

# ASX Announcement

13 May 2014

**Re: Multiplex European Property Fund (ASX: MUE) – German tax audit update**

Brookfield Capital Management Limited (BCML), as Responsible Entity for Multiplex European Property Fund (the Fund), provides the following update to investors in relation to the tax audit of the Fund's wholly owned German partnerships (Monti Partnerships) in which the Fund's properties are held.

Key messages are:

- Preliminary findings for the German tax audit for 2007 – 2010 have been received.
- Initial estimates indicate A\$0.22million in tax to be paid.
- The Fund is seeking financier approval to have the liability paid from cash reserves.

**German tax audit 2007-2010**

Correspondence, in the form of preliminary findings, has been received from the German tax office in relation to the Monti Partnerships' tax audit for the 2007 to 2010 years.

These preliminary findings result in tax payable in the amount of €0.15 million (A\$0.22million) with none of the liability being relevant to Trade Tax.

BCML continues to review the preliminary findings with advisors and intends to promptly respond to those findings and provide any required additional information to the German tax office. Assuming the findings are accepted, it can be expected that final findings and subsequent tax assessments, if any, will be issued shortly after. It is open to the German tax office to alter the preliminary findings prior to being finalized. Therefore, there is no guarantee that this position will not change prior to assessments being issued.

Once a final assessment as a result of a tax audit has been issued and the relevant liability paid the German tax office will generally be unable to re-assess or make any further amendments for those years.

The Fund's financier, Hypothekbank Frankfurt AG (Financier) has been advised of the preliminary findings. Approval is being sought to fund the liability arising from the preliminary findings from Monti Partnerships' cash reserves.

## **German tax audit 2004-2006**

No response has been received from the German tax authorities relating to the objection lodged against the Trade Tax assessment for the 2004 to 2006 income years. Approximately €2 million has been paid for that Trade Tax assessment.

As each year is assessed independently, the findings for the 2007 to 2010 years do not impact the findings for 2004 to 2006. As such, it is intended to wait until a response is received in relation to the objection before any further action is undertaken.

## **Impact on strategy for the Fund**

As previously announced, the Fund's debt facility has now matured without repayment by the Monti Partnerships. Notwithstanding, the Financier has agreed a standstill until 15 October 2014.

This standstill is subject to ongoing satisfaction of a number of conditions, including implementation of a business plan that will see all of the Fund's properties sold over a period of six months to repay outstanding bank debt.

In order to avoid a potential default, BCML intends to pursue the above business plan at the present time but will continue to give further consideration to alternatives for the Fund in light of the potential outcome to the tax audit of the 2007 to 2010 years.

Investors will be provided with further information in relation to the progress of the tax audit and discussions with the Financier in due course.

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Brookfield Customer Service  
Ph: 1800 570 000