Appendix 4D – Additional Disclosure
Multiplex European Property Fund

For the half year ended 31 December 2013

Name of Fund:	Multiplex European Property Fund (MUE or Fund)
Details of reporting period	
Current reporting period:	1 July 2013 to 31 December 2013
Prior corresponding period:	1 July 2012 to 31 December 2012

This Financial Report should be read in conjunction with the Financial Report for the half year ended 31 December 2013. 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 2013 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

Results for announcement to the market

	Half year ended 31 December 2013 $'000	Half year ended 31 December 2012 $'000	Movement $'000	Movement %
Total revenue and other income	23,671	18,821	4,850	26%
Total expenses	(16,707)	(17,618)	911	5%
Income tax expenses	(1,113)	(2,884)	1,771	61%
Net profit/(loss) after tax attributable to the unitholders of MUE	5,851	(1,681)	7,532	448%
Property fair value adjustments from investments included in the above	(2,583)	(7,402)	4,819	65%
Earnings/(loss) per unit (cents)	2.37	(0.68)	3.05	448%

Distributions and returns of capital
No distributions or returns of capital were declared to ordinary unitholders during the current period or prior period.

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 25th 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 25th February 2013.

Multiplex European Property Fund
Interim financial report
For the half year ended
31 December 2013

Multiplex European Property Fund

ARSN 124 527 206

Table of Contents

Multiplex European Property Fund

For the half year ended 31 December 2013

Directory
Multiplex European Property Fund
For the half year ended 31 December 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
Multiplex European Property Fund
For the half year ended 31 December 2013

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 2013 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 profit after tax of $5,851,000 for the six month period ended 31 December 2013 (2012: net loss after tax of $1,681,000). The reported net profit after tax includes an unrealised loss of $2,583,000 on property revaluations (2012: unrealised loss of $7,402,000).

An unrealised gain of $6,104,000 was also recorded by the Consolidated Entity on account of marking-to-market the value of the Consolidated Entity's derivatives at period end (2012: unrealised gain $1,929,000). 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 period are detailed below.
- property rental income of $16,582,000 (2012: $14,931,000);
- total revenue and other income of $23,671,000 (2012: $18,821,000);
- net profit after tax of $5,851,000 (2012: net loss after tax of $1,681,000);
- earnings per unit (EPU) of 2.37 cents (2012: loss per unit of 0.68 cents);
- net assets of $11,368,000 and net asset per unit of $0.05 (30 June 2013: $5,537,000 and net asset per unit of $0.02); and
- property portfolio value of $344,144,000 (30 June 2013: $316,129,000).

Impact of valuations on debt
As at 31 December 2013, the portfolio value was €223,040,000, representing a 0.2% reduction from the 30 June 2013 valuation adopted by the Consolidated Entity. The Loan to Value ratio (LVR) is approximately 103.7% at 31 December 2013. As the LVR continues to exceed 95%, the terms of the 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 currently has a 94.9% interest in certain German partnerships (Monti Partnerships), which are controlled entities of the Fund. The debt facility provided by Hypothekenbank Frankfurt AG (Hypothekenbank) (formerly known as Eurohypo AG) to the Monti Partnerships is due to mature on 15 April 2014. Management of the Monti Partnerships has been in ongoing discussions with Hypothekenbank regarding an extension to the debt facility. Such an extension remains important in supporting the solvency of a number of European subsidiaries of the Fund.

Correspondence was received during the period from Hypothekenbank detailing terms and conditions on which Hypothekenbank is, in principle, prepared to extend the facility beyond the current expiry on 15 April 2014. Hypothekenbank is proposing an initial six month extension of the facility to 15 October 2014 with a further extension to 31 December 2014 to be 'favourably considered'. Any extension beyond 15 October 2014 is at the sole discretion of Hypothekenbank. Conditions to be satisfied for the initial extension to the facility to 15 October 2014 proposed by Hypothekenbank include:
- extension of the asset and property management agreement with the existing manager, Corpus Sireo Asset Management GmbH (Corpus Sireo), to at least 31 December 2014;
- provision of a business plan to Hypothekenbank for the period 1 January 2014 to 31 December 2016 setting out the sale of the Fund's properties over that period;
- execution of a mandate with Corpus Sireo or other sales agent to sell the properties;
- execution of a standstill agreement with Hypothekenbank containing various provisions including those governing the use of sales proceeds from selling the properties; and
- no default occurs under the facility nor is there any change in circumstances which detrimentally affects Hypothekenbank's position against the borrowers under the debt facility.

At this time BCML has made no determination as to whether to accept the conditions proposed by Hypothekenbank and extend the debt facility past the current expiry of 15 April 2014. BCML is currently reviewing the proposed terms with its advisers. Even in circumstances where a refinancing of the debt is achieved market conditions and other factors may adversely affect the Consolidated Entity and returns to investors.

Call option
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 partnerships is owned by Naiad Property S.a.r.l. (NAIAD). During the period, a subsidiary of the Fund exercised a call option over the 5.1% interest in the Monti Partnerships that it does not currently own. Reflecting the current financial position of the Monti Partnerships, BCML considers the 5.1% interest to have nominal value. Discussions are currently underway with NAIAD to arrive at a value. If the value of the 5.1% interest cannot be agreed between the parties, it will ultimately be determined by an independent valuer.

Trade tax audit
No response has been received from the German tax authority in relation to the objection lodged against the assessment raised against the German partnerships for German trade tax for the 2004 to 2006 income years of approximately €2 million including interest and penalties.

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 €27.9 million (including approximately €6.3 million in interest and penalties calculated as at 31 December 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.

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 31 December 2013 consolidated financial statements for the potentially outstanding amounts.

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.

Lead auditor's independence declaration under Section 307C of the Corporations Act 2001
The lead auditor's independence declaration is set out on page 7 and forms part of the Directors' Report for the half year ended 31 December 2013.

Dated at Sydney this 25th day of February 2014.

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
A.B.N. 74 490 121 060

Eclipse Tower
Level 19
60 Station Street
Parramatta NSW 2150
PO Box 38
Parramatta NSW 2124 Australia

DX 28485
Tel: +61 (0) 2 9840 7000
Fax: +61 (0) 2 9840 7001
www.deloitte.com.au

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

25 February 2014

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 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 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 2013

	Note	Consolidated Half year ended 31 December 2013 $'000	Half year ended 31 December 2012 $'000
Revenue and other income			
Property rental income		16,582	14,931
Interest income		155	698
Net realised gain on financial derivatives		830	1,263
Net unrealised gain on revaluation of financial derivatives		6,104	1,929
Total revenue and other income		**23,671**	**18,821**
Expenses			
Property expenses		4,108	2,155
Finance costs to external parties		7,921	6,668
Management fees		763	693
Net loss on revaluation of investment properties	7	2,583	7,402
Other expenses		1,332	700
Total expenses		**16,707**	**17,618**
Profit before income tax		**6,964**	**1,203**
Income tax expense		(1,113)	(2,884)
Net profit/(loss) after tax		**5,851**	**(1,681)**
Other comprehensive income, net of income tax			
Items that may be reclassified subsequently to profit or loss			
Changes in foreign currency translation reserve		(20)	(92)
Other comprehensive loss for the period, net of income tax		**(20)**	**(92)**
Total comprehensive income/(loss) for the period		**5,831**	**(1,773)**
Net profit/(loss) attributable to ordinary unitholders		**5,851**	**(1,681)**
Total comprehensive income/(loss) attributable to ordinary unitholders		**5,831**	**(1,773)**

Earnings/(loss) per unit		
Basic and diluted earnings/(loss) per ordinary unit (cents)	2.37	(0.68)

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 2013

	Note	Consolidated 31 December 2013 $'000	30 June 2013 $'000
Assets			
Current assets			
Cash and cash equivalents	6	34,321	54,310
Trade and other receivables		1,102	1,352
Fair value of foreign currency financial derivatives	9	793	1,677
Total current assets		**36,216**	**57,339**
Non-current assets			
Investment properties	7	344,144	316,129
Deferred tax asset		575	1,453
Total non-current assets		**344,719**	**317,582**
Total assets		**380,935**	**374,921**
Liabilities			
Current liabilities			
Trade and other payables		7,467	6,492
Return of capital payable		–	24,695
Interest bearing liabilities	8	356,952	327,204
Fair value of interest rate financial derivative	9	3,633	9,180
Non-controlling interest payable	10	926	1,415
Total current liabilities		**368,978**	**368,986**
Non-current liabilities			
Trade and other payables		589	398
Total non-current liabilities		**589**	**398**
Total liabilities		**369,567**	**369,384**
Net assets		**11,368**	**5,537**
Equity			
Units on issue	11	202,533	202,533
Reserves		(920)	(900)
Undistributed losses		(190,245)	(196,096)
Total equity		**11,368**	**5,537**

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 2013

Consolidated Entity	Ordinary units $'000	Undistributed profits/(losses) $'000	Reserves $'000	Total $'000
	Attributable to Unitholders of the Fund			
Opening equity - 1 July 2013	**202,533**	**(196,096)**	**(900)**	**5,537**
Changes in foreign currency translation reserve	–	–	(20)	**(20)**
Other comprehensive loss for the period, net of income tax	**–**	**–**	**(20)**	**(20)**
Net profit for the period	–	5,851	–	**5,851**
Total comprehensive income/(loss) for the period	**–**	**5,851**	**(20)**	**5,831**
Total transactions with unitholders in their capacity as unitholders	**–**	**–**	**–**	**–**
Closing equity - 31 December 2013	**202,533**	**(190,245)**	**(920)**	**11,368**

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**

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 2013

	Consolidated Half year ended 31 December 2013 $'000	Half year ended 31 December 2012 $'000
Cash flows from operating activities		
Cash receipts in the course of operations	17,484	14,637
Cash payments in the course of operations	(5,770)	(6,832)
Gross proceeds from settlement on FX forwards	5,469	3,927
Gross payments for settlement on FX forwards	(4,639)	(2,645)
Interest received	131	764
Trade tax assessment paid	(48)	–
Financing costs paid	(7,561)	(6,483)
Net cash flows from operating activities	**5,066**	**3,368**
Cash flows from investing activities		
Payments for additions to investment properties	(2,334)	(1,053)
Net cash flows used in investing activities	**(2,334)**	**(1,053)**
Cash flows from financing activities		
Returns of capital paid	(24,695)	–
Net cash flows used in financing activities	**(24,695)**	**–**
Net (decrease)/increase in cash and cash equivalents	(21,963)	2,315
Impact of foreign exchange	1,974	442
Cash and cash equivalents at beginning of the period	54,310	44,767
Cash and cash equivalents at 31 December	**34,321**	**47,524**

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 2013 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 2013.

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, 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 2013, except for the impact of the Standards and Interpretations described below.

AASB 10 *Consolidated Financial Statements* which replaces all of the guidance on control and consolidation. 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.

AASB 11 *Joint Arrangements* which introduces a principle based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account for their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard AASB 131 *Interests in Joint Ventures*.

AASB 12 *Disclosure of Interests in Other Entities* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards,* which set out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11 and replace the disclosure requirements previously found in AASB 127 *Separate Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures.*

AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* which sets out in a single standard a framework for measuring fair value, including related disclosure requirements in relation to fair value measurement. AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique.

AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* which removes 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.*

AASB *2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to AASB 7)* which requires an entity to disclose information about rights of offset and related arrangements for financial instruments under an enforceable master netting agreement or similar arrangement.

2 Significant accounting policies continued

Basis of preparation continued

AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle* which amends a number of pronouncements as a result of the 2009-2011 annual improvements cycle.

AASB 2012-10 *Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments* which provides transition guidance for the amendments to AASB 10 *Consolidated Financial Statements*.

These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards. The adoption of the above revised Standards and Interpretations has resulted in amended disclosures in the financial report but has not impacted the financial results of the Consolidated Entity.

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, a subsidiary of the Fund holds bank debt with a contracted maturity of 15 April 2014. Based on the 31 December 2013 independent property valuations, the debt exceeds the value of the property assets by €8,360,000. Correspondence has been received from the bank (Hypothekenbank) detailing terms and conditions on which it is, in principle, prepared to extend the facility beyond the current expiry on 15 April 2014. Hypothekenbank is proposing an initial six month extension of the facility to 15 October 2014 with a further extension to 31 December 2014 to be ‘favourably considered’. Any extension beyond 15 October 2014 is at the sole discretion of Hypothekenbank. Conditions to be satisfied for the initial extension to the facility to 15 October 2014 proposed by Hypothekenbank include:

- extension of the asset and property management agreement with the existing manager, Corpus Sireo Asset Management GmbH (Corpus Sireo), to at least 31 December 2014;
- provision of a business plan to Hypothekenbank for the period 1 January 2014 to 31 December 2016 setting out the sale of the Fund’s properties over that period;
- execution of a mandate with Corpus Sireo or other sales agent to sell the properties;
- execution of a standstill agreement with Hypothekenbank containing various provisions including those governing the use of sales proceeds from selling the properties; and
- no default occurs under the facility nor is there any change in circumstances which detrimentally affects Hypothekenbank’s position against the borrowers under the debt facility.

At this time BCML has made no determination as to whether to accept the conditions proposed by Hypothekenbank and extend the debt facility past the current expiry of 15 April 2014. BCML is currently reviewing the proposed terms with its advisers. Even in circumstances where a refinancing of the debt is achieved market conditions and other factors may adversely affect the Consolidated Entity and returns to investors. As at 31 December 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 $332,762,000.

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.

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.

Notes to the Condensed Consolidated Interim Financial Statements continued
Multiplex European Property Fund
For the half year ended 31 December 2013

5 Distributions and returns of capital
During the current and prior periods, no distributions were declared to unitholders. A special distribution, which was accounted for as a return of capital in the prior year financial statements, was payable at prior year end. This was subsequently paid to unitholders on 23 July 2013.

6 Cash and cash equivalents

	Consolidated 31 December 2013 $'000	30 June 2013 $'000
Cash at bank	8,137	33,047
Restricted cash	26,184	21,263
Total cash and cash equivalents	**34,321**	**54,310**

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 8 interest bearing liabilities. As at 31 December 2013, the value of cash held within these entities was $26,184,000 or €16,970,000 (30 June 2013: $21,263,000 or €15,027,000).

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

Description	Latest external valuation $'000	31 December 2013 book value $'000	30 June 2013 book value $'000
Total retail investment properties	188,227	188,227	172,546
Total office investment properties	41,413	41,413	37,484
Total logistics investment properties	27,635	27,635	26,291
Total nursing home investment properties	86,869	86,869	79,808
Total investment properties	**344,144**	**344,144**	**316,129**

Last valuation in Euro has been converted at the 31 December 2013 exchange rate of €0.6481 to $1.00 (30 June 2013: €0.7067 to $1.00). The Euro valuation totals €223,040,000 (30 June 2013: €223,410,000).

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 2013 and 30 June 2013 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 2013 valuation ranges from 6.75% to 11.00% (30 June 2013: 6.75% to 11.00%).

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.

7 Investment properties continued

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

	Consolidated Half year ended 31 December 2013 $'000
Carrying amount at beginning of period	316,129
Capital expenditure and incentives	1,930
Net loss from fair value adjustments to investment properties	(2,583)
Foreign currency translation exchange adjustment	28,668
Carrying amount at end of period	**344,144**

8 Interest bearing liabilities

	Consolidated 31 December 2013 $'000	30 June 2013 $'000
Current		
Secured bank debt[1]	357,044	327,437
Debt establishment fees[2]	(92)	(233)
Total current	**356,952**	**327,204**

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.

	Expiry Date	Consolidated 31 December 2013 $'000	30 June 2013 $'000
Finance arrangements			
Facilities available			
Bank debt facility	15 April 2014	357,044	327,437
Less: Facilities utilised		(357,044)	(327,437)
Facilities not utilised		–	–

The bank debt facility consists of a €231,400,000 facility financed by Hypothekenbank Frankfurt AG (Hypothekenbank) (formerly Eurohypo AG). At 31 December 2013, the facility was fully drawn at €231,400,000 (30 June 2013: 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. The 31 December 2013 debt balance has been translated at the 31 December 2013 foreign exchange rate of €0.6481 to $1.00 (30 June 2013: €0.7067 to $1.00).

The Consolidated Entity has granted the lender a first ranking security over its interest in the relevant investment properties in note 7 and the cash that is reflected as restricted cash in note 6.

As at 31 December 2013, the portfolio value was €223,040,000, representing a 0.2% reduction from the 30 June 2013 valuation adopted by the Consolidated Entity. The Loan to Value ratio (LVR) is approximately 103.7% at 31 December 2013. As the LVR continues to exceed 95%, the terms of the 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 interest rate in respect of amounts drawn under the facilities (including margin) was 0.9% at 31 December 2013 (30 June 2013: 0.9%). The amount does not include the effect of an interest rate swap. The effect after the interest rate swap, including all margins, is an interest rate of 4.48% (30 June 2013: 4.48%). Further information on the Consolidated Entity's holdings of financial instruments can be found in note 9.

Financier discussions regarding extension of debt facility

The Fund currently has a 94.9% interest in certain German partnerships (Monti Partnerships), which are controlled entities of the Fund. The debt facility provided by Hypothekenbank to the Monti Partnerships is due to mature on 15 April 2014. Management of the Monti Partnerships has been in ongoing discussions with Hypothekenbank regarding an extension to the debt facility. Such an extension remains important in supporting the solvency of a number of European subsidiaries of the Fund.

8 Interest bearing liabilities continued

Financier discussions regarding extension of debt facility continued

Correspondence was received during the period from Hypothekenbank detailing terms and conditions on which Hypothekenbank is, in principle, prepared to extend the facility beyond the current expiry on 15 April 2014. Hypothekenbank is proposing an initial six month extension of the facility to 15 October 2014 with a further extension to 31 December 2014 to be 'favourably considered'. Any extension beyond 15 October 2014 is at the sole discretion of Hypothekenbank. Conditions to be satisfied for the initial extension to the facility to 15 October 2014 proposed by Hypothekenbank include:

- extension of the asset and property management agreement with the existing manager, Corpus Sireo Asset Management GmbH (Corpus Sireo), to at least 31 December 2014;
- provision of a business plan to Hypothekenbank for the period 1 January 2014 to 31 December 2016 setting out the sale of the Fund's properties over that period;
- execution of a mandate with Corpus Sireo or other sales agent to sell the properties;
- execution of a standstill agreement with Hypothekenbank containing various provisions including those governing the use of sales proceeds from selling the properties; and
- no default occurs under the facility nor is there any change in circumstances which detrimentally affects Hypothekenbank's position against the borrowers under the debt facility.

At this time BCML has made no determination as to whether to accept the conditions proposed by Hypothekenbank and extend the debt facility past the current expiry of 15 April 2014. BCML is currently reviewing the proposed terms with its advisers. Even in circumstances where a refinancing of the debt is achieved market conditions and other factors may adversely affect the Consolidated Entity and returns to investors.

9 Financial instruments

During the period, the Consolidated Entity entered into new FX forward contracts with National Australia Bank (NAB), with the effect of locking in the cash flows on the remaining existing FX forward contracts with Hypothekenbank. The Consolidated Entity's interest rate swap continues to exist.

A number of the Consolidated Entity's financial assets and liabilities are measured at fair value at the end of each reporting period. 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:

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

The following table presents the Consolidated Entity's assets and liabilities measured and recognised at fair value at 31 December 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.

9 Financial instruments continued

Consolidated Entity – at 31 December 2013	Level 2 $'000	Total $'000
Assets		
Fair value of foreign currency financial derivatives	793	**793**
Total assets	**793**	**793**
Liabilities		
Fair value of interest rate financial derivative	3,633	**3,633**
Total liabilities	**3,633**	**3,633**

Consolidated Entity – at 30 June 2013	Level 2 $'000	Total $'000
Assets		
Fair value of foreign currency financial derivatives	1,677	**1,677**
Total assets	**1,677**	**1,677**
Liabilities		
Fair value of interest rate financial derivative	9,180	**9,180**
Total liabilities	**9,180**	**9,180**

As at 31 December 2013 and 30 June 2013, there were no financial assets or liabilities in levels 1 or 3. During the current and prior periods, there were no financial assets or liabilities which transferred between levels 1, 2 or 3.

10 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 partnerships is owned by Naiad Property S.a.r.l. (NAIAD). During the period, a subsidiary of the Fund exercised a call option over the 5.1% interest in the Monti Partnerships that it does not currently own. Reflecting the current financial position of the Monti Partnerships, BCML considers the 5.1% interest to have nominal value. Discussions are currently underway with NAIAD to arrive at a value. If the value of the 5.1% interest cannot be agreed between the parties, it will ultimately be determined by an independent valuer.

This option and the costs associated with exercise of the option have been valued at €600,000 or $926,000 (30 June 2013: €1,000,000 or $1,415,000) and is shown as a current liability.

11 Units on issue

	Half year ended 31 December 2013 $'000	Half year ended 31 December 2013 Units	Year ended 30 June 2013 $'000	Year ended 30 June 2013 Units
Opening balance	202,533	246,950,150	227,228	246,950,150
Return of capital	–	–	(24,695)	–
Closing balance	**202,533**	**246,950,150**	**202,533**	**246,950,150**

12 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 2013.

13 Contingent liabilities and assets

Trade tax audit

No response has been received from the German tax authority in relation to the objection lodged against the assessment raised against the German partnerships for German trade tax for the 2004 to 2006 income years of approximately €2 million including interest and penalties.

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 €27.9 million (including approximately €6.3 million in interest and penalties calculated as at 31 December 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.

13 Contingent liabilities and assets continued

Trade tax audit continued

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 31 December 2013 consolidated financial statements for the potentially outstanding amounts.

There are no other contingent liabilities or assets at 31 December 2013 (30 June 2013: nil).

14 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

Multiplex European Property Fund

For the half year ended 31 December 2013

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 8 to 18, 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 2013 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 25th day of February 2014

Shane Ross
Director
Brookfield Capital Management Limited

Deloitte.

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

Eclipse Tower
Level 19
60 Station Street
Parramatta NSW 2150
PO Box 38
Parramatta NSW 2124 Australia

DX 28485
Tel: +61 (0) 2 9840 7000
Fax: +61 (0) 2 9840 7001
www.deloitte.com.au

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 2013, and the condensed consolidated interim statement of profit or loss and other 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 8 to 19.

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 gives a true and fair view and 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 2013 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 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 2013 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. This condition, along with other matters as set out in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about the ability of the consolidated entity to continue as a going concern, and therefore the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Helen Hamilton-James
Partner
Chartered Accountants
Parramatta, 25 February 2014