



MULTIPLEX EUROPEAN PROPERTY FUND

ARSN 124 527 206

Interim Report 2011

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

1	Message from the Chairman
2	Half Year Review
7	Performance at a Glance
8	Condensed Consolidated Interim Statement of Comprehensive Income
9	Condensed Consolidated Interim Statement of Financial Position
BC	Corporate Directory

Message from the Chairman

On behalf of the Board of Brookfield Capital Management Limited (BCML), enclosed are the interim financial results for the six month period to 31 December 2010 for Multiplex European Property Fund (Fund).

FINANCIAL RESULTS

The Fund reported a net profit of \$20.4 million for the period, which includes a \$9.4 million property valuation decrement and \$23 million in financial derivative mark-to-market gains.

Whilst movement in foreign exchange rates makes comparison of financial information against prior periods difficult, underlying operating performance of the Fund's property assets remained steady and the value of the property assets decreased by 2.5% over the period.

Key financial results as at 31 December 2010 include:

- distributions paid or payable of \$3.1 million
- total property rental income of \$17 million
- net assets of \$91.3 million and NTA of \$0.37 per unit

OUTLOOK

Whilst the economic position of Europe as a whole continues to be uncertain, the prospects for the German economy remain positive with a rise in German GDP and improvement in other economic fundamentals. However, whilst 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 for the Fund is to maximise re-leasing of those properties that are currently vacant or have an impending vacancy. To facilitate this the Fund continues to retain cash reserves to support its property assets and fund capital expenditures.

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



F. Allan McDonald
Independent Chairman



Half Year Review

Brookfield Capital Management Limited (BCML) the Responsible Entity of Multiplex European Property Fund (the Fund) provides a review of the half year ended 31 December 2010.

FINANCIAL PERFORMANCE

The Fund experienced a solid operational performance amidst continued uncertainty surrounding the underlying economic position of the European continent.

Operating results presented in the financial statements, including comparative information, have a range of comparability issues this period as there has been a significant 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.

Key financial results for the Fund for the half year ended 31 December 2010 are as follows:

- net profit after tax of \$20.4 million;
- property portfolio valued at \$347.6 million;
- property rental income of \$17 million;
- earnings per unit (EPU) of 8.3 cents;
- normalised earnings (i.e. excluding fair value adjustments on property and financial derivatives) of 3.1 cents per unit;
- distributions to unitholders for the half year ended 31 December 2010 were \$3.1 million and distributions per unit (DPU) of 1.25 cents per unit;
- net tangible assets (NTA) of \$91.3 million or \$0.37 cents per unit;
- the portfolio occupancy was 95% with a weighted average lease expiry (WALE) (by income) of 6.6 years; and
- the Fund remains in compliance with all financing covenants.

VALUATION SUMMARY

SECTOR	31 DECEMBER 2009 VALUATION (€M)	30 JUNE 2010 VALUATION (€M)	31 DECEMBER 2010 VALUATION (€M)	% CHANGE JUNE–DECEMBER 2010
Retail	162.0	161.0	158.4	(1.6%)
Nursing homes	59.0	58.8	57.8	(1.7%)
Logistics	25.0	25.0	24.5	(2.0%)
Office	29.7	26.5	23.9	(9.8%)
Total	275.7	271.3	264.6	(2.5%)

ASSET MANAGEMENT

BCML continues to maintain its practice of externally revaluing properties each reporting period. The properties were independently valued during the half year by DTZ Zadelhoff Tie Leung GmbH in Frankfurt. Their valuation of €264.6 million (\$347 million) as at 31 December 2010 represents a 2.5% 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 June 2010. The decline in property values predominantly represents the impending vacancy at the Düsseldorf property from April 2011, a general decrease in value in East German discounters and a slight decrease in portfolio WALE.

The portfolio's weighted average lease expiry (by income) is 6.6 years and the tenant mix is still dominated by major German national and multi-national tenants who contribute approximately 80% of the Fund's net property income.

There has not been any significant change in the underlying euro-denominated rental income or net property income of the Fund.

RETAIL SECTOR

The retail sector continues to provide a stable base for the Fund. With a predominant large national and multi-national tenant mix, this sector presents good security of income.

The Fund has 55 retail properties. Discount supermarkets make up 36 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 estimated turnover of in excess of €50 billion per annum in Germany.

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	94	EDEKA, REWE, Hornbach	6.0
6 nursing homes	100	Kursana, Phönix	11.3
3 logistic/warehouses	100	Spicers, TNT	4.1
3 offices	90	State of Nord Rhine-Westphalia	2.8
Total portfolio	95		6.6

Half Year Review

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.

Management remains confident that these pressures can be addressed and new long term leases secured. By way of example, the Woldegk property has been re-leased in circumstances where the property was redeveloped and the total rental area increased. Further similar renegotiations are currently underway.

NURSING HOMES

Nursing homes remain an attractive asset class for investors, particularly viewed against the backdrop of an ageing German population.

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

During 2010 the market for nursing home properties improved, with a higher number of transactions taking place. Institutional investors continue to regard investment in nursing home properties as a relatively secure investment and the Fund's properties (with a critical mass of at least 100 beds per property) remain attractive to such investors.

LOGISTICS SECTOR

Leasing take-up in the German logistics sector in 2010 totaled 3.97 million sqm making the year the highest in the period 2004 to 2010. Compared to 2009 the take up increased by 23%; compared to the 6-year-average (2004-2009: 3.1 million sqm) the take-up increased by 26%. Given the fact that the German economy is expected to grow steadily and that foreign trade and private consumption will support this development, demand for industrial space is expected to produce similar outcomes.

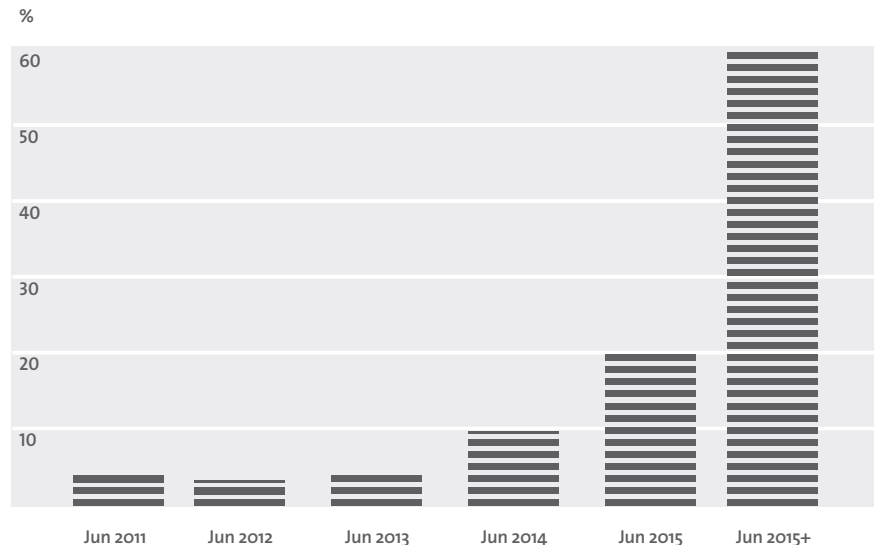
SECTOR ALLOCATION

- 60% Retail
- 22% Nursing homes
- 9% Office
- 9% Logistics



* Calculated on the value of properties as at 31 December 2010.

LEASE EXPIRY PROFILE (by income)



Key lease expiries primarily represent the following assets – Düsseldorf and Wittmund in 2011.

OFFICE SECTOR

The last quarter of 2010 brought a significant increase in activity in the German commercial property market. In that quarter office properties with a value of €3.125 bn changed hands (52% of the total commercial properties transferred). That is the highest quarterly result for the year and the highest quarterly result since the last quarter in 2008.

Improvements in the leasing market are largely the result of developments in the wider employment market. While leasing decisions continue to be taken after long periods of consideration, the willingness of companies to absorb the costs involved with a move of premises is increasing as the economic situation improves. Expectations for the office market to remain stable are in line with predictions for the German economy as a whole.

DEBT AND HEDGING

The Fund remains in compliance with all financing covenants. The Term Facility is fully drawn and no part of the Term 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.

Utilising 31 December 2010 valuations the Fund's loan to value ratio (LVR) is 87.4% (debt covenant requirement is no greater than 95%). The Fund's interest cover ratio at 31 December 2010 is 1.88 times (covenant requirement 1.3 times).

There have been no changes to the Fund's derivative instruments during the six months to 31 December 2010. These derivatives coincide with the timing of the Term Facility and expire in April 2014. With continued low interest rates in Germany the Fund's interest rate swap remains out of the money whilst its currency hedges remain in the money. The Fund hedges its net property cash flows to insulate the Fund from significant adverse currency movements. BCML will continue to monitor exchange rate movements and the Fund's requirements.

NTA MOVEMENT (per unit)



Half Year Review

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 and 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 and 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.



The retail sector continues to provide a stable base for the Fund. With a predominant large national and multi-national tenant mix, this sector presents good security of income.

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 \$33 million to support its property assets. While it is anticipated that the German economic recovery will provide further stability to the Fund's property portfolio, BCML remains focused on ensuring that occupancy levels are high and that the Düsseldorf property is successfully redeveloped.

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

Performance at a Glance

FUND SNAPSHOT (as at 31 December 2010)

Listing date	3 July 2007
Market capitalisation ¹	\$54.3 million
Total assets	\$423 million
NTA per unit	\$0.37
Portfolio occupancy	95%
Portfolio weighted average lease expiry (by income)	6.6 years
ASX liquidity (units per day, period average)	138,523
Fund gearing (total interest-bearing loans/total assets at fund level)	71.7%
Loan to value ratio (interest bearing loans/property assets) ²	87.4%
Management fee ³ (excluding GST)	0.41% of gross asset value
Performance fee (excluding GST)	5% to 15% of benchmark ⁴ outperformance

Notes:

- 1 Market capitalisation as at close of trading on 31 December 2010.
- 2 Calculated using 31 December 2010 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	\$20.4 million
Adjustments:	
– net loss on revaluation of investment property	\$9.4 million
– net gain on revaluation of financial derivatives	(\$23.0 million)
– deferred income tax expense	\$1.1 million
– amortisation of borrowing costs	(\$0.3 million)
Normalised net profit	\$7.6 million
Normalised earnings per unit	3.1 cents
Distributions per unit	1.25 cents

Condensed Consolidated Interim Statement of Comprehensive Income

For the half year ended 31 December 2010

	CONSOLIDATED HALF YEAR ENDED 31 DECEMBER 2010 \$'000	CONSOLIDATED HALF YEAR ENDED 31 DECEMBER 2009 \$'000
Revenue and other income		
Property rental income	17,017	19,772
Interest income	3,276	2,926
Net gain on revaluation of financial derivatives	23,021	13,215
Other income	130	416
Total revenue and other income	43,444	36,329
Expenses		
Property expenses	3,123	2,887
Finance costs to external parties	7,627	9,081
Management fees	853	982
Net loss on revaluation of investment properties	9,445	8,998
Other expenses	706	736
Total expenses	21,754	22,684
Profit before income tax	21,690	13,645
Income tax expense	(1,284)	(212)
Net profit after tax	20,406	13,433
Other comprehensive income		
Changes in foreign currency translation reserve	(3,500)	(7,188)
Other comprehensive loss for the period	(3,500)	(7,188)
Total comprehensive income for the period	16,906	6,245
Net profit attributable to ordinary unitholders	20,406	13,433
Total comprehensive income attributable to ordinary unitholders	16,906	6,245
Earnings per unit		
Basic and diluted earnings per ordinary unit (cents)	8.3	5.4

The Condensed Consolidated Interim Statement of Comprehensive Income should be read in conjunction with the Notes to the Condensed Interim Financial Statements, available at www.au.brookfield.com.

Condensed Consolidated Interim Statement of Financial Position

As at 31 December 2010

	CONSOLIDATED 31 DECEMBER 2010 \$'000	CONSOLIDATED 30 JUNE 2010 \$'000
Assets		
Current assets		
Cash and cash equivalents	33,081	33,932
Trade and other receivables	3,165	2,556
Fair value of financial derivatives	2,064	1,620
Total current assets	38,310	38,108
Non-current assets		
Investment properties	347,655	384,769
Fair value of financial derivatives	35,011	19,537
Deferred tax asset	2,837	3,954
Total non-current assets	385,503	408,260
Total assets	423,813	446,368
Liabilities		
Current liabilities		
Trade and other payables	6,105	6,179
Distribution payable	1,543	6,482
Provisions	977	1,055
Total current liabilities	8,625	13,716
Non-current liabilities		
Interest bearing liabilities	303,129	327,100
Fair value of financial derivatives	18,108	25,211
Minority interest payable	2,626	2,835
Total non-current liabilities	323,863	355,146
Total liabilities	332,488	368,862
Net assets	91,325	77,506
Equity		
Units on issue	227,228	227,228
Reserves	(2,084)	1,416
Undistributed losses	(133,819)	(151,138)
Total equity	91,325	77,506

The Condensed Consolidated Interim Statement of Financial Position should be read in conjunction with the Notes to the Condensed Interim Financial Statements, available at 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
Tim Harris

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

www.au.brookfield.com