailing market value. This option can be exercised by the Fund at any time up to 2 April 2013 and in the three months commencing 2 October 2013.

This option and the costs associated with exercise of the option have been valued at €1,000,000 or $1,271,000 (30 June 2012: €1,000,000 or $1,235,000) and is shown as a current liability due to the exercise date.

11 Related parties

There have been no significant changes to the related party transactions as disclosed in the annual report for the year ended 30 June 2012.

12 Contingent liabilities and assets

Trade tax audit

A partnership that is a controlled entity in which the Fund has an interest of 94.9%, within the Consolidated Entity has 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 period, an assessment from the German tax authority was received by a controlled entity 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 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 partnerships in cash. In line with independent advice, an objection has been lodged in relation to the assessment.

Post current period end, a notice was received from the German tax authorities stating that an audit of the partnerships for the 2007 to 2010 years was to commence on 11 February 2013. The scope of the audit will include determination of the partnership profit, German trade tax and value added tax. Presently, it is not known how long the audit will take to complete. Whilst each year is considered separately, if the tax authorities were to adopt the same views to 2007 as applied to 2004 to 2006 the current estimate of potential trade tax payable for that year would be approximately €27.6 million (including approximately €5.3 million interest and penalties calculated as at 1 February 2013). Such liability would be payable by the respective German partnership and ultimately its partners. It is not expected that a liability exists for trade tax for the 2008-2010 income years. The assets of this partnership and its partners are limited to the value of interests held in the partnership's German property portfolio, related operating cash flows and nominal capital of the partners. No liability has been recognised in the 31 December 2012 financial statements.

There are no other contingent liabilities or assets at 31 December 2012 (30 June 2012: trade tax audit).

13 Capital and other commitments

There are no capital or other commitments at 31 December 2012 (30 June 2012: nil).

14 Events subsequent to the reporting date

Other than the items disclosed in note 2 going concern and note 12 contingent liabilities and assets, there are no matters or circumstances which have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in subsequent financial years.

Directors' Declaration

Multiplex European Property Fund

For the half year ended 31 December 2012

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

a The condensed consolidated interim financial statements and notes, set out in pages 7 to 16, 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 31 December 2012 and of its performance for the six month period ended on that date; and

  ii complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*;

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

Signed in accordance with a resolution of the Directors of Brookfield Capital Management Limited.

Dated at Sydney, this 28th day of February 2013

Shane Ross
Director
Brookfield Capital Management Limited

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

We have reviewed the accompanying half-year financial report of Multiplex European Property Fund ("the Fund"), which comprises the condensed consolidated interim statement of financial position as at 31 December 2012, and the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim statement of cash flows and the condensed consolidated interim statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the Fund and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 7 to 17.

Directors' Responsibility for the Half-Year Financial Report

The directors of Brookfield Capital Management Limited, the Responsible Entity of the Fund, are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Fund's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Fund, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, 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 Brookfield Capital Management Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Multiplex European Property Fund is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of matter

Without modifying our conclusion, 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 breach results in the financier taking action which would result in the debt immediately becoming due and payable and 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 as such the consolidated entity may be unable to realise its assets and extinguish its liabilities at the amounts stated in the financial statements.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Helen Hamilton-James
Partner
Chartered Accountants
Parramatta, 28 February 2013