Appendix 4D – Additional Disclosure
Multiplex European Property Fund

For the half year ended 31 December 2014

Name of Fund:	Multiplex European Property Fund (MUE or Fund)
Details of reporting period	
Current reporting period:	1 July 2014 to 31 December 2014
Prior corresponding period:	1 July 2013 to 31 December 2013

This Appendix 4D should be read in conjunction with the Financial Report for the half year ended 31 December 2014. 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 2014 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

Results for announcement to the market

	Half year ended 31 December 2014 $'000	Half year ended 31 December 2013 $'000	Movement $'000	Movement %
Total revenue and other income	33,529	23,671	9,858	42%
Total expenses	(13,464)	(16,707)	3,243	19%
Income tax benefit/(expenses)	112	(1,113)	1,225	110%
Net profit after tax attributable to the unitholders of MUE	20,177	5,851	14,326	245%
Property fair value adjustments from investments included in the above	17,175	(2,583)	19,758	765%
Earnings per unit (cents)	8.17	2.37	5.80	245%

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

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

Commentary and analysis of the result for the current period can be found in the attached Multiplex European Property Fund ASX release dated 24th February 2015. 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 24th February 2015.

Multiplex European Property Fund
Interim financial report
For the half year ended
31 December 2014

Multiplex European Property Fund

ARSN 124 527 206

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Multiplex European Property Fund

For the half year ended 31 December 2014

Directory
Multiplex European Property Fund
For the half year ended 31 December 2014

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
Barbara Ward
Russell Proutt
Shane Ross (alternate)

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
Grosvenor Place
225 George Street
Sydney NSW 2000
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Directors' Report
Multiplex European Property Fund
For the half year ended 31 December 2014

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 2014 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	Non-Executive Independent Chairman
Barbara Ward	Non-Executive Independent Director
Russell Proutt	Executive Director
Shane Ross	Alternate 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 $20,177,000 for the six month period ended 31 December 2014 (2013: $5,851,000). The reported net profit after tax includes an unrealised gain of $17,175,000 on property revaluations (2013: unrealised loss of $2,583,000).

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 $16,238,000 (2013: $16,582,000);
- total revenue and other income of $33,529,000 (2013: $23,671,000);
- earnings per unit (EPU) of 8.17 cents (2013: 2.37 cents);
- net assets of $26,966,000 and net asset per unit of $0.11 (30 June 2014: $6,575,000 and net asset per unit of $0.03); and
- property portfolio value of $332,049,000 (30 June 2014: $316,722,000).

The Consolidated Entity continues to manage its relationship with the financier through the standstill agreement executed in April 2014 and subsequently extended in October 2014 and December 2014. This standstill is subject to ongoing satisfaction of a number of conditions, including the implementation of a business plan that will see all of the Consolidated Entity's properties sold 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 Consolidated Entity in light of the potential outcome to the German tax audits.

Financier discussions regarding extension of debt facility
The Fund has an interest in certain German partnerships (German Partnerships), which are controlled entities of the Fund. The debt facility provided by Hypothekenbank Frankfurt AG (Hypothekenbank or Financier) to the German Partnerships matured on 15 April 2014 without repayment.

Notwithstanding, the Financier has signed a standstill agreement whereby it has agreed to:
- waive any "event of default" which would otherwise have arisen following non-payment of the debt on the maturity date; and
- not take any enforcement action

during a period which originally expired on 15 October 2014 (Standstill Period) and was subsequently extended to 31 December 2014 and then 30 September 2015. The Financier are willing to favourably consider a further extension of the standstill agreement beyond 30 September 2015. Any extension remains at the discretion of the Financier.

Financier discussions regarding extension of debt facility continued

The standstill is subject to the on-going satisfaction of a number of conditions, including:

- Implementation of a business plan that will see all of the Consolidated Entity's properties sold to repay outstanding bank debt.
- Appointment of an agent acceptable to the Financier to manage the sale of the properties and such appointment not being terminated without the Financier's consent.
- Continued appointment of Corpus Sireo as the property manager in Germany and such appointment not being terminated without the Financier's consent.
- No insolvency event or other event of default occurring under the debt facility agreement (other than non-payment of the debt upon the original maturity date) or the standstill agreement.
- No other circumstance occurring, that, in the opinion of the Financier, detrimentally affects its position with the German Partnerships when compared with its position to them as at the date of the standstill agreement (including, without limitation, a negative decision by the relevant tax authority in respect of the pending tax audit of the trade tax position for the business years 2007 to 2010).

If any of these conditions, or any other standstill conditions, are breached the Standstill Period will terminate and the Financier may proceed with enforcement action.

Sale of properties

The German Partnerships have engaged Corpus Sireo and Brookfield Private Advisers LP (Brookfield Financial) to undertake management of the sales process. Corpus Sireo have been engaged to manage the sale of the nursing home properties with Brookfield Financial managing the sale of the balance of the portfolio. Corpus Sireo will remain property manager for the properties during this process. Brookfield Financial's appointment follows an arm's length assessment of proposals from a number of parties, having regard to comparative expertise and cost.

During the half year ended 31 December 2014, the sale of the Wiesbaden nursing home property was settled for a gross sale price of $12,636,000 or €8,500,000 and proceeds were used to pay down the debt facility with Hypothekenbank.

Agreements have also been executed for the sale of the five nursing home properties for a total gross sale price of $83,383,000 or €56,000,000. The sales proceeds were received by the Consolidated Entity prior to 31 December 2014, with ownership for the five nursing homes being transferred subsequent to half year end on 1 January 2015. An amount of $3,706,000 or €2,500,000 has been placed in escrow for a period of up to 15 months after settlement to support warranties provided to the purchaser. Net proceeds have been used to pay down the debt facility with Hypothekenbank.

Impact of valuations on debt

Consistent with the prior year ended 30 June 2014, the property portfolio continues to be classified as properties held for sale. As at 31 December 2014, the portfolio has been valued at $332,049,000 or €224,000,000, representing a 6.8% increase in Euros from the 30 June 2014 valuations, excluding the Wiesbaden nursing home property which was sold during the period, adopted by the Consolidated Entity.

The loan to value ratio (LVR) is approximately 99.5% at 31 December 2014, compared to 103.6% at 30 June 2014. 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.

Tax audit

German tax audit 2004-2006

During the half year ended 31 December 2014, correspondence was received from the German Tax Office in relation to the objection lodged for Trade Tax assessed for the 2004 to 2006 tax audit. The correspondence indicates that the current opinion of the Tax Office is to confirm the previous findings of the tax audit and reject the objection lodged by the German Partnerships. The correspondence is not in the form of a final decision and further discussions have taken place with representatives of the Tax Office. The objection remains under review by the Tax Office and it is expected that further discussions will take place prior to any final decision being issued.

In the event that the objection is formally rejected, no further Trade Tax should be payable for those years as the assessment of approximately €2 million has been paid prior to the objection being lodged. Consideration will be given as to whether an appeal will be made to the German Tax Courts.

Tax audit continued

German tax audit 2007-2010

Correspondence, in the form of preliminary findings, was received from the German Tax Office in the prior financial year in relation to the German Partnerships’ tax audit for the 2007 to 2010 years. These preliminary findings result in tax payable in the amount of €0.15 million (A$0.22 million) with none of the liability being relevant to Trade Tax. The preliminary findings have been reviewed with advisors and further information has been provided to the Tax Office in relation to the findings. To date, final audit reports findings have been received for a number of partnerships but not the partnership subjected to the Trade Tax assessment in 2004-06 and no final assessments have been received. It is open to the Tax Office to alter the findings prior to assessments being issued and therefore, there is no guarantee that this position will not change. Once a final assessment and a confirmation that no Trade Tax is payable as a result of a tax audit has been issued and the relevant liability paid, the Tax Office will generally be unable to re-assess or make any further amendments for those years.

The Financier has confirmed the following regarding the preliminary findings for the German Partnerships’ tax audit for the 2007 to 2010 years:

- it will agree to the estimated tax payable of approximately €0.2 million being funded from the German Partnerships’ cash reserves retained in Germany; and
- the preliminary findings received from the Tax Office and any assessment arising on substantially the same basis is not an event of default or termination event under the debt facility.

It should be noted that as the tax audit findings are not final and no assessments have been issued, if the Tax Office were to apply the same approach for the 2007 to 2010 period as was applied to 2004 to 2006, the current estimate of potential Trade Tax payable would be up to €29.25 million (including approximately €7.4 million in interest and penalties) calculated to 31 December 2014. Further, if an assessment was to become due and payable, discussions with the Financier and the Tax Office would be required regarding payment of part or all of any such liability. If no deferral of any liability is achieved or if the Financier does not consent to the use of cash reserves then this may give rise to solvency considerations in those entities and/or an event of default under the debt facility.

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 2014.

Dated at Sydney this 24th day of February 2015.

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

Russell Proutt
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

24 February 2015

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 2014, 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

AG Collinson
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 2014

	Note	Consolidated Half year ended 31 December 2014 $'000	Consolidated Half year ended 31 December 2013 $'000
Revenue and other income			
Property rental income		16,238	16,582
Interest income		116	155
Net gain on revaluation of investment properties	7	17,175	–
Net realised gain on financial derivatives		–	830
Net unrealised gain on revaluation of financial derivatives		–	6,104
Total revenue and other income		**33,529**	**23,671**
Expenses			
Property expenses		3,452	4,108
Finance costs to external parties		4,969	7,921
Management fees		740	763
Net loss on revaluation of investment properties	7	–	2,583
Loss on sale of properties held for sale		3,202	–
Other expenses		1,101	1,332
Total expenses		**13,464**	**16,707**
Profit before income tax		**20,065**	**6,964**
Income tax benefit/(expense)		112	(1,113)
Net profit after tax		**20,177**	**5,851**
Other comprehensive income, net of income tax			
Items that may be reclassified subsequently to profit or loss			
Changes in foreign currency translation reserve		214	(20)
Other comprehensive income/(loss) for the period, net of income tax		**214**	**(20)**
Total comprehensive income for the period		**20,391**	**5,831**
Net profit attributable to ordinary unitholders		**20,177**	**5,851**
Total comprehensive income attributable to ordinary unitholders		**20,391**	**5,831**
Earnings/(loss) per unit			
Basic and diluted earnings per ordinary unit (cents)		8.17	2.37

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 2014

	Note	Consolidated 31 December 2014 $'000	30 June 2014 $'000
Assets			
Current assets			
Cash and cash equivalents	6	115,978	31,972
Trade and other receivables		1,606	850
Properties held for sale	7	332,049	316,722
Total current assets		**449,633**	**349,544**
Total assets		**449,633**	**349,544**
Liabilities			
Current liabilities			
Trade and other payables		9,237	6,730
Proceeds received for deferred settlement of nursing homes		83,012	–
Interest bearing liabilities	8	330,418	336,239
Total current liabilities		**422,667**	**342,969**
Total liabilities		**422,667**	**342,969**
Net assets		**26,966**	**6,575**
Equity			
Units on issue	10	202,533	202,533
Reserves		(1,207)	(1,421)
Undistributed losses		(174,360)	(194,537)
Total equity		**26,966**	**6,575**

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 2014

	Attributable to Unitholders of the Fund			
Consolidated Entity	Ordinary units $'000	Undistributed profits/(losses) $'000	Reserves $'000	Total $'000
Opening equity - 1 July 2014	**202,533**	**(194,537)**	**(1,421)**	**6,575**
Changes in foreign currency translation reserve	–	–	214	**214**
Other comprehensive loss for the period, net of income tax	–	–	**214**	**214**
Net profit for the period	–	20,177	–	**20,177**
Total comprehensive income for the period	–	**20,177**	**214**	**20,391**
Total transactions with unitholders in their capacity as unitholders	–	–	–	**–**
Closing equity - 31 December 2014	**202,533**	**(174,360)**	**(1,207)**	**26,966**

	Attributable to Unitholders of the Fund			
Consolidated Entity	Ordinary units $'000	Undistributed profits/(losses) $'000	Reserves $'000	Total $'000
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**

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 2014

	Consolidated Half year ended 31 December 2014 $'000	Consolidated Half year ended 31 December 2013 $'000
Cash flows from operating activities		
Cash receipts in the course of operations	17,261	17,484
Cash payments in the course of operations	(5,431)	(5,770)
Gross proceeds from settlement on FX forwards	–	5,469
Gross payments for settlement on FX forwards	–	(4,639)
Interest received	88	131
Trade tax assessment paid	–	(48)
Financing costs paid	(6,417)	(7,561)
Net cash flows from operating activities	**5,501**	**5,066**
Cash flows from investing activities		
Proceeds from sale of property	95,478	–
Payments for additions to investment properties	(4,541)	(2,334)
Net cash flows from/(used in) investing activities	**90,937**	**(2,334)**
Cash flows from financing activities		
Repayment of interest bearing liabilities	(12,776)	–
Returns of capital paid	–	(24,695)
Net cash flows used in financing activities	**(12,776)**	**(24,695)**
Net increase/(decrease) in cash and cash equivalents	83,662	(21,963)
Impact of foreign exchange	344	1,974
Cash and cash equivalents at beginning of the period	31,972	54,310
Cash and cash equivalents at 31 December	**115,978**	**34,321**

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 2014 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 2014. For the purpose of preparing the consolidated financial statements the Fund is a for profit entity.

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 2014, except for the impact of the Standards and Interpretations described below.

AASB 1031 *Materiality (December 2013)* is an interim standard that cross references to other Standards and the Framework for the Preparation and Presentation of Financial Statements (issued December 2013) that contains guidance on materiality. The AASB is progressively removing references to AASB 1031 in all Standards and Interpretations, and once all these references have been removed AASB 1031 will be withdrawn.

AASB 2013-3 *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets* addresses the disclosure of information about the recoverable amount of impaired assets if that value is based on fair value less cost of disposal.

AASB 2013-5 *Amendments to Australian Accounting Standard – Investment Entities* provides an exemption from consolidation of subsidiaries under AASB 10 *Consolidated Financial Statements* for entities which meet the definition of an "investment entity". Such entities would measure their investment in particular subsidiaries at fair value through profit and loss in accordance with AASB 9 *Financial Instruments* or AASB 139 *Financial Instruments: Recognition and Measurement.*

AASB 2013-9 *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments* Part B makes changes to particular Australian Accounting Standards to delete reference to AASB 1031.

2 Significant accounting policies continued

Basis of preparation continued

Going concern

The consolidated financial statements have been prepared on a 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, the debt facility provided by Hypothekenbank Frankfurt AG (Hypothekenbank or Financier) to certain German partnerships (German Partnerships), being subsidiaries of the Fund, matured on 15 April 2014 without repayment. The Financier has signed a standstill agreement whereby it has agreed to waive any "event of default" which would otherwise have arisen following non-payment of the debt on the maturity date and not take any enforcement action until 15 October 2014 (Standstill Period). The period was subsequently extended to 31 December 2014 and then 30 September 2015. The Financier is willing to favourably consider a further extension of the standstill agreement beyond 30 September 2015. Any extension remains at the discretion of the Financier.

This standstill is subject to the on-going satisfaction of a number of conditions, including the implementation of a business plan that will see all of the Consolidated Entity's properties sold to repay outstanding bank debt. If any of the conditions, or any other standstill conditions, are breached the Standstill Period will terminate and the Financier may proceed with enforcement action.

In order to avoid a potential default, the Responsible Entity intends to continue to pursue the above business plan at the present time but will continue to give further consideration to alternatives for the Consolidated Entity in light of the potential outcome to the tax audit of the 2007 to 2010 years. Refer to properties held for sale, note 7, for information regarding the status of the sale process.

In the event the above business plan is not fulfilled or any other standstill conditions are not met within the Standstill Period and an extension/waiver is not granted by the Financier, significant uncertainty will exist as to whether the Consolidated Entity will continue as a going concern and therefore, whether it will be able to 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 financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are provided in properties held for sale (note 7), financial instruments (note 9).

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 and returns of capital

During the current and prior periods, no distributions or capital returns were declared to unitholders.

Notes to the Condensed Consolidated Interim Financial Statements continued
Multiplex European Property Fund
For the half year ended 31 December 2014

6 Cash and cash equivalents

	Consolidated 31 December 2014 $'000	30 June 2014 $'000
Cash at bank	6,956	8,014
Restricted cash	109,022	23,958
Total cash and cash equivalents	**115,978**	**31,972**

During the financial year ended 30 June 2012 the Consolidated Entity received a notice from its financier regarding the operation of the rental accounts held within Germany. The provision of this notice restricted the cash that is generated and held within the partnerships that own the Consolidated Entity's investment properties. This restriction continues to be in place. At 31 December 2014, the total value of restricted cash was $109,022,000 or €73,547,000, including sale proceeds received for the sale of the five nursing homes with ownership being transferred subsequent to half year end, on 1 January 2015 (30 June 2014: $23,958,000 or €16,448,000). Further details are contained in held for sale, note 7, and interest bearing liabilities, note 8.

7 Properties held for sale
The Consolidated Entity holds the following categories of investment properties at the reporting date:

Description	Consolidated 31 December 2014 book value $'000	30 June 2014 book value $'000
Total nursing homes	83,012	82,534
Total commercial properties	249,037	234,188
Total properties held for sale	**332,049**	**316,722**

Last valuation in Euro has been converted at the 31 December 2014 exchange rate of €0.6746 to $1.00 (30 June 2014: €0.6882 to $1.00). The Euro valuation totals €224,000,000 (30 June 2014: €217,976,000).

On the 15 April 2014 the Consolidated Entity's debt facility with Hypothekenbank matured without repayment (refer to interest bearing liabilities, note 8). Notwithstanding, the Financier has signed a standstill agreement whereby it has agreed to:
- waive any "event of default" which would otherwise have arisen following non-payment of the debt on the maturity date; and
- not take any enforcement action

during a period which originally expired on 15 October 2014 (Standstill Period) and was subsequently extended to 31 December 2014 and then 30 September 2015. The Financier is willing to favourably consider a further extension of the standstill agreement beyond 30 September 2015. Any extension remains at the discretion of the Financier.

One condition of the standstill is the implementation of a business plan that will see all of the Consolidated Entity's properties sold to repay outstanding bank debt. Accordingly, the Consolidated Entity's properties were reclassified as at 15 April 2014, being the date of entering into the original standstill agreement, from investment properties to properties held for sale.

Sale of properties
The German Partnerships have engaged Corpus Sireo and Brookfield Private Advisers LP (Brookfield Financial) to undertake management of the sales process. Corpus Sireo have been engaged to manage the sale of the nursing home properties with Brookfield Financial managing the sale of the balance of the portfolio. Corpus Sireo will remain property manager for the properties during this process. Brookfield Financial's appointment follows an arm's length assessment of proposals from a number of parties, having regard to comparative expertise and cost.

During the half year ended 31 December 2014, the sale of the Wiesbaden nursing home property was settled for a gross sale price of $12,636,000 or €8,500,000 and proceeds were used to pay down the debt facility with Hypothekenbank.

Agreements have also been executed for the sale of the five nursing home properties for a total gross sale price of $83,363,000 or €56,000,000. The sales proceeds were received by the Consolidated Entity prior to 31 December 2014, with ownership for the five nursing homes being transferred subsequent to half year end on 1 January 2015. An amount of $3,706,000 or €2,500,000 has been placed in escrow for a period of up to 15 months after settlement to support warranties provided to the purchaser. Net proceeds have been used to pay down the debt facility with Hypothekenbank.

7 Properties held for sale continued

Property valuations

Properties held for sale are stated at fair value. The properties have been independently valued at 31 December 2014 by Jones Lang LaSalle on a basis consistent with prior years, using the Discounted Cash Flow (DCF) calculation method. The capitalisation rates utilised for the 31 December 2014 Jones Lang LaSalle valuation ranges from 6.25% to 11.00%.

The carrying value of the properties at $332,049,000 or €224,000,000 in the financial statements at 31 December 2014 reflect the Jones Lang LaSalle valuation, subject to two adjustments. The five nursing homes have been valued at the $83,012,000 or €56,000,000 gross sales price. A further adjustment of $2,609,000 or €1,760,000 has been adopted for the remaining portfolio to reflect the potential for a lower sales value to be achieved in circumstances where the properties are sold so as to satisfy the requirements of the Financier.

Reconciliation of the carrying amount of properties held for sale is set out below:

	Consolidated 31 December 2014 $'000	30 June 2014 $'000
Carrying amount at beginning of period	316,722	–
Investment properties transferred to held for sale	–	335,650
Disposal of properties held for sale	(12,410)	–
Capital expenditure and incentives	4,042	1,756
Net gain/(loss) from fair value adjustments to investment properties	17,175	(11,789)
Foreign currency translation exchange adjustment	6,520	(8,895)
Carrying amount at end of period	**332,049**	**316,722**

8 Interest bearing liabilities

	Consolidated 31 December 2014 $'000	30 June 2014 $'000
Current		
Secured bank debt	330,418	336,239
Total current	**330,418**	**336,239**

	Expiry Date	Consolidated 31 December 2014 $'000	30 June 2014 $'000
Finance arrangements			
Facilities available			
Bank debt facility	30 Sep 2015	330,418	336,239
Less: Facilities utilised		(330,418)	(336,239)
Facilities not utilised		**–**	**–**

The Fund has an interest in certain German partnerships (German Partnerships), which are controlled entities of the Fund. The debt facility provided by Hypothekenbank Frankfurt AG (Hypothekenbank or Financier) to the German Partnerships matured on 15 April 2014 without repayment.

Notwithstanding, the Financier has signed a standstill agreement whereby it has agreed to:

– waive any "event of default" which would otherwise have arisen following non-payment of the debt on the maturity date; and
– not take any enforcement action during a period which originally expired on 15 October 2014 (Standstill Period) and was subsequently extended to 31 December 2014 and then 30 September 2015. The Financier is willing to favourably consider a further extension of the standstill agreement beyond 30 September 2015. Any extension remains at the discretion of the Financier.

8 Interest bearing liabilities continued

The standstill is subject to the on-going satisfaction of a number of conditions, including:

- Implementation of a business plan that will see all of the Consolidated Entity's properties sold to repay outstanding bank debt.
- Appointment of an agent acceptable to the Financier to manage the sale of the properties and such appointment not being terminated without the Financier's consent.
- Continued appointment of Corpus Sireo as the property manager in Germany and such appointment not being terminated without the Financier's consent.
- No insolvency event or other event of default occurring under the debt facility agreement (other than non-payment of the debt upon the original maturity date) or the standstill agreement.
- No other circumstance occurring, that, in the opinion of the Financier, detrimentally affects its position with the German Partnerships when compared with its position to them as at the date of the standstill agreement (including, without limitation, a negative decision by the relevant tax authority in respect of the pending tax audit of the trade tax position for the business years 2007 to 2010).

If any of these conditions, or any other standstill conditions, are breached the Standstill Period will terminate and the Financier may proceed with enforcement action.

During the half year ended 31 December 2014, the sale of the Wiesbaden nursing home property was settled for a gross sale price of $12,636,000 or €8,500,000 and proceeds were used to pay down the debt facility with Hypothekenbank.

Impact of valuations on debt

The loan to value ratio (LVR) is approximately 99.5% at 31 December 2014, compared to 103.6% at 30 June 2014. 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.

9 Financial instruments

Methods for determining fair values

A number of the Consolidated Entity's accounting policies and disclosures require the determination of fair value for financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods.

Cash and cash equivalents and trade and other receivables

Fair value, which is determined for disclosure purposes, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

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 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.

During the current and prior periods, there were no financial assets or liabilities which transferred between levels 1, 2 or 3.

10 Units on issue

	Half year ended 31 December 2014 $'000	Half year ended 31 December 2014 Units	Year ended 30 June 2014 $'000	Year ended 30 June 2014 Units
Opening balance	202,533	246,950,150	202,533	246,950,150
Closing balance	**202,533**	**246,950,150**	**202,533**	**246,950,150**

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 2014.

12 Contingent liabilities and assets

Trade tax audit

German tax audit 2004-2006

During the half year ended 31 December 2014, correspondence was received from the German Tax Office in relation to the objection lodged for Trade Tax assessed for the 2004 to 2006 tax audit. The correspondence indicates that the current opinion of the Tax Office is to confirm the previous findings of the tax audit and reject the objection lodged by the German Partnerships. The correspondence is not in the form of a final decision and further discussions have taken place with representatives of the Tax Office. The objection remains under review by the Tax Office and it is expected that further discussions will take place prior to any final decision being issued.

In the event that the objection is formally rejected, no further Trade Tax should be payable for those years as the assessment of approximately €2 million has been paid prior to the objection being lodged. Consideration will be given as to whether an appeal will be made to the German Tax Courts.

German tax audit 2007-2010

Correspondence, in the form of preliminary findings, was received from the German Tax Office in the prior financial year in relation to the German Partnerships' tax audit for the 2007 to 2010 years. These preliminary findings result in tax payable in the amount of €0.15 million (A$0.22 million) with none of the liability being relevant to Trade Tax. The preliminary findings have been reviewed with advisors and further information has been provided to the Tax Office in relation to the findings. To date, final audit reports findings have been received for a number of partnerships but not the partnership subjected to the Trade Tax assessment in 2004-06 and no final assessments have been received. It is open to the Tax Office to alter the findings prior to assessments being issued and therefore, there is no guarantee that this position will not change. Once a final assessment and a confirmation that no Trade Tax is payable as a result of a tax audit has been issued and the relevant liability paid, the Tax Office will generally be unable to re-assess or make any further amendments for those years.

The Financier has confirmed the following regarding the preliminary findings for the German Partnerships' tax audit for the 2007 to 2010 years:

- it will agree to the estimated tax payable of approximately €0.2 million being funded from the German Partnerships' cash reserves retained in Germany; and
- the preliminary findings received from the Tax Office and any assessment arising on substantially the same basis is not an event of default or termination event under the debt facility.

It should be noted that as the tax audit findings are not final and no assessments have been issued, if the Tax Office were to apply the same approach for the 2007 to 2010 period as was applied to 2004 to 2006, the current estimate of potential Trade Tax payable would be up to €29.25 million (including approximately €7.4 million in interest and penalties) calculated to 31 December 2014. Further, if an assessment was to become due and payable, discussions with the Financier and the Tax Office would be required regarding payment of part or all of any such liability. If no deferral of any liability is achieved or if the Financier does not consent to the use of cash reserves then this may give rise to solvency considerations in those entities and/or an event of default under the debt facility.

13 Events subsequent to the reporting date

On 1 January 2015, ownership of the five nursing homes were transferred. The sales proceeds were received by the Consolidated Entity prior to half year end. An amount of $3,706,000 or €2,500,000 has been placed in escrow for a period of up to 15 months after settlement to support warranties provided to the purchaser. Net proceeds of $78,768,000 or €53,137,000 have been used to pay down the debt facility with Hypothekenbank.

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 2014

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 17, 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 2014 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 24th day of February 2015

Russell Proutt
Director
Brookfield Capital Management Limited

Deloitte.

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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 2014, 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 18.

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 2014 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 2014 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 statement regarding the status of the consolidated entity's financing arrangements. The existing debt facility is due to expire on 30 September 2015. 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

AG Collinson
Partner
Chartered Accountants
Sydney, 24 February 2015