Brookfield

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ASX Announcement

26 August 2011

Multiplex European Property Fund (ASX: MUE)
2011 Annual Results

Brookfield Capital Management Limited (BCML), as Responsible Entity for Multiplex European Property Fund (Fund), announces the Fund's annual results for the financial year ended 30 June 2011.

Key messages of this announcement are as follows:

- net profit after tax of $17.2 million (30 June 2010: $40.1 million) with earnings per unit (EPU) of 6.95 cents;
- net tangible assets (NTA) of $87.3 million or $0.35 per unit (30 June 2010: $0.31 per unit);
- the Fund's property assets were valued at $341.6 million (30 June 2010: $384.7);
- portfolio occupancy is 92% with a weighted average lease expiry (by income) of 7.2 years;
- the value of the Fund's financial derivatives increased by $29.5 million;
- distributions to investors were $6.2 million and distributions per unit (DPU) of 2.5 cents per unit;
- the Fund remains in compliance with all financing covenants; and
- the Fund continues to maintain cash reserves to meet its operating commitments and to support the property assets.

Financial Results

The appreciation of the Australian dollar during the year has impacted the comparability of financial information between the current and prior periods.

The net profit after tax of $17.2 million includes a $26 million property valuation decrement and $29.5 million in financial derivative mark-to-market gains.

Property rental income for the financial year was $ 34.2 million, a decrease from $38.7 million recorded for the 2010 financial year. When denominated in Euro, property rental income decreased by less than 1% over the year.

The Fund retained cash reserves of $39 million (30 June 2010: $34 million) in order to meet its operating requirements and in order to support the property assets should this be required.

Property Portfolio

BCML continues to maintain its practice of externally revaluing the properties each reporting period. The properties were independently valued during the period by Savills, Berlin. Their valuation of €252.85 million ($341.6 million) as at 30 June 2011 represents a 6.8% decline from the 30 June 2010 valuation of €271.3 million.

The portfolio's weighted average initial yield increased to 7.8% from 7.4% at 30 June 2010.

The portfolio's WALE (by income) is 7.2 years and the tenant mix is still dominated by major German national and multi-national tenants who contribute approximately 79% of the Fund's rental income.

Debt and Hedging

There have been no changes to the Fund's derivative instruments during the period. The Fund remains over-hedged in respect of its net investment in the properties. BCML continues to monitor currency movements and the optimal level of hedging for the Fund. Any reduction in this position is dependent upon the agreement of the Fund's lender.

The Fund remains in compliance with all financing covenants. However, the Fund's Loan to Value Ratio (LVR) calculated using 30 June 2011 valuations is 91.5% (LVR covenant limit of no greater than 95%). If this covenant is exceeded, it may result in cashflows at the property level being unable to be distributed to unitholders.

The Term Facility is fully drawn and no part of the Term Facility is due to be refinanced before expiry in April 2014.

Distribution policy

The Fund's current distribution policy is to ensure that it is distributing at least its taxable income each year.

Any declaration of distributions will always remain subject to BCML's assessment of the Fund's operating results, future financial commitments, and operating or market conditions in Europe and Australia.

Further information and Financial Results as at 30 June 2011

Further information in relation to the Fund's annual results is available to investors in the form of an Annual Report and Financial Report which will be lodged with ASX and is available at www.au.brookfield.com.
It is recommended that investors review these documents.

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Brookfield Customer Service
Phone: 1800 570 000

Brookfield

MULTIPLEX EUROPEAN PROPERTY FUND

ARSN 124 527 206

Annual Report 2011

Responsible Entity
Brookfield Capital Management Limited
ACN 094 936 866
AFSL 223809

Multiplex European Property Fund owns 67 property assets located in Germany. The portfolio is diversified by asset class in the sectors of retail, office, logistics and nursing homes. The total portfolio is valued at €252.85 million.

Cover image: TNT Express, Hallbergmoos

Message from the Chairman

On behalf of the Board of Brookfield Capital Management Limited (BCML), enclosed is the Multiplex European Property Fund (Fund) annual report for the financial year ended 30 June 2011.

FINANCIAL RESULTS

The Fund reported a net profit after tax of $17.2 million for the period, which includes a $26 million property valuation decrement and $29.5 million in financial derivative mark-to-market gains. Net assets of the Fund increased by $9.8 million over the year, with the increase in carrying value of derivatives and the Fund's increased cash reserves offsetting the decline in value of the properties.

Movement in foreign exchange rates has made comparing financial information against prior periods difficult, however underlying operating performance of the Fund's property assets remained largely steady, with rental income in Euro decreasing by less than 1% over the previous year.

Key financial results as at 30 June 2011 include:

- distributions paid or payable of $6.2 million;
- total property rental income of $34.2 million;
- net assets of $87.3 million; and
- net tangible asset (NTA) of $0.35 per unit.

BOARD AND MANAGEMENT

Tim Harris resigned from the Board and has been replaced by Shane Ross, Brookfield Australia Investments Group General Manager, Treasury. The Board is otherwise unchanged with a majority of independent directors. Details of the directors of BCML are included in the financial report.

OUTLOOK

Whilst the economic position of Europe as a whole remains challenging, prospects for the German economy are relatively positive with an anticipated rise in German GDP of more than 2% for the 2012 financial year. This is up from the previous ten year average of 0.9%. Commercial property transactions in the first half of 2011 increased by circa 28% compared with the same period in 2010.

As general activity in property markets continues to recover, pressure remains on the value of the Fund's property assets as lessees seek better terms from landlords across all sectors. The challenge and primary focus for the Fund is to fill property vacancies and negotiate improved lease terms with tenants with robust covenants.

The decline in value of the Fund's property assets brings pressure on the Fund's compliance with covenants under its Debt Facility. The covenants are currently in compliance, however a breach could occur if the assets experience further reductions in assessed value. A consequence of a breach could result in cashflows from the portfolio not being able to be distributed to unitholders. Our efforts in managing the portfolio, combined with economic conditions in Germany and broader Europe, will be an important determinant in future asset values. As a result, the Fund continues to retain cash reserves to provide sufficient flexibility to address the requirements of the Fund.

Please visit www.au.brookfield.com for the Fund's financial statements. On behalf of the Board, thank you for your ongoing support.

F. Allan McDonald,
Independent Chairman

Year in Review

Brookfield Capital Management Limited (BCML) the Responsible Entity of Multiplex European Property Fund (the Fund) provides a review of the financial year ended 30 June 2011.

FINANCIAL RESULTS

The Fund experienced consistent operational performance amidst continued uncertainty surrounding the underlying economic position of Europe. Operating results presented in the financial statements, including comparative information, have a range of comparability issues this period as there has been a further depreciation of the euro against the Australian dollar.

Investors should note that there has not been any significant change in the underlying euro denominated rental income or net property income of the Fund. However, a higher level of vacancy in the portfolio will likely reduce operating income in the 2012 financial year.

Key results for the financial year ended 30 June 2011 are as follows:

- net profit after tax of $17.2 million (2010: $40.1 million);
- property portfolio valued at $341.6 million (2010: $384.8 million);
- property rental income of $34.2 million (2010: $38.7 million);
- earnings per unit (EPU) of 6.95 cents (2010: 16.3 cents);
- normalised earnings (i.e excluding fair value adjustments on property and financial derivatives) of 6.5 cents per unit (2010: 7.31 cents);
- distributions were $6.2 million and distributions per unit (DPU) of 2.5 cents per unit (2010: 4.5 cents per unit);
- net assets of $87.3 million or 35 cents per unit (2010: $77.5 million or 31 cents per unit);
- portfolio occupancy of approximately 92% (June 2010: 95%);
- weighted average lease expiry (WALE) by income of 7.2 years (June 2010: 6.8 years); and
- the Fund remains in compliance with all financing covenants.

NTA MOVEMENT (per unit)

ASSET MANAGEMENT

BCML continues to maintain its practice of externally revaluing properties each reporting period. The properties were independently valued by Savills Immobilien Beratungs-GmbH in Berlin. Their valuation of €252.85 million ($341.6 million) as at 30 June 2011 represents a 4.4% decline from the 31 December 2010 valuation by DTZ of €264.6 million and a 6.8% decline from the June 2010 valuation of €271.3 million.

The portfolio's net initial yield was maintained at 7.8% relative to December 2010. The decline in property values predominantly represents the increased vacancy rate and weakening credit standing of two of the nursing home operators. However, the portfolio's weighted average lease expiry (by income) is 7.2 years and the tenant mix is dominated by major German national and multi-national tenants who contribute approximately 79% of the Fund's net property income.

Retail Sector

The Fund has 55 retail properties. Discount supermarkets make up the majority of these properties with tenants including Lidl, Aldi and Netto Markt. This asset class sub-sector has a large share of the German food retailing market with an estimated turnover of in excess of €50 billion per annum in Germany.

The retail sector continues to provide a stable base for the Fund contributing 58% of the current value. With a predominant large national and multi-national tenant mix, this sector offers security of income, typically with strong covenants and good credit ratings.

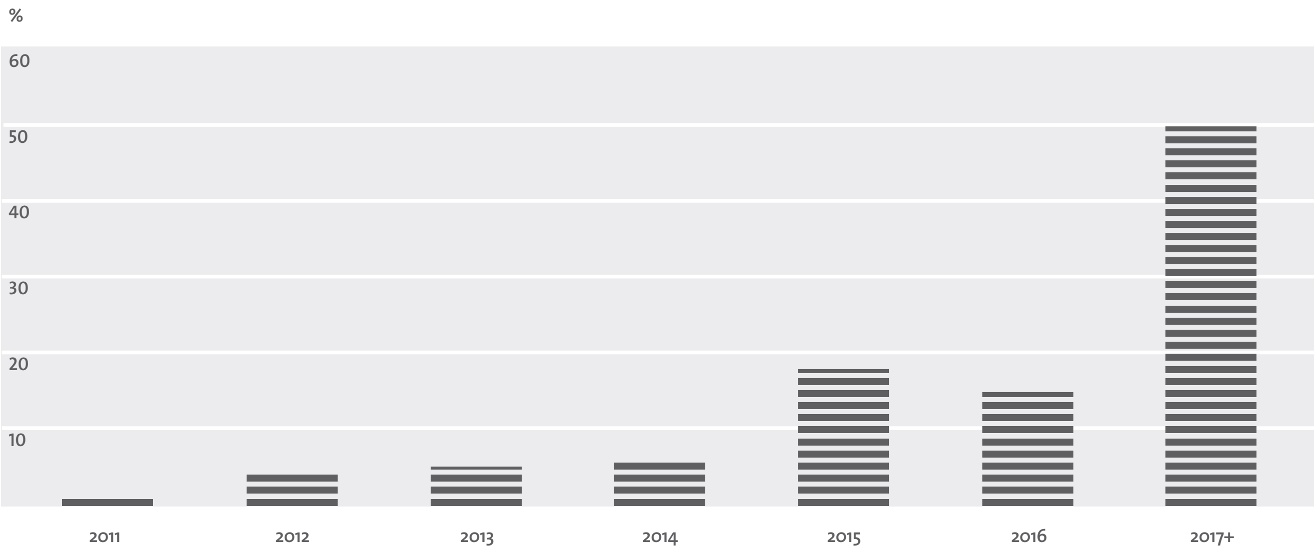
As competition between German retailers increases, the Fund continues to experience leasing pressure. This comes in the form of maintaining existing rental levels and supporting capital improvements to the properties. BCML remains confident that these pressures can be addressed and either new long-term leases secured or lease extensions with existing tenants, as achieved, for example, with Lidl at Boizenberg and Hornback in Chemnitz (where a 10 year extension to 2025 was secured).

Nursing Homes

Nursing homes remain an attractive asset class for investors, particularly viewed against the backdrop of an ageing German population, where it is expected that people requiring care will more than double by 2050. Nursing homes provide 23% of the Fund's asset value.

It is widely expected that, over the coming years, demographic change will stimulate demand for nursing homes and healthcare services, which may serve to improve the covenant strength of operators and demand for the assets owned by the Fund.

LEASE EXPIRY PROFILE (by income)



Year in Review

Logistics Sector

Leasing in the German logistics sector for the first half of 2011 was very strong and totalled 2.9 million square metres representing the highest first half year level for many years. Both the previous year's level and the five year average for the same period were exceeded by circa 50%. It is anticipated that 2011 take-up will exceed five million square metres, compared to approximately 4.3 million square metres in 2010.

Office Sector

Leasing in the main office markets of Berlin, Düsseldorf, Frankfurt, Hamburg and Munich totalled more than 717,000 square metres in the second quarter of 2011 and exceeded the first quarter of 2011 by 12.5%. During the first half of 2011 take-up was approximately 1.36 million square metres of office space, a 13.7% increase compared to the same period in 2010. Take-up in 2011 is likely to exceed 2.5 million square metres, comparable to 2010.

DEBT AND HEDGING

The Fund remains in compliance with all financing covenants. The Debt Facility is fully drawn and no part of the Debt Facility is due to be refinanced before expiry in April 2014. Net of the effect of financial derivatives the fixed interest cost is 4.48% per annum.

Based on 30 June 2011 valuations, the Fund's loan to value ratio (LVR) is 91.5% (debt covenant requirement is no greater than 95%). The covenant if breached, would result in the locking up of funds at the property level and could inhibit distributions.

At the inception of the Fund, currency hedging contracts were entered into so as to address the risk associated with fluctuations in both interest rates and the relative value between the Australian dollar and the euro. The maturity of these derivatives coincide with the timing of the Debt Facility and will expire in April 2014. There have been no changes to the Fund's derivative instruments during the year ended 30 June 2011.

Included in these arrangements is a hedge that was intended to cover the currency risk relating to the net equity of the Fund until April 2014. Currently, €110.9 million of value is hedged, whereas the net equity of the portfolio at 30 June 2011 is approximately €20 million. Thus, as a result of declines in the net equity value (in euros) of the portfolio, the Fund is in an over-hedged position in relation to the current net equity value.

Previously, the Fund unwound a portion of the hedge to reduce this over-hedged position. This provided a gain and the proceeds were distributed via a special distribution. Although the Fund continues to be in an over-hedged position, its ability to unwind the contract, in whole or in part, prior to the 2014 maturity, is dependent upon the agreement of the Fund's lender which, at this time, has not been provided for any further reduction of the position.

BCML will continue to monitor exchange rate movements and all of the hedging arrangements in place for the Fund.

HIGH OCCUPANCY WITH LONG WEIGHTED AVERAGE LEASE EXPIRY (WALE)

DESCRIPTION	OCCUPANCY %	MAJOR TENANTS	YEARS (BY INCOME)
55 retail properties comprising: – discount supermarkets – full supply supermarkets – DIY markets	93	EDEKA, REWE, Hornbach	7.1
6 nursing homes	100	Kursana, Phönix	10.8
3 logistic/warehouses	100	Spicers, TNT	3.7
3 offices	66	State of Nord Rhine-Westphalia	3.3
Total portfolio	**92**		**7.2**

TAX AUDIT

The German tax audit of a subsidiary entity of the Fund continues. The primary area being investigated is disclosed in the Fund's PDS. BCML does not presently consider that any provision in respect of the audit is required to be recognised in the Fund's financial statements.

DISTRIBUTIONS

BCML continues to maintain distribution levels so as to ensure that the Fund has an appropriate level of liquidity to deal with any unexpected events as well as to fund necessary property works required for the coming years. Declarations of distributions remain subject to BCML's assessment of the Fund's operating results, future financial commitments, and operating or market conditions in Europe and Australia.

The Fund's current distribution policy is to ensure that it is distributing at least its taxable income each year. This may be impacted by the level of foreign exchange gains/losses that the Fund realises on its existing derivative contracts, through the ordinary course of business or if terminated early.

Net assets as at 30 June 2011 are $87.3 million or 35 cents per unit. This is an increase of $9.8 million or 4 cents per unit on the previous financial year.

OUTLOOK

BCML continues to monitor the European and German economies closely and aims to maintain a prudent approach to management of the Fund. In this regard, the Fund continues to retain cash reserves of $39 million to meet operating requirements and to support its property assets. Any recovery in the German economy will provide further stability to the Fund's property portfolio and BCML remains focused on ensuring that portfolio occupancy levels are high and that the Düsseldorf property is successfully redeveloped.

Further updates on the Fund will be communicated throughout the year.

VALUATION SUMMARY

SECTOR	30 JUNE 2010 VALUATION (€M)	31 DECEMBER 2010 VALUATION (€M)	30 JUNE 2011 VALUATION (€M)	% CHANGE DECEMBER 2010 – JUNE 2011
Retail	161.0	158.4	146.4	(8%)
Nursing homes	58.8	57.8	59.4	3%
Logistics	25.0	24.5	22.3	(9%)
Office	26.5	23.9	24.7	(3%)
Total	**271.3**	**264.6**	**252.8**	**(4.4%)**

Performance at a Glance

FUND SNAPSHOT (as at 30 June 2011)	
Listing date	3 July 2007
Market capitalisation[1]	$44.4 million
Total assets	$424 million
NTA per unit	$0.35
Portfolio occupancy	92%
Portfolio weighted average lease expiry (by income)	7.2 years
ASX liquidity (units per day, period average)	134,902
Fund gearing (total interest-bearing loans/total assets at Fund level)	73.5%
Loan to value ratio (interest-bearing loans/property assets)[2]	91.5%
Management fee[3] (excluding GST)	0.41% of gross asset value
Performance fee (excluding GST)	5% to 15% of benchmark[4] outperformance

1 Market capitalisation as at close of trading on 30 June 2011.
2 Calculated using 30 June 2011 valuations.
3 Subject to the arrangements outlined in the Chairman's letter dated 14 June 2007.
4 S&P/ASX 300 A-REIT Accumulation Index.

RECONCILIATION OF NORMALISED PROFIT	
Net profit after tax	$17.2 million
Adjustments:	
– net loss on revaluation of investment property	$26.1 million
– net gain on revaluation of financial derivatives	$(29.5) million
– deferred income tax expense	$1.9 million
– amortisation of borrowing costs	$0.3 million
Normalised net profit	$16.0 million
Normalised earnings per unit	6.5 cents
Distributions per unit	2.5 cents

Portfolio at a Glance

TOP 10 TENANTS OF THE PORTFOLIO (by current rental income)

Source: Savilles

NO.	TENANT	LET AREA SQM	CURRENT RENTAL INCOME EURO P.A.	AVERAGE REMAINING LEASE TERM YEARS
1	Phönix Verw altungsund Betriebsgesellschaft mbH	14,617	2,038,079	11.00
2	Netto Marken-Discount AG & Co. KG	16,709	1,884,663	4.30
3	Edeka Rhein-Ruhr	11,020	1,577,880	10.23
4	Hornbach Baumarkt AG	11,387	1,433,364	3.67
5	Marktkauf Autonom BM	19,332	1,424,350	8.27
6	Telecity Group Germany GmbH	10,600	1,371,722	3.75
7	SPICERS Deutschland	13,861	1,054,896	4.67
8	Maternus Altenheim GmbH & Co. KG	4,099	950,415	9.51
9	Alloheim Seniorenresidenzen AG	7,878	945,890	12.50
10	TNT Express GmbH – Logistikzentrum	5,836	912,864	2.92

Source: Savills

SECTOR ALLOCATION*

58% Retail
23% Nursing homes
10% Office
9% Logistics

* Calculated on the value of properties as at 30 June 2011.

Property and Asset Manager Profile

Corpus Sireo Group was selected in June 2010 to be the Fund's German property and asset manager for a four year period to 2014.

The Corpus Sireo Group ranks as one of Europe's foremost asset managers for residential and commercial real estate. From strategic analysis to purchasing, adding value and reducing costs up to the sale, their services cover the full scope of real estate value creation.

With approximately €14.5 billion of assets under management and a supporting workforce of 500 employees in 10 different locations throughout Europe, Corpus Sireo's clients include most multinational institutional investors such as Morgan Stanley, Citigroup, DB Real Estate, Goldman Sachs, Deutsche Telekom and Royal Bank of Scotland among many others.

The Corpus Sireo Group is the result of the merger between Corpus Immobiliengruppe and Sireo Real Estate in 2007.

The Corpus Sireo Group generally provide the following services:

ASSET MANAGEMENT

- Asset Management
- Funds

INVESTMENT AND SERVICE

- Development
- Broker
- Investment

Marktkauf Supermarket, Hannover

Corpus Sireo Group

REWE Deutsche Supermarkt, Gotha

Alloheim Senioren Residenzen, Wetzlar

Netto Marken-Discount, Artern

Property Analysis

PROPERTY	TENANT/ANCHOR TENANT	PURCHASE PRICE €M	VALUATION 30 JUNE 2010 €M	VALUATION 30 JUNE 2011 €M
Dresden. Heideblick	Netto Marken-Discount	2.206	1.790	1.650
Artern	Netto Marken-Discount	1.827	1.450	1.300
Dresden. Tatzberg	Netto Marken-Discount	2.136	1.820	1.620
Eisleben	Netto Marken-Discount	1.737	1.480	1.250
Gernrode	Netto Marken-Discount	1.594	1.340	1.000
Geyer	Netto Marken-Discount	1.597	1.290	0.890
Schlema	Netto Marken-Discount	1.571	1.220	0.860
Jena-Lobeda	Netto Marken-Discount	1.717	1.430	1.230
Delitzsch. Beerendorfer Strasse	Netto Marken-Discount	1.409	1.120	0.900
Stockheim	Netto Marken-Discount	1.674	1.390	1.260
Burgstädt	Netto Marken-Discount	1.554	1.250	1.040
Bückeburg	Netto Marken-Discount	1.639	1.330	1.060
Merseburg. Geusaer Strasse	Netto Marken-Discount	1.792	1.450	1.100
Mühlhausen	Netto Marken-Discount	1.594	1.310	1.120
Halle. Merseburger Strasse	ALDI	3.066	2.260	1.740
Stollberg	ALDI	1.555	1.240	0.940
Oberhausen	Netto Marken-Discount	1.763	1.370	1.070
Clenze	Netto Marken-Discount	1.655	1.230	0.920
Boizenburg	Lidl	1.693	1.250	1.130
Bad Marienberg	Lidl	2.841	2.130	1.680
Delitzsch. Richard-Wagner Strasse	Lidl	2.110	1.630	1.270
Hage	Lidl	1.726	1.370	1.060
Schöppenstedt	Lidl	1.629	1.280	1.120
Woldegk	NORMA	1.844	1.180	1.700
Pampow	EDEKA	1.430	1.110	1.890
Blankenfelde	EDEKA	4.101	3.370	2.650
Prüm	EDEKA	3.930	2.930	2.060
Peine	EDEKA MIHA	1.117	0.850	0.610
Schloßvippach	REWE	2.280	1.780	1.720
Gotha	REWE	6.812	5.560	4.740
Köthen	REWE	2.170	1.740	1.460
Offenburg	REWE	1.491	1.270	0.900
Rabenau	Vacant	2.797	1.500	0.420
Rheinau	REWE	1.858	1.450	1.170
Malchin	coop	3.752	2.830	1.840

PROPERTY	TENANT/ANCHOR TENANT	PURCHASE PRICE €M	VALUATION 30 JUNE 2010 €M	VALUATION 30 JUNE 2011 €M
Bopfingen	REWE	2.007	1.570	1.360
Burladingen	REWE	3.030	1.690	2.120
Cloppenburg	Coma Verbrauchermarkt	4.267	3.220	2.810
Tespe	EDEKA	1.796	1.400	1.140
Feldatal	Tegut Gutberlet Stiftung & Co	1.558	1.250	0.940
Saarlouis	Accord Distributa Warenhandel	2.256	1.920	1.890
Zimmern	AWG	1.817	1.460	1.070
Winkelhaid	SPICERS Deutschland	14.871	12.990	11.600
Hallbergmoos	TNT Express	16.399	9.750	9.590
Gera	Hermes Logistik	3.196	2.220	1.080
Chemnitz	Hornbach Baumarkt	20.740	17.460	17.700
Hannover	Marktkauf	16.158	13.930	13.900
Wittmund	Toom Baumarkt	10.913	6.830	4.240
Marienhafe	Marktkauf	4.779	3.110	2.830
Halle. Trothaer Strasse	Goldkuhle Fachmärkte Frick für Wand und Boden	1.710	1.260	0.970
Bünde	Markant Ostwestfalen	1.861	1.610	1.210
Minden	ABB Utilities Niederlassung Minden	6.658	5.240	4.140
Düsseldorf	Vacant	14.888	7.380	5.970
Frankfurt/Oder	Car Glass	1.359	1.070	0.960
Frankenberg	Rheika-Delta	2.021	1.550	1.380
Osnabrück	Bugsy Burger	2.484	1.730	1.300
Frankfurt/Main	Telecity Group	17.960	13.930	14.600
Kassel	Spiel In Casino	2.214	0.680	0.680
Lörrach A	EDEKA	21.699	17.150	18.800
Lörrach B	McDonald’s	1.895	1.650	1.370
Bochum	EDEKA	26.753	21.440	21.400
Eisenhüttenstadt	Kursana	8.841	7.010	7.600
Schwedt	Kursana	8.593	6.540	6.910
Erfurt	Phönix	11.968	9.820	9.190
Wetzlar	Alloheim Senioren Residenzen	14.115	11.440	11.300
Göttingen	Phönix	17.234	14.530	14.500
Wiesbaden	Maternus Altenheim	13.296	9.430	9.930
Total		**355.000**	**271.260**	**252.850**

ASX Additional Information

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below. The equity holder information set out below was applicable as at 22 August 2011.

1. SUBSTANTIAL HOLDERS

COMPANY NAME	NO OF UNITS	% OF UNITS ON ISSUE
Multiplex German Investment Pty Limited	49,750,100	20.15
JP Morgan Nominees Australia Limited	12,750,050	5.16

2. DISTRIBUTION OF ORDINARY UNITS

Analysis of numbers of unitholders by size of holding:

	UNITS	UNITHOLDERS
1–1,000	15,489	27
1,001–5,000	1,723,851	373
5,001–10,000	7,074,225	739
10,001–100,000	72,786,420	1958
100,001 and over	165,350,165	289
Total	**246,950,150**	**3,386**

There were 58 holders with less than a marketable parcel of 2,942 securities ($0.17 on 19 August 2011).

3. UNITHOLDERS

Twenty largest quoted unitholders.

The twenty largest holders of ordinary units are listed below:

	ORDINARY UNITS	
NAME	NUMBER HELD	% OF ORDINARY UNITS
Multiplex German Investment Pty Limited	49,750,100	20.15
J P Morgan Nominees Australia Limited	12,750,050	5.16
RBC Dexia Investor Services Australia Nominees Pty Limited	9,446,324	3.83
Mr Brendan Gerard Minehan	4,900,000	1.98
Cogent Nominees Pty Limited	3,028,885	1.23
Mr Peter Chappel and Mrs Wendy Elizabeth Chappel	2,850,000	1.15
Antares Capital Partners Pty Ltd	2,539,500	1.03
Bond Street Custodians Limited	1,915,811	0.78
ABN AMRO Clearing Sydney Nominees Pty Ltd	1,861,679	0.75
Hillmorton Custodians Pty Ltd	1,425,087	0.58
WA Construction Industry Redundancy Fund Ltd	1,300,000	0.53
Horrie Pty Ltd	1,170,813	0.47
ASB Nominees Limited	1,000,000	0.40
Mr Colin Bambrick and Mrs Lorelei Bambrick	1,000,000	0.40
Boom Securities (HK) Ltd	1,000,000	0.40
Mr Claude Farer-Hickey	1,000,000	0.40
Rundal Holdings Pty Ltd	1,000,000	0.40
Mr Duncan McKillop	993,215	0.40
Stilwood Custodians Pty Ltd	962,703	0.39
Mr Sean Corbett	945,076	0.38
Total	**100,839,243**	**40.81**

4. ON-MARKET BUY-BACK

There is no current on-market buy-back program.

5. VOTING RIGHTS

Entitlement to vote

The following is an extract from Section 16.22 of the Constitution of Multiplex European Property Fund:

(a) Subject to any rights or restrictions for the time being attached to any Class or Classes of Units and to this constitution:

(i) on a show of hands, each Member present in person and each other person present as a proxy, attorney or representative of a Member has one vote; and

(ii) on a poll, each Member present in person has one vote for each one dollar of the value of the Units held by the Member and each person present as proxy, attorney or representative of a Member has one vote for each one dollar of the value of the Units held by the Member that the person represents.

(b) A Member is not entitled to vote at a general meeting in respect of Units which are the subject of a current Restriction Agreement for so long as any breach of that agreement subsists.

Investor Relations

ASX LISTING
Multiplex European Property Fund is listed on the ASX under the code MUE. Daily unit prices can be found in all major Australian newspapers, on the ASX website and at www.au.brookfield.com.

ONLINE SERVICES
Accessing investments online is one of the many ways that Brookfield is ensuring convenience and accessibility to unitholder investment holdings. Links to the registry providers are available via the Brookfield website. Unitholders can access their account balance, transaction history and distribution details.

E-COMMUNICATIONS
The default for Brookfield annual and interim reports is electronic. Online versions of the annual and interim reports are available at www.au.brookfield.com.

Investors who have elected to receive hard copy reports will continue to receive them. Should you wish to change your preference, please contact the share registry on 1800 685 455.

CONTACT THE REGISTRY
Queries relating to individual unit holdings or requests to change investment record details such as:
- change of address (issuer sponsored holdings only)
- update method of payment for receiving distributions
- tax file number notification
- annual report election

should be addressed to:

Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000
Freecall: 1800 685 455
Email: registrars@linkmarketservices.com.au

INVESTOR SERVICES
Investors wishing to register a complaint should direct it to:

The Manager
Brookfield
GPO Box 172
Sydney NSW 2001

CONTACT US
Brookfield has personnel to assist with all investor and financial adviser enquiries.

There are several ways of accessing information about the fund and providing feedback to Customer Service:

By post
GPO Box 172
Sydney NSW 2001

By phone
1800 570 000 (within Australia)
+61 2 9322 2000 (outside Australia)

By fax
+61 2 9322 2001

By email
clientenquiries@au.brookfield.com

By internet
The Brookfield website provides investors with up-to-date information on all funds as well as reports, media releases, fund performance, unit price information and corporate governance guidelines.

www.au.brookfield.com

Corporate Directory

RESPONSIBLE ENTITY
Brookfield Capital Management Limited
Level 22
135 King Street
Sydney NSW 2000
Telephone: (02) 9322 2000
Facsimile: (02) 9322 2001

DIRECTORS
F. Allan McDonald
Barbara Ward
Brian Motteram
Russell Proutt
Shane Ross

COMPANY SECRETARY
Neil Olofsson

REGISTERED OFFICE
Level 22
135 King Street
Sydney NSW 2000
Telephone: (02) 9322 2000
Facsimile: (02) 9322 2001

CUSTODIAN
Brookfield Funds Management Limited
Level 22
135 King Street
Sydney NSW 2000
Telephone: (02) 9322 2000

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

AUDITOR
Deloitte Touche Tohmatsu
The Barrington
Level 10
10 Smith Street
Parramatta NSW 2150
Telephone: (02) 9840 7000
Facsimile: (02) 9840 7001

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FOREST MANAGEMENT
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Brookfield

MULTIPLEX EUROPEAN PROPERTY FUND

ARSN 124 527 206

Financial Report 2011

Responsible Entity
Brookfield Capital
Management Limited
ACN 094 936 866
AFSL 223809

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Multiplex European Property Fund
For the year ended 30 June 2011

Directory
Multiplex European Property Fund
For the year ended 30 June 2011

Responsible Entity
Brookfield Capital Management Limited (formerly Brookfield Multiplex Capital Management Limited)
Level 22, 135 King Street
Sydney NSW 2000
Telephone: +61 2 9322 2000
Facsimile: +61 2 9322 2001

Directors of Brookfield Capital Management Limited
F. Allan McDonald
Brian Motteram
Barbara Ward
Russell Proutt
Shane Ross

Company Secretary of Brookfield Capital Management Limited
Neil Olofsson

Registered Office
Level 22, 135 King Street
Sydney NSW 2000
Telephone: +61 2 9322 2000
Facsimile: +61 2 9322 2001

Custodian
Brookfield Funds Management Limited (formerly Brookfield Multiplex Funds Management Limited)
Level 22, 135 King Street
Sydney NSW 2000
Telephone: +61 2 9322 2000
Facsimile: +61 2 9322 2001

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

Location of Share Registry
Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000
Telephone: +61 2 8280 7100
Facsimile: +61 2 9287 0303

Auditor
Deloitte Touche Tohmatsu
The Barrington
Level 10, 10 Smith Street
Parramatta NSW 2150
Telephone: + 61 2 9840 7000
Facsimile: + 61 2 9840 7001

Introduction
The Directors of Brookfield Capital Management Limited (ABN 32 094 936 866) (formerly Brookfield Multiplex Capital Management Limited), the Responsible Entity of Multiplex European Property Fund (ARSN 124 527 206) (Fund), present their report together with the financial statements of the Consolidated Entity, being the Fund and its subsidiaries, for the year ended 30 June 2011 and the Independent Auditor's Report thereon.

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

Responsible Entity
The Responsible Entity of the Fund is Brookfield Capital Management Limited (BCML) (formerly Brookfield Multiplex Capital Management Limited). BCML has been the Responsible Entity since inception of the Fund. The registered office and principal place of business of the Responsible Entity is Level 22, 135 King Street, Sydney NSW 2000.

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

Name	Capacity
F. Allan McDonald (appointed 1 January 2010)	Non-Executive Independent Chairman
Brian Motteram (appointed 21 February 2007)	Non-Executive Independent Director
Barbara Ward (appointed 1 January 2010)	Non-Executive Independent Director
Russell Proutt (appointed 1 January 2010)	Executive Director
Shane Ross (appointed 16 May 2011)	Executive Director
Tim Harris (appointed 17 March 2010 – resigned 16 May 2011)	Executive Director

Information on Directors

F. Allan McDonald (BEcon, FCPA, FAIM, FCIS), Non-Executive Independent Chairman
Allan was appointed the Non-Executive Independent Chairman of Brookfield Capital Management Limited (BCML) on 1 January 2010 and also performs that role for Brookfield Funds Management Limited (BFML). Allan has had extensive experience in the role of Chairman and is presently associated with a number of companies as a consultant and Company Director. BCML is also the Responsible Entity for listed funds Brookfield Prime Property Fund (BPA) and Brookfield Australian Opportunities Fund (BAO). BFML is the Responsible Entity for the listed Multiplex SITES Trust. Allan's other directorships of listed entities are Astro Japan Property Management Limited (Responsible Entity of Astro Japan Property Trust) (appointed February 2005), Billabong International Limited (appointed July 2000), and Brookfield Office Properties Inc. (appointed May 2011). During the past 3 years, Allan has also served as a director of the following listed company: Ross Human Directions Limited (April 2000 – February 2011).

Brian Motteram (BBus, CA), Non-Executive Independent Director
Brian has in excess of 40 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 19 years in private enterprise in both the mining and property industries. He spent 8 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. BCML is also the Responsible Entity for listed funds BPA and BAO. Brian is a fully qualified Chartered Accountant having trained with KPMG and Deloitte.

Barbara Ward, AM (BEcon, MPolEcon, MAICD), Non-Executive Independent Director
Barbara was appointed as a Non-Executive Independent Director of BCML on 1 January 2010 and also performs that role for BFML. Barbara has gained extensive business and finance experience through her role as Chief Executive Officer of Ansett Worldwide Aviation Services, as General Manager Finance for the TNT Group and as a Senior Ministerial Advisor. BCML is also the Responsible Entity for listed funds BPA and BAO. BFML is the Responsible Entity for the listed Multiplex SITES Trust. Barbara is Chairman of Essential Energy and a Director of Qantas Airways Limited (appointed June 2008). During the past 3 years Ms Ward has also served as a Director of Lion Nathan Limited (February 2003 to October 2009) and Allco Finance Group Limited (April 2005 to January 2008).

Russell Proutt (BComm, CA, CBV), Executive Director
Russell Proutt is the Chief Financial Officer of Brookfield Australia and was appointed as an Executive Director of BCML on 1 January 2010 and also performs that role for BFML and for debt listed companies Brookfield Secured Bonds Series A Issuer Limited and Brookfield Secured Bonds Series B Issuer Limited. BCML is also the Responsible Entity for the listed funds BPA and BAO. Russell joined Brookfield Asset Management Inc., the parent company of BCML, in 2006 and has held various senior management positions within Brookfield, including managing the Bridge Lending Fund, mergers and acquisitions involving subsidiaries as well as transactions involving Brookfield's restructuring fund, Tricap Partners.

Information on Directors continued

Shane Ross (BBus), Executive Director

Shane is the Group General Manager of Treasury for Brookfield Australia Investments Limited and was appointed as an Executive Director of BCML on 16 May 2011. BCML is also the Responsible Entity for BPA and BAO. Shane joined the organisation in 2003 following a background in banking and has over 16 years experience in treasury and finance within the property industry.

Information on Company Secretary

Neil Olofsson

Neil has over 15 years international company secretarial experience and has been with the Brookfield Australia Group since 2005.

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
F. Allan McDonald	50,000
Brian Motteram	–
Barbara Ward	–
Russell Proutt	–
Shane Ross	–

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

Directors' meetings

	Board Meetings		Audit Committee Meetings		Board Risk and Compliance Committee Meetings	
Director	A	B	A	B	A	B
F. Allan McDonald	5	5	2	2	2	2
Brian Motteram	5	5	2	2	2	2
Barbara Ward	5	5	2	2	2	2
Tim Harris	5	5	n/a	n/a	n/a	n/a
Russell Proutt	5	5	n/a	n/a	n/a	n/a
Shane Ross	-	-	n/a	n/a	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 Board committee meetings held during the year other than those stated above.

Principal activities

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

Review of operations

The Consolidated Entity recorded a net profit after tax of $17,153,000 for the year ended 30 June 2011 (2010: $40,120,000). The reported net profit after tax includes an unrealised loss of $26,058,000 (2010: $15,303,000) on property revaluations.

An unrealised gain of $29,517,000 (2010: $28,310,000) was also recorded by the Consolidated Entity on account of marking-to-market value the Consolidated Entity's derivatives as at balance date. The practice of marking-to-market value the Consolidated Entity's derivatives at each balance date will continue to introduce volatility into the Consolidated Entity's Statement of Comprehensive Income and Statement of Financial Position. However, these adjustments are non-cash related as the Consolidated Entity's derivative obligations were fixed at the time of entering into the derivatives in November 2006, and these obligations do not change during the term of the derivative, unless the Consolidated Entity exits out of the derivative positions prior to maturity date.

Some of the significant events during the period are detailed below.

- property rental income of $34,178,000 (2010: $38,706,000);
- total revenue and other income of $70,385,000 (2010: $79,126,000);
- net profit after tax of $17,153,000 (2010: $40,120,000)

Review of operations continued

- earnings per unit (EPU) of 6.95 cents (2010: 16.25 cents);
- distributions to unitholders for the year ended 30 June 2011 were $6,174,000 (2010: $11,113,000) and distributions per unit (DPU) of 2.5 cents per unit (2010: 4.50 cents per unit);
- net assets of $87,343,000 and net tangible assets (NTA) per unit of $0.35 (2010: $77,506,000 and NTA of $0.31); and
- property portfolio value of $341,643,000 (2010: $384,769,000) and unrealised revaluation decrement of $26,058,000 (2010: $15,303,000).

The strategy of the Fund continues to be the active management of the Fund's property portfolio to secure quality tenants and preserve value in current economic conditions existing in Germany. The Fund continues to retain cash reserves in order to support the underlying operations of the Fund should it be required.

Corporate governance

This section outlines the main corporate governance practices that are currently in place for Brookfield Capital Management Limited (Company) in its capacity as Responsible Entity for the Multiplex European Property Fund (Fund). The Company as Responsible Entity of the Fund is committed to maintaining the required standards of corporate governance.

The Fund was listed on the Australian Securities Exchange on 3 July 2007. The Company, as the Fund's Responsible Entity, has operated within a corporate governance system that the Board and management have developed over time. Corporate governance is an area that keeps evolving and for that reason, our systems, policies and procedures are regularly reviewed and tailored to changing circumstances.

The Company is a wholly owned subsidiary of Brookfield Asset Management Inc. (BAM). BAM is listed on the New York, Toronto and Euronext Stock Exchanges.

Best practice principles

The ASX has established best practice guidelines that are embodied in eight principles (the Principles). The Board is supportive of the Principles and has applied these Principles to the extent relevant to the Fund. The Board's approach has been guided by the Principles and practices which are in the best interests of investors while ensuring compliance with legal requirements. In pursuing its commitment to these governance standards, the Board will continue to review and improve its governance practices.

The Principles as set out by the Corporate Governance Council are intended only as guidelines. The ASX Listing Rules require listed companies (or in the case of a listed fund, the Responsible Entity of that fund) to include in their annual report a statement disclosing the extent to which they have followed the Principles during the financial period.

The Principles have been adopted, where appropriate, to ensure that the Company as Responsible Entity of the Fund continues to protect stakeholder interests. This Corporate Governance Statement sets out each Principle and provides details of how the Principle has been addressed by the Company as Responsible Entity of the Fund.

Principle 1: Lay solid foundations for management and oversight

It is the responsibility of the Board to ensure that the foundations for management and oversight of the Fund are established and appropriately documented.

Role of the Board

The Board has adopted a board charter that details its functions and responsibilities, a summary of which is available at www.au.brookfield.com.

The Company holds Australian Financial Services Licence (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. The Company has appointed Key Persons and Responsible Managers and they are named on its AFSL. Their duties are to assist with and ensure the Company's ongoing compliance with the conditions of the AFSL and the law.

Management responsible for the operation of the Fund are employees of BAM or its associated entity (Associate), and are therefore subject to the Associate's performance evaluation.

Principle 2: Structure the Board to add value

The ASX views independence of Board members as a key element of an effective corporate governance regime. It recommends that a majority of the Board be independent, that the Chairperson be independent, that the roles of Chairperson and the Chief Executive Officer be split and further that the Board establish a Nomination Committee with a charter in line with best practice recommendations.

Principle 2: Structure the Board to add value continued

The Board believes that sound corporate governance is crucial to protecting the interests of investors. The Board has a broad range of relevant financial and other skills, experience, expertise and gender diversification necessary to meet its objectives and is subject to a continuous review of its composition. The Board meets formally at least four times per year and whenever necessary to deal with specific matters needing attention between scheduled meetings. As at 30 June 2011 the Board consists of five Directors.

Profiles of each of the Directors may be found on pages 4 to 5.

Independence

The Chairman of the Board is an independent director. The roles of Chairman and Executive Directors are not exercised by the same individual. This is in line with the ASX best practice principle. Mr Allan McDonald is the Chairman of the Board. The Board also identified non-executive Directors Mr Brian Motteram and Ms Barbara Ward as being independent in accordance with the relationships affecting independent status listed by the ASX Corporate Governance Principles.

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.

The Board conducted a self evaluation of its performance and that of individual Directors for the year ended 30 June 2011 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 the Company and the Fund. An assessment of Board, committee and individual Director performance is intended to occur on an annual basis.

Access to information and advice

All Directors have unrestricted access to records of the Company and the Fund and receive regular detailed financial and operational reports from management to enable them to carry out their duties. Non-executive Directors may obtain independent professional advice at the expense of the Company or the Fund with the prior approval of the Chairman.

The Company Secretary supports the effectiveness of the Board by monitoring adherence to Board policies and procedures, and co-ordinating the timely completion and dispatch of Board agenda and briefing material. All Directors have access to the Company Secretary.

Principle 3: Promote ethical and responsible decision making

The Board has established both a Code of Business Conduct and Ethics and a Security Trading Policy.

Code of Business Conduct and Ethics

All Directors and management involved in the operation of the Fund are employees of the Associate. In accordance with the Code of Business Conduct and Ethics and statutory obligations all employees of the Associate are required to act honestly, with integrity and in relation to financial products, to give priority to the investors' interests over the Company's interests when there is a conflict. The Board is committed to recognising the interests of investors and other stakeholders as well as all employees involved in the management and operation of the Company and the Fund. The Board acknowledges that all the Associate's employees are subject to a Code of Business Conduct and Ethics that governs workplace and human resource practices, risk management and legal compliance. The Code is aligned to BAM's core values of teamwork, integrity and performance and is fully supported by the Board. A summary of the Code is available at www.au.brookfield.com.

Employees are encouraged to report any breaches of the Code. Access to an "Ethics Hotline" which is managed independently of BAM is provided to facilitate reporting in situations where the person making the report does not feel comfortable doing so through normal channels.

Security Trading Policy

All Directors of the Company and the Associate's employees are subject to restrictions under the law relating to dealing in certain financial products, including securities in a company, if they are in possession of inside information. A Security Trading Policy has been disclosed to the Australian Securities Exchange and is available at www.au.brookfield.com.

BCML also has a Conflicts of Interest and Related Party Dealings Policy to minimise potential conflicts of interest in accordance with ASIC Regulatory Guide 181 – "Licensing: Managing conflicts of interest."

Principle 4: Safeguard integrity in financial reporting

The approach adopted by the Board is consistent with Principle 4. The Board requires the Executive Directors to provide a written statement that the financial statements of the Fund present a true and fair view, in all material aspects, of the financial position and operational results.

Principle 4: Safeguard integrity in financial reporting continued

Audit Committee meetings:

Name	Position	Number of Meetings in Year	Attendance
Brian Motteram	Chairperson	2	2
F. Allan McDonald	Member	2	2
Barbara Ward	Member	2	2

The duties and responsibilities of the Audit Committee are set out in the Committee Charter, a summary of which appears at www.au.brookfield.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, Deloitte, has been appointed to audit the Fund and the Fund's compliance plan.

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.

Principle 5: Make timely and balanced disclosure
The Company is committed to the promotion of investor confidence by providing full and timely information to all investors about the Fund's activities and by complying with the continuous disclosure obligations, contained in the Corporations Act 2001 and the ASX Listing Rules. The Board has adopted a Continuous Disclosure Policy which governs how the Company as Responsible Entity communicates with investors and the market. All price-sensitive information is to be disclosed to the ASX. A summary of the policy is available at www.au.brookfield.com.

Principle 6: Respect the rights of the Fund unitholders
In addition to its statutory reporting obligations, the Fund and the Company are committed to timely and ongoing communication with its investors.

The Company provides ongoing communication to investors through the annual and half yearly reports. Updates are also provided to investors whenever significant developments occur.

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

The Fund has a section on the Brookfield website that provides up to date Fund information including any continuous disclosures notices given by the Fund, financial reports and distribution information.

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

The Company has an internal dispute resolution mechanism in place which is designed to meet the requirements of the Corporations Act and its Australian Financial Services License (AFSL). The process complies with the key principles of Australian Standard AS ISO 10002:2006 "Customer satisfaction – Guidelines for complaints handling in organizations" and the 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 Ombudsman Service, an independent complaint resolution service of which the Company is a member.

The Company encourages fund investors to visit its website regularly and communicate with the company electronically as a first preference.

Principle 7: Recognise and manage risk
Management is responsible for developing and implementing policies and procedures to identify, manage and mitigate the risks across the Company 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 the Company's and the Fund's objectives.

The Board has elected to delegate responsibility for the oversight of the Company's risk and compliance program to a Risk and Compliance Committee. The Committee comprises three independent Company Directors. The Committee discharges Part 5C.5 obligations under the Corporations Act in relation to managed investment schemes. It has a charter, a summary of which appears at www.au.brookfield.com.

Brookfield Australia Investments Limited, the Australian Holding Company, has an internal audit function which may review aspects of the Company business and the Fund.

Principle 7: Recognise and manage risk continued
The procedures adopted by the Company are consistent with those in Principle 7, in that the Executive Directors approve the sign off of financial statements based upon a sound system of risk management and confirm that the internal compliance and control system is operating efficiently in all material respects in relation to financial reporting risks.

Principle 8: Remunerate fairly and responsibly
Principle 8 suggests that the Company should establish a dedicated Remuneration Committee. As neither the Fund nor the Company directly employ staff no Remuneration Committee has been established.

Independent and non-executive Directors receive fees for serving as Directors. Director fees are not linked to the performance of the Company or the Fund. Executive Directors do not receive payment for undertaking the role of Director. Executive Directors receive remuneration in their capacity as an employee of the Associate.

The Company as Responsible Entity of the Fund believes that it has followed the best practice recommendations set by the ASX.

Interests of the Responsible Entity

Management Fees

For the year ended 30 June 2011, the Consolidated Entity incurred $1,661,000 in management fees to the Responsible Entity (2010: $1,859,000). $386,000 of management fees remain payable as at year end (2010: $411,000).

Significant changes in the state of affairs
In the opinion of the Directors, there were no significant changes in the state of affairs of the Consolidated Entity that occurred during the financial year other than those disclosed in this report or in the financial statements.

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

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 inquiries made, the Responsible Entity is not aware of any significant breaches or non-compliance issues during the year covered by this report.

Distributions

	Cents per unit	Total amount $'000	Date of payment
Ordinary units			
September 2010 distribution	0.625	1,543	29 October 2010
December 2010 distribution	0.625	1,544	31 January 2011
March 2011 distribution	0.625	1,544	29 April 2011
June 2011 distribution	0.625	1,543	29 July 2011
Total distribution to ordinary unitholders for the year ended 30 June 2011	**2.500**	**6,174**	
Ordinary units			
September 2009 distribution	0.625	1,543	30 October 2009
December 2009 distribution	0.625	1,544	29 January 2010
March 2010 distribution	0.625	1,544	23 April 2010
June 2010 distribution	2.625	6,482	30 July 2010
Total distribution to ordinary unitholders for the year ended 30 June 2010	**4.500**	**11,113**	

Distributions paid for the year ended 30 June 2011 and 2010 were paid out of the Consolidated Entity's realised revenues and expenses.

Indemnification and insurance premiums
Under the Fund's Constitution, the Responsible Entity's officers 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.

Neither the Fund nor any controlled entity has indemnified any auditor of the Consolidated Entity.

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

Non-audit services
All amounts paid to Deloitte during the current and prior years for audit, review and regulatory services are disclosed in Note 7.

Details of fees for non-audit services, incurred by the Consolidated Entity to Deloitte during the current year are set out below. These amounts were paid out of the assets of the Consolidated Entity.

	Consolidated	
	Year ended 30 June 2011	Year ended 30 June 2010
Services other than statutory audit:		
Non-audit services	–	–
Total fees related to non-audit services	**–**	**–**

Remuneration Report

a 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:

F. Allan McDonald (appointed 1 January 2010)
Brian Motteram (appointed 21 February 2007)
Barbara Ward (appointed 1 January 2010)
Tim Harris (appointed 17 March 2010 – resigned 16 May 2011)
Russell Proutt (appointed 1 January 2010)
Shane Ross (appointed 16 May 2011)

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 Consolidated Entity to Directors or to any of the KMP of the Responsible Entity. Since the end of the financial year, 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 Consolidated Entity 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 year.

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 during the year and there were no contracts involving Directors or KMP subsisting at year end.

b Management fees

The management fees incurred by the Consolidated Entity to the Responsible Entity for the year ended 30 June 2011 was $1,661,000 (2010: $1,859,000).

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

Auditor's independence declaration under Section 307C of the *Corporations Act 2001*
The lead auditor's independence declaration is set out on page 12 and forms part of the Directors' Report for the year ended 30 June 2011.

Dated at Sydney this 26th day of August 2011.

Signed in accordance with a resolution of the Directors made pursuant to Section 298(2) of the *Corporations Act 2001*.

Russell Proutt
Director
Brookfield Capital Management Limited

Deloitte Touche Tohmatsu
ABN: 74 490 121 060

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The Board of Directors
Brookfield Capital Management Limited
(as Responsible Entity for Multiplex European Property Fund)
135 King Street
SYDNEY, NSW 2000

26 August 2011

Dear Directors

MULTIPLEX EUROPEAN PROPERTY FUND

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Brookfield Capital Management Limited as the Responsible Entity for Multiplex European Property Fund.

As lead audit partner for the audit of the financial statements of Multiplex European Property Fund for the year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

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

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Helen Hamilton-James
Partner
Chartered Accountants

Statement of Comprehensive Income
Multiplex European Property Fund
For the year ended 30 June 2011

	Note	Consolidated Year ended 30 June 2011 $'000	 Year ended 30 June 2010 $'000
Revenue			
Property rental income		34,178	38,706
Interest income		6,690	6,211
Net gain on revaluation of financial derivatives	6	29,517	28,310
Net realised gain on financial derivatives		–	5,899
Total revenue and other income		**70,385**	**79,126**
Expenses			
Property expenses		5,554	7,250
Finance costs to external parties		14,887	17,031
Management fees		1,661	1,859
Net loss on revaluation of investment properties	12	26,058	15,303
Net realised loss on financial derivatives		3	–
Other expenses		2,148	1,592
Total expenses		**50,311**	**43,035**
Profit before income tax		**20,074**	**36,091**
Income tax (expense)/benefit	9	(2,921)	4,029
Net profit after tax for the year		**17,153**	**40,120**
Other comprehensive income			
Changes in foreign currency translation reserve		(1,142)	(14,939)
Other comprehensive loss for the year		**(1,142)**	**(14,939)**
Total comprehensive income for the year		**16,011**	**25,181**
Net profit attributable to ordinary unitholders		**17,153**	**40,120**
Total comprehensive income attributable to ordinary unitholders		**16,011**	**25,181**
Earnings per unit			
Basic and diluted earnings per ordinary unit (cents)	8	6.95	16.25

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

Statement of Financial Position
Multiplex European Property Fund
As at 30 June 2011

	Note	Consolidated 2011 $'000	2010 $'000
Assets			
Current assets			
Cash and cash equivalents		39,192	33,932
Trade and other receivables	11	3,117	2,556
Fair value of financial derivatives		1,923	1,620
Total current assets		**44,232**	**38,108**
Non-current assets			
Investment properties	12	341,643	384,769
Fair value of financial derivatives		36,507	19,537
Deferred tax asset	9	2,023	3,954
Total non-current assets		**380,173**	**408,260**
Total assets		**424,405**	**446,368**
Liabilities			
Current liabilities			
Trade and other payables	13	6,975	6,179
Distribution payable	10	1,543	6,482
Provisions		1,005	1,055
Total current liabilities		**9,523**	**13,716**
Non-current liabilities			
Interest bearing liabilities	14	311,870	327,100
Fair value of financial derivatives	14	12,968	25,211
Minority interest payable	15	2,701	2,835
Total non-current liabilities		**327,539**	**355,146**
Total liabilities		**337,062**	**368,862**
Net assets		**87,343**	**77,506**
Equity			
Units on issue	16	227,228	227,228
Reserves	17	274	1,416
Undistributed losses	18	(140,159)	(151,138)
Total equity		**87,343**	**77,506**

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

Statement of Changes in Equity
Multiplex European Property Fund
For the year ended 30 June 2011

Consolidated Entity	Ordinary units $'000	Attributable to Unitholders of the Fund Undistributed profits/(losses) $'000	Foreign currency translation reserves $'000	Total $'000
Opening equity - 1 July 2010	**227,228**	**(151,138)**	**1,416**	**77,506**
Currency translation differences	–	–	(1,142)	**(1,142)**
Other comprehensive loss for the year	**–**	**–**	**(1,142)**	**(1,142)**
Net profit for the year	–	17,153	–	**17,153**
Total comprehensive income/(loss) for the year	**–**	**17,153**	**(1,142)**	**16,011**
Transactions with unitholders in their capacity as unitholders:				
Distributions paid/payable	–	(6,174)	–	**(6,174)**
Total transactions with unitholders in their capacity as unitholders	**–**	**(6,174)**	**–**	**(6,174)**
Closing equity – 30 June 2011	**227,228**	**(140,159)**	**274**	**87,343**

Consolidated Entity	Ordinary units $'000	Attributable to Unitholders of the Fund Undistributed profits/(losses) $'000	Foreign currency translation reserves $'000	Total $'000
Opening equity - 1 July 2009	**227,228**	**(180,145)**	**16,355**	**63,438**
Currency translation differences	–	–	(14,939)	**(14,939)**
Other comprehensive loss for the year	**–**	**–**	**(14,939)**	**(14,939)**
Net profit for the year	–	40,120	–	**40,120**
Total comprehensive income/(loss) for the year	**–**	**40,120**	**(14,939)**	**25,181**
Transactions with unitholders in their capacity as unitholders:				
Distributions paid/payable	–	(11,113)	–	**(11,113)**
Total transactions with unitholders in their capacity as unitholders	**–**	**(11,113)**	**–**	**(11,113)**
Closing equity – 30 June 2010	**227,228**	**(151,138)**	**1,416**	**77,506**

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

Statement of Cash Flows
Multiplex European Property Fund
For the year ended 30 June 2011

	Note	Consolidated Year ended 30 June 2011 $'000	Consolidated Year ended 30 June 2010 $'000
Cash flows from operating activities			
Cash receipts in the course of operations		34,017	39,013
Cash payments in the course of operations		(9,543)	(11,359)
Interest received		6,190	7,362
Financing costs paid		(14,729)	(16,913)
Net cash flows from operating activities	22	**15,935**	**18,103**
Cash flows from investing activities			
Payments for purchase of, and additions to, investment properties		(1,434)	(174)
Net cash flows used in investing activities		**(1,434)**	**(174)**
Cash flows from financing activities			
Proceeds from early termination of financial derivatives		–	5,406
Distributions paid		(11,113)	(6,174)
Net cash flows used in financing activities		**(11,113)**	**(768)**
Net increase in cash and cash equivalents		3,388	17,161
Impact of foreign exchange		1,872	(1,964)
Cash and cash equivalents at beginning of year		33,932	18,735
Cash and cash equivalents at 30 June		**39,192**	**33,932**

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

1 Reporting entity

Multiplex European Property Fund (Fund) is an Australian registered managed investment scheme under the *Corporations Act 2001*. Brookfield Capital Management Limited (BCML) (formerly Brookfield Multiplex Capital Management Limited), the Responsible Entity of the Fund, is incorporated and domiciled in Australia. The consolidated financial statements of the Fund as at and for the year ended 30 June 2011 comprise the Fund and its subsidiaries (together referred to as the Consolidated Entity).

2 Basis of preparation

a Statement of compliance

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASB) (including Australian interpretations) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The financial statements of the Consolidated Entity and the Fund comply with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Boards (IASB).

The financial statements were authorised for issue by the Directors on this 26th day of August 2011.

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

c Use of estimates and judgments

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are provided in investment properties (Note 12) and financial instruments (Note 21).

3 Significant accounting policies

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

a Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Fund and its subsidiaries. Control is achieved where the Fund has the power to govern the financial and operational policies of an entity so as to obtain benefits from its activities.

The results of the subsidiaries acquired or disposed of during the year are included in the consolidated Statement of Comprehensive Income 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 subsidiaries to bring their accounting policies into line with those used by the Consolidated Entity

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. In the separate financial statements of the Fund, intra-group transactions (common control transactions) are generally accounted for by reference to the existing carrying value of the items. 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 financial statements investments in controlled entities are carried at cost less impairment, if applicable.

Non-controlling interests in subsidiaries are identified separately from the Consolidated Entity's equity therein. The interests of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Consolidated Entity's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Consolidated Entity's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to unitholders.

When the Consolidated Entity loses control of a subsidiary, the gain or loss on disposal is calculated as the difference between the aggregate of the fair value of the consideration received and the fair value of any retained interest and the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

b Foreign and cross currency transactions

Foreign and cross currency transactions of the Consolidated Entity 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 Consolidated Entity 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 Statement of Comprehensive Income.

Foreign currency differences arising on translation are recognised directly in equity in the foreign currency translation reserve (FCTR).

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), 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.

3 Significant accounting policies continued

c Revenue recognition continued

Property rental revenue

Rental income from investment property leased out under an operating lease is recognised in the Statement of Comprehensive Income 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 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, which is generally when they have been declared.

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 benefits derived from the leased asset are diminished.

Leasing fees

Leasing fees in relation to the initial leasing of the property 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.

Leasing incentives

Lease incentives which may take the form of up-front payments, contributions to certain lease costs, relocation costs and fit-outs and improvements are recognised as a reduction of rental income over the lease term.

e Expense recognition

Finance costs

Finance costs are recognised as expenses using the effective interest rate method, unless they relate to a qualifying asset, being an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Where a qualifying asset exists, borrowing costs that are directly attributable to the acquisition, construction or production of the qualifying asset is capitalised as part of the cost of that 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 calculated on the gross value of assets less fair value of derivatives is payable to the Responsible Entity. The fee is payable by the Consolidated Entity quarterly in arrears.

Performance fee

A performance fee of 20% (including GST less any reduced input tax credits) of the outperformance of the Consolidated Entity against the benchmark return (S&P/ASX 300 A-REIT Accumulation Index) is recognised on an accruals basis. Any previous underperformance must be recovered before a performance fee becomes payable.

Other expenditure

Expenses are recognised by the Consolidated Entity on an accruals basis.

3 Significant accounting policies continued

f Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, 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 Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows 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.

g 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 Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows 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.

h Income tax - funds

Under current income tax legislation, the Consolidated Entity 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 tax law to unitholders who are presently entitled to income under the Constitution.

The wholly owned entities of the Fund that own properties in Germany are liable to pay tax under German tax legislation at the current corporate rate of 15% plus a solitary surcharge of 5.5%. Wholly owned entities of the Fund that are based in Luxembourg are subject to tax at just under 30%.

The income tax expense or revenue for the period is the tax payable on the current period’s taxable income based on the notional income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

The carrying amount of deferred income tax assets is reviewed at each period end date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

i Cash and cash equivalents

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

j 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. Non-current receivables are measured at amortised cost using the effective interest rate method.

k Investment property

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

3 Significant accounting policies continued

k Investment property continued

An investment property acquired is initially recorded at its cost 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 below.

The costs of assets constructed/redeveloped internally include the costs of materials, direct labour, directly attributable overheads, finance costs (Note 3e) 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. All external valuations are adopted as the fair value of the investment property at the relevant reporting date. When internal valuations indicate a change from the carrying value between 2% and 5% the internal valuation will be adopted.

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 Statement of Comprehensive Income in the period in which they arise.

l 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 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, with the changes in fair value during the period recognised in the Statement of Comprehensive Income.

m Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity securities, trade and other receivables, cash and cash equivalents, interest bearing liabilities, and trade and other payables.

Non-derivative 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.

Accounting policies for cash and cash equivalents, trade and other receivables, trade and other payables, and interest bearing liabilities are discussed elsewhere within the financial report.

3 Significant accounting policies continued

m Non-derivative financial instruments continued

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

n 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.

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 the Statement of Comprehensive Income. 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 the Statement of Comprehensive Income.

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.

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.

o Earnings per unit

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

p Trade and other payables

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 Statement of Comprehensive Income 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 the balance sheet date.

r Distributions

A provision for distribution is recognised in the Statement of Financial Position if the distribution has been declared prior to balance date. Distributions paid and payable on units are recognised as a reduction in equity. Distributions paid are included in cash flows from financing activities in the Statement of Cash Flows.

s Units on issue

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

t Segment reporting

Operating segments are identified on the basis of internal reports about components of the Consolidated Entity that are regularly reviewed by the Chief Operating Decision Maker in order to allocate resources to segments and to assess their performance. Management have identified that this function is performed by the Board of Directors of the Responsible Entity. Further details are provided in segment reporting (Note 5).

3 Significant accounting policies continued

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 entity in the period of initial application. They are available for early adoption at 30 June 2011 but have not been applied preparing this financial report.

AASB 9 *Financial Instruments,* AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* (effective for annual reporting periods beginning on or after 1 January 2013)
AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in the profit or loss of the Statement of Comprehensive Income. The Consolidated Entity and Fund have not yet decided when to adopt AASB 9 or the consequential impact of the amendment.

AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* (effective for annual reporting periods beginning on or after 1 January 2011)
AASB 2010-4 amends a number of pronouncements as a result of the International Accounting Standards Board's (IASB's) 2008-2010 cycle of annual improvements. Key amendments include clarification of content of statement of changes in equity, financial instrument disclosures and significant events and transactions in interim reports. The Consolidated Entity and Fund does not expect that any adjustments will be necessary as a result of applying the revised rules.

AASB 2010-5 *Amendments to Australian Accounting Standards* (effective for annual reporting periods beginning on or after 1 January 2011)
AASB 2010-5 makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. The Consolidated Entity and Fund does not expect that any adjustments will be necessary as a result of applying the revised rules.

AASB 2010-6 *Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets* (effective for annual reporting periods beginning on or after 1 July 2011)
AASB 2010-6 makes amendments to AASB 7 *Financial Instruments: Disclosures* to introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect, in particular, entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. The Consolidated Entity and Fund will apply the amendments from 1 July 2011 and have not yet concluded on the consequential impact of the amendment.

AASB 2010-8 *Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets* (effective for annual reporting periods beginning on or after 1 January 2012)
In December 2010, the AASB amended AASB 112 *Income Taxes* to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model. AASB 112 requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying amount of the relevant assets or liabilities, that is, through use or through sale. The amendment introduces a rebuttable presumption that investment property which is measured at fair value is recovered entirely by sale. The Consolidated Entity and Fund does not expect that any adjustments will be necessary as a result of applying the revised rules.

4 Parent entity disclosures

	Fund	
	2011 $'000	2010 $'000
Assets		
Current assets	2,857	6,246
Non-current assets	65,717	65,717
Total assets	**68,574**	**71,963**
Liabilities		
Current liabilities	2,524	7,193
Non-current liabilities	–	–
Total liabilities	**2,524**	**7,193**
Equity		
Units on issue	227,228	227,228
Reserves	–	–
Undistributed losses	(161,178)	(162,458)
Total equity	**66,050**	**64,770**

4 Parent entity disclosures continued

	Fund Year ended 30 June 2011 $'000	Year ended 30 June 2010 $'000
Net (loss)/profit for the year	(7,454)	13,476
Other comprehensive income/(loss) for the year	–	–
Total comprehensive (loss)/income for the year	**(7,454)**	**13,476**

5 Segment reporting

Management have identified that the Chief Operating Decision Maker function is performed by the Board of Directors of the Responsible Entity (Board). The Board assesses the performance of the Consolidated Entity in its entirety. The allocation of resources is not performed in separate segments by the Board. The Board reviews and assesses the information in relation to the performance of the Consolidated Entity as set out in the Statement of Comprehensive Income and Statement of Financial Position, therefore no further segment reporting is required.

	Consolidated Year ended 30 June 2011 $'000	Year ended 30 June 2010 $'000
6 Net unrealised gain/(loss) on revaluation of financial derivatives		
Interest rate swaps	12,243	(6,684)
Cross currency interest rate swaps	17,192	29,744
Forward foreign exchange contracts	82	5,250
Net unrealised gain on revaluation of financial derivatives	**29,517**	**28,310**

	Consolidated Year ended 30 June 2011 $	Year ended 30 June 2010 $
7 Auditor's remuneration		
Auditors of the Fund:		
Audit and review of the financial report	164,755	160,000
Total auditor's remuneration	**164,755**	**160,000**

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

8 Earnings per unit

Classification of securities as ordinary units

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

Earnings per unit

Earnings per unit have been calculated in accordance with the accounting policy per Note 3o.

		Consolidated Year ended 30 June 2011	Year ended 30 June 2010
Net profit attributable to unitholders	$'000	17,153	40,120
Weighted average number of ordinary units used in the calculation of basic and diluted EPU	'000	246,950	246,950
Basic and diluted weighted earnings per ordinary unit	cents	6.95	16.25

	Consolidated Year ended 30 June 2011 $'000	Year ended 30 June 2010 $'000
9 Income tax		
a Major components of income tax expense		
Current income tax charge and adjustments in respect of prior year charges	(990)	31
Total current income tax	**(990)**	**31**
Deferred income tax		
Relating to origination and reversal of temporary differences	(1,931)	3,998
Total deferred income tax	**(1,931)**	**3,998**
Total income tax benefit reported in the Statement of Comprehensive Income	**(2,921)**	**4,029**
b Income tax expense		
Numerical reconciliation between tax expense and pre-tax net profit		
Profit before income tax	**20,074**	**36,091**
Adjustments to arrive at local accounting profit[1]	(19,743)	(35,918)
Total accounting profit subject to tax	**331**	**173**
Prima facie income tax (expense)/benefit on profit using the Luxembourg tax rate of 30% (2010: 30%)	(99)	(52)
Origination and reversal of temporary timing differences	(1,931)	3,990
Other[2]	(891)	91
Total income tax (expense)/benefit reported in the Statement of Comprehensive Income	**(2,921)**	**4,029**

1 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. Furthermore, the Fund's subsidiaries that are subject to taxation are subject to taxation in regimes that do not apply International Financial Reporting Standards. The adjustments above also reflect adjustments in order to arrive at local GAAP accounting profit/(loss). These adjustments primarily include revaluation of investment property and derivatives.

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

	Consolidated 2011 $'000	2010 $'000
c Tax assets and liabilities		
Tax liability – current	(831)	(362)
Deferred tax asset – non-current	2,052	3,990
Deferred tax liability – non-current	(29)	(36)

d Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2011 $'000	Assets 2010 $'000	Liabilities 2011 $'000	Liabilities 2010 $'000	Net 2011 $'000	Net 2010 $'000
Consolidated						
Provisions	–	–	29	36	(29)	(36)
Derivative fair value adjustments	2,052	3,990	–	–	2,052	3,990
Total	**2,052**	**3,990**	**29**	**36**	**2,023**	**3,954**

In accordance with AASB 112 *Income taxes*, a deferred tax asset of $5,984,000 (2010: $2,967,000) in respect of revaluation movements on property has not been recognised as it has been determined that realisation of this asset in the short term is not probable.

There are no tax amounts recognised directly in equity for the current year or prior year.

10 Distributions

	Cents per unit	Total amount $'000	Date of payment
Ordinary units			
September 2010 distribution	0.625	1,543	29 October 2010
December 2010 distribution	0.625	1,544	31 January 2011
March 2011 distribution	0.625	1,544	29 April 2011
June 2011 distribution	0.625	1,543	29 July 2011
Total distribution to ordinary unitholders for the year ended 30 June 2011	**2.500**	**6,174**	
Ordinary units			
September 2009 distribution	0.625	1,543	30 October 2009
December 2009 distribution	0.625	1,544	29 January 2010
March 2010 distribution	0.625	1,544	23 April 2010
June 2010 distribution	2.625	6,482	30 July 2010
Total distribution to ordinary unitholders for the year ended 30 June 2010	**4.500**	**11,113**	

Distributions paid for the year ended 30 June 2011 and 2010 were paid out of the Consolidated Entity's realised revenues and expenses.

	Consolidated 2011 $'000	2010 $'000
11 Trade and other receivables		
Trade receivables	1,821	1,320
Derivative interest receivable	1,168	1,107
Prepayments and accrued income	128	129
Total trade and other receivables	**3,117**	**2,556**

12 Investment properties

Description	Cost including additions[1] $'000	Latest external valuation date	Latest external valuation[2] $'000	2011 Carrying value $'000	2010 Carrying value $'000
Retail					
Netto Marken-Discount, Dresden	3,055	Jun-11	2,229	2,229	2,539
Netto Marken-Discount, Artern	2,534	Jun-11	1,757	1,757	2,057
Netto Marken-Discount, Dresden	2,959	Jun-11	2,189	2,189	2,582
Netto Marken-Discount, Eisleben	2,432	Jun-11	1,689	1,689	2,099
Netto Marken-Discount, Gernrode	2,210	Jun-11	1,351	1,351	1,901
Netto Marken-Discount, Geyer	2,213	Jun-11	1,203	1,203	1,830
Netto Marken-Discount, Schlema	2,177	Jun-11	1,162	1,162	1,730
Netto Marken-Discount, Jena-Lobeda	2,381	Jun-11	1,662	1,662	2,028
Netto Marken-Discount, Delitzsch	1,957	Jun-11	1,216	1,216	1,589
Netto Marken-Discount, Stockheim	2,321	Jun-11	1,702	1,702	1,972
Netto Marken-Discount, Burgstadt	2,156	Jun-11	1,405	1,405	1,773
Netto Marken-Discount, Buckeburg	2,276	Jun-11	1,432	1,432	1,887
Netto Marken-Discount, Merseburg	2,487	Jun-11	1,486	1,486	2,057
Netto Marken-Discount, Muhlhausen	2,206	Jun-11	1,513	1,513	1,858
ALDI, Halle	4,250	Jun-11	2,351	2,351	3,206
ALDI, Stollberg	2,169	Jun-11	1,270	1,270	1,759
Netto Marken-Discount, Oberhausen	2,441	Jun-11	1,446	1,446	1,943
Netto Marken-Discount, Clenze	2,292	Jun-11	1,243	1,243	1,745
Lidl, Boizenburg	2,345	Jun-11	1,527	1,527	1,773
Lidl, Bad Marienberg	3,937	Jun-11	2,270	2,270	3,021
Lidl, Delitzsch	2,921	Jun-11	1,716	1,716	2,312
Lidl, Hage	2,390	Jun-11	1,432	1,432	1,943
Lidl, Schoppenstedt	2,256	Jun-11	1,513	1,513	1,816
NORMA, Woldegk	2,954	Jun-11	2,297	2,297	1,674

Description	Cost including additions[1] $'000	Latest external valuation date	Latest external valuation[2] $'000	2011 Carrying value $'000	2010 Carrying value $'000
Retail continued					
EDEKA, Pampow	2,006	Jun-11	2,554	2,554	1,574
EDEKA, Blankenfelde	5,677	Jun-11	3,581	3,581	4,780
EDEKA, Prum	5,451	Jun-11	2,783	2,783	4,156
EDEKA, Peine-Dungelbeck	1,547	Jun-11	824	824	1,206
REWE, SchloBvippach	3,162	Jun-11	2,324	2,324	2,525
REWE, Gotha	9,503	Jun-11	6,405	6,405	7,887
REWE, Kothen	3,004	Jun-11	1,973	1,973	2,468
REWE, Offenburg	2,064	Jun-11	1,216	1,216	1,801
Rabenau	3,872	Jun-11	567	567	2,128
REWE Deutsche Supermarkt, Rheinau	2,572	Jun-11	1,581	1,581	2,057
Coop-Markt, Malchin	5,194	Jun-11	2,486	2,486	4,014
REWE, Bopfingen	2,779	Jun-11	1,838	1,838	2,227
REWE, Burladingen	4,220	Jun-11	2,864	2,864	2,397
Coma Verbrauchermarkt, Cloppenburg	5,921	Jun-11	3,797	3,797	4,567
EDEKA, Tespe	2,488	Jun-11	1,540	1,540	1,986
Tegut Gutberlet Stiftung & Co, Feldatal	2,166	Jun-11	1,270	1,270	1,773
Accord Distributa Warenhandels	3,152	Jun-11	2,554	2,554	2,723
AWG, Zimmern ob Rottweil	2,516	Jun-11	1,446	1,446	2,071
Hornbach Baumarkt, Chemnitz	28,712	Jun-11	23,916	23,916	24,766
Marktkauf Autonom	22,369	Jun-11	18,781	18,781	19,759
Toom BauMarkt	15,275	Jun-11	5,729	5,729	9,688
Marktkauf Autonom	6,617	Jun-11	3,824	3,824	4,411
Goldkuhle Fachmarkte	2,376	Jun-11	1,311	1,311	1,787
Markant Ostwestfalen, Bünde	2,583	Jun-11	1,635	1,635	2,284
RHEIKA-Delta, Frankenburg	2,804	Jun-11	1,865	1,865	2,199
EDEKA, Bochum	37,066	Jun-11	28,915	28,915	30,411
Car Glass GmbH, Frankfurt/Oder	1,881	Jun-11	1,297	1,297	1,518
Bugsy Burger GmbH, Osnabruck	3,439	Jun-11	1,757	1,757	2,454
Kassel Spiel in Casino	3,128	Jun-11	919	919	965
EDEKA, Lorrach	31,238	Jun-11	25,402	25,402	24,326
McDonalds, Lorrach	2,624	Jun-11	1,851	1,851	2,340
Total retail	**288,727**		**197,865**	**197,865**	**228,342**
Logistics					
SPICERS Deutschland, Winkelhaid	20,590	Jun-11	15,674	15,674	18,426
TNT Express, Hallbergmoos	22,715	Jun-11	12,958	12,958	13,830
Hermes Logistik, Gera	4,426	Jun-11	1,459	1,459	3,149
Total logistics	**47,731**		**30,091**	**30,091**	**35,405**
Office					
ABB, Minden	9,250	Jun-11	5,594	5,594	7,433
Dusseldorf	20,611	Jun-11	8,066	8,066	10,468
Telecity Group, Frankfurt/Main	24,864	Jun-11	19,727	19,727	19,759
Total office	**54,725**		**33,387**	**33,387**	**37,660**
Nursing Home					
Kursana, Eisenhuttenstadt	12,274	Jun-11	10,269	10,269	9,943
Kursana, Schwedt/Oder	11,943	Jun-11	9,337	9,337	9,277
Phönix Verwaltungs, Erfurt	16,581	Jun-11	12,417	12,417	13,929
Alloheim Senioren Residenzen AG, Wetzlar	19,547	Jun-11	15,268	15,268	16,227
Phönix Verwaltungs, Göttingen	23,872	Jun-11	19,592	19,592	20,610
Maternus Altenhiem, Wiesbaden	18,408	Jun-11	13,417	13,417	13,376
Total nursing home	**102,625**		**80,300**	**80,300**	**83,362**
Total investment properties	**493,809**		**341,643**	**341,643**	**384,769**

1 Initial cost has been converted at the forward rate at which the settlement of the initial properties occurred, or €0.5922 to $1.00. The Euro cost including additions totals €365,468,000 (2010: €364,394,000).
2 Last valuation in Euro has been converted at the 30 June 2011 exchange rate of €0.7401 to $1.00 (2010: €0.7050 to $1.00). The Euro valuation totals €252,850,000 (2010: €271,300,000).

12 Investment properties continued

Independent valuations

Property investments are investments in properties which are held either to earn rental income or for capital appreciation or for both. Property investments are stated at fair value. An external valuation company, having an appropriately recognised professional qualification and recent experience in the location and category of property being valued, values the portfolio whenever it is believed that the fair value of a property differs significantly from its carrying value, based on a material change to the assumptions and market conditions underlying the valuation. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller, in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The entire property portfolio has been independently valued at 30 June 2011 by Savills (30 June 2010: by DTZ International Property Advisors). The valuation conducted by Savills has been carried out in accordance with the Royal Institute of Chartered Surveyors (RICS) Valuation Standards, 7th Edition. The methodology utilises the principle of the cold multiplier. The cold multiplier is the estimate of market conditions that is multiplied by the gross rent to derive the value of the assets in the German portfolio. The cold multipliers utilised in the 30 June 2011 valuation ranges from 0 to 18.41, with the exception of one vacant property that has a small amount of rental income from storage space and an indicative cold multiplier of 151.83 (2010: 0 to 13.33).

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 Statement of Comprehensive Income. All property acquisition costs in respect of properties acquired are capitalised into the value of the property investments at the time of purchase to reflect the total acquisition cost in the Statement of Financial Position. Additions and other expenditure on property investments which are capital in nature are capitalised as incurred.

	Consolidated	
	Year ended 30 June 2011 $'000	Year ended 30 June 2010 $'000
Reconciliation of the carrying amount of investment properties is set out below:		
Carrying amount at beginning of year	384,769	488,988
Capital expenditure	1,456	107
Net loss from fair value adjustments to investment properties	(26,058)	(15,303)
Foreign currency translation exchange adjustment	(18,524)	(89,023)
Carrying amount at year end	**341,643**	**384,769**

Leasing arrangements

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

Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:

	Consolidated	
	2011 $'000	2010 $'000
Within one year	30,612	31,946
Later than one year but not later than five years	101,510	109,564
Later than five years	86,262	83,983
Total	**218,384**	**225,493**

Minimum lease payments in Euro have been converted at the 30 June 2011 exchange rate of €0.7401 to $1.00 (2010: €0.7050 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 7.2 years (2010: 6.8 years).

	Consolidated 2011 $'000	2010 $'000
13 Trade and other payables		
Trade payables	1,240	728
Interest payable	2,996	3,145
Management fee payable	386	411
Other payables and accruals	2,353	1,895
Total trade and other payables	**6,975**	**6,179**

	Consolidated 2011 $'000	2010 $'000
14 Interest bearing liabilities		
Non-current		
Secured bank debt[1]	312,660	328,227
Debt establishment fees[2]	(790)	(1,127)
Total interest bearing liabilities	**311,870**	**327,100**

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.

Finance arrangements	Expiry Date	Consolidated 2011 $'000	2010 $'000
Facilities available			
Bank debt facility	15 April 2014	312,660	328,227
Less: Facilities utilised		(312,660)	(328,227)
Facilities not utilised		**–**	**–**

The bank debt facility consists of a €231,400,000 facility financed by Eurohypo AG. At 30 June 2011, the facility was fully drawn at €231,400,000 (30 June 2010: fully drawn at €231,400,000). The movement in the balance of secured debt during the year is solely due to changes in foreign exchange rates as set out below. The 30 June 2011 debt balance has been translated at the 30 June 2011 foreign exchange rate of €0.7401 to $1.00 (30 June 2010: €0.7050 to $1.00).

Finance arrangements	Consolidated Year ended 30 June 2011 $'000	Year ended 30 June 2010 $'000
Non-current – secured bank debt		
Opening balance	328,227	402,365
Changes in foreign currency	(15,567)	(74,138)
Total secured debt	**312,660**	**328,227**

The Consolidated Entity has granted the lender a first ranking security over its interest in the relevant investment properties in Note 12.

At 30 June 2011 and 30 June 2010, the Fund was in compliance with its loan covenant ratios.

The interest rate in respect of amounts drawn under the facilities (including margin) was 2.02% at 30 June 2011 (2010: 1.46%). The amount does not include the effect of swaps. The effect after swaps including all margins is an interest rate of 4.48% (2010: 4.48%).

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

14 Interest bearing liabilities continued

Expiry date	Underlying instrument	Floating rate 2011 %	Floating rate 2010 %	Fixed rate 2011 %	Fixed rate 2010 %	Notional amount of contracts outstanding 2011 €'000	Notional amount of contracts outstanding 2010 €'000	Fair value of interest rate swaps 2011 $'000	Fair value of interest rate swaps 2010 $'000
15 April 2014	Floating to fixed	2.02	1.46	4.48	4.48	231,400	231,400	(12,968)	(25,211)

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 €2,000,000 or $2,701,000 (2010: €2,000,000 or $2,835,000) and is 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.

	Year ended 30 June 2011 $'000	Year ended 30 June 2011 Units	Year ended 30 June 2010 $'000	Year ended 30 June 2010 Units
16 Units on issue				
Opening balance	227,228	246,950,150	227,228	246,950,150
Closing balance	**227,228**	**246,950,150**	**227,228**	**246,950,150**

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.

17 Reserves

Foreign Currency Translation Reserve

	Consolidated Year ended 30 June 2011 $'000	Consolidated Year ended 30 June 2010 $'000
Opening balance	1,416	16,355
Movement in reserves due to changes in foreign exchange rates	(1,142)	(14,939)
Closing balance	**274**	**1,416**

18 Undistributed losses

	Consolidated Year ended 30 June 2011 $'000	Consolidated Year ended 30 June 2010 $'000
Opening balance	(151,138)	(180,145)
Net profit	17,153	40,120
Distributions to unitholders	(6,174)	(11,113)
Closing balance	**(140,159)**	**(151,138)**

	Country of Incorporation	Ownership interest 2011 %	Ownership interest 2010 %
19 Controlled entities			
Multiplex German Property Fund	Australia	100.0	100.0
Multiplex German Landowning Fund	Australia	100.0	100.0
Multiplex Malta 1 Ltd	Malta	100.0	100.0
Multiplex Malta 2 Ltd	Malta	100.0	100.0
Multiplex Luxembourg Holding S.a.r.l.	Luxembourg	100.0	100.0
Multiplex Luxembourg Limited Partner S.a.r.l.	Luxembourg	100.0	100.0
Multiplex Luxembourg General Partner S.a.r.l.	Luxembourg	100.0	100.0
Multiplex Luxembourg 1 S.a.r.l.	Luxembourg	100.0	100.0
Multiplex German Investments GmbH	Germany	100.0	100.0
Monti Partnerships [1]	Germany	94.9	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 %	Fund 2011 $'000	Fund 2010 $'000
20 Investment in controlled entity			
Investment in Multiplex German Property Fund	100%	218,654	218,654
Provision for impairment		(152,936)	(152,936)
Total investment in controlled entity		**65,718**	**65,718**

A review of the carrying value of the investment in controlled entity at 30 June 2011 indicated that no further impairments to the investment in Multiplex German Property Fund is required.

21 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.

Throughout the year, in assessing the size and frequency of any distributions, the Responsible Entity considers all of the risk factors disclosed below. This includes considering the liquid/illiquid nature of any assets or investments held by the Consolidated Entity.

a Capital risk management

The Board's intention is to maintain a strong capital base so as to maintain investor confidence and the sustainable future development of the Consolidated Entity. The Board monitors the net tangible assets (NTA) of the Consolidated Entity, along with earnings per unit invested and distributions paid per unit.

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

There were no changes in the Consolidated Entity's approach to capital management during the year. Neither the Fund nor any of its subsidiaries are subject to externally imposed capital requirements.

b Financial risk management

Overview

The Consolidated Entity is 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).

21 Financial instruments continued

b Financial risk management continued

Overview continued

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 Consolidated Entity's financial performance. The Board of the Responsible Entity is responsible for developing risk management policies and the Board Risk and Compliance Committee (which is established by the Board) is responsible for ensuring compliance with those risk management policies as outlined in the compliance plan.

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

Investment mandate

The Consolidated Entity's investment mandate, as disclosed in its Constitution and Product Disclosure Statement (PDS), is the investment in direct properties in Europe.

Derivative financial instruments

Whilst the Consolidated Entity utilises derivative financial instruments, it does not enter into or trade derivative financial instruments for speculative purposes. The use of derivatives is governed by the Consolidated Entity's investment policies, which provide written principles on the use of financial derivatives. These principles permit the use of derivatives to mitigate financial risks associated with financial instruments utilised by the Consolidated Entity. At 30 June 2011 and 30 June 2010, the Consolidated Entity is party to interest rate swap, cross currency interest rate swap and forward foreign exchange agreements.

c Credit risk

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.

Sources of credit risk and risk management strategies

Credit risk arises principally from the Consolidated Entity's tenants and derivative counterparties. Other credit risk also arises for the Consolidated Entity in relation to cash and cash equivalents balances held.

Trade and other receivables

The Consolidated Entity's exposure to credit risk is influenced mainly by the individual characteristics of each tenant and counterparty. The Consolidated Entity manages and minimises exposure to credit risk by:

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

Fair value of financial derivatives

Transactions with derivative counterparties are limited to established financial institutions that meet the Consolidated Entity's minimum credit rating criteria. The Consolidated Entity also utilises 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.

The Consolidated Entity's overall strategy of credit risk management remains unchanged from 2010.

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.

	Consolidated 2011 $'000	2010 $'000
Cash and cash equivalents	39,192	33,932
Trade and other receivables	3,117	2,556
Fair value financial derivatives	1,923	21,157
Total exposure to credit risk	**44,232**	**57,645**

21 Financial instruments continued

c Credit risk continued

Concentrations of credit risk exposure

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, market share and reputation, previous experience with these types of transactions, and independent ratings for various covered and uncovered securities offerings. 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.

The majority of the cash held by the Consolidated Entity is deposited with the Australian and New Zealand Bank (ANZ). Therefore the Consolidated Entity has a concentration of credit risk with this party. In assessing this risk, the Consolidated Entity has taken into account ANZ's financial position, market share and reputation, previous experience with these types of transactions, and independent ratings for various covered and uncovered securities offerings. 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.

Collateral obtained/held

Where applicable, the Consolidated Entity obtains 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 Consolidated Entity did not hold any other collateral in respect of its financial assets.

During the year ended 30 June 2011, the Consolidated Entity did not call on any collateral provided (2010: nil).

Financial assets past due but not impaired

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

	Consolidated 2011 $'000	2010 $'000
Current	3,067	2,484
Past due 0-30 days	6	43
Past due 31-120 days	26	28
Past due 121 days to one year	18	1
Total trade and other receivables	**3,117**	**2,556**

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. 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 year ended 30 June 2011, a reversal of $94,000 was taken against the bad debt provision (2010: reversal of $104,000) was recognised by the Consolidated Entity.

d Liquidity risk

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

Sources of liquidity risk and risk management strategies

The main source of liquidity risk for the Consolidated Entity is related to the refinancing of interest bearing liabilities.

The Consolidated Entity'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 without incurring unacceptable losses or risking damage to the Consolidated Entity's reputation.

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 Consolidated Entity's liquidity risk is managed in accordance with the Consolidated Entity's investment strategy as detailed in the PDS. The Consolidated Entity invests in direct property. As a result, the investments are not liquid in nature. However, the Consolidated Entity's operations are structured to allow for sufficient rental income to enable the Consolidated Entity to meet its debts as and when they are due. The Consolidated Entity also manages 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.

21 Financial instruments continued

d Liquidity risk continued

Defaults and breaches

During the financial years ended 30 June 2011 and 30 June 2010, the Consolidated Entity was not in default or breach of any terms of its loan amounts or covenants.

Maturity analysis of financial liabilities

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

	Consolidated $'000					
	Carrying amount	Contractual cash flows	Within 1 year	1 to 2 years	2 to 5 years	Greater than 5 years
2011						
Financial liabilities						
Trade and other payables	3,979	3,979	3,979	–	–	–
Distributions payable	1,543	1,543	1,543	–	–	–
Provisions	1,005	1,005	1,005	–	–	–
Interest bearing liabilities	311,870	312,660	–	–	312,660	–
Minority interest payable	2,701	2,701	–	2,701	–	–
	321,098	**321,888**	**6,527**	**2,701**	**312,660**	**–**
Interest payable on debt	1,349	17,833	6,394	6,394	5,045	–
Effect of interest rate swap	1,647	21,777	7,808	7,808	6,161	–
Fair value of financial derivatives	12,968	–	–	–	–	–
Net interest payable on debt	**15,964**	**39,610**	**14,202**	**14,202**	**11,206**	**–**
Total financial liabilities	**337,062**	**361,498**	**20,729**	**16,903**	**323,866**	**–**

	Consolidated $'000					
	Carrying amount	Contractual cash flows	Within 1 year	1 to 2 years	2 to 5 years	Greater than 5 years
2010						
Financial liabilities						
Trade and other payables	3,034	3,034	3,034	–	–	–
Distributions payable	6,482	6,482	6,482	–	–	–
Provisions	1,055	1,055	1,055	–	–	–
Interest bearing liabilities	327,100	328,227	–	–	328,227	–
Minority interest payable	2,835	2,835	–	–	2,835	–
	340,506	**341,633**	**10,571**	**–**	**331,062**	**–**
Interest payable on debt	937	16,820	4,439	4,439	7,942	–
Effect of interest rate swap	2,208	39,668	10,469	10,469	18,730	–
Fair value of financial derivatives	25,211	–	–	–	–	–
Net interest payable on debt	**28,356**	**56,488**	**14,908**	**14,908**	**26,672**	**–**
Total financial liabilities	**368,862**	**398,121**	**25,479**	**14,908**	**357,734**	**–**

Settlement of the capital hedge is contracted to occur through settlement of principal amounts on 15 April 2014. The Consolidated Entity will pay €110,925,000 to Eurohypo AG at a fixed rate of €1 to $1.6885 (2010: €1 to $1.6885). The Consolidated Entity will receive $187,296,863 from Eurohypo AG at a fixed rate of €1 to $1.6885 (2010: €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.

21 Financial instruments continued

d Liquidity risk continued

Maturity analysis of financial liabilities continued

	Carrying amount	Contractual cash flows	Within 1 year	1 to 2 years	2 to 5 years	Greater than 5 years
2011						
Interest receivable on capital hedge	2,396	31,672	11,356	11,356	8,960	–
Interest payable on capital hedge	(1,228)	(16,232)	(5,820)	(5,820)	(4,592)	–
Net interest receivable on capital hedge	**1,168**	**15,440**	**5,536**	**5,536**	**4,368**	**–**
Payment in settlement of capital hedge	–	(149,878)	–	–	(149,878)	–
Receipt in settlement of capital hedge	–	187,297	–	–	187,297	–
Net settlement of capital hedge	**–**	**37,419**	**–**	**–**	**37,419**	**–**

	Carrying amount	Contractual cash flows	Within 1 year	1 to 2 years	2 to 5 years	Greater than 5 years
2010						
Capital hedge						
Interest receivable on capital hedge	2,396	43,028	11,356	11,356	20,316	–
Interest payable on capital hedge	(1,289)	(23,150)	(6,110)	(6,110)	(10,931)	–
Net interest receivable on capital hedge	**1,107**	**19,878**	**5,246**	**5,246**	**9,385**	**–**
Payment in settlement of capital hedge	–	(187,297)	–	–	(157,340)	–
Receipt in settlement of capital hedge	–	187,297	–	–	187,297	–
Net settlement of capital hedge	**–**	**–**	**–**	**–**	**29,957**	**–**

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 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 Consolidated Entity is exposed to market risk in the form of interest rate risk and foreign currency risk. The Consolidated Entity enters 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 equivalent 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 interest bearing liabilities (Note 14). The table below shows the Consolidated Entity's direct exposure to interest rate risk at year end:

	Floating rate $'000	Fixed rate $'000	Non-interest bearing $'000	Total $'000
Consolidated 2011				
Financial assets				
Cash and cash equivalents	14,080	25,112	–	**39,192**
Trade and other receivables	1,168	–	1,949	**3,117**
Financial derivatives	33,457	–	4,973	**38,430**
Total financial assets	**48,705**	**25,112**	**6,922**	**80,739**
Financial liabilities				
Trade and other payables	–	2,996	3,979	**6,975**
Interest bearing liabilities	312,660	–	–	**312,660**
Financial derivatives	12,968	–	–	**12,968**
Distributions payable	–	–	1,543	**1,543**
Other	–	–	2,916	**2,916**
Total financial liabilities	**325,628**	**2,996**	**8,438**	**337,062**

21 Financial instruments continued

e Market risk continued

Interest rate risk continued

	Floating rate $'000	Fixed rate $'000	Non-interest bearing $'000	Total $'000
Consolidated 2010				
Financial assets				
Cash and cash equivalents	33,932	–	–	**33,932**
Trade and other receivables	1,107	–	1,449	**2,556**
Financial derivatives	–	–	21,157	**21,157**
Total financial assets	**35,039**	**–**	**22,606**	**57,645**
Financial liabilities				
Trade and other payables	–	–	6,179	**6,179**
Interest bearing liabilities	328,227	–	–	**328,227**
Financial derivatives	25,211	–	–	**25,211**
Distributions payable	–	–	6,482	**6,482**
Other	–	–	2,182	**2,182**
Total financial liabilities	**353,438**	**–**	**14,843**	**368,281**

Sensitivity analysis

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

	2011 + 1% Profit and loss	2011 + 1% Equity	2011 - 1% Profit and loss	2011 - 1% Equity	2010 + 1% Profit and loss	2010 + 1% Equity	2010 - 1% Profit and loss	2010 - 1% Equity
Consolidated								
Interest on cash	392	392	(392)	(392)	339	339	(339)	(339)
Interest bearing liabilities	3,127	3,127	(3,127)	(3,127)	(3,282)	(3,282)	3,282	3,282
Swap proceeds	(3,127)	(3,127)	3,127	3,127	3,282	3,282	(3,282)	(3,282)
Fair value of derivatives	8,648	8,648	(8,975)	(8,975)	6,310	6,310	(6,570)	(6,570)
Total increase/(decrease)	**9,040**	**9,040**	**(9,367)**	**(9,367)**	**6,649**	**6,649**	**(6,909)**	**(6,909)**

Foreign currency risk

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

The Consolidated Entity uses 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 Australian dollars); 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.

21 Financial instruments continued

e Market risk continued

Sources of risk and risk management strategies continued

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 2011 €'000	Fair value of forward foreign exchange asset 30 June 2011 $'000	Fair value of forward foreign exchange asset 30 June 2010 $'000
Forward foreign exchange	Quarterly until 15 April 2014	Euro	0.5476	12,903	4,972	4,891

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

Type of contract	Expiry date	Underlying exposure	Fixed rate %	Notional amount of contracts outstanding 30 June 2011 '000	Fair value of cross currency interest rate swap asset 30 June 2011 $'000	Fair value of cross currency interest rate swap asset 30 June 2010 $'000
Principal investment	15 April 2014	AUD	5.98	$187,297	191,269	192,156
Principal borrow	15 April 2014	Euro	3.83	€110,925	(157,811)	(175,891)
Net fair value					**33,458**	**16,265**

The unrealised effect of movements of the $/Euro exchange rates on the Consolidated Entity are recorded in the foreign currency translation reserve.

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

	Consolidated 2011 $'000	2010 $'000
Australia (Australian dollar-denominated)		
Gross assets	29,677	24,792
Gross liabilities	(2,695)	(929)
Europe (Euro-denominated)		
Gross assets	314,103	297,210
Gross liabilities	(249,460)	(259,390)

The following euro exchange rates were applied to transactions during the period:	2011 reporting date spot rate	Year ended 30 June 2011 average rate	2010 reporting date spot rate	Year ended 30 June 2010 average rate
1 Australian dollar	0.7401	0.7248	0.7050	0.6359

Sensitivity analysis

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

	2011 + 5% Profit and loss $'000	+ 5% Equity $'000	2011 - 5% Profit and loss $'000	- 5% Equity $'000	2010 + 5% Profit and loss $'000	+ 5% Equity $'000	2010 - 5% Profit and loss $'000	- 5% Equity $'000
Consolidated	9,936	5,777	(9,748)	(5,151)	10,604	8,049	(11,197)	(8,373)

f Fair values

Methods for determining fair values

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

21 Financial instruments continued

f Fair values continued

Cash and cash equivalents and trade and other receivables

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

Derivatives

The fair value of derivative contracts is based on present value of future cash flows, discounted at the market rate of interest at the reporting date.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Fair values versus carrying amounts

The Consolidated Entity is required to disclose fair value measurements by level of the following fair value measurement hierarchy:

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

The following table presents the Consolidated Entity's assets and liabilities measured and recognised at fair value at 30 June 2011. The carrying amounts of cash and cash equivalents, trade and other receivables, and trade and other payables are assumed to reasonably approximate their fair values due to their short-term nature. Accordingly, fair value disclosures are not provided for such assets and liabilities.

Consolidated Entity – at 30 June 2011	Level 2 $'000	Total $'000
Assets		
Financial derivatives at fair value through profit or loss	38,430	38,430
Total assets	**38,430**	**38,430**
Liabilities		
Financial derivatives at fair value through profit or loss	12,968	12,968
Total liabilities	**12,968**	**12,968**

Consolidated Entity – at 30 June 2010	Level 2 $'000	Total $'000
Assets		
Financial derivatives at fair value through profit or loss	21,157	21,157
Total assets	**21,157**	**21,157**
Liabilities		
Financial derivatives at fair value through profit or loss	25,211	25,211
Total liabilities	**25,211**	**25,211**

As at 30 June 2011 and 30 June 2010, there were no financial assets or liabilities in levels 1 or 3. During the current and prior years, there were no financial assets or liabilities which transferred between levels 1, 2 or 3.

22 Reconciliation of cash flows from operating activities

	Consolidated Year ended 30 June 2011 $'000	Consolidated Year ended 30 June 2010 $'000
Profit/(loss) for the year	**17,153**	**40,120**
Adjustments for:		
Items classified as investing activities		
Gain on close out of derivatives	–	(5,406)
Non-cash items		
Net loss on revaluation of investment properties	26,058	15,303
Net gain on revaluation of financial derivatives	(29,517)	(28,310)
Income tax (expense)/benefit	2,400	(4,447)
Amortisation	(290)	619
Other	(104)	1,529
Operating profit before changes in working capital	**15,700**	**19,408**
Changes in assets and liabilities during the period:		
Increase in trade and other receivables	(561)	(160)
Decrease in trade and other payables	796	(1,145)
Net cash flows from operating activities	**15,935**	**18,103**

23 Related parties

Responsible Entity

The Responsible Entity of the Fund is Brookfield Capital Management Limited (formerly Brookfield Multiplex Capital Management Limited).

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.

F. Allan McDonald (appointed 1 January 2010)
Brian Motteram (appointed 21 February 2007)
Barbara Ward (appointed 1 January 2010)
Tim Harris (appointed 17 March 2010 – resigned 16 May 2011)
Russell Proutt (appointed 1 January 2010)
Shane Ross (appointed 16 May 2011)

The Responsible Entity is entitled to a management fee which is calculated as a proportion of gross assets less fair value of derivatives attributable to unitholders. Refer below for further details related to the management fee and other fees the Responsible Entity is entitled to.

No compensation is paid to any of the Key Management Personnel of the Responsible Entity directly by the Fund or Consolidated Entity.

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
F. Allan McDonald	50,000
Brian Motteram	–
Barbara Ward	–
Russell Proutt	–
Shane Ross	–

Responsible Entity's fees and other transactions

In accordance with the Fund Constitution, Brookfield Capital Management Limited (formerly Brookfield Multiplex Capital Management Limited) is entitled to receive:

23 Related parties continued

Responsible Entity's fees and other transactions continued

Performance fee

A performance fee of 20% (including GST less any reduced input tax credits) of the outperformance of the Consolidated Entity against the benchmark return (S&P/ASX 300 A-REIT Accumulation Index) is recognised on an accruals basis. Any previous underperformance must be recovered before a performance fee becomes payable. The performance fee expense for the year ended 30 June 2011 was nil (2010: nil). As at 30 June 2011, the performance fee payable to the Responsible Entity was nil (2010: nil).

Management fee

A management fee based on the gross value of assets, less fair value of derivatives, is payable to the Responsible Entity. The fee is payable by the Consolidated Entity quarterly in arrears. The management fee expense for the year ended 30 June 2011 was $1,661,000 (2010: $1,859,000). As at 30 June 2011, the management fee payable to the Responsible Entity was $386,000 (2010: $411,000).

Establishment fee

The Fund was constituted on 16 November 2006 and it was registered as a Managed Investment Scheme on 3 April 2007. The Consolidated Entity was previously ultimately owned by Multiplex Limited (71.91% ownership), Brookfield Multiplex Property Trust (22.36% ownership) and Brookfield Australia Opportunities Fund (formerly 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 Consolidated Entity listed on the ASX on 3 July 2007.

Prior to the allotment of units to external unitholders, Brookfield Multiplex Limited held 160,000,000 units or 71.91% ownership of the Fund. These units were fully redeemed. Multiplex German Investment Pty Ltd as trustee for Multiplex German Investment Trust, retained its 49,750,100 units. JP Morgan Nominees Australia Limited, as custodian for Brookfield Capital Management Limited (formerly Brookfield Multiplex Capital Management Limited), as responsible entity for Brookfield Australia Opportunities Fund (formerly 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 group.

Related party unitholders

The following related parties held units in the Fund during the year:

– Multiplex German Investment Pty Ltd as trustee for Multiplex German Investment Trust, owned 100% by Brookfield Australia Property Trust (formerly Brookfield Multiplex Property Trust), holds 49,750,100 units or 20.2% of the Fund as at 30 June 2011 (2010: 49,750,100 units or 20.2%); and
– JP Morgan Nominees Australia Limited, as custodian for Brookfield Capital Management Limited (formerly Brookfield Multiplex Capital Management Limited), as responsible entity for Brookfield Australian Opportunities Fund (formerly Multiplex Acumen Property Fund), holds 12,750,050 units or 5.2% of the Fund as at 30 June 2011 (2010: 12,750,050 units or 5.2%).

	Consolidated 2011 $'000	2010 $'000
Transactions with the Responsible Entity		
Management fees	1,661	1,859
Cost reimbursements	407	249
Management fee payable	386	411
Cost reimbursements payable	299	250
Transactions with related parties of the Responsible Entity		
Distribution to Multiplex German Investment Trust	1,244	2,239
Distribution payable to Multiplex German Investment Trust	311	1,306
Distribution to Brookfield Australian Opportunities Fund	319	574
Distribution payable to Brookfield Australian Opportunities Fund	80	335

Transactions with related parties are conducted on normal commercial terms and conditions. Distributions paid by the Consolidated Entity to related party unitholders are made on the same terms and conditions applicable to all unitholders.

24 Contingent liabilities and assets

A controlled entity within the Consolidated Entity is currently the subject of a German taxation audit. The Consolidated Entity is in the process of responding to queries raised during the audit. One of the queries relates to issues identified in the Fund's PDS (dated 20 April 2007). It is not possible at this time to determine what, if any, liability may arise from this audit.

There are no other contingent liabilities or assets at 30 June 2011 or 30 June 2010.

25 Capital and other commitments
There were no capital or other commitments at 30 June 2011 or 30 June 2010.

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

Directors' Declaration
Multiplex European Property Fund

For the year ended 30 June 2011

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

a The consolidated financial statements and notes, set out in pages 13 to 41, are in accordance with the *Corporations Act 2001*, including:

  i giving a true and fair view of the financial position of the Consolidated Entity as at 30 June 2011 and of its performance for the financial year ended on that date;

  ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

  iii complying with International Financial Reporting Standards, as stated in note 2 to the financial statements.

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

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 year ended 30 June 2011.

Signed in accordance with a resolution of the Directors of Brookfield Capital Management Limited pursuant to Section 295(5) of the *Corporations Act 2001*.

Dated at Sydney this 26th day of August 2011.

Russell Proutt
Director
Brookfield Capital Management Limited

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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 statement of financial position as at 30 June 2011, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the Fund and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 13 to 42.

Directors' Responsibility for the Financial Report

The directors of the Responsible Entity of the Fund ("the Directors") are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

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. Those 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 of the financial report that gives a true and fair view, 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, as well as evaluating the overall presentation of the financial report.

Deloitte.

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

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Responsible Entity, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) 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 Fund's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Helen Hamilton-James
Partner
Chartered Accountants
Parramatta, 26 August 2011

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