

Appendix 4E – Additional Disclosure Multiplex European Property Fund

For the period ended 30 June 2008

Name of Fund:	Multiplex European Property Fund (MUE)
Details of reporting period	
Current reporting period:	2 April 2007 to 30 June 2008
Prior corresponding period:	Non-applicable as is first reporting period of Fund

This Financial Report should be read in conjunction with the Financial Report for the period ended 30 June 2008. It is also recommended that the Financial Report be considered together with any public announcements made by the Fund during the period ended 30 June 2008 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

Results for announcement to the market

	Period ended 30 June 2008 \$m
Total revenue and other income ¹	85.0
Total expenses	78.2
Net profit/(loss) attributable to the unit holders of MUE	6.8
Property fair value adjustments included in the above	(39.2)
Earnings per unit (cents)	2.81

¹ Total revenue represents gross revenues including the fair value adjustments on the revaluation of investment property and financial derivatives.

Distributions

	Date of payment	Cents per unit	\$'000
Distribution for period ended 26 June 2007	27 July 2007	2.003	4,456
Distribution for period ended 30 September 2007	31 October 2007	2.235	5,519
Distribution for quarter ended 31 December 2007	31 January 2008	2.142	5,290
Distribution for quarter ended 31 March 2008	30 April 2008	2.113	5,218
Distribution for quarter ended 30 June 2008	31 July 2008	2.102	5,191
Total distribution for the period ended 30 June 2008 (8.5cpu annualised)		10.595	25,674

The record date for the distribution for the quarter ended 30 June 2008 of 2.102 cents per unit was 30 June 2008 at 5:00pm AEST.

This preliminary final report is given to the ASX in accordance with Listing Rule 4.3.A.

Commentary and analysis of the result for the current year can be found in the attached Multiplex European Property Fund ASX release dated 28 August 2008. This ASX release forms part of the Appendix 4E.

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 27 August 2008.

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Multiplex European Property Fund
Financial Report
For the period ended
30 June 2008

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Multiplex European Property Fund

ARSN 124 527 206

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Directory

Multiplex European Property Fund

For the period ended 30 June 2008

Responsible Entity

Brookfield Multiplex Capital Management Limited (formerly Multiplex Capital Management Limited)
1 Kent Street
Sydney NSW 2000
Telephone: (02) 9256 5000
Facsimile: (02) 9256 5001

Directors of Brookfield Multiplex Capital Management Limited

Peter Morris
Brian Motteram
Robert McCuaig
Mark Wilson
Brian Kingston

Company Secretary of Brookfield Multiplex Capital Management Limited

Alex Carrodus

Principal Registered Office

1 Kent Street
Sydney NSW 2000
Telephone: (02) 9256 5000
Facsimile: (02) 9256 5001

Custodian

Brookfield Multiplex Funds Management Limited (formerly Multiplex Funds Management Limited)
1 Kent Street
Sydney NSW 2000
Telephone: (02) 9256 5000
Facsimile: (02) 9256 5001

Share Registry

Link Market Services Limited
Level 12
680 George Street
Sydney NSW 2000
Telephone: (02) 8280 7100
Facsimile: (02) 9287 0303

Stock Exchange

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

Auditor

KPMG
10 Shelley Street
Sydney NSW 2000
Telephone: (02) 9335 7000
Facsimile: (02) 9299 7077

Directors' Report continued

Multiplex European Property Fund

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Period ended 30 June 2008

Introduction

The Directors of Brookfield Multiplex Capital Management Limited (formerly Multiplex Capital Management Limited) (ABN 32 094 936 866), the Responsible Entity of Multiplex European Property Fund (ARSN 124 527 206) (the Fund), present their financial report together with the financial report of the Consolidated Entity, being the Fund and its controlled entities, for the period 2 April 2007 to 30 June 2008 and the Auditor's Report thereon. The Fund was constituted on 16 November 2006 and commenced operations on 2 April 2007.

Responsible Entity

The Responsible Entity of the Fund is Brookfield Multiplex Capital Management Limited (BMCML), which has been the Responsible Entity since the Fund was constituted on 16 November 2006. The Responsible Entity changed its name from Multiplex Capital Management Limited on 17 June 2008 subsequent to the acquisition of the Multiplex Group by Brookfield Asset Management Inc. in early 2008.

The registered office and principal place of business of the Responsible Entity and the Fund is 1 Kent Street, Sydney.

Directors

The following persons were Directors of the Responsible Entity at any time during or since the end of the financial period:

Name	Capacity
Peter Morris (Director since 14 April 2004)	Non-Executive Independent Chairman
Rex Bevan (Director since 21 February 2007 – Resigned 31 January 2008)	Non-Executive Independent Director
Brian Motteram (Director since 21 February 2007)	Non-Executive Independent Director
Robert McCuaig (Director since 31 March 2004)	Non-Executive Independent Director
Ian O'Toole (Director since 31 March 2004 – Resigned 31 October 2007)	Executive Director
Robert Rayner (Director since 31 October 2000 – Resigned 22 August 2008)	Executive Director
Bob McKinnon (Appointed 7 December 2007 – Resigned 18 July 2008)	Non-Executive Director
Mark Wilson (Appointed 27 August 2008)	Executive Director
Brian Kingston (Appointed 27 August 2008)	Executive Director

Information on Directors

Peter Morris, Non-Executive Independent Chairman

Peter has more than 36 years of experience in property, initially in project and development management and more recently in funds management. He is a recognised leader in the development and project management fields, having played a major role in the growth of professional project management as a specialist skill in Australia. For 14 years he acted as Managing Director of Bovis Australia (now part of Bovis Lend Lease) and its forerunners. During this time he was responsible for the delivery of some of Australia's largest and most high profile commercial projects.

Peter acts as Independent Chairman of BMCML.

Brian Motteram, Non-Executive Independent Director

Brian has in excess of 30 years of experience working in the area of finance and accounting. He has worked with international accounting firms, in his own private practice, and during the last 18 years in private enterprise in both the mining and property industries. He spent eight years (from 1996 to 2004) as an executive of a Perth based property company in the position of Chief Financial Officer, and, later, as Financial Director.

Robert McCuaig, Non-Executive Independent Director

Robert is Chairman of the Advisory Board of Colliers International Property Consultants in Australia. Along with David Collier, he formed McCuaig and Collier, which in 1988 became the New South Wales office of Colliers International. He was a forerunner in the establishment of Colliers in Australia, now one of the world's largest professional property service groups. Robert has acted as a property adviser to the University of Sydney, Westpac, Qantas Airways, Presbyterian Church, Sydney Ports Authority, Benevolent Society of New South Wales, the State of New South Wales and the Commonwealth of Australia.

Mark Wilson, Executive Director

Mark Wilson is the CEO for Funds Management and Infrastructure for Brookfield Multiplex Group. Mark has overall responsibility for the strategy and operations of the funds management business. In his eleven years at Brookfield Multiplex, Mark has also held various managerial roles including Executive General Manager, Corporate Development and Group Company Secretary. Mark has been instrumental in a number of major equity capital markets transactions undertaken by Brookfield Multiplex, including the establishment of the Brookfield Multiplex Capital division and the Brookfield Multiplex Group Initial Public Offering in 2003. Mark has 17 years operating and investing experience and is a Fellow of Finance with Financial Services Institute of Australasia.

Directors' Report continued

Multiplex European Property Fund

Period ended 30 June 2008

Information on Directors continued

Brian Kingston, Executive Director

Brian is the Chief Financial Officer of Brookfield Multiplex Limited. Brian joined Brookfield Asset Management Inc. in 2001 and has held various senior management positions within Brookfield and its affiliates, including mergers and acquisitions, merchant banking and real estate advisory services.

Company Secretary

Alex Carrodus was appointed to the position of Company Secretary on 25 January 2005.

Information on Company Secretary

Alex Carrodus

Alex has more than 13 years' experience in the areas of company secretarial practice and compliance in the funds management industry, having worked for the ASX listed Ronin Property Group (prior to its acquisition by the Brookfield Multiplex Group), AMP and Australian Securities Exchange Limited. Prior to this period Alex worked for 8 years in the insolvency and audit divisions of a number of local and international accounting firms both in Sydney and London. Alex is a Chartered Accountant and Chartered Secretary.

Directorships of other listed entities

The only Director during the period who held a directorship with other listed entities was Bob McKinnon. Bob McKinnon was a Director of Multiplex Limited from January 2006 until the acquisition of Multiplex Limited by Brookfield Asset Management Inc. in early 2008. No other Director has held directorships in other listed entities in the 3 years immediately preceding the end of the financial period.

Directors' interests

The following table sets out each Director's relevant interest in the units, debentures, rights or options over such instruments, interests in registered schemes and rights or options over such instruments issued by the entities within the Consolidated Entity and other related bodies corporate as at the date of this report:

Director	Multiplex European Property Fund units held
Peter Morris	-
Brian Motteram	-
Robert McCuaig	25,000
Mark Wilson	-
Brian Kingston	-

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

Directors' meetings

Director	Board Meetings		Audit Committee Meetings	
	A	B	A	B
Peter Morris	13	13	3	3
Rex Bevan (Resigned 31 January 2008)	6	6	1	1
Brian Motteram	12	13	3	3
Robert McCuaig	11	13	2	2
Ian O'Toole (Resigned 31 October 2007)	4	4	N/A	N/A
Robert Rayner (Resigned 31 October 2007)	13	13	N/A	N/A
Bob McKinnon (Appointed 7 December 2007 – Resigned 18 July 2008)	7	8	N/A	N/A

A – Number of meetings attended.

B – Number of meetings held during the time the Director held office during the year.

Committee meetings

There were no other Board committee meetings held during the year other than those stated above.

Directors' Report continued

Multiplex European Property Fund

Period ended 30 June 2008

Principal activities

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

The Fund was constituted on 16 November 2006. The Fund acquired its interest in a portfolio comprising 67 properties located throughout Germany on 2 April 2007 for €355 million, and it was registered as a Managed Investment Scheme on 3 April 2007. The Fund was previously ultimately owned by Multiplex Limited (71.91% ownership), Brookfield Multiplex Property Trust (22.36% ownership) and Multiplex Acumen Property Fund (5.73% ownership) from inception to 26 June 2007. On 27 June 2007 the Fund allotted units to unitholders under the Fund's Product Disclosure Statement (PDS) dated 20 April 2007. The Fund listed on the Australian Securities Exchange (ASX) on 3 July 2007.

Review of operations

At the reporting date, the Fund held total assets of \$600,907,000 which equates to net tangible assets (NTA) per unit of \$0.82. The majority of assets consist of an interest in the Monti portfolio – a portfolio of 67 properties in Germany that consist of retail, logistics, office and nursing home assets.

Some of the significant achievements for the Fund during the period are as follows:

- total revenue and other income, including the fair value adjustments on the revaluation of investment property and financial derivatives, was \$85,010,000;
- net profit after tax attributable to unitholders, including fair value adjustments to the carrying value of investment properties and financial derivatives, totalled \$6,839,000;
- annualised normalised earnings per unit (EPU) of 8.35 cents;
- distributions paid or payable per unit (DPU) of 8.59 cents is in line with the equivalent forecasted distributions outlined in the Fund's PDS. This excludes the distributions paid to related parties prior to the allocation of units under the Fund's PDS;
- NTA per unit at 30 June 2008 of \$0.82 compared to forecast NTA at allotment of \$0.96 as at April 2007, primarily as a result of the property valuation decrement and the marking-to-market values of derivatives;
- \$39.2 million revaluation decrement recorded across the property portfolio and;
- the portfolio weighted average lease expiry remains strong at 8.6 years.

The movement in units on issue of the Fund for the period was as follows:

	2008 units
Opening units on issue – 2 April 2007	-
Units issued to related parties during the period (refer to Note 22)	222,500,150
Units redeemed during the period	(160,000,000)
Units issued during the period under the PDS	184,450,000
Capital raising costs on issue	-
Units on issue as at 30 June	246,950,150
Value of total consolidated assets as at 30 June 2008	600,907,000

The basis for valuation of the Fund's assets is disclosed in Note 3 to the financial statements.

Directors' Report continued

Multiplex European Property Fund

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Period ended 30 June 2008

Corporate governance statement

Introduction

The Directors and management of BMCML are committed to operating within an effective, robust and transparent system of corporate governance practices. The Directors believe that a functional and flexible framework is essential to the health of BMCML and the Fund, and to the operation of an orderly market through clarity and accountability in the achievement of BMCML's and the Fund's objectives.

The Fund was listed on the Australian Stock Exchange in July 2007. BMCML, as the Fund's Responsible Entity, has operated within a corporate governance system that the Directors and management have developed over time. Corporate governance is a dynamic force that keeps evolving and for that reason, our systems, policies and procedures are regularly reviewed and tailored to changing circumstances.

A description of BMCML's governance framework, as well as a comparison to the ASX Corporate Governance "Principles and Recommendations" and the extent to which the Fund has followed the recommendations in the reporting period, is set out below. The Directors believe that each principle is of equal importance.

Following the acquisition by Brookfield Asset Management Inc (BAM) of the Multiplex Group in early 2008, BMCML became a wholly-owned subsidiary of BAM. BAM is listed on the New York, Toronto and Euronext Stock Exchanges. In light of this change in ownership, BMCML is now required to comply with the US Sarbanes-Oxley Act, as well as its Canadian equivalent. Those laws deal with, amongst other things, corporate governance of US public company boards.

a Lay solid foundations for management and oversight

Companies should establish and disclose the respective roles and responsibilities of the board and management.

Recommendation 1.1: *Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.*

During 2007, the board adopted a board charter that details its functions and responsibilities, a summary of which is available at www.brookfieldmultiplexcapital.com.

The Fund has a dedicated Fund Manager who is responsible for the day to day management of the Fund's operations and who reports to the Chief Executive Officer (CEO). The Fund Manager and the CEO have formal job descriptions and letters of appointment describing their duties, rights and responsibilities.

Corporate governance statement continued

BMCML holds Australian Financial Services License (AFSL) No. 223809 and is an experienced Responsible Entity. It is subject to duties imposed by its AFSL, the Fund's constitution, the Corporations Act, the ASX Listing Rules, the Fund's compliance plan and the law. BMCML has appointed Key Persons and Responsible Managers (who are executives within the Brookfield Multiplex Capital business) and they are named on its AFSL. Their duties are to assist with and ensure BMCML's ongoing compliance with the conditions of the AFSL and the law.

The Fund is managed by Brookfield Multiplex Capital Pty Ltd (a wholly-owned subsidiary of BAM) pursuant to a Management Services Agreement (MSA). The PDS summarises the MSA (see Sections 5.6 and 10.1.3 of the PDS).

Recommendation 1.2: *Companies should disclose the process for evaluating the performance of senior executives.*

The performance of all senior executives is formally reviewed by their manager at least once per year in relation to key performance indicators and targets.

Each Brookfield Multiplex Group (BMG) employee is required to have a performance agreement with BMG. The agreement includes a review of the employee's position description and lists performance objectives and specific results to be achieved during the coming year. Each employee is required to work with his or her manager to establish the agreement, which is then regularly reviewed and updated at least annually.

All new employees undergo an induction process. Ongoing training is provided for directors and staff as relevant, including attendance at conferences, seminars, presentations and formal course work.

b Structure the Board to add value

Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.

Directors' Report continued

Multiplex European Property Fund

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Period ended 30 June 2008

Corporate governance statement continued

Recommendation 2.1: *A majority of the board should be independent directors.*

The board consists of five directors, three of whom are non-executive. The executive directors are Mr Mark Wilson (CEO) and Mr Brian Kingston. Each of the non-executive directors is independent in accordance with the relationships affecting independent status listed by the ASX Corporate Governance Principles. For further details on the directors who comprise the board including their skills, experience, expertise and term in office, please refer to page 4 (of the Directors' Report) or www.brookfieldmultiplexcapital.com.

During the period up to the date of this report, Mr Rex Bevan (independent non-executive director), Mr Ian O'Toole (executive director), Mr Bob McKinnon (non-executive director) and Mr Robert Rayner (CEO and executive director) resigned from the board.

Non-executive directors may obtain independent professional advice at the expense of BMCML with the prior approval of the Chairman.

Recommendation 2.2: *The chair should be an independent director.*

The non-executive chairman, Dr Peter Morris, is an independent director.

Recommendation 2.3: *The roles of chair and chief executive officer should not be exercised by the same individual.*

The CEO is Mr Mark Wilson. Therefore the roles of the chairman and CEO are not exercised by the same person.

Recommendation 2.4: *The board should establish a nomination committee.*

As a wholly-owned subsidiary of BAM, the board has not established a nomination committee as it believes the consideration of director appointments is a matter for BAM in conjunction with the views of the board.

Recommendation 2.5: *Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.*

The board conducted a self evaluation of its performance and that of individual directors during January 2008 by way of a survey of each director, followed by an analysis and discussion of responses by the board. As part of the review, consideration was given to the skills and competency of board members as well as the appropriate mix of skills required for managing BMCML and the Fund. An assessment of board, committee and individual director performance is intended to occur on an annual basis and may in the future include an external mediator.

The company secretary supports the effectiveness of the board by monitoring board policies and procedures followed, and co-ordinating the timely completion and dispatch of board agenda and briefing material. All directors have access to the company secretary.

c Promote ethical and responsible decision-making

Companies should actively promote ethical and responsible decision-making.

There is a basic need for integrity among those who can influence a company's strategy and its financial performance, together with responsible and ethical decision making which takes into account not only legal obligations but also the interests of stakeholders.

Recommendation 3.1: *Companies should establish a code of conduct and disclose the code or a summary of the code as to:*

- *the practices necessary to maintain confidence in the company's integrity*
- *the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders*
- *the responsibility and accountability of individuals for reporting and investigating reporting and investigating reports of unethical practices*

As a wholly-owned subsidiary of BAM, BMCML is subject to the Brookfield Multiplex Code of Business Conduct and Ethics, which articulates standards of honesty and ethical behaviour to be carried out by all employees in undertaking their duties. Employees are encouraged to report any breaches of the code in accordance with the BMG Whistle Blower Policy. This includes access to a whistle blowing hotline which is managed independently of BAM. A summary of the code is available at www.brookfieldmultiplexcapital.com.

Directors' Report continued

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Period ended 30 June 2008

Corporate governance statement continued

BMG also has a Chinese Walls Policy for the control and monitoring of the flow of sensitive information to minimise potential conflicts of interest. In accordance with ASIC Regulatory Guide 181 – "Licensing: Managing conflicts of interest," Brookfield Multiplex Capital has established a Conflicts Policy and Register for the management of actual and perceived conflicts of interest.

During 2007, BMCML established a Mandate Conflict Committee to consider conflicts of interest, related party transactions and allocation matters which may arise in the course of managing the business of BMCML and the Fund. The committee is comprised of an independent chairman, the CEO, the Brookfield Multiplex Capital Divisional Legal Counsel and the Brookfield Multiplex Capital Senior Compliance Manager. The committee's independence is enhanced by the appointment of an independent chairman and is comprised of a majority of members who do not have operational responsibilities directly linked to the performance of specific schemes. The committee has a charter and a summary of this is available at www.brookfieldmultiplexcapital.com.

Recommendation 3.2: *Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.*

BMCML is subject to the Brookfield Multiplex Capital Securities Trading Policy. It applies to all directors and employees and places restrictions and reporting requirements, including limiting trading in units in the Fund to specific trading windows and in a specific manner. A summary of the policy may be found at www.brookfieldmultiplexcapital.com. Employees are regularly reminded of the existence of, as well as the requirement to comply with, the policy. Training on the code of conduct is facilitated on a regular basis.

d Safeguard integrity in financial reporting

Companies should have a structure to independently verify and safeguard the integrity of the Fund's financial reporting

Recommendation 4.1: *The board should establish an audit committee.*

During 2007, BMCML established an Audit Committee which meets on a regular basis and reports to the board the results of its deliberations.

A procedure for the selection and appointment of external auditors, and for the rotation of external audit engagement partners, has been approved by the board.

BAM has implemented an internal control project within BMG to ensure compliance with Section 404 of the Sarbanes-Oxley Act. This requires management to report annually on the effectiveness of internal control over financial reporting and requires the external auditor to attest to and report on management's assessment. BMCML is required to comply with the Sarbanes-Oxley Act requirements. As the Fund is not controlled by BAM directly, it is not required to comply with the Sarbanes-Oxley Act requirements.

Recommendation 4.2: *The audit committee should be structured so that it:*

- consists only of non-executive directors
- consists of a majority of independent directors
- is chaired by an independent chair, who is not chair of the board
- has at least three members

The Audit Committee comprises three independent non-executive directors: Brian Motteram (Chairman), Peter Morris and Robert McCuaig.

Recommendation 4.3: *The audit committee should have a formal charter.*

The duties and responsibilities of the Audit Committee are set out in the Committee Charter, a summary of which appears at www.brookfieldmultiplexcapital.com. The Audit Committee has rights of access to management, including the right to seek any explanations or additional information and access to auditors (internal and external), without management present.

The Audit Committee reports to the board in relation to the financial statements and notes, as well as the external audit report. An external auditor, KPMG, has been appointed to audit the Fund and the Fund's compliance plan.

e Make timely and balanced disclosure

Companies should promote timely and balanced disclosure of all material matters concerning the Fund.

Directors' Report continued

Multiplex European Property Fund

Period ended 30 June 2008

Corporate governance statement continued

Recommendation 5.1: *Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.*

BMCML is subject to the Brookfield Multiplex Capital Continuous Disclosure Policy, which is designed to ensure compliance with the ASX Listing Rules and its continuous disclosure obligations. All price sensitive information is to be disclosed to the ASX. A summary of the policy is available at www.brookfieldmultiplexcapital.com. Whilst accountability with the ASX Listing Rules rests with all employees, the CEO has primary responsibility for ensuring compliance with continuous disclosure obligations.

f Respect the rights of Unitholders

Companies should respect the rights of unitholders and facilitate the effective exercise of those rights.

Unitholder rights, as owners, need to be clearly recognised and upheld.

Recommendation 6.1: *Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.*

Price sensitive information concerning the Fund is disclosed to investors and other interested stakeholders in accordance with the Brookfield Multiplex Capital Continuous Disclosure Policy. BMCML also has a Communications Policy (a summary of which also appears at www.brookfieldmultiplexcapital.com) which sees it provide regular communication to investors, including publication of:

- a quarterly magazine "Capital" which provides updated information concerning the Fund;
- the Fund's half-yearly update which provides an update on the investments held by, operation of, and the performance for the period of the Fund;
- the Fund's annual report including audited financial statements for each year ending 30 June;
- the Fund's interim report including reviewed financial statements for each half-year ending 31 December;
- quarterly distribution statements;
- annual taxation statements; and
- any continuous disclosure notices given by the Fund.

The Fund has its own section on the Brookfield Multiplex Capital website that provides up to date Fund information including current ASX unit price (subject to a 20 minute delay), financial reports, and distribution information.

As the Fund is a listed managed investment scheme, there is no mandatory requirement to hold annual general meetings. In the future BMCML may decide to hold annual general meetings of Fund investors if BMCML forms the view that there is sufficient demand from Fund investors to incur that cost.

Fund investors are able to contact either the Fund Registry or the Fund Manager during business hours to discuss any queries in relation to their investment or the operation of the Fund.

As part of BMCML's commitment to Fund investors it has an internal dispute resolution mechanism in place which is designed to meet the requirements of the Corporations Act and its AFSL. The process complies with the key principles of Australian Standard AS ISO 10002:2004 "Customer satisfaction – Guidelines for complaints handling in organisations" and the minimum requirements of the ASIC Regulatory Guide 165 – "Licensing: Internal and external dispute resolution". If a dispute cannot be resolved through the internal dispute resolution mechanism, it can be referred to the Financial Industry Complaints Service, an independent complaint resolution service of which BMCML is a member.

BMCML encourages Fund investors to visit its website regularly and communicate with the company electronically as a first preference.

g Recognise and manage risk

Companies should establish a sound system of risk oversight and management and internal control.

Every business decision has an element of uncertainty and carries a risk that can be managed through effective oversight and internal control.

Recommendation 7.1: *Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.*

Management is responsible for developing and implementing policies and procedures to identify, manage and mitigate the risks across BMCML's and the Fund's operations. These policies are designed to ensure relevant risks are effectively and efficiently managed and monitored to enable the achievement of BMCML's and the Fund's objectives.

Directors' Report continued

Multiplex European Property Fund

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Period ended 30 June 2008

Corporate governance statement continued

Risk within BMCML is assessed using a risk management methodology based upon the frameworks developed by the Commission of Sponsoring Organisations (COSO) of the Treadway Commission. Risk management statements are prepared for Brookfield Multiplex Capital in which the material business risks are identified. Annually a risk assessment is performed and considered by BMCML. Brookfield Multiplex Capital has an internal control system in place and is moving towards compliance with the US and Canadian equivalent Sarbanes-Oxley Act obligations through documenting and testing of internal control processes. A summary of the Brookfield Multiplex Capital Risk Management Policy is available at www.brookfieldmultiplexcapital.com. The Fund is not required to comply with the requirements of the Sarbanes-Oxley Act.

During 2007 BMCML amended the terms of reference of its compliance committee, renaming it the "Risk and Compliance Committee." It comprises two external members (non-BMCML directors) and the Brookfield Multiplex Capital Senior Compliance Manager. The committee discharges Part 5C.5 obligations under the Corporations Act in relation to managed investment schemes. The committee considers compliance, risk management and internal control matters and regularly reports its deliberations to the board. It has a charter, a summary of which appears at www.brookfieldmultiplexcapital.com.

Recommendation 7.2: *The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.*

Further to the preceding material, BMCML receives quarterly reports on the operation of the risk management system and ad hoc reports as and when material changes are identified to material business risks. The board annually reviews management's risk assessment in relation to BMCML. Additionally, the board receives the minutes of the Audit Committee and the Risk and Compliance Committee.

BMG has an internal audit function which as part of its annual program may review aspects of the BMCML business and the Fund. The internal audit function communicates with both Audit Committee and the Risk and Compliance Committee.

Recommendation 7.3: *The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that system is operating effectively in all material respects in relation to financial reporting risks.*

The board receives assurance from the CEO and the CFO that the declaration provided in accordance with section 295A is founded on a sound system of risk management and internal control. That system is operating effectively in all material respects in relation to financial reporting risks in relation to annual and half year reports.

h Remunerate fairly and responsibly

Companies should ensure that the level and composition of remuneration is sufficient, and reasonable, and that its relationship to performance is clear.

Recommendation 8.1: *The board should establish a remuneration committee.*

As a wholly-owned subsidiary of BAM, the board has not established a remuneration committee as it believes that consideration of executive management remuneration is a matter to be considered by BAM.

Recommendation 8.2: *Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.*

The independent directors receive fees for serving as directors. These fees are not linked to the performance of BMCML or the Fund. The executive director does not receive payment for his role as a director, instead receiving remuneration in his capacity as an employee of BMG.

Directors' Report continued

Multiplex European Property Fund

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Period ended 30 June 2008

Interests of the Responsible Entity

The following fees were paid to Brookfield Multiplex Capital Management Limited out of the Fund's assets during the financial period:

- Responsible Entity fees incurred directly by the Fund during the financial period were \$3,883,364.
- Establishment fees incurred by the Consolidated Entity during the financial period were \$22,638,101.
- Brookfield Multiplex Capital Pty Limited, as 100% owner of Multiplex German Holding Pty Limited, received distributions of \$3,204,384 prior to the allotment of units to external unitholders under the PDS.

The following interests were held in the Consolidated Entity during the financial period:

- Brookfield Multiplex Funds Management Limited, as Responsible Entity for Brookfield Multiplex Property Trust, holds 100% of the units in the Multiplex German Investment Trust, which holds 49,750,100 units or 20.15% of the Fund at 30 June 2008.
- ANZ Nominees Limited as custodian for Brookfield Multiplex Capital Management Limited as Responsible Entity for Multiplex Acumen Property Fund holds 12,750,050 units or 5.16% of the Fund at 30 June 2008.

Significant changes in the state of affairs

This is the first financial reporting period for the Fund. For the period ended 30 June 2008, it is the opinion of the Directors that there were no significant changes in the state of affairs of the Fund that occurred not otherwise disclosed in this report or in the financial report.

Events subsequent to reporting date

There are no matters or circumstances which have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in subsequent financial years.

Likely developments

Information on likely developments in the operations of the Consolidated Entity in future financial years and the expected results of those operations has not been included in this report because the Directors believe that to do so would be likely to result in unreasonable prejudice to the Consolidated Entity.

Environmental regulation

The Consolidated Entity has systems in place to manage its environmental obligations. Based upon the results of enquiries made, the Responsible Entity is not aware of any significant breaches or non-compliance issues during the period covered by this report.

Distributions

Distributions paid/payable to unitholders were as follows:

	Date of payment	Cents per unit	\$'000
Distribution for period ended 26 June 2007 ¹	27 July 2007	2.003	4,456
Distribution for period ended 30 September 2007 ²	31 October 2007	2.235	5,519
Distribution for quarter ended 31 December 2007	31 January 2008	2.142	5,290
Distribution for quarter ended 30 March 2008	30 April 2008	2.113	5,218
Distribution for quarter ended 30 June 2008	31 July 2008	2.102	5,191
Total distribution for the period ended 30 June 2008 (8.5cpu annualised)		10.595	25,674

¹ Distributions paid to related party unitholders prior to the allotment of units under the PDS (see Note 22) to the financial statements

² The distribution paid is for the period from 27 June to 30 September 2007.

Distributions paid for the period ended 30 June 2008 have been paid out of operating earnings as adjusted for non-cash transactions.

Indemnification and insurance premiums

Under the Fund's Constitution, the Responsible Entity's officers and employees are indemnified out of the Fund's assets for any loss, damage, expense or other liability incurred by it in properly performing or exercising any of its powers, duties or rights in relation to the Fund.

The Fund has not indemnified any auditor of the Consolidated Entity.

No insurance premiums are paid out of the Fund's assets in relation to insurance cover for the Responsible Entity, its officers and employees, the Risk and Compliance Committee or auditors of the Fund and Consolidated Entity.

Directors' Report continued

Multiplex European Property Fund

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Period ended 30 June 2008

Non-audit services

All amounts paid to KPMG for audit, review and regulatory services are disclosed in Note 6.

Details of the amounts paid to the auditor of the Consolidated Entity, KPMG, and its related practices for non-audit services provided during the period are set out below.

	Consolidated 2008 \$'000	Fund 2008 \$'000
Services other than statutory audit:		
Amounts paid to KPMG Australia:		
Agreed upon procedures relating to ASX listing	8	8
Amounts paid to KPMG Germany:		
Services in relation to the closing balance sheet audits of the acquired entities	143	-
Total fees related to non-audit services	151	8

Remuneration Report – audited

Remuneration of Directors and Key Management Personnel of the Responsible Entity

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

- Peter Morris - Non-Executive Independent Chairman
- Rex Bevan - Non-Executive Independent Director (Resigned 31 January 2008)
- Brian Motteram - Non-Executive Independent Director
- Robert McCuaig - Non-Executive Independent Director
- Ian O'Toole - Executive Director (Resigned 31 October 2007)
- Robert Rayner - Executive Director
- Bob McKinnon - Non-Executive Director (Appointed 7 December 2007 – Resigned 18 July 2008)
- Mark Wilson – Executive Director (Appointed 27 August 2008)
- Brian Kingston – Executive Director (Appointed 27 August 2008)

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

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

Loans to Directors and Key Management Personnel of the Responsible Entity

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

Other Transactions with Directors and Specified Executives of the Responsible Entity

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

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

Responsible Entity fees and other transactions

The management fee incurred by the Fund to the Responsible Entity for the period ended 30 June 2008 was \$3,883,364.

Lead Auditors independence declaration

The lead auditor's independence declaration is set out on page 15 and forms part of the Directors' Report for the financial period ended 30 June 2008.

Rounding of amounts

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

Directors' Report continued

Multiplex European Property Fund

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Period ended 30 June 2008

Comparatives

The Fund was constituted with nominal capital on 16 November 2006 and was dormant until 2 April 2007. The Fund became a Registered Managed Investment Scheme on 3 April 2007 in accordance with the Corporations Act 2001. In accordance with Section 340(1) of the Corporations Act 2001, ASIC granted relief to the Fund and the Consolidated Entity from preparing annual consolidated financial statements for the period ended 30 June 2007. As the Fund commenced operations on 2 April 2007 (through the issuance of 222,500,150 units and the acquisition of an interest in 67 properties), the financial statements have been prepared for the period from 2 April 2007 to 30 June 2008. As such, no comparative information is disclosed in this annual financial report.

Dated at Sydney this 27th day of August 2008

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



Brian Kingston

Director

Brookfield Multiplex Capital Management Limited



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Brookfield Multiplex Capital Management Limited, as the responsible entity of Multiplex European Property Fund

I declare that, to the best of my knowledge and belief, in relation to the audit for the period 2 April 2007 to 30 June 2008 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Tanya Gilerman
Partner

Sydney
27 August 2008

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Income Statements

Multiplex European Property Fund

For the period ended 30 June 2008

	Note	Period from 2 April 2007 to 30 June 2008	
		Consolidated \$'000	Fund \$'000
Revenue			
Property rental income		50,242	-
Interest income		8,050	273
Distribution Income from controlled entity		-	25,674
Net unrealised gain on revaluation of financial derivatives	5	26,099	-
Net realised gain on foreign exchange transactions		619	-
Total revenue and other income		85,010	25,947
Expenses			
Property expenses		7,255	-
Net fair value adjustment of investment property	11	39,238	-
Finance costs to external parties		21,848	-
Responsible Entity fees	22	3,883	3,883
Establishment costs	11	-	6,444
Other expenses		1,584	626
Total expenses		73,808	10,953
Net profit before income tax		11,202	14,994
Income tax expense	7	4,363	-
Net profit after tax		6,839	14,994
		cents	cents
Earnings per unit			
Basic and diluted weighted earnings per ordinary unit	9	2.81	6.15

The Income Statements should be read in conjunction with the Notes to the Financial Statements.

Balance Sheets

Multiplex European Property Fund

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As at 30 June 2008

	Note	Consolidated 2008 \$'000	Fund 2008 \$'000
Current assets			
Cash and cash equivalents		15,442	152
Trade and other receivables	10	2,010	5,192
Total current assets		17,452	5,344
Non-current assets			
Investment property	11	557,020	-
Fair value of financial derivatives	20	26,435	-
Investment in controlled entity	19	-	222,500
Total non-current assets		583,455	222,500
Total assets		600,907	227,844
Current liabilities			
Trade and other payables	12	7,120	6,105
Distributions payable	8	5,191	5,191
Provisions	13	1,500	-
Total current liabilities		13,811	11,296
Non-current liabilities			
Interest bearing loans and borrowings	14	377,107	-
Minority interest payable	15	3,277	-
Deferred income tax liability	7	4,032	-
Total non-current liabilities		384,416	-
Total liabilities		398,227	11,296
Net assets		202,680	216,548
Equity			
Units on issue	16	227,228	227,228
Foreign currency translation reserve	17	(5,713)	-
Undistributed income	17	(18,835)	(10,680)
Total equity		202,680	216,548

The Balance Sheets should be read in conjunction with the Notes to the Financial Statements.

Statements of Changes in Equity

Multiplex European Property Fund

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For the period ended 30 June 2008

	Note	Period from 2 April 2007 to 30 June 2008	
		Consolidated \$'000	Fund \$'000
Opening equity – 2 April 2007		-	-
Movement in units on issue			
Units issued to related parties during the period	16	222,500	222,500
Units redeemed during the period	16	(160,000)	(160,000)
Capital raising costs on issue of units under the Product Disclosure Statement	16	(19,722)	(19,722)
Units issued during the period under the Product Disclosure Statement	16	184,450	184,450
Movement in foreign currency translation reserve			
Decrease in foreign currency translation reserve	17	(5,713)	-
Movement in Undistributed income			
Net profit attributable to unitholders of the Fund		6,839	14,994
Distributions paid or payable to unitholders of the Fund	8	(25,674)	(25,674)
Closing equity – 30 June 2008		202,680	216,548

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

Statements of Cash Flow

Multiplex European Property Fund

For the period ended 30 June 2008

	Note	Period from 2 April 2007 to 30 June 2008	
		Consolidated \$'000	Fund \$'000
Cash flows from operating activities			
Cash receipts in the course of operations		50,055	-
Cash payments in the course of operations		(7,990)	(10,040)
Interest received		6,841	273
Financing costs paid		(16,254)	-
Net cash flows from/(used in) operating activities	21	32,652	(9,767)
Cash flows from investing activities			
Payments for purchase of and additions to investment properties		(613,557)	-
Investment in controlled entity		-	(222,500)
Net cash flows used in investing activities		(613,557)	(222,500)
Cash flows from financing activities			
Proceeds from issue of shares	16	406,950	406,950
Payments for redemption of units	16	(160,000)	(160,000)
Issue costs paid	16	(19,722)	(19,722)
Proceeds from interest bearing liabilities	14	390,746	-
Distributions received		-	25,674
Distributions paid to unitholders	8	(20,483)	(20,483)
Debt establishment costs paid		(2,460)	-
Net cash flows from financing activities		595,031	232,419
Net increase in cash and cash equivalents		14,126	152
Cash and cash equivalents at 2 April 2007		-	-
Effect of foreign exchange rate fluctuations on cash held		1,316	-
Cash and cash equivalents at 30 June 2008		15,442	152

The Statements of Cash Flow should be read in conjunction with the Notes to the Financial Statements.

Notes to the Financial Statements

Multiplex European Property Fund

For the period ended 30 June 2008

1 Reporting entity

Multiplex European Property Fund (the Fund) is an Australian registered Managed Investment Scheme under the Corporations Act 2001 and was registered on 3 April 2007. Brookfield Multiplex Capital Management Limited, the Responsible Entity of the Fund since inception, is incorporated and domiciled in Australia.

The consolidated financial statements of the Consolidated Entity as at and for the period ended 30 June 2008 comprise the Fund and its controlled entities (together referred to as the Consolidated Entity). This consolidated financial report is the first financial report and is for the period 2 April 2007 to 30 June 2008.

2 Basis of preparation

a Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards (AASBs) (including Australian interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the Consolidated Entity and the financial report of the Fund comply with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial statements were authorised for issue in accordance with a resolution by the Directors of the Responsible Entity on this 27th day of August 2008.

b Basis of measurement

The consolidated financial statements have been prepared on the basis of historical cost, except for the following:

- derivative financial instruments which are measured at fair value; and
- investment property which is measured at fair value.

The methods used to measure fair value are discussed further in Note 3.

The consolidated financial statements are presented in Australian dollars, which is the Fund's presentation currency. The Fund's functional currency is Australian dollars; however, the Consolidated Entity is predominantly comprised of operations that are located in Europe. The functional currency of the controlled entities that hold these operations is Euros.

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

c Use of estimates and judgements

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 amount recognised in the financial statements is provided in Note 3l, Investment property, and Note 3m, Derivative financial instruments. The accounting policies for these areas are set out below.

d Comparatives

The Fund was constituted with nominal capital on 16 November 2006 and was dormant until 2 April 2007. The Fund became a registered Managed Investment Scheme on 3 April 2007 in accordance with the Corporations Act 2001. In accordance with Section 340(1) of the Corporations Act 2001, ASIC granted relief to the Fund and the Consolidated Entity from preparing annual consolidated financial statements for the period ended 30 June 2007. As the Fund commenced operations on 2 April 2007 (through the issuance of 222,500, 150 units and the acquisition of an interest in 67 properties), the financial statements have been prepared for the period from 2 April 2007 to 30 June 2008. As such, no comparative information is disclosed in this annual financial report.

Notes to the Financial Statements continued

Multiplex European Property Fund

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For the period ended 30 June 2008

3 Significant accounting policies

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

a Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Fund and its controlled entities (referred to as the Consolidated Entity in these financial statements). Control is achieved where the Fund has the power to govern the financial and operation policies of an entity so as to obtain benefits from its activities.

The results of the controlled entities acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of controlled entities to bring their accounting policies into line with those used by the Consolidated Entity. The assets and liabilities of foreign controlled entities are translated into Australian dollars at rates of exchange current at balance date, while their income and expenditure are translated at the exchange rate at the date of the transactions. Exchange differences arising on translation are taken to the foreign currency translation reserve.

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

In the Fund's stand-alone financial statements, the investment in controlled entity is held at cost.

b Foreign and cross currency transactions

Foreign and cross currency transactions of the Fund are converted to Australian dollars at the rate of exchange prevailing at the date of the transaction or at hedge rates where applicable. Amounts receivable or payable by entities within the Fund that are outstanding as at the balance date and are denominated in foreign currencies are converted to Australian dollars using rates of exchange at the end of the period. All resulting exchange differences arising on settlement are brought to account in the consolidated income statement.

c Revenue recognition

Revenues are recognised at the fair value of the consideration received for the sale of goods and services, net of the amount of Goods and Services Tax (GST), Value Added Tax (VAT), rebates and discounts.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Consolidated Entity and the revenue can be reliably measured. The following specific criteria for the major business activities must also be met before revenue is recognised. Where amounts do not meet these recognition criteria, they are deferred and recognised in the period in which the recognition criteria are met.

Property Rental Revenue

Rental income from investment property leased out under an operating lease is recognised in the Income Statement on a straight-line basis over the term of the lease.

Lease incentives granted are recognised by the Consolidated Entity as an integral part of the total rental income and are accounted for on a straight-line basis.

Contingent rents are recorded as income by the Consolidated Entity in the periods in which they are earned.

Dividends and distributions

Revenue from dividends and distributions is recognised when the right of the Consolidated Entity or the Fund to receive payment is established. In the case of distributions and dividends received from listed property equity investments, the revenue is recognised when they are declared.

Notes to the Financial Statements continued

Multiplex European Property Fund

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For the period ended 30 June 2008

3 Significant accounting policies (continued)

Interest revenue

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

d Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreements so as to reflect the risks and benefits incidental to ownership.

Operating Leases

The minimum rental revenues of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as income on a straight-line basis over the lease term, which is considered to best represent the time pattern in which the benefit derived from the leased asset is diminished.

e Leasing fees

Leasing fees in relation to the initial leasing of the property during or after a redevelopment are capitalised and amortised over the period to which the lease relates.

Costs that are directly associated with negotiating and executing the ongoing renewal of tenant lease agreements (including commissions, legal fees and costs of preparing and processing documentation for new leases) are also capitalised and amortised over the lease term in proportion to the rental revenue recognised in each financial year.

f Expense recognition

Finance costs

Finance costs are recognised as expenses using the effective interest rate method, unless they relate to a qualifying asset.

Finance costs include:

- interest on bank overdrafts and short-term and long-term borrowings, including amounts paid or received on interest rate swaps;
- amortisation of discounts or premiums relating to borrowings;
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings;
- finance lease charges; and
- certain exchange differences arising from foreign currency borrowings.

Management Fees

A base management fee up to 0.615% (including GST less any reduced input tax credits) per annum of the gross value of assets is payable to the Responsible Entity. The fee is payable by the Fund quarterly in arrears.

Expenses are recognised by the Consolidated Entity on an accruals basis. No expense is recognised if the fees are waived by the Responsible Entity.

Other expenditure

Expenditure including rates, taxes, other outgoings and Responsible Entity fees are brought to account on an accrual basis.

g Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST (where applicable), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an expense item.

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

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

Notes to the Financial Statements continued

Multiplex European Property Fund

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For the period ended 30 June 2008

3 Significant accounting policies (continued)

h Value Added Tax (VAT)

Revenues, expenses and assets are recognised net of the amount of VAT (where applicable), except where the amount of VAT incurred is not recoverable from the relevant tax authority. In these circumstances, the VAT is recognised as part of the cost of acquisition of the asset or as part of an expense item.

Receivables and payables are stated with the amount of VAT. The net amount of VAT recoverable from, or payable to, the relevant tax authority is included as a current asset or liability in the balance sheet.

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

i Income tax - Funds

Under current income tax legislation, the Fund is not liable for Australian income tax provided that the taxable income is fully distributed to unitholders each year. The Fund fully distributes its taxable income each year, calculated in accordance with the Trust Constitution and applicable legislation to unitholders who are presently entitled to income under the Constitution. Tax allowances for buildings, plant and equipment are distributed to unitholders in the form of a tax deferred component of the distributions.

The wholly owned entities of the Fund that own properties in Germany were liable to pay tax under German tax legislation at the current corporate rate of 25% plus a solitary surcharge of 5.5%. From 1 January 2008, the tax rate has changed to 15% plus a solitary surcharge of 5.5%. Tax effect accounting principles are followed whereby the income tax expense of the controlled entities includes both current tax expense and deferred tax expense/benefit. Income tax on differences between asset and liability carrying amounts for local generally accepted accounting principles and their tax base is set aside to the deferred tax asset or deferred tax liability accounts at the rates which are expected to apply when those timing differences reverse. The future tax benefit relating to deferred tax assets will be carried forward as an asset only when the benefit is probable of realisation.

j Cash and cash equivalents

For purposes of the Statement of Cash Flow, cash includes cash balances, deposits at call with financial institutions and other highly liquid investments, with short periods to maturity, which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

k Trade and other receivables

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

l Investment property

An Investment property is a property that is held to earn long-term rental yields and/or for capital appreciation.

An Investment property acquired is initially recorded at its cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. An Investment property is subsequently carried at fair value based on the principles outlined in paragraph the below.

The costs of assets constructed/redeveloped internally include the costs of materials, direct labour, directly attributable overheads, finance costs (see Note 3f) and other incidental costs.

Where the contracts of purchase include a deferred payment arrangement, amounts payable are recorded at their present value, discounted at the rate applicable to the Consolidated Entity if a similar borrowing were obtained from an independent financier under comparable terms and conditions.

Valuations

Investment property is stated at fair value at the reporting date.

The investment properties of the Consolidated Entity are internally valued at each reporting date. The Consolidated Entity's policy is to obtain external valuations when internal valuations performed indicate the property value has changed by more than 5%, or whenever it is believed that the fair value of a property differs significantly from its carrying value, based on a material change to the assumptions and market conditions underlying the valuation. An external valuation is obtained at least every 3 years.

Notes to the Financial Statements continued

Multiplex European Property Fund

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For the period ended 30 June 2008

3 Significant accounting policies (continued)

The fair value of investment property is the price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction, and is determined:

- without any deduction for transaction costs the entity may incur on sale or other disposal;
- reflecting market conditions at the reporting date;
- reflecting rental income from current leases and reasonable and supportable assumptions that represent what knowledgeable, willing parties would assume about rental income from future leases in the light of current conditions. It also reflects, on a similar basis, any cash outflows that could be expected in respect of the property;
- assuming simultaneous exchange and completion of the contract for sale without any variation in price that might be made in an arm's length transaction between knowledgeable, willing parties if exchange and completion are not simultaneous;
- ensuring that there is no double-counting of assets or liabilities that are recognised as separate assets or liabilities; and
- without inclusion of future capital expenditure that will improve or enhance the property. The valuation does not reflect the related future benefits from this future expenditure.

Any gains or losses arising from a change in the fair value of investment property are recognised in the Income Statement in the period in which they arise.

Rental income from investment property is accounted for in accordance with Note 3c.

m Derivative financial instruments

The Consolidated Entity uses derivative financial instruments to hedge its exposure to interest rate risk and foreign currency risk arising from operational, financing and investment activities. The Consolidated Entity does not hold or issue derivative financial instruments for trading or speculative purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at the reporting date, with the changes in fair value during the period recognised in the income statement.

Interest rate swaps

The fair value of interest rate swaps is the estimated amount that the Consolidated Entity would receive or pay to terminate the swap at the reporting date, taking into consideration current interest rates and the current creditworthiness of the swap counterparties.

Cross currency interest rate swaps

The Fund values cross currency interest rate swaps as the present value of future cash flows. The net receipts or payables under the cross currency swap will be brought to account in the income statement over the life of the contract as gains or losses in fair value.

Forward foreign exchange contracts

Forward foreign exchange contracts which have not expired at balance dates will be carried at fair value on the consolidated balance sheet. Changes in fair value will be recorded in the consolidated income statement. The fair value of forward exchange contracts is their quoted market price at the reporting date, being the present value of the quoted forward price.

n Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

Non-derivate financial instruments are recognised initially at fair value plus, for instruments not at a fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

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

Notes to the Financial Statements continued

Multiplex European Property Fund

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For the period ended 30 June 2008

3 Significant accounting policies (continued)

Accounting policies for cash and cash equivalents (Note 3j), trade and other receivables (Note 3k), trade and other payables (Note 3p), and Interest bearing liabilities (Note 3q) are discussed elsewhere within the financial report.

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

o Impairment

Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flow of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available for sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit and loss in the period they arise. Any cumulative loss in respect of an available for sale financial asset recognised previously in equity is transferred to profit and loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available for sale financial assets that are debt securities, the reversal is recognised in profit and loss. For available for sale financial assets that are equity securities, the reversal is recognised directly in equity.

Non-financial assets

The carrying amount of the Consolidated Entity's non-financial assets, other than investment property, and deferred tax assets, is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss in respect of goodwill is not reversed. In respect of all other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

p Trade and other payables

Trade and other payables are stated at amortised cost using the effective interest rate method and represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial period and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

q Interest bearing liabilities

Interest bearing liabilities are recognised initially at fair value less any attributable transaction costs. Subsequent to initial recognition, interest bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in the Income Statement over the period of the borrowings on an effective interest rate basis. Interest bearing loans and borrowings are classified as current liabilities unless the Consolidated Entity has an unconditional right to defer settlement of the liability to at least 12 months after balance sheet date.

r Distributions

A provision for distribution is recognised in the Balance Sheet if the distribution has been declared prior to balance date. Distributions paid and payable on units are recognised in equity as a reduction in undistributed income. Distributions paid are included in cash flows from operating activities in the Statement of Cash Flow.

s Units on issue

Issued and paid up units are recognised at the fair value of the consideration received by the Consolidated Entity, less any incremental costs directly attributable to the issue of new units.

Notes to the Financial Statements continued

Multiplex European Property Fund

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For the period ended 30 June 2008

3 Significant accounting policies (continued)

t Earnings per unit

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

u New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the Consolidated Entity in the period of initial application. They are available for early adoption, with the exception of AASB 3, at 30 June 2008, but have not been applied in preparing these financial statements:

- Revised AASB 3 *Business Combinations* changes the application of acquisition accounting for business combinations and the accounting for non-controlling (minority) interests. Key changes include: the immediate expensing of all transaction costs; measurement of contingent consideration at acquisition date with subsequent changes through the income statement; measurement of non-controlling (minority) interests at full fair value or the proportionate share of the fair value of the underlying net assets; guidance on issues such as reacquired rights and vendor indemnities; and the inclusion of combinations by contract alone and those involving mutuals. The revised standard becomes mandatory for the Consolidated Entity's 30 June 2010 financial statements. The Consolidated Entity has not yet determined the effect of the revised standard on the Consolidated Entity's financial report.
- AASB 8 *Operating Segments* introduces the "management approach" to segment reporting. AASB 8, which becomes mandatory for the Consolidated Entity's 30 June 2010 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Consolidated Entity's chief operating decision maker in order to assess each segment's performance and to allocate resources to them. The Consolidated Entity does not present information based on business or geographic segments. Information is presented to the chief operating decision maker based on the Consolidated Entity's investment portfolio, which at present is categorised between direct property assets invested in retail, logistics, office and nursing home assets. Under the management approach, it is anticipated segment information will be disclosed based on the Consolidated Entity's investment portfolio.
- Revised AASB 101 *Presentation of Financial Statements* introduces as a financial statement (formerly "primary" statement) the "statement of comprehensive income". The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for the Consolidated Entity's 30 June 2010 financial statements. The Consolidated Entity has not yet determined the potential effect of the revised standard on the Consolidated Entity's disclosures.
- Revised AASB 123 *Borrowing Costs* removes the option to expense borrowing costs and requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 will become mandatory for the Consolidated Entity's 30 June 2010 financial statements. In accordance with the transitional provisions, the Consolidated Entity will apply the revised AASB 123 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date. The Consolidated Entity has not yet determined the effect of the revised standard on future earnings.
- Revised AASB 127 *Consolidated and Separate Financial Statements* changes the accounting for investments in controlled entities. Key changes include: the re-measurement to fair value of any previous/retained investment when control is obtained/lost, with any resulting gain or loss being recognised in profit or loss; and the treatment of increases in ownership interest after control is obtained as transactions with equity holders in their capacity as equity holders. The revised standard will become mandatory for the Consolidated Entity's 30 June 2010 financial statements. The Consolidated Entity has not yet determined the potential effect of the revised standard on the Consolidated Entity's financial report.

4 Segment reporting

The Consolidated Entity operates in a single, primary business and geographical segment, being investment in income producing property assets in Europe.

	Note	Consolidated 2008 \$'000	Fund 2008 \$'000
5 Net unrealised gain on revaluation of financial derivatives			
Interest rate swaps	14, 20	21,751	-
Cross currency interest rate swaps	20	2,934	-
Forward foreign exchange contracts	20	1,414	-
Net unrealised gain on revaluation of financial derivatives		26,099	-

Notes to the Financial Statements continued

Multiplex European Property Fund

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For the period ended 30 June 2008

	Consolidated 2008 \$'000	Fund 2008 \$'000
6 Auditors' remuneration		
Auditors of the Fund – KPMG Australia:		
Audit and review of the financial report	373	373
Agreed upon procedures relating to ASX listing	8	8
Auditors of controlled entities – KPMG Germany:		
Audit and review of financial reports	49	-
Services relating to the closing balance sheet audits of the acquired entities	143	-
Auditors of controlled entities – KPMG Malta:		
Audit and review of financial reports	11	-
Total auditors' remuneration	584	381

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

	Consolidated 2008 \$'000
7 Income tax	
a Major components of income tax expense	
<i>Current income tax</i>	
Current income tax charge	186
Total Current income tax	186
<i>Deferred income tax</i>	
Relating to origination and reversal of temporary differences	4,177
Total Deferred income tax	4,177
Total Income tax expense reported in the income statement	4,363

Under current income tax legislation, the Fund is not liable for Australian income tax provided that the taxable income is fully distributed to unitholders each year. The Fund fully distributes its taxable income each year, calculated in accordance with the Trust Constitution and applicable legislation to unitholders who are presently entitled to income under the Constitution.

b Amounts charged or credited directly to equity

There are no components of income tax that have been charged or credited directly to equity.

	Note	Consolidated 2008 \$'000
c Income tax expense		
Numerical reconciliation between tax expense and pre-tax net profit		
Profit for the period after tax		6,839
Total income tax expense		4,363
Profit before income tax		11,202
Prima facie income tax expense on profit using the Luxembourg tax rate of 30%		3,361
Other ¹		1,002
Total income tax expense		4,363
d Tax assets and liabilities		
Tax liability – current	12	186
Deferred income tax liability – non current		4,032

¹ Other amounts above include non-deductible expenses and the effect of different statutory tax rates in Luxembourg and Germany.

Notes to the Financial Statements continued

Multiplex European Property Fund

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For the period ended 30 June 2008

7 Income tax (continued)

e Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2008 \$'000	Liabilities 2008 \$'000	Net 2008 \$'000
Consolidated			
Fair value adjustments	-	3,990	3,990
Provisions	-	42	42
Total	-	4,032	4,032

A deferred tax liability of \$3,989,570 has arisen primarily due to timing differences on the fair value adjustment of the market value of investment properties and derivative instruments. A deferred tax liability of \$42,339 has arisen due to timing differences on the recognition of warranty provisions. A deferred tax asset related to losses recognised at the Monti level under local generally accepted accounting principles has not been recognised.

Under current income tax legislation, the Fund is not liable for Australian income tax provided that the taxable income is fully distributed to unitholders each year. The Fund fully distributes its taxable income each year, calculated in accordance with the Trust Constitution and applicable legislation to unitholders who are presently entitled to income under the Constitution.

8 Distributions to unitholders

Distributions paid/payable to unitholders were as follows:

	Date of payment	Cents per unit	\$000
Distribution for period ended 26 June 2007 ¹	27 July 2007	2.003	4,456
Distribution for period ended 30 September 2007 ²	31 October 2007	2.235	5,519
Distribution for quarter ended 31 December 2007	31 January 2008	2.142	5,290
Distribution for quarter ended 30 March 2008	30 April 2008	2.113	5,218
Distribution for quarter ended 30 June 2008	31 July 2008	2.102	5,191
Total distribution for the period ended 30 June 2008 (8.5 cpu annualised)		10.595	25,674

1 Distributions paid to related party unitholders prior to the allotment of units under the PDS (see Note 22).

2 The distribution paid is for the period from 27 June to 30 September 2007.

9 Earnings per unit

Classification of securities as ordinary units

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

	Consolidated 2008	Fund 2008
Net profit attributable to unitholders (\$'000)	6,839	14,994
Weighted average number of ordinary units used in the calculation of basic EPU (thousands)	243,690	243,690
Basic and diluted weighted earnings per ordinary unit (cents)	2.81	6.15

Notes to the Financial Statements continued

Multiplex European Property Fund

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For the period ended 30 June 2008

9 Earnings per unit (continued)

Normalised earnings per unit

Normalised earnings per unit has been calculated based on the accounting profit of the Consolidated Entity, adjusted for non-cash and one-off items, divided by the weighted average number of units. A reconciliation from accounting profit to normalised earnings is provided below.

	Consolidated 2008 \$'000
Net profit attributable to unitholders	6,839
<i>Adjusted for:</i>	
Net unrealised gain on financial derivatives	(26,099)
Net fair value adjustment of investment property	39,238
Deferred income tax expense	4,177
Income distribution prior to allotment of units under the PDS	(4,456)
Other	929
Normalised net profit¹	20,628
Number of ordinary units outstanding at the end of the period (thousands)	246,950
Normalised earnings per unit (cents)	8.35

1 Normalised net profit as determined by the Directors.

	Note	Consolidated 2008 \$000's	Fund 2008 \$000's
10 Trade and other receivables			
Trade receivables		598	-
Derivative interest receivable		1,209	-
Prepayments		203	-
Receivables due from controlled entity	22	-	5,192
Total		2,010	5,192

Notes to the Financial Statements continued

Multiplex European Property Fund

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For the period ended 30 June 2008

The Consolidated Entity holds the following properties at the reporting date:

Description	Cost including additions \$'000	Latest external Valuation date	Latest external valuation \$'000	2008 Carrying value \$'000
11 Investment Properties				
Retail				
Netto Marken-Discount, Dresden	3,661	June 2008	3,227	3,227
Netto Marken-Discount, Artern	3,022	June 2008	2,818	2,818
Netto Marken-Discount, Dresden	3,636	June 2008	3,309	3,309
Netto Marken-Discount, Eisleben	2,891	June 2008	2,548	2,548
Netto Marken-Discount, Gernrode	2,710	June 2008	2,466	2,466
Netto Marken-Discount, Geyer	2,702	June 2008	2,474	2,474
Netto Marken-Discount, Schlema	2,576	June 2008	2,244	2,244
Netto Marken-Discount, Jena-Lobeda	2,862	June 2008	2,482	2,482
Netto Marken-Discount, Delitzsch	2,348	June 2008	2,056	2,056
Netto Marken-Discount, Stockheim	2,769	June 2008	2,425	2,425
Netto Marken-Discount, Burgstadt	2,576	June 2008	2,261	2,261
Netto Marken-Discount, Buckeburg	2,710	June 2008	2,466	2,466
Netto Marken-Discount, Muhlhausen	2,635	June 2008	2,318	2,318
ALDI, Halle	5,270	June 2008	4,366	4,366
ALDI, Stollberg	2,601	June 2008	2,285	2,285
PLUS, Oberhausen	2,946	June 2008	2,670	2,670
PLUS, Clenze	2,769	June 2008	2,367	2,367
Netto Marken-Discount, Merseburg	2,971	June 2008	2,613	2,613
Lidl Dienstleistung, Boizenburg	2,854	June 2008	2,474	2,474
Lidl Dienstleistung, Bad Marienberg	4,899	June 2008	4,260	4,260
Lidl Dienstleistung, Delitzsch	3,527	June 2008	3,080	3,080
Lidl Dienstleistung, Hage	2,887	June 2008	2,580	2,580
Lidl Dienstleistung, Schoppenstedt	2,727	June 2008	2,408	2,408
NORMA-Markt, Woldegk	3,030	June 2008	2,556	2,556
EDEKA, Pampow	2,450	June 2008	2,351	2,351
EDEKA, Blankenfelde	7,493	June 2008	7,225	7,225
EDEKA, Prum	6,962	June 2008	6,455	6,455
EDEKA, Peine-Dungelbeck	1,894	June 2008	1,810	1,810
REWE Deutsche Supermarkt, SchloBvippach	4,041	June 2008	3,670	3,670
REWE Deutsche Supermarkt, Gotha	11,844	June 2008	10,870	10,870
REWE Deutsche Supermarkt, Kothen	3,746	June 2008	3,498	3,498
REWE Deutsche Supermarkt, Offenburg	2,593	June 2008	2,392	2,392
REWE Deutsche Supermarkt, Rabenau	4,798	June 2008	4,047	4,047
REWE Deutsche Supermarkt, Rheinau	3,199	June 2008	2,760	2,760
CO OP, Malchin	6,566	June 2008	5,840	5,840
Coop-Markt, Bopfingen	3,409	June 2008	3,277	3,277
CO OP, Burladingen	5,050	June 2008	4,694	4,694
Coma Verbrauchermarkt, Cloppenburg	7,357	June 2008	6,414	6,414
EDEKA, Tespe	3,089	June 2008	2,801	2,801
Tegut Gutberlet Stiftung & Co, Feldatal	2,761	June 2008	2,621	2,621
Distributa Accord, Saarlouis	3,889	June 2008	3,621	3,621
AWG, Zimmern ob Rottweil	3,241	June 2008	2,851	2,851
Hornbach Baumarkt, Chemnitz	36,334	June 2008	33,912	33,912
AVA, Hannover	28,117	June 2008	27,457	27,457
EDEKA, Wittmund	18,903	June 2008	16,841	16,841
EDEKA, Marienhaf	8,182	June 2008	7,528	7,528
Fresnapf, Halle	2,761	June 2008	2,384	2,384
Markant Ostwestfalen, Bünde	3,275	June 2008	2,957	2,957

There are no investment properties held by the Fund.

Notes to the Financial Statements continued

Multiplex European Property Fund

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For the period ended 30 June 2008

Description	Cost including additions \$'000	Latest external Valuation date	Latest external valuation \$'000	30 June 2008 Carrying value \$'000
11 Investment properties (continued)				
Retail continued				
RHEIKA-Delta, Frankenburg	3,375	June 2008	3,211	3,211
EDEKA, Bochum	45,385	June 2008	41,137	41,137
Bugsy Burger GmbH, Osnabruck	4,293	June 2008	3,834	3,834
Kentucky Fried Chicken, Kassel	3,721	June 2008	3,621	3,621
EDEKA, Lorrach	36,539	June 2008	32,585	32,585
McDonalds, Lorrach	3,267	June 2008	3,227	3,227
Car Glass GmbH, Frankfurt/Oder	2,339	June 2008	2,145	2,145
	354,452		322,789	322,789
Logistics				
SPICERS Deutschland, Winkelhaid	27,380	June 2008	24,721	24,721
TNT Express, Hallbergmoos	28,690	June 2008	24,263	24,263
Hermes Versand Service, Gera	5,472	June 2008	4,620	4,620
	61,542		53,604	53,604
Office				
LVB, Dusseldorf	25,469	June 2008	20,429	20,429
ABB Utilities, Minden	11,769	June 2008	10,935	10,935
Telecity, Frankfurt/Main	32,617	June 2008	29,850	29,850
	69,855		61,214	61,214
Nursing Home				
Kursana Care, Eisenhutenstadt	15,304	June 2008	14,253	14,253
Kursana Care, Schwedt/Oder	15,061	June 2008	12,795	12,795
Phönix Verwaltungs, Erfurt	20,641	June 2008	18,775	18,775
Alloheim Senioren Residenzen AG, Wetzlar	24,818	June 2008	23,132	23,132
Phönix Verwaltungs, Göttingen	28,955	June 2008	27,588	27,588
Maternus Altenheim, Wiesbaden	22,930	June 2008	22,870	22,870
	127,709		119,413	119,413
Total Investment properties	613,558		557,020	557,020

There are no investment properties held by the Fund.

Included in the cost of investment properties is \$13,756,990 of acquisition costs. The Fund incurred \$6,443,738 of these costs.

Initial cost has been converted at the forward rate at which the settlement of the initial properties occurred, or €0.5922 to \$1.00.

Last valuation in Euro has been converted at the 30 June 2008 exchange rate of €0.6104 to \$1.00.

Carrying value represents the latest external valuation.

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 arms length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The entire property portfolio has been independently valued at 30 June 2008 by DTZ International Property Advisors. The valuations are prepared by considering the aggregate of the net annual rents receivable from the properties and, where relevant, associated costs. A yield which reflects the specific risks inherent in the net cash flows is then applied to the annual rentals to arrive at the property valuation. 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 income statement. 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 balance sheet. Additions and other expenditure on property investments which are capital in nature are capitalised as incurred.

Notes to the Financial Statements continued

Multiplex European Property Fund

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For the period ended 30 June 2008

11 Investment Properties continued

Consolidated
2008
\$'000

Reconciliation of the carrying amount of investment properties is set out below:	
Carrying amount at beginning of period	-
Initial acquisition of properties	599,308
Capital expenditure	492
Acquisition costs	13,757
Net loss from fair value adjustments to investment properties	(39,238)
Foreign currency translation exchange adjustment	(17,299)
Carrying amount at end of period	557,020

Leasing arrangements

Completed investment properties are leased to tenants under long-term operating leases with rentals receivable monthly.

Consolidated
2008
\$'000

Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:	
Within one year	37,857
Later than one year but not later than five years	130,526
Later than five years	136,755
	305,138

Minimum lease payments in Euro has been converted at the 30 June 2008 exchange rate of €0.6104 to \$1.00.

Annual rent receivable by the Consolidated Entity under current leases from tenants is from retail, logistics, office and nursing home assets held. The weighted average lease term is 8.6 years.

The Fund incurred \$6,443,738 of costs related to the acquisition of the initial properties which has been expensed in the Fund Income Statement. Upon consolidation, these costs have been capitalised into the value of the investment properties held in the Consolidated Entity as they are costs directly attributable to the purchase of the investment properties.

	Note	Consolidated 2008 \$'000	Fund 2008 \$'000
12 Trade and other payables			
Trade payables		55	-
Interest payable		3,633	-
VAT/GST payable		340	45
Management fees payable	22	1,363	1,363
Sundry payables		1,543	375
Payable to controlled entity	22	-	4,322
Current tax payable	7	186	-
Total		7,120	6,105

Notes to the Financial Statements continued

Multiplex European Property Fund

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For the period ended 30 June 2008

	Consolidated 2008 \$'000	Fund 2008 \$'000
13 Provisions		
Provisions for warranties	1,500	-
Total	1,500	-
Opening balance, 2 April 2007	-	-
Increase in provisions	1,500	-
Provisions utilised	-	-
Closing balance, 30 June 2008	1,500	-

As at 30 June 2008, \$1,500,495 is recorded as a provision for works to be carried out in accordance with warranty claims. These costs may or may not be incurred within the next 12 months.

	Consolidated 2008 \$'000	Fund 2008 \$'000
14 Interest bearing loans and borrowings		
Non-current		
Secured bank debt ¹	379,096	-
Debt establishment fees ²	(1,989)	-
Total interest bearing liabilities	377,107	-

1 Only interest is paid on this facility and no other repayments within 12 months have been forecast, hence all the debt due is non-current.

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

	Consolidated 2008 \$'000	Fund 2008 \$'000
Financing arrangements		
Facilities available		
Bank debt facility ¹	379,096	-
Less: Facilities utilised	379,096	-
Facilities not utilised	-	-

1 This facility consists of € 231.4 million financed by Eurohypo AG and € 231.4 million has been drawn down on the facility. This facility was used to purchase the interest in the properties on 2 April 2007.

The loan is repayable in full on 15 April 2014. The Consolidated Entity has granted a first ranking security over its interest in the investment properties in Note 11 to the lender.

Movement in the balance of loans and borrowings during the period was attributable to foreign exchange movement as set out below:

	Consolidated 2008 \$'000
Non-current – secured bank debt	
Opening balance, 2 April 2007	-
Drawdown	390,746
Changes in foreign currency	(11,650)
Balance as at 30 June 2008	379,096

Notes to the Financial Statements continued

Multiplex European Property Fund

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For the period ended 30 June 2008

14 Interest bearing loans and borrowings continued

As at 30 June 2008 the interest rate in respect of the amounts drawn under the facilities, including margin, was 5.437%. The amount does not include the effect of swaps. The effect after swaps including all margins is an interest rate of 4.48%.

The Consolidated Entity has entered into an interest rate swap agreement to hedge the interest rate risk on the floating rate interest bearing liabilities detailed above. The interest rate swap agreement swaps the floating interest obligation for a fixed rate obligation. The floating interest rate on the term facility is Euribor plus 0.69% per annum. Fair value movements of the interest rate swap assets are recognised in the Income Statement. The Fund does not hold interest rate swap derivatives. The Consolidated Entity's holdings in interest rate derivatives as at 30 June 2008 are detailed below:

Expiry date	Underlying instrument	Floating rate %	Fixed rate %	Notional amount of contracts outstanding €'000	Fair value of interest rate swap asset \$'000
15 April 2014	Floating to fixed	5.437	4.480	231,400	22,032

15 Minority interest payable

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

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

This option has been valued at €2m and stated as a financial obligation shown as a non-current liability as it is not the intention of the Consolidated Entity to exercise the call option in the next 12 months. As a result, the €2.0m (A\$ 3,276,540), has been classified as minority interest payable, valued at the exchange rate at the balance date.

16 Units on issue

The movement in units on issue of the Fund for the period was as follows:

	2008 units	2008 \$'000
Opening units on issue – 2 April 2007	-	-
Units issued to related parties during the period (refer to Note 22)	222,500,150	222,500
Units redeemed during the period	(160,000,000)	(160,000)
Units issued during the period under the PDS	184,450,000	184,450
Capital raising costs on issue	-	(19,722)
Units on issue as at 30 June	246,950,150	227,228

Ordinary units entitle the holder to participate in distributions and the proceeds on winding up of the Fund in proportion to the number of units held. On a show of hands, every holder of units present at a meeting of unitholders, in person or by proxy, is entitled to one vote, and upon a poll each unit is entitled to one vote. All units in the Fund are of the same class and carry equal rights. The total number of units on issue at 30 June 2008 is 246,950,150.

Notes to the Financial Statements continued

Multiplex European Property Fund

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For the period ended 30 June 2008

17 Reserves and undistributed income

A summary of the Fund's and Consolidated Entity's reserves is provided below:

	Consolidated 2008 \$'000	Fund 2008 \$'000
Foreign Currency Translation Reserve		
Opening balance	-	-
Decrease in relation to consolidation of foreign controlled entities	(5,713)	-
Closing balance	(5,713)	-

Undistributed income

Movements in undistributed income during the year were as follows:

	Consolidated 2008 \$'000	Fund 2008 \$'000
Opening balance	-	-
Net profit	6,839	14,994
Distributions provided for or paid	(25,674)	(25,674)
Closing balance	(18,835)	(10,680)

	Country of Incorporation	Ownership Interest 2008 %
18 Controlled entities		
Multiplex German Property Fund (Trust)	Australia	100.0
Multiplex German Landowning Fund (Trust)	Australia	100.0
Multiplex Malta 1 Ltd	Malta	100.0
Multiplex Malta 2 Ltd	Malta	100.0
Multiplex Luxembourg Holding S.a.r.l.	Luxembourg	100.0
Multiplex Luxembourg Limited Partner S.a.r.l.	Luxembourg	100.0
Multiplex Luxembourg General Partner S.a.r.l.	Luxembourg	100.0
Multiplex Luxembourg 1 S.a.r.l.	Luxembourg	100.0
Multiplex German Investments GmbH	Germany	100.0
Monti Partnerships ¹	Germany	94.9

¹ The Fund owns a 94.9% interest in the following seven partnerships: Erste Monti Immobiliengesellschaft mbH & Co. KG; Zweite Monti Immobiliengesellschaft mbH & Co. KG; Dritte Monti Immobiliengesellschaft mbH & Co. KG; Vierte Monti Immobiliengesellschaft mbH & Co. KG; Funfte Monti Immobiliengesellschaft mbH & Co. KG; Sechste Monti Immobiliengesellschaft mbH & Co. KG; and Siebente Monti Immobiliengesellschaft mbH & Co. KG (collectively Monti or Monti partnerships).

	Ownership %	Consolidated 2008 \$'000	Fund 2008 \$'000
19 Investment in controlled entity			
Investment in Multiplex German Property Fund	100%	-	222,500
Investment in controlled entity		-	222,500

Notes to the Financial Statements continued

Multiplex European Property Fund

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For the period ended 30 June 2008

20 Financial instruments

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset and financial liability, are disclosed in Note 3 to the financial statements.

a Capital risk management

The Board's policy is to maintain a strong capital base so as to maintain investor and market confidence and the sustainable future development of the Fund. The Board monitors the market unit price of the Fund against the Fund's and Consolidated Entity's net tangible assets, along with the rate of return and distributions paid per unit.

The Board seeks to maintain a balance between the higher returns that might be possible and the security afforded by a sound capital position.

Neither the Fund nor any of its controlled entities are subject to externally imposed capital requirements.

b Financial risk management

Overview

The Fund and Consolidated Entity are exposed to financial risks in the course of their operations. These risks can be summarised as follows:

- credit risk;
- liquidity risk; and
- market risk (including interest rate risk, foreign currency risk and equity price risk).

The Responsible Entity has responsibility for the establishment and monitoring of a risk management framework. This framework seeks to minimise the potential adverse impact of the above risks on the Fund's and Consolidated Entity's financial performance. The Board of the Responsible Entity is responsible for developing risk management policies and the Risk and Compliance Committee (which is established by the Board) is responsible for ensuring compliance with those risk management policies.

Compliance with the Responsible Entity's policies is reviewed by the Responsible Entity on a regular basis. The results of these reviews are reported to the Board and Risk and Compliance Committee of the Responsible Entity quarterly.

Investment mandate

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

Derivative financial instruments

Whilst the Fund utilises derivative financial instruments, it does not enter into or trade derivative financial instruments for speculative purposes.

c Credit risk

Sources of credit risk and risk management strategies

Credit risk is the risk of financial loss to the Consolidated Entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Fund's and Consolidated Entity's customers and derivative counterparties. Other credit risk also arises for both the Fund and Consolidated Entity related to cash and cash equivalents balances held.

Trade and other receivables

The Fund's and Consolidated Entity's exposures to credit risk is influenced mainly by the individual characteristics of each customer and counterparty. The Fund and Consolidated Entity manage and minimise exposure to credit risk by:

- obtaining guarantees from tenants of the Consolidated Entity's direct properties;
- managing and minimising exposures to individual tenants;
- monitoring receivables balances on an ongoing basis; and
- obtaining other collateral as security (where appropriate).

Notes to the Financial Statements continued

Multiplex European Property Fund

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For the period ended 30 June 2008

20 Financial instruments (continued)

Fair value of financial derivatives

Transactions with derivative counterparties are limited to established financial institutions. The Fund and Consolidated Entity also utilise the International Swaps and Derivatives Association's (ISDA's) agreements with derivative counterparties where possible to limit the credit risk exposure of such transactions by allowing settlement of derivative transaction on a net rather than gross basis.

Exposure to credit risk

The table below shows the maximum exposure to credit risk at the reporting date. The carrying amounts of these financial assets represent the maximum credit risk exposure at the reporting date.

	Note	Consolidated 2008 \$'000	Fund 2008 \$'000
Cash and cash equivalents		15,442	152
Trade and other receivables	10	2,010	5,192
Investment in controlled entity	19	-	222,500
Fair value of financial derivatives		26,435	-
Total		43,887	227,844

Concentrations of credit risk exposure – Consolidated Entity

Eurohypo AG (Eurohypo) is the counterparty to the term debt facility, interest rate swap, forward foreign exchange and cross currency interest rate swap agreements. Therefore the Consolidated Entity has a concentration of credit risk with this party. In assessing this risk, the Consolidated Entity has taken into account Eurohypo's financial position (total assets of greater than €200bn), market share and reputation (5th largest private financial institution and specialist real estate and public finance lender), previous experience with these types of transactions, and independent ratings for various covered and uncovered securities offerings (eg. S&P and Fitch AAA ratings for bonds backed by the bank's public sector loans and securities). In considering all these factors, the Consolidated Entity does not consider there to be a significant risk of default by the counterparty as at the balance date.

Concentrations of credit risk exposure - Fund

The Fund does not have any significant concentrations of credit risk at the reporting date.

Collateral obtained/held

Where applicable, the Fund and Consolidated Entity obtain collateral from counterparties to minimise the risk of default on their contractual obligations. The majority of tenants of the Consolidated Entity's property assets have provided bank guarantees in favour of the direct property-owning entities within the Consolidated Entity. At the reporting date the Fund and Consolidated Entity did not hold any other collateral in respect of its financial assets.

During the period ended 30 June 2008, the Consolidated Entity enforced a security position on the tenant at Osnabruck, Buggy Burger GmbH. Erste Monti Immobiliengesellschaft mbH & Co. KG (Erste Monti), a controlled entity of the Consolidated Entity, held collateral relating to the proprietor's assets. Before enforcing its rights, the tenant owed Erste Monti €149,932 in rent arrears. The tenant has remitted payment to the Consolidated Entity for the full amount in arrears, plus an additional 3 month rent guarantee in cash. This guarantee is held in a security deposit with Erste Monti's banker, Deutsche Bank AG. Erste Monti subsequently holds no other collateral against the tenant or the proprietor.

The Fund did not call on any collateral held during the period ended 30 June 2008.

Notes to the Financial Statements continued

Multiplex European Property Fund

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For the period ended 30 June 2008

20 Financial instruments (continued)

Financial assets past due but not impaired

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

	Consolidated 2008 \$'000	Fund 2008 \$'000
Current	539	5,192
Past due 0-30 days	46	-
Past due 31-120 days	13	-
Past due 121 days to one year	-	-
More than one year	-	-
Total trade receivables	598	5,192

A majority of the receivables reflected above relate to service charges recoverable from tenants. The standard terms of business in Germany include payment of these amounts with what would normally be regarded as extended credit terms to ensure accurate payment.

Financial assets whose terms have been renegotiated

There are no significant financial assets that have had their terms renegotiated that would otherwise have rendered the financial assets past due or impaired.

Impairment losses

During the period ended 30 June 2008, \$218,649 bad debt impairment was recognised by the Consolidated Entity. The Fund has not recognised any impairment losses during the period ended 30 June 2008.

d Liquidity risk

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

Sources of liquidity risk and risk management strategies

The main sources of liquidity risk for the Fund and Consolidated Entity are related to the refinancing of interest bearing liabilities. The Fund's approach to managing liquidity risk is to ensure that it has sufficient cash available to meet its liabilities as and when they fall due, under both normal and stressed conditions, without incurring unacceptable losses.

Interest bearing liabilities

The Consolidated Entity is exposed to liquidity risk (refinancing risk) on its interest bearing loans. The Consolidated Entity manages this risk by ensuring debt maturity dates and loan covenants are regularly monitored and negotiations with counterparties are commenced well in advance of the debt's maturity date.

The Fund's and Consolidated Entity's liquidity risk are managed in accordance with the Fund's and Consolidated Entity's investment strategy. The Consolidated Entity invests in direct property. As a result, the investments are not liquid in nature. However, the Fund's and Consolidated Entity's operations are structured to allow for sufficient rental income to enable the Fund to meet its debts as and when they are due. The Fund and Consolidated Entity also manage liquidity risk by maintaining adequate banking facilities, through continuous monitoring of forecast and actual cash flows and matching maturity profiles of financial assets and liabilities.

Defaults and breaches

During the financial period ended 30 June 2008, the Fund and the Consolidated Entity have not defaulted on or breached any terms of their loan amounts or covenants.

Notes to the Financial Statements continued

Multiplex European Property Fund

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For the period ended 30 June 2008

20 Financial instruments (continued)

Maturity analysis of financial liabilities

The following are the contractual maturities of financial liabilities, including estimated interest payments. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Fund and Consolidated Entity can be required to pay.

Consolidated \$'000	Carrying amount	Contractual cashflows	Within 1 year	1 to 2 years	2 to 5 years	Greater than 5 years
2008						
Financial liabilities						
Trade and other payables	7,120	7,120	7,120	-	-	-
Distributions payable	5,191	5,191	5,191	-	-	-
Provisions	1,500	1,500	1,500	-	-	-
Interest bearing liabilities	377,107	377,107	-	-	-	377,107
Minority interest payable	3,277	3,277	-	-	3,277	-
Interest payable on debt	4,409	125,501	25,306	20,897	62,750	16,548
Effect of interest rate swap	(776)	(22,090)	(4,454)	(3,678)	(11,045)	(2,913)
Net interest payable on debt	3,633	103,411	20,852	17,219	51,705	13,635
Total financial liabilities	397,828	497,606	34,663	17,219	54,982	390,742

Settlement of the capital hedge is contracted to occur through settlement of principal investment and borrow amounts on 15 April 2014. The Consolidated Entity will pay €147.9 million to Eurohypo at a fixed rate of €1 to \$1.6885. The Consolidated Entity will receive \$249.73 million from Eurohypo at a spot rate of €1 to \$1.6885. Further details related to the cross currency interest rate swap that the Consolidated Entity has entered into can be seen below.

Consolidated \$'000	Carrying amount	Contractual cashflows	Within 1 year	1 to 2 years	2 to 5 years	Greater than 5 years
Capital hedge						
Interest receivable on capital hedge	3,194	57,715	12,603	9,409	28,253	7,450
Interest payable on capital hedge	(1,985)	(53,946)	(10,952)	(8,967)	(26,926)	(7,101)
Net interest receivable on capital hedge	1,209	3,769	1,651	442	1,327	349
Payment in settlement of capital hedge	-	249,729	-	-	-	249,729
Receipt in settlement of capital hedge	-	(249,729)	-	-	-	(249,729)
Net settlement of capital hedge	-	-	-	-	-	-

Notes to the Financial Statements continued

Multiplex European Property Fund

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For the period ended 30 June 2008

20 Financial instruments (continued)

e Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Fund's and Consolidated Entity's income or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising returns.

Sources of market risk and risk management strategies

The Fund and Consolidated Entity are exposed to market risk in the form of interest rate risk and foreign currency risk. The Fund and Consolidated Entity enter into derivatives in order to manage interest rate and foreign currency risks. Derivatives are not entered into for speculative or trading purposes.

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Cash and cash equivalents balances will also fluctuate with changes in interest rates due to interest earned. The key source of interest rate risk for the Consolidated Entity is derived from interest bearing liabilities. The Consolidated Entity manages this exposure by ensuring up to 100% of its interest bearing liabilities are on a fixed rate basis. This is achieved by entering into interest rate swaps, as detailed in Note 14.

The table below shows the Fund's and Consolidated Entity's direct exposure to interest rate risk at year end.

	Floating rate \$'000	Non- interest bearing \$'000	Total \$'000
Consolidated 2008			
<i>Financial assets</i>			
Cash and cash equivalents	15,442	-	15,442
Trade and other receivables	-	2,010	2,010
Financial derivatives	26,435	-	26,435
	41,877	2,010	43,887
<i>Financial Liabilities</i>			
Trade and other payables	-	7,120	7,120
Interest bearing liabilities	377,107	-	377,107
Distributions payable	-	5,191	5,191
Other liabilities	-	4,777	4,777
	377,107	17,088	394,195
Fund 2008			
<i>Financial assets</i>			
Cash and cash equivalents	152	-	152
Trade and other receivables	-	5,192	5,192
Investment in controlled entity	-	222,500	222,500
	152	227,692	227,844
<i>Financial liabilities</i>			
Trade and other payables	-	6,105	6,105
Distributions payable	-	5,191	5,191
	-	11,296	11,296

Notes to the Financial Statements continued

Multiplex European Property Fund

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For the period ended 30 June 2008

20 Financial instruments (continued)

Sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Fund or Consolidated Entity does not have any fixed rate financial assets or financial liabilities, and does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Fair value sensitivity analysis for variable rate instruments

A change of + or – 1% in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

	Period ended 30 June 2008		Period ended 30 June 2008	
	+ 1%	+ 1%	- 1%	- 1%
	Profit and Loss	Equity	Profit and Loss	Equity
	\$'000	\$'000	\$'000	\$'000
Consolidated				
Interest on cash	143	143	(143)	(143)
Interest on interest bearing liabilities	(3,791)	(3,791)	3,791	3,791
Swap proceeds	3,791	3,791	(3,791)	(3,791)
Fair value of derivatives	8,722	8,722	(6,815)	(6,815)
Total increase/(decrease)	8,865	8,865	(6,959)	(6,959)
Fund				
Interest on cash	17	17	(17)	(17)
Total increase/(decrease)	17	17	(17)	(17)

Foreign currency risk hedging

Foreign currency risk is the risk that the market value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Sources of risk and risk management strategies

The Fund and Consolidated Entity undertake the majority of their transactions in the Euro currency, as the assets of the Fund and Consolidated Entity are located in Europe. As a consequence, all activities of the Fund and Consolidated Entity are exposed to exchange rate risk. This arises as the equity raised by the Fund (and subsequently redeemed) is in AUD, and all distributions are paid to unitholders in AUD.

The Fund and Consolidated Entity use the following strategies to hedge its foreign currency exposures:

- For assets which earn income in a foreign currency, borrowings are sourced in the same currency as the asset, which creates a natural hedge;
- Forward exchange contracts may be utilised to hedge net income earned in Europe which is repatriated to Australia to pay distributions to unitholders (which are paid in AUD); and
- A controlled entity of the Consolidated Entity is party to a foreign exchange rate hedge in the form of a cross currency interest rate swap with physical exchange of principal front end and back end with an interest rate swap component to hedge capital.

Details of the forward foreign exchange contracts are shown below:

Type of contract	Expiry date	Underlying exposure	Fixed rate	Notional amount of contracts outstanding 30 June 2008 €'000	Fair value of forward foreign exchange asset 30 June 2008 \$'000
Forward foreign exchange	Quarterly until 15 April 2014	Euro	0.5476	25,807	1,414

Notes to the Financial Statements continued

Multiplex European Property Fund

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For the period ended 30 June 2008

20 Financial instruments (continued)

Details of the cross currency interest rate swap instruments are detailed below:

Type of contract	Expiry date	Underlying exposure	Fixed rate %	Notional amount of contracts outstanding 30 June 2008 Currency '000	Fair value of cross currency interest rate swap asset 30 June 2008 \$'000
Principal investment	15 April 2014	AUD	5.98	AUD 249,729	232,040
Principal borrow	15 April 2014	Euro	3.83	€147,900	(229,051)
Net fair value					2,989

The unrealised effect of movements of the AUD/Euro exchange rates on the Fund and Consolidated Entity are reflected in the Foreign Currency Translation Reserve.

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

	Consolidated 2008 \$'000	Fund 2008 \$'000
<i>Australia (Australian Dollar-denominated)</i>		
Gross assets	152	222,652
Gross liabilities	6,974	11,296
<i>Europe (Euro-denominated)</i>		
Gross assets	600,755	-
Gross liabilities	389,629	-

The following Euro exchange rates were applied to transactions during the period:	2008 Reporting Date Spot Rate	Period ended 30 June 2008 Average Rate
1 Australian Dollar	0.61040	0.61004

Sensitivity analysis

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

	Period ended 30 June 2008		Period ended 30 June 2008	
	+ 5%	+ 5%	- 5%	- 5%
	Profit and Loss \$'000	Equity \$'000	Profit and Loss \$'000	Equity \$'000
Consolidated Fund	12,665	10,592	(12,247)	(9,956)
	-	-	-	-

f Fair values

Methods for determining fair values

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

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.

Notes to the Financial Statements continued

Multiplex European Property Fund

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For the period ended 30 June 2008

20 Financial instruments (continued)

Derivatives

The fair value of forward foreign exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract. The fair value of interest rate swaps is estimated by discounting future cash flows based on the terms and maturity of each contract and using market interest rates for similar instruments at the reporting date. The fair value of the cross currency interest rate swaps is estimated by discounting future cash flows based on the terms and maturity of the contracts and using market interest rates for similar instruments, and applying the relevant spot and forward foreign exchange rates, 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 carrying amounts of the Fund's and Consolidated Entity's financial assets and liabilities reasonably approximate their fair values.

	Period ended 30 June 2008	
	Consolidated \$'000	Fund \$'000
21 Reconciliation of cash flows from operating activities		
Profit for the period	6,839	14,994
Adjustments for:		
<i>Items classified as investing activities</i>		
Distribution income	-	(25,674)
<i>Non-cash items</i>		
Loss from investment property valuations	39,238	-
Gain from revaluation of financial derivatives	(26,099)	-
Income tax expense	4,363	-
Provisions	1,500	-
Amortisation and other non-cash adjustments	387	-
Operating profit before changes in working capital	26,228	(10,680)
Changes in assets and liabilities during the period:		
(Increase)/decrease in receivables	(2,010)	(5,192)
Increase/(decrease) in payables	8,434	6,105
Net cash flows from/(used in) operating activities	32,652	(9,767)

Cash at bank balances earns interest at floating rates based on daily bank deposit rates.

Multiplex European Property Fund

For the period ended 30 June 2008

22 Related parties**Responsible Entity**

The Responsible Entity of Multiplex European Property Fund is Brookfield Multiplex Capital Management Limited (ABN 32 094 936 866) (formerly Multiplex Capital Management Ltd) whose immediate and ultimate holding company is Brookfield Multiplex Limited (ABN 96 008 687 063).

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

Prior to the allotment of units to external investors, Brookfield Multiplex Limited held 160,000,000 units or 71.91% ownership of the Fund. These units were fully redeemed. Brookfield Multiplex Funds Management Limited, as custodian for Multiplex German Investment Trust, retained its 49,750,100 units. ANZ Nominees Limited, as custodian for Brookfield Multiplex Capital Management Limited, as Responsible Entity for Multiplex Acumen Property Fund, retained its 12,750,050 units. These are related parties by virtue of their Responsible Entities being part of the Brookfield Multiplex Group. In addition to the units that were redeemed, additional units were issued to external investors as disclosed in Note 16.

The Fund paid fees to the Responsible Entity of \$22,638,101 for the establishment of the Fund. It also paid management fees as detailed below. All fees are in accordance with the Fund's PDS dated 20 April 2007.

Key management personnel

The Fund is required to have an incorporated Responsible Entity to manage the activities of the Fund and the Consolidated Entity. The Directors of the Responsible Entity are key management personnel of that entity and their names are Dr Peter Morris, Mr Brian Motteram, Mr Robert McCuaig, Mr Robert Rayner, Mr Bob McKinnon, Mr Mark Wilson and Mr Brian Kingston. Messrs Rex Bevan and Ian O'Toole resigned during the year. Messrs Robert Rayner and Bob McKinnon resigned subsequent to the reporting date. Messrs Mark Wilson and Brian Kingston were appointed as directors subsequent to the reporting date.

The Responsible Entity is entitled to a management fee which is calculated as a proportion of gross assets attributable to unitholders (refer below).

No compensation is paid directly by the Fund to key management personnel of the Responsible Entity.

Directors' interests

The following table sets out each Director's relevant interest in the units, debentures, rights or options over such instruments, issued interests in registered schemes and rights or options over such instruments issued by the entities within the Consolidated Entity and other related bodies corporate as at the reporting date is as follows:

Director	Multiplex European Property Fund units held
Peter Morris	-
Brian Motteram	-
Robert McCuaig	25,000
Robert Rayner (Resigned 22 August 2008)	50,000
Bob McKinnon (Resigned 18 July 2008)	-

No options are held by/have been issued to Directors or their related parties.

Responsible Entity fees and other transactions

In accordance with the Fund Constitution and PDS, BMCML is entitled to receive:

Management fee

A base management fee up to 0.615% (including GST less any reduced input tax credits) per annum of the gross value of assets is payable to the Responsible Entity by the Fund quarterly in arrears. As at 30 June 2008, the management fee paid to the Responsible Entity was \$3,883,364 with \$1,362,665 payable at period end.

The Responsible Entity is reimbursed by the Consolidated Entity for all Fund related expenses incurred on behalf of the Consolidated Entity.

Notes to the Financial Statements continued

Multiplex European Property Fund

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For the period ended 30 June 2008

22 Related parties (continued)

Related party unitholders

Brookfield Multiplex Funds Management Limited, as custodian for Multiplex German Investment Trust, owned 100% by Brookfield Multiplex Property Trust, holds 49,750,100 units or 20.15% of the Fund as at 30 June 2008.

ANZ Nominees Limited, as custodian for Brookfield Multiplex Capital Management Limited, as Responsible Entity for Multiplex Acumen Property Fund, holds 12,750,050 units or 5.16% of the Fund as at 30 June 2008.

Transactions with related parties

All transactions with related parties are conducted on normal commercial terms and conditions. Set out below is a summary of related party transactions and balances during the period:

	Period ended 30 June 2008	
	Consolidated \$'000	Fund \$'000
Transactions with controlled entities		
Distribution income	-	25,674
Receivables due from controlled entity	-	5,192
Payable to controlled entity	-	4,322
Transactions with the Responsible Entity		
Management fees	3,883	3,883
Establishment fees	22,638	22,638
Management fee payable	1,363	1,363
Expense reimbursements	9	9
Transactions with Brookfield Multiplex Limited and its controlled entities (excluding the Responsible Entity)		
Distribution to Multiplex German Holding Pty Limited ¹	3,204	3,204
Distribution to Brookfield Multiplex Property Trust ²	5,291	5,291
Distribution payable to Brookfield Multiplex Property Trust as at balance date	1,046	1,046
Expense reimbursements	82	82
Transactions with other Related Parties		
Distribution to Multiplex Acumen Property Fund ³	1,355	1,355
Distribution payable to Multiplex Acumen Property Fund as at balance date	268	268

1 Distribution paid prior to the allotment of units to external unitholders under the PDS.

2 Includes distribution paid prior to the allotment of units to external unitholders of \$996,363.

3 Includes distribution paid prior to the allotment of units to external unitholders of \$255,349.

Additional loans, receivables, payables and other transactions, including hedging arrangements, exist within the Consolidated Entity. These transactions occur between various controlled entities within the Consolidated Entity and eliminate on consolidation. Refer to Note 18 for further detail of controlled entities.

23 Contingent liabilities and assets

The Consolidated Entity has no contingent liabilities or assets at 30 June 2008.

24 Capital and other commitments

The Consolidated Entity has no capital and other commitments at 30 June 2008.

25 Events subsequent to the reporting date

There are no matters or circumstances which have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Consolidated Entity or the Fund, the results of those operations, or the state of affairs of the Consolidated Entity or the Fund in subsequent financial years.

Directors' Declaration

Multiplex European Property Fund

For the period ended 30 June 2008

1. In the opinion of the Directors of Brookfield Multiplex Capital Management Limited as Responsible Entity for Multiplex European Property Fund:
- a The consolidated financial statements and notes, set out on pages 16 to 45, are in accordance with the Corporations Act 2001, including:
 - i giving a true and fair view of the financial position of the Fund and Consolidated Entity as at 30 June 2008 and of their performance for the financial period ended from 2 April 2007 to 30 June 2008; and
 - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
 - b The financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a); and
 - c There are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.
2. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and the Chief Financial Officer for the financial period ended 30 June 2008.

Signed in accordance with a resolution of the Directors.

Dated at Sydney, this 27th of August 2008.



Brian Kingston
Director
Brookfield Multiplex Capital Management Limited

Independent auditor's report to the unitholders of Multiplex European Property Fund

Report on the financial report

We have audited the accompanying financial report of Multiplex European Property Fund (the "Fund"), which comprises the balance sheets as at 30 June 2008, and the income statements, statements of changes in equity and statements of cash flows for the period from 2 April 2007 to 30 June 2008, a description of significant accounting policies and other explanatory notes 1 to 25 and the directors' declaration, of the Consolidated Entity comprising the Fund and the entities it controlled at the period's end or from time to time during the financial period.

Directors' responsibility for the financial report

The directors of Brookfield Multiplex Capital Management Limited (the Responsible Entity) are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Responsible Entity, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards (including the Australia Accounting Interpretations) a view which is consistent with our understanding of the Fund and the Consolidated Entity's financial position, and of their performance.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion the financial report of Multiplex European Property Fund is in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the financial position of the Fund and the Consolidated Entity as at 30 June 2008 and of their performance for the for the period from 2 April 2007 to 30 June 2008; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

KPMG

Tanya Gilerman
Partner

Sydney, NSW
27 August 2008