Brookfield

MULTIPLEX EUROPEAN PROPERTY FUND

ARSN 124 527 206

Annual Report 2015

Responsible Entity

Brookfield Capital Management Limited

ACN 094 936 866
AFSL 223809

Cover image: Netto Supermarket, Eisleban

Message from the Chairman

On behalf of the Board of Brookfield Capital Management Limited (BCML), enclosed is the annual report for Multiplex European Property Fund (Fund) for the year ended 30 June 2015.

FINANCIAL RESULTS

Key financial results as at 30 June 2015 include:

- net profit after tax of $23.5 million
- net cash held in Australia of approximately $5.3 million
- Fund net assets of $30.1 million or $0.12 per unit
- property portfolio valued at $244.7 million

UNITHOLDER MEETING

Subsequent to year end, a meeting of unitholders was convened on 27 July 2015 and unitholders approved the sale of the 61 properties owned by one of the Fund's wholly owned German partnerships and to wind up the Fund.

Settlement of the sale of the majority of properties is expected on 12 September 2015 in Germany, once certain conditions have been satisfied for each property.

Taking into account a number of important assumptions set out in the Notice of Meeting and Explanatory Memorandum dated 1 July 2015, including final resolution of the German tax audits, it is estimated that settlement of the proposed sale and Fund wind up may result in a total Fund net cash surplus of approximately $20.7 million or 8.4 cents per unit to be distributed progressively over the period to early 2018.

Timing of repatriation of any excess cash reserves from Germany and amounts distributed to unitholders will ultimately be determined by these important assumptions and will be returned to investors periodically as the Fund's offshore subsidiaries are merged and liquidated. As such, there is no guarantee of the amount of any proceeds that will be available for distribution to unitholders.

The Fund will be wound up at completion of the distribution of cash to unitholders.

TRADING ON ASX AND DE-LISTING

ASX have confirmed that if completion of the property sales occur on 12 September 2015 in Germany it will require suspension of trading of the Fund from close of trading on Monday, 14 September 2015. De-listing of the Fund will take place following settlement of all ASX trades.

DEBT FACILITY

The Fund's debt facility with its financier, Hypothekenbank Frankfurt AG matured without repayment by the Fund's wholly owned German partnerships in April 2014. The Financier agreed to a standstill in enforcement of its rights under the facility until 15 October 2014 and this was subsequently extended to 31 December 2014 and then to 30 September 2015.

Net sale proceeds together with part use of existing cash reserves held in the partnerships is expected to facilitate repayment of the debt facility by 30 September 2015.

GERMAN TAX AUDIT

Correspondence has been received from the German tax office indicating that the German partnerships have been successful in the determination that no German Trade Tax should be payable for the 2004 to 2006 years. The assessments issued show that the previous assessments issued in 2012 for amounts of approximately €2 million have been cancelled and that no Trade Tax basis exists for those years. It is expected that final assessments from the City of Munich should issue shortly to complete the process.

Final findings for the German tax audit for 2007 to 2010 have been received for all seven German partnerships and assessments have been issued for two of the seven partnerships.

The final findings indicate that in relation to Trade Tax that no place of management was considered to be in existence in Germany in the 2007 to 2010 years. Independent advice is that this conclusion means that no Trade Tax should be payable by any of the partnerships.

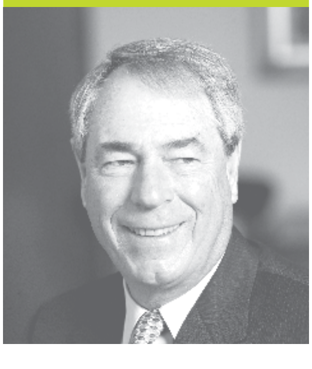
Assessments issued to two of the seven partnerships confirm that no Trade Tax basis has been assessed. However, no assessment has as yet been received for the partnership that was subjected to the previous Trade Tax assessment for the 2004 to 2006 years (and which has now been overturned as set out above). As the final findings are subject to further review in the German tax office before assessments are issued there is the possibility that the final findings may be altered before being issued although independent advice is that such course of action is not likely in the present circumstances.

CASH POSITION IN AND OUT OF AUSTRALIA

As at 30 June 2015, the Fund retained net cash of approximately $5.3 million (2.1 cents per unit) in Australia. Expenses incurred by the Fund outside of Germany will continue to be met from these cash reserves. Cash held in Australia is not provided as security for the debt facility and is held outside of the German partnerships and its partners.

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 year ended 30 June 2015.

FINANCIAL RESULTS

As the Fund is subject to terms of the standstill agreement, the properties are required to be classified in the Financial Statements as 'properties held for sale' rather than 'investment properties'. The Fund must comply with terms of the standstill as required by the Financier, including a requirement to sell the properties in the short term to repay the debt facility.

Subsequent to year end, a meeting of unitholders was convened on 27 July 2015 and unitholders approved the sale of Fund's portfolio of 61 properties for gross proceeds of $244.7 million or €168 million. The properties' carrying value in the Financial Statements as at 30 June 2015 reflects gross proceeds and no allowance has been made for the majority of selling related costs.

Key results for the year ended 30 June 2015 are as follows:

- property portfolio valued at $244.7 million (30 June 2014: $316.7 million);
- net profit after tax of $23.5 million (30 June 2014: $1.6 million);
- earnings per unit of 9.50 cents (30 June 2014: 0.63 cents);
- net assets of $30.1 million or 12 cents per unit (30 June 2014: $6.6 million or 3 cents per unit); and
- no distributions declared to investors.

PROPERTY PORTFOLIO

As at 30 June 2015, the Fund's property portfolio comprised 61 properties: 55 retail properties, three logistic properties and three office properties.

During the year to 30 June 2015, the property portfolio's net operating income declined from €18.6 million to €15.3 million, reflecting a 14% decline in rental income. The decline was predominately due to the sale of the nursing home portfolio which completed in January 2015.

DEBT AND HEDGING

Debt

Proceeds from the sale of the Fund's 61 properties, together with part use of existing cash reserves held in the partnerships, is expected to facilitate repayment of the debt facility. As at 30 June 2015 the debt facility stands at €169.8 million having already been repaid by €61.6 million from completing the sale of the nursing home properties. It is expected that settlement of the proposed sale of the 61 properties will take place on 12 September 2015, allowing for full repayment of the debt facility by 30 September 2015.

Hedging

The net equity position of the Fund's investment in the property portfolio is not hedged. Therefore, the Fund may be impacted by movements between the Australian dollar and the Euro. No interest rate hedge is in place for the debt facility as at 30 June 2015.

CASHFLOW CONSIDERATIONS

The Fund had retained net cash of approximately $5.3 million (2.1 cents per unit) in Australia as at 30 June 2015. Expenses incurred by the Fund outside of Germany will continue to be met from these cash reserves until wind up of the Fund is complete. The Fund's Australian entities are not party to the debt facility with the Financier. The Financier has no recourse to the Fund's assets held in Australia.

POTENTIAL RETURNS TO UNITHOLDERS

Subject to the factors set out in the Notice of Meeting and Explanatory Memorandum dated 1 July 2015 and noted below, it is estimated that settlement of the sale of the 61 properties and Fund wind up may result in a total Fund net cash surplus of approximately a $20.7 million or 8.4 cents per unit. If the assumptions are not met, this may result in a materially lower cash surplus being available for distribution to unitholders. It is estimated that the net cash surplus will be distributed progressively over the period through to early 2018.

The variance between the net value of 12 cents per unit as at 30 June 2015 and estimated distribution of 8.4 cents per unit is attributable to a number of outgoings to be incurred post 30 June 2015. These include required expenditure on the properties, selling expenses associated with the sale, operating expenses and taxes expected to be incurred in managing and winding up the Fund and its subsidiaries.

Timing of repatriation of any excess cash reserves from Germany and the amount distributed to unitholders will ultimately be determined by a number of factors, including:

- German tax audits undertaken on the German partnerships and any binding decisions made by the German tax authorities
- operating performance of the properties until the sale is completed
- timing of completion of the sale of all properties and satisfaction of relevant conditions for the sale
- foreign exchange fluctuations
- warranty claims in relation to the sales and release of cash from escrow accounts on expiry of warranty periods relating to property sales
- net cash available in Australia after payment of operating expenses; and
- completion of any restructuring of entities owned by the Fund and time and costs incurred in winding up the Fund.

TAX AUDIT

German Tax Audit 2004-2006

Correspondence has been received from the German tax office indicating that the German partnerships have been successful in the determination that no German Trade Tax should be payable for the 2004 to 2006 years. The assessments issued show that the previous assessments issued in 2012 for amounts of approximately €2 million have been cancelled and that no Trade Tax basis exists for those years. It is expected that final assessments from the City of Munich will issue shortly to complete the process.

German Tax Audit 2007 to 2010

Final findings for the German tax audit for 2007 to 2010 have been received for all seven German partnerships and assessments have been issued for two of the seven partnerships.

The final findings indicate that in relation to Trade Tax that no place of management was considered to be in existence in Germany in the 2007 to 2010 years. Independent advice is that this conclusion means that no Trade Tax should be payable by any of the partnerships.

Assessments issued to two of the seven partnerships confirm that no Trade Tax basis has been assessed. However, no assessment has as yet been received for the partnership that was subjected to the previous Trade Tax assessment for the 2004 to 2006 years (and which has now been overturned as set out above). As the final findings are subject to further review in the German tax office before assessments are issued there is the possibility that the final findings may be altered before being issued although independent advice is that such course of action is not likely in the present circumstances.

In addition, the final findings and assessments received indicate a liability of approximately €0.1 million (A$0.15 million) for corporate income tax which would be payable by the Fund's subsidiaries who are partners in the partnerships. There is no liability for VAT payable.

Once a final assessment as a result of a tax audit has been issued and the relevant liability paid the German tax office will generally be unable to re-assess or make any further amendments for those years.

Consistent with prior reporting periods, having obtained independent advice, no liability has been recognised in the Fund's financial statements as at 30 June 2015 for any potential tax liability arising from the German tax audits.

ADDITIONAL RISKS

In addition to the issues associated with the German tax audit, investors should note ongoing risks associated with the Fund and potential returns to investors. These include:

Warranties

Warranties are provided in the sale agreements for a number of customary matters including ownership of the assets, taxes, disputes and certain aspects of existing leases. BCML does not currently believe there is any cause for a claim to be made under these warranties.

Total warranty claims are capped at 4% of the purchase price other than warranties for passing clear title to the properties and taxes which are uncapped. Any claim made under the warranties must be made by 31 December 2016 and each claim (with the exception of taxes) must be at least €50,000 with an aggregate of at least €325,000 required before a claim can be made.

As security for any claims by the purchaser under the agreement, an amount of €1 million of sale proceeds is to be held in escrow to cover any claim that may be made under the agreement. The funds will be released from the escrow by 15 January 2017 provided there are no outstanding claims asserted to the notary as per 31 December 2016.

Total warranty claims for the sale of the five nursing homes that settled in January 2015 are capped at 10% of the gross purchase price (€5.6 million in total allocated specifically to the individual properties). A condition of the sale of the nursing home properties was establishing an escrow account with €2.5 million in sale proceeds being withheld until June 2016 at the latest.

The estimate of cash available to be distributed to unitholders assumes that no payment is made against the warranties and no claim is made on the cash held in escrow which is returned to the German partnerships. Such an assumption is consistent with BCML's current expectation that no warranties have been breached and no claim will be made on the cash held in escrow or against the German partnerships. If some, or all, of the cash held in escrow is not released to the German partnerships, or additional claims are made against the assets of the German partnerships in excess of the amount held in escrow, the return to unitholders will be adversely impacted.

Year in Review

TAX INDEMNITIES

Tax indemnities provided under the sale agreement for the 61 properties are unlimited in amount but any claim must be made no later than 31 December 2016. Based on independent advice, there is no reason to expect that a claim will be made on account of tax. In relation to VAT, the German partnership selling the properties is liable to the purchaser for VAT credits that it has over-claimed until the transfer date of the properties. Similarly, the German partnership is liable for any VAT and related costs payable to the German tax office on the sale of the properties.

The agreement contemplates the possibility that the purchaser may be served with a notice to withhold as much as 15.825% of the purchase price of the properties on account of corporate income tax of the vendors. There are safeguards in the agreement to ensure both the German partnership and the purchaser are duly advised of such an obligation and both have the opportunity and the obligation, in the unlikely event this occurs, to defend such a claim against the tax office. If this were to occur, such a withholding would represent a prepayment of corporate income tax which would be refundable to the Fund as it is not expected that any corporate income tax would be payable on the sale.

OPERATING PERFORMANCE AND CAPITAL EXPENDITURE IN RELATION TO THE PROPERTIES

The Fund continues to benefit from the operating performance of the properties until settlement of the sale and an obligation exists to meet certain capital expenditure requirements for the properties during the period up until settlement. A delay in settlement of one or more of the properties may have an impact on returns to investors.

TIME AND COST IN WINDING UP THE FUND

The intended timeline assumes a favourable outcome of the German tax audits and the required steps to wind up the Fund's subsidiaries are undertaken in a timely and efficient manner. If this is not the case and/or the subsidiaries of the Fund are considered to be insolvent, wind up of the Fund may be delayed and additional costs and/or taxes may be incurred. Further, the intended timeline is based on current expectations which, in part, rely on regulatory approval. Any change in these expectations may affect the timing and cost of the Fund wind up.

FOREIGN EXCHANGE MOVEMENTS

The estimate of cash available to be distributed to unitholders assumes that the Australian dollar: Euro exchange rate remains at the rate of a$1: €0.70. Any movement from that rate at the time of repatriation of cash to Australia will impact on returns to unitholders.

CHANGE IN LAW

A change in law or interpretation of the law (particularly tax laws) in any of the jurisdictions in which the Fund's subsidiaries operate may impact on the cash available to unitholders.

Performance at a Glance

FUND SNAPSHOT (AS AT 30 JUNE 2015)

Listing date	3 July 2007
Market capitalisation[1]	$13.3 million
Total assets	$283.6 million
Net assets per unit	$0.12
Portfolio occupancy	89%
Portfolio weighted average lease expiry (by income)	7.14 years
Fund gearing (total interest-bearing loans/total assets at Fund level)	87.1%
Loan to value ratio (interest-bearing loans/property assets)[2]	101%
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 2015.
2 Calculated using the property portfolio's gross sale price of $244.7 million.
3 Subject to the arrangements outlined in the Chairman's letter dated 14 June 2007.
4 S&P/ASX 300 A-REIT Accumulation Index.

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 21 August 2015.

1. SUBSTANTIAL HOLDERS

COMPANY NAME	NO OF UNITS	% OF UNITS ON ISSUE
Brookfield Asset Management Inc.	62,500,150	25.309
Phoenix Portfolios Pty Ltd	23,399,954	9.48
Pullington Investments Pty Ltd	21,282,376	8.60

2. DISTRIBUTION OF ORDINARY UNITS

Analysis of numbers of unitholders by size of holding:

	UNITS	UNITHOLDERS
1–1,000	9,967	37
1,001–5,000	1,211,864	264
5,001–10,000	4,702,381	494
10,001–100,000	41,240,743	1,098
100,001 and over	199,785,195	180
Total	246,950,150	2,073

There were 385 holders with less than a marketable parcel of 9,615 securities ($0.052 on 21 August 2015).

3. 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	39,868,308	16.14
Pullington Investments Pty Ltd	19,242,376	7.79
Mr Peter Richard Robinson & Mrs Tobey Teresa Robinson & Miss Kimberley Jane Holman	8,450,000	3.42
Mr Robert Thomas Turney	6,500,000	2.63
Mrs Tobey Teresa Robinson	6,200,000	2.51
HSBC Custody Nominees (Australia) Limited	5,833,827	2.36
ARK 2000 Pty Ltd	3,500,000	1.42
Navigator Australia Ltd	2,674,806	1.08
Mercantile Investment Company Ltd	2,500,000	1.01
National Nominees Limited	2,229,897	0.90
Pullington Investments Pty Ltd	2,010,000	0.81
Mr Frank Di Nardo & Mrs Mary Di Nardo	1,845,910	0.75
ABN Amro Clearing Sydney Nominees Pty Ltd	1,732,615	0.70
Berger Equities Pty Ltd	1,600,000	0.65
Mr Neil David Olofsson & Mrs Belinda Olofsson	1,600,000	0.65
Reddifund Limited	1,300,000	0.53
Mr Colin Bambrick & Mrs Lorelei Bambrick	1,000,000	0.40
Red Wine Pty Ltd	1,000,000	0.40
Mr Terence Burns	1,000,000	0.40
Total	159,837,839	64.72

4. ON-MARKET BUY-BACK

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

5. VOTING RIGHTS

Refer to Note 15 of the Financial Statements for details of voting rights.

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

Brookfield

MULTIPLEX EUROPEAN PROPERTY FUND

ARSN 124 527 206

Financial Report for the year ended 30 June 2015

Responsible Entity

Brookfield Capital Management Limited

ACN 094 936 866
AFSL 223809

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For the year ended 30 June 2015

Directory

For the year ended 30 June 2015

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

Directors of Brookfield Capital Management Limited

F. Allan McDonald	
Barbara Ward	
Shane Ross	(Resigned as Alternate Director for Russell Proutt and appointed Director on 6 May 2015)
Russell Proutt	(Resigned as Director on 6 May 2015)

Company Secretary of Brookfield Capital Management Limited
Neil Olofsson

Registered Office of Brookfield Capital Management Limited
Level 22, 135 King Street
Sydney NSW 2000
Telephone: +61 2 9322 2000
Facsimile: +61 2 9322 2001

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

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

Location of Share Registry
Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000
Telephone: +61 1300 554 474
Facsimile: +61 2 9287 0303

Auditor
Deloitte Touche Tohmatsu
Grosvenor Place
225 George Street
Sydney NSW 2000
Telephone: +61 2 9322 7000
Facsimile: +61 2 9322 7001

Directors' Report

For the year ended 30 June 2015

Introduction
The Directors of Brookfield Capital Management Limited (ABN 32 094 936 866), 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 2015 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.

All amounts quoted in this report are in Australian dollars, unless otherwise noted.

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

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

Name		Capacity
F. Allan McDonald		Non-Executive Independent Chairman
Barbara Ward		Non-Executive Independent Director
Shane Ross	(Resigned as Alternate Director for Russell Proutt and appointed Director on 6 May 2015)	Executive Director / Alternate Director
Russell Proutt	(Resigned as Director on 6 May 2015)	Executive Director

Information on Directors

F. Allan McDonald (BEcon, FCPA, FAIM, FGIA), Non-Executive Independent Chairman
Allan was appointed the Non-Executive Independent Chairman of 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 fund Brookfield Prime Property Fund (BPA). BFML is the Responsible Entity for the listed Multiplex SITES Trust. Allan's other directorship of listed entities is Astro Japan Property Management Limited (Responsible Entity of Astro Japan Property Trust) (appointed February 2005). During the past 3 years Allan has also served as a director of Billabong International Limited (appointed July 2000 – October 2012) and Brookfield Office Properties Inc. (May 2011 – June 2014).

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 fund BPA. BFML is the Responsible Entity for the listed Multiplex SITES Trust. Barbara is a Director of Qantas Airways Limited and Caltex Australia. During the past 3 years Barbara has also served as Chair of Essential Energy (June 2001 – June 2012) and Director of Essential Energy, Ausgrid, Endeavour Energy (July 2012 – December 2012).

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, resigned on 28 February 2014 and was appointed Alternate Director for Russell on that date. Subsequently Shane resigned as Alternate Director on 6 May 2015 and appointed as an Executive Director on that date. BCML is also the Responsible Entity for listed fund BPA. Shane is also a director of BFML which is the Responsible Entity of Multiplex SITES Trust. Shane joined the organisation in 2003 following a background in banking and has over 20 years of experience in treasury and finance within the property industry.

Information on Company Secretary

Neil Olofsson
Neil has over 19 years of international company secretarial experience and has been with the Brookfield Australia group since 2005.

Directors' Report Continued

For the year ended 30 June 2015

Directors' interests

The following table sets out each Director's relevant interest in the units, debentures, 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
Barbara Ward	–
Shane Ross	–

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

Russell Proutt resigned as Director on 6 May 2015.

Policy on hedging equity incentive schemes

The Board of BCML do not receive any equity-based remuneration, and therefore will not be engaging in any hedge arrangements in relation to their remuneration.

A copy of the Security Trading Policy is available on the Brookfield Australia website at www.au.brookfield.com.

Directors' meetings

	Board Meetings		Audit Committee Meetings		Board Risk and Compliance Committee Meetings	
Director	A	B	A	B	A	B
F. Allan McDonald	6	6	2	2	2	2
Barbara Ward	6	6	2	2	2	2
Shane Ross	2	2	n/a	n/a	n/a	n/a
Russell Proutt	4	4	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, or number of meetings held that the Alternate Director was eligible to attend 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 direct properties in Europe.

Wind up of the Fund

Subsequent to year end, a meeting of unitholders was convened on 27 July 2015 and an ordinary resolution was passed by unitholders in relation to the approval of sale of the remaining assets and the subsequent wind up of the Fund in accordance with its Constitution and the *Corporations Act 2001.* Following the approval, the Responsible Entity has taken steps consistent with those detailed in the Notice of Meetings and Explanatory Memorandum dated 1 July 2015 and it is expected that the wind up process will take a number of years to complete.

Review of operations

The Consolidated Entity recorded a net profit after tax of $23,464,000 for the year ended 30 June 2015 (2014: $1,559,000). The reported net profit after tax includes a net loss on sale of properties of $4,017,000 (2014: nil) and unrealised gain on property revaluations of $15,485,000 (2014: unrealised loss $14,401,000).

Some of the significant events during the year are detailed below:
- property rental income of $28,020,000 (2014: $33,692,000);
- total revenue and other income of $44,381,000 (2014: $44,468,000);
- earnings per unit (EPU) of 9.50 cents (2014: 0.63 cents);
- the Consolidated Entity sold its nursing home assets for total gross proceeds of $96,016,000 or €64,500,000 (2014: nil);
- debt facility was reduced by $88,951,000 or €61,637,000 (including foreign exchange movements) out of the proceeds of sale (2014: nil);
- net assets of $30,110,000 and net assets per unit of $0.12 (2014: $6,575,000 and $0.03 per unit); and
- property portfolio value of $244,720,000 (2014: $316,722,000) and unrealised revaluation increment of $15,485,000 (2014: $14,401,000 decrement).

Directors' Report Continued

For the year ended 30 June 2015

Review of operations continued

The Consolidated Entity continues to manage its relationship with the financier through the standstill agreement executed in April 2014 and subsequently extended to 31 December 2014 and then to 30 September 2015. This standstill is subject to ongoing satisfaction of a number of conditions, including the implementation of a business plan that will see all of the Consolidated Entity's properties sold to repay outstanding bank debt. In order to avoid a potential default, BCML has pursued the above business plan and, subsequent to year ended 30 June 2015, unitholders approved the sale of the remaining properties at a meeting of unitholders convened on 27 July 2015.

Financier discussions regarding extension of debt facility

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

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

- waive any "event of default" which would otherwise have arisen following non-payment of the debt on the maturity date; and
- not take any enforcement action

during a period which originally expired on 15 October 2014 (Standstill Period) and was subsequently extended to 31 December 2014 and then 30 September 2015. Any extension remains at the discretion of the Financier.

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

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

If any of these conditions, or any other standstill conditions, are breached the Standstill Period will terminate and the Financier may proceed with enforcement action. Refer to Note 2(d) going concern for discussion on the going concern of the Consolidated Entity.

Sale of properties

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

On 10 December 2014, the sale of the Wiesbaden nursing home property was settled for a gross sale price of $12,636,000 or €8,500,000 and proceeds were used to pay down the debt facility with Hypothekenbank.

On 1 January 2015 the sale of the remaining five nursing home properties was settled for a total gross sale price of $82,951,000 or €56,000,000. An amount of $3,703,000 or €2,500,000 was placed in escrow for a period of up to 15 months after settlement to support warranties provided to the purchaser. Net proceeds have been used to pay down the debt facility with Hypothekenbank.

Conditional agreements were executed during the year to sell the remaining portfolio of 61 properties for gross sale proceeds of $244,720,000 or €168,000,000. The agreement was reached after an extensive multi-stage sales process that saw numerous parties review the portfolio and submit bids. Subsequent to the year ended 30 June 2015, unitholders approved the sale of the remaining assets at a meeting of unitholders convened on 27 July 2015.

Directors' Report Continued

For the year ended 30 June 2015

Impact of valuations on debt

Consistent with the prior year ended 30 June 2014, the property portfolio continues to be classified as properties held for sale. As at 30 June 2015, the portfolio has been valued at $244,720,000 or €168,000,000, (2014: $316,722,000 or €217,976,000).

As calculated under the debt facility the loan to value ratio (LVR) is approximately 101.1% at 30 June 2015, (2014: 103.6%). As the LVR continues to exceed 95%, the terms of the debt facility provide that cash and cashflow within the partnerships that own the Consolidated Entity's investment property interests must be retained within those entities, and cannot be repatriated or disbursed without consent of the financier. No event of default arises as a direct consequence of the reduced valuation and the increased LVR.

Tax audit

German tax audit 2004-2006

Subsequent to year end, correspondence has been received from the German tax office indicating that the German partnerships have been successful in the determination that no German Trade Tax should be payable for the 2004 to 2006 years. The assessments issued show that the previous assessments issued in 2012 for amounts of approximately €2 million have been cancelled and that no Trade Tax basis exists for those years. It is expected that final assessments from the City of Munich should issue shortly to complete the process.

German tax audit 2007-2010

Subsequent to year end, final findings for the German tax audit for 2007 to 2010 have been received for all seven German partnerships and assessments have been issued for two of the seven partnerships.

The final findings indicate that in relation to Trade Tax that no place of management was considered to be in existence in Germany in the 2007 to 2010 years. Independent advice is that this conclusion means that no Trade Tax should be payable by any of the partnerships.

Assessments issued to two of the seven partnerships confirm that no Trade Tax basis has been assessed. However, no assessment has as yet been received for the partnership that was subjected to the previous Trade Tax assessment for the 2004 to 2006 years (and which has now been overturned as set out above). As the final findings are subject to further review in the German tax office before assessments are issued there is the possibility that the final findings may be altered before being issued although independent advice is that such course of action is not likely in the present circumstances.

In addition, the final findings and assessments received indicate a liability of approximately €0.1 million (A$0.15million) for corporate income tax which would be payable by the Fund's subsidiaries who are partners in the partnerships. There is no liability for VAT payable.

Once a final assessment as a result of a tax audit has been issued and the relevant liability paid, the German tax office should generally be unable to re-assess or make any further amendments for those years.

Directors' Report Continued

For the year ended 30 June 2015

Corporate governance
Brookfield Capital Management Limited (BCML), in its capacity as Responsible Entity for the Funds, is required under the ASX Listing Rules to prepare a Corporate Governance Statement (the Statement) and include the Statement in its annual financial report.

The Statement discloses the extent to which BCML has followed the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations with 2014 Amendments (3rd edition), (the ASX Principles) during the reporting period.

The ASX Principles are guidelines for businesses which set out eight core principles the Corporate Governance Council believes lie behind good corporate governance. BCML is committed to maintaining high standards of corporate governance.

As a wholly owned subsidiary of Brookfield Australia Investments Limited (BAIL), BCML will, wherever possible, make use of the existing governance framework and expertise within the Brookfield Australia Investments Group (the Group) as it applies to the Fund's operations and will continue to review and update its governance practices and policies from time to time.

The Principles have been adopted by BCML, where appropriate, to ensure stakeholder interests are protected, however, some of the Principles are neither relevant nor practically applicable to the investment structure of the Fund. This Statement outlines BCML's main governance policies and practices, and the extent of its compliance with the ASX Principles for the reporting period 1 July 2014 to 30 June 2015.

Principle 1: Lay solid foundations for management and oversight
It is the Board's responsibility to ensure that the foundations for management and oversight of the Fund are established and documented appropriately.

Role of the Board & Senior Executives
The Board identifies the role of the Board, its committees and the powers reserved to the Board in a charter. The Board Charter reserves the following powers for the Board:

- approval of risk management strategy;
- approval of financial statements and any significant changes to accounting policies;
- approval of distribution payments;
- approval and monitoring of major investments or divestitures and strategic commitments;
- consideration of recommendations from the Audit Committee and Board Risk and Compliance Committee; and
- any matter which, according to law, is expressly reserved for Board determination.

A copy of the Board Charter is available on the Brookfield Australia website at www.au.brookfield.com.

In addition, the Board is responsible for:
- monitoring the implementation of the financial and other objectives of the Fund;
- overseeing and approving the risk, control and accountability systems;
- monitoring compliance with legal, constitutional and ethical standards; and
- ensuring there is effective communication with unitholders and other stakeholders of the Fund.

On appointment, each independent director of the Board receives a letter of appointment which details the key terms and expectations of their appointment.

Information regarding election and re-election of director candidates
BAIL and BCML carefully considers the character, experience, education and skillset, as well as interests and associations of potential candidates for appointment to the Board and conducts appropriate checks on the suitability of the candidate, prior to their election.

The nomination and appointment of Directors is undertaken by BAIL in consultation with the Board. This practice is in accordance with BCML's Charter and the *Corporations Act 2001*.

Written contracts of appointment
In addition to being set out in the Charter, each independent director of the Board receives a letter of appointment which details the key terms and expectations of their appointment. The Management team responsible for the operation of the Fund and BCML are employees of the Group.

Company Secretary
All Directors have access to the Company Secretary. The Company Secretary is accountable to the Board on all governance matters and supports the Board by monitoring and maintaining Board policies and procedures, and coordinating the timely completion and dispatch of the Board agenda and briefing material. The appointment and removal of the Company Secretary is a matter for BAIL in consultation with the Board.

Directors' Report Continued

For the year ended 30 June 2015

Corporate governance continued
Principle 1: Lay solid foundations for management and oversight continued

Diversity policy
The ASX Corporate Governance Council recommends that Companies establish a policy concerning diversity. BCML is not part of an ASX listed group of companies and does not directly employ staff. As a result, BCML has not developed a policy concerning diversity.

Evaluation of the performance of the Board, its Committees and individual Directors
The Board is responsible for reviewing and monitoring its performance and the performance of its committees and directors. The Board undertakes an annual self-evaluation of its performance. The evaluation is conducted by way of a survey of each Director, followed by an analysis and discussion of the results. As part of the review, consideration is given to the existing skills and competency of the Directors to ensure there is an appropriate mix of skills for managing BCML and the Fund.

Process for evaluating the performance of senior executives
The Management team responsible for the operation of the Fund and BCML are employees of the Group and are subject to the Group's performance evaluation process.

All new employees, including senior executives, attend a formal induction which provides an overall introduction to the various business units within the Group.

Principle 2: Structure the Board to add value

Nomination committee
The ASX Corporate Governance Council recommends that boards establish a nomination committee to oversee the selection and appointment of directors. Ultimate responsibility for director selection rests with the full board.

BCML does not have a nomination committee. The nomination and appointment of Directors is undertaken by BAIL in consultation with the Board. This practice is in accordance with BCML's Charter and the *Corporations Act 2001*.

Board skill matrix
The Board considers that collectively, the Directors have an appropriate mix of skills, experience and expertise which allow it to meet the Fund's objectives. The composition of the Board is subject to continuous review. Profiles of each of the Directors may be found on page 4.

Disclose independence and length of service of Directors
The table below sets out the details of each of the Directors including their independent status and length of tenure. The interests of the Directors may be found on page 5.

Name	Position held	Independent (Yes/No)	Date appointed to the Board
F. Allan McDonald	Non-Executive Independent Chairman	Yes	1 January 2010
Barbara Ward	Non-Executive Independent Director	Yes	1 January 2010
Shane Ross	Executive Director	No	6 May 2015
Russell Proutt	Executive Director	No	Resigned 6 May 2015

Majority of Independent Directors
Throughout the reporting period the Board had a majority of Independent Directors. The independent status of those Directors was determined using the criteria set out in Recommendation 2.4 of the ASX Principles.

Chairperson Independent and not CEO
The ASX Corporate Governance Council recommends that the Chairperson of the Board be independent. Allan McDonald, the Chairman of the Board, is an independent, non-executive Director.

The ASX Corporate Governance Council recommends that the roles of Chairman and Chief Executive Officer be split and not exercised by the same individual.

Allan McDonald, the Chairman of the Board, is an independent, non-executive Director.

Induction and education
An induction programme for Directors is facilitated by the Company Secretary. The programme provides new directors with an understanding of the financial, strategic, operational and risk management position of BCML, the Fund and the Group.

Directors' Report Continued

For the year ended 30 June 2015

Corporate governance continued

Principle 3: Act ethically and responsibly

The Group has a Code of Business Conduct and Ethics (the Code) which sets out the requirements for workplace and human resource practices, risk management and legal compliance.

Code of business conduct and ethics

The Board acknowledges that all employees of the Group and Directors of BCML are subject to the Code and are required to act honestly and with integrity. The Code is designed to ensure that all directors, officers and employees conduct activities with the highest standards of honesty and integrity and in compliance with all legal and regulatory requirements. The Code is aligned to the Group's core values of teamwork, integrity and performance and is fully supported by the Board.
A copy of the Code is available on the Brookfield Australia website at www.au.brookfield.com.

Principle 4: Safeguard integrity in corporate reporting

The approach adopted by the Board is consistent with the Principle. The Board requires the Chief Executive Officer and the Chief Financial Officer 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.

Audit Committee

The Board has established an Audit Committee to oversee the integrity of the financial reporting controls and procedures used by BCML when acting in its capacity as the Responsible Entity.

The Audit Committee is responsible for:

– overseeing financial reporting to ensure balance, transparency and integrity; and
– evaluating and monitoring the effectiveness of the external audit function.

The members of the Audit Committee throughout the reporting period were:

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

The members of the Audit Committee are not substantial shareholders of BCML or the Fund or officers of, or otherwise associated directly with, a substantial shareholder of BCML or the Fund and therefore are deemed independent.

With only two members, the Audit Committee does not satisfy all the requirements of ASX Recommendation 4.1 which suggests that an audit committee should have 'at least three members'. The structure of the Audit Committee satisfied the three other requirements of Recommendation 4.1

BCML currently has three Directors, and the Board considers that during the reporting period the Audit Committee was of sufficient size, independence and technical expertise to discharge its mandate effectively.

Charter of the Audit Committee

The Audit Committee has adopted a formal Charter which sets out their responsibilities with respect to financial reporting, external audit (including procedures regarding appointment, removal of and term of engagement with the external auditor), and performance evaluation.

A copy of the Audit Committee's Charter is available on the Brookfield Australia website at www.au.brookfield.com.

CEO and CFO certification of financial instruments

The Board has received declarations from the Executive Director and Chief Financial Officer that the sign off of the financial statements is based upon a sound system of risk management and that the internal compliance and control systems are operating efficiently in all material respects in relation to financial reporting risks.

External auditors available at AGM

BCML is not a public listed entity on the ASX and is not required to hold an AGM under the *Corporations Act 2001*. Listed trusts established in Australia as managed investment schemes are not required by the *Corporations Act 2001* to have an AGM.

BCML's external audit function is performed by Deloitte Touche Tohmatsu (Deloitte).

Directors' Report Continued

For the year ended 30 June 2015

Corporate governance continued

Principle 5: Make timely and balanced disclosure

Disclosure policy

BCML is committed to complying with the continuous disclosure obligations contained in the ASX Listing Rules. The Board has adopted a Continuous Disclosure Policy which is designed to ensure that all unit holders have equal and timely access to material information concerning the Fund. The Continuous Disclosure Policy applies to all Directors, managers and employees involved in the operation of the Fund and BCML.

The Company Secretary is primarily responsible for the Fund's compliance with its continuous disclosure obligations and maintaining the Continuous Disclosure Policy. The Company Secretary is also the liaison between the Board and the ASX.

A copy of the Continuous Disclosure Policy is available on the Brookfield Australia website at www.au.brookfield.com.

Principle 6: Respect the rights of the Fund's unitholders

Information on website

Up to date information of the Funds, including any continuous disclosure notices given by the Fund, financial reports and distribution information is available on the Brookfield Australia website at www.au.brookfield.com.

Investor relations program

BCML's communication strategy is incorporated into the Continuous Disclosure Policy.

BCML is committed to timely and ongoing communication with the Fund's unitholders. The Annual Report also provides an update to investors on major achievements and the financial results of the Fund.

Facilitate participation at meetings of unitholders

BCML is not a public listed entity on the ASX and is not required to hold an AGM under the *Corporations Act 2001*. Listed trusts established in Australia as managed investment schemes are not required by the *Corporations Act 2001* to have an AGM.

Facilitate electronic communication

BCML provides its investors the option to receive communications from, and send communication to, the Company and the share registry electronically.

Principle 7: Recognise and manage risk

An important role of BCML is to effectively manage the risks inherent in its business while supporting the performance and success of the Fund. BCML is committed to ensuring that it has a robust system of risk oversight and management and internal controls in compliance with ASX Principle 7.

Risk and Compliance Committee

The Board has delegated responsibility for the oversight of BCML's compliance program to a Board Risk and Compliance Committee.

The members of the Board Risk and Compliance Committee throughout the financial period were:

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

The Board Risk and Compliance Committee is governed by a formal Charter which is available on the Brookfield Australia website at www.au.brookfield.com.

The Board has adopted a Risk Management Strategy (RMS) and has assigned accountability and responsibility for the management of risk to Management. The RMS describes the key elements of the risk management framework that relates to the delivery of financial services by BCML as an AFS Licensee.

In addition to the RMS, Risk Registers are used by management to record and manage potential sources of material business risks that could impact upon BCML or the Fund.

Annual risk review

The Board is ultimately responsible for overseeing and managing risks to BCML or the Fund. Management reports to the Board on risk management and compliance via a Board Risk and Compliance Committee. Financial risks are managed by the Audit Committee. Designated compliance staff assist BCML by ensuring that a robust system of compliance and risk management is in place. The Compliance Manager for the Group is responsible for reviewing and monitoring the efficiency of compliance systems on an ongoing basis. The Group has an internal audit function which may review aspects of BCML's business and the Fund as part of its annual program.

A summary of BCML's policies on risk oversight and management is available on the Brookfield Australia website at www.au.brookfield.com.

Directors' Report Continued

For the year ended 30 June 2015

Principle 7: Recognise and manage risk continued

Internal audit

BCML has an internal audit function that is independent of management. The internal audit function is overseen by the Risk & Compliance Committee.

The external audit function is performed by Deloitte Touche Tohmatsu (Deloitte).

Sustainability risks

Environmental stewardship is a major component of Brookfield's strategic business plan. Sustainability is a high priority to Brookfield and is treated as a key business objective, along with revenue growth and risk management. Every decision we make as a company balances both our fiscal and our environmental responsibilities.

A copy of the Sustainability Report is available on the Brookfield Australia website at www.au.brookfield.com.

Principle 8: Remunerate fairly and responsibly

Remuneration committee

The ASX Corporate Governance Council suggests that the Board should establish a dedicated Remuneration Committee. The Directors receive a fee for service and BCML does not directly employ staff, therefore no remuneration committee has been established.

Independent and non-executive Directors receive fees for serving as Directors. Director's fees are not linked to performance of BCML or the Fund.

Interests of the Responsible Entity

Management Fees

For the year ended 30 June 2015, the Consolidated Entity incurred $1,309,000 in management fees to the Responsible Entity (2014: $1,497,000). $284,000 of management fees remain payable as at year end (2014: $349,000).

Significant changes in the state of affairs

In the opinion of the Directors, there were no other 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 consolidated financial statements.

Events subsequent to the reporting date

Subsequent to year end, a meeting of unitholders was convened on 27 July 2015 and an ordinary resolution was passed by unitholders in relation to the approval of sale of the remaining properties and the subsequent wind up of the Fund in accordance with its Constitution and the *Corporations Act 2001.* Following the approval, the Responsible Entity has taken steps consistent with those detailed in the Notice of Meetings and Explanatory Memorandum dated 1 July 2015 and it is expected that the wind up process will take a number of years to complete. The Fund is also expected to incur various further costs during the sale and windup process and this will impact the distributions, if any, ultimately returned to unitholders upon windup.

In accordance with the sale agreement, documentation has been received by the Consolidated Entity confirming that completion of the sale of the 61 properties owned by the Consolidated Entity is expected to occur on 12 September 2015. Subject to any change in the process leading to that date it is expected that the debt facility with Hypothekenbank will be repaid in full shortly after that date.

ASX have confirmed that in circumstances where completion of the sale of all or the majority of the properties occurs on 12 September 2015 in Germany, it will require suspension of trading in the securities of the Fund from close of trading on 14 September 2015. De-listing of the Fund will take place following settlement of all ASX trades. Investors should note that it will not be possible to trade the security on ASX after the security is suspended from trading, effectively from close of trading on 14 September 2015.

Subsequent to year end, correspondence from the German tax office was received in relation to the German Trade Tax. Refer to Note 23 Contingent liabilities and assets.

Other than the matters noted above, 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

Other than the matters already included in the Directors' Report, information on likely developments in the operations of the Consolidated Entity in future financial years and the expected results of those operations have 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.

Directors' Report Continued

For the year ended 30 June 2015

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 and returns of capital

During the current year, no distributions or returns of capital were declared by the Fund to unitholders (2014: nil).

Indemnification and insurance of officers and auditors

BAIL has entered into deeds of access and indemnity with each of its Directors, Company Secretary and other nominated Officers. The terms of the deeds are in accordance with the provisions of the *Corporations Act 2001* and will indemnify these executives (to the extent permitted by law) for up to seven years after serving as an Officer against legal costs incurred in defending civil or criminal proceedings against the executives, except where proceedings result in unfavourable decisions against the executives, and in respect of reasonable legal costs incurred by the executives in good faith in obtaining legal advice in relation to any issue relating to the executives being an officer of the BAIL group, including BCML.

Under the deeds of access and indemnity, BAIL has agreed to indemnify these persons (to the extent permitted by law) against:

- liabilities incurred as a director or officer of BCML or a company in the group, except for those liabilities incurred in relation to the matters set out in section 199A(2) of the *Corporations Act 2001*; and
- reasonable legal costs incurred in defending an action for a liability or alleged liability as a director or officer, except for costs incurred in relation to the matters set out in section 199A(3) of the *Corporations Act 2001*.

BAIL has also agreed to effect, maintain and pay the premium on a directors' and officers' liability insurance policy. This obligation is satisfied by BAIL being able to rely upon Brookfield's global directors' and officers' insurance policy, for which it pays a portion of the premium.

As is usual, this policy has certain exclusions and therefore does not insure against liabilities arising out of matters including but not limited to:

- fraudulent, dishonest or criminal acts or omissions and improper personal profit or advantage;
- violation of *US Securities Act of 1933*;
- losses for which coverage under a different kind of insurance policy is readily available such as, for example, liability insurance, employment practices liability and pollution liability (there can be limited coverage for some of these exposures); and
- claims made by a major shareholder (threshold is ownership of 10% or greater).

The obligation to effect, maintain and pay the premium on a policy continues for a period of seven years after the director or officer has left office to the extent such coverage is available with reasonable terms in the commercial insurance marketplace.

The group has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of BCML or of any related body corporate against a liability incurred as such an officer or auditor.

The obligation to effect, maintain and pay the premium on a policy continues for a period of seven years after the director or officer has left office to the extent such coverage is available with reasonable terms in the commercial insurance marketplace.

The group has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of BCML or of any related body corporate against a liability incurred as such an officer or auditor.

Non-audit services

All amounts paid to Deloitte during the current and prior years for audit, review and regulatory services are disclosed in Note 6.

No fees for non-audit services were incurred by the Consolidated Entity to Deloitte during the current year (2014: nil).

Directors' Report Continued

For the year ended 30 June 2015

Remuneration report

a Remuneration of Directors and Key Management Personnel of the Responsible Entity

The Consolidated Entity 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
Barbara Ward
Shane Ross (resigned as Alternate Director for Russell Proutt and appointed Director 6 May 2015)
Russell Proutt (resigned 6 May 2015)

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 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 2015 was $1,309,000 (2014: $1,497,000).

Rounding of amounts

The Consolidated Entity is of a kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand dollars, unless otherwise stated.

Lead auditor's independence declaration under Section 307C of the *Corporations Act 2001*

The lead auditor's independence declaration is set out on page 15 and forms part of the Directors' Report for the year ended 30 June 2015.

Dated at Sydney this 28th day of August 2015.

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

Shane Ross
Director
Brookfield Capital Management Limited

Auditor's Independence Declaration

For the year ended 30 June 2015

Deloitte.

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

28 August 2015

Dear Directors

MULTIPLEX EUROPEAN PROPERTY FUND

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Brookfield Capital Management Limited as the Responsible Entity 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 2015, 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

AG Collinson
Partner
Chartered Accountants

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2015

	Note	Consolidated Year ended 30 June 2015 $'000	Year ended 30 June 2014 $'000
Revenue			
Property rental income		28,020	33,692
Interest income		876	254
Net realised gain on financial derivatives		–	10,522
Net gain on revaluation of properties held for sale	12	15,485	–
Total revenue and other income		**44,381**	**44,468**
Expenses			
Property expenses		6,847	7,107
Finance costs to external parties		9,102	15,323
Management fees		1,309	1,497
Net loss on revaluation of properties held for sale and investment properties	12	–	14,401
Net loss on sale of properties held for sale		4,017	–
Other expenses		1,810	2,934
Total expenses		**23,085**	**41,262**
Profit before income tax		**21,296**	**3,206**
Income tax benefit / (expense)	8	2,168	(1,647)
Net profit after tax for the year		**23,464**	**1,559**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Changes in foreign currency translation reserve	16	71	(521)
Other comprehensive income / (loss) for the year, net of income tax		**71**	**(521)**
Total comprehensive income for the year		**23,535**	**1,038**
Net profit attributable to ordinary unitholders		**23,464**	**1,559**
Total comprehensive income attributable to ordinary unitholders		**23,535**	**1,038**
Earnings per unit			
Basic and diluted earnings per ordinary unit (cents)	7	9.50	0.63

The Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Notes to the Consolidated Financial Statements.

Consolidated Statement of Financial Position

As at 30 June 2015

	Note	Consolidated 2015 $'000	2014 $'000
Assets			
Current assets			
Cash and cash equivalents	10	6,091	8,014
Restricted cash	10	32,341	23,958
Trade and other receivables	11	502	850
Properties held for sale	12	244,720	316,722
Total current assets		**283,654**	**349,544**
Total assets		**283,654**	**349,544**
Liabilities			
Current liabilities			
Trade and other payables	13	6,256	6,730
Interest bearing liabilities	14	247,288	336,239
Total current liabilities		**253,544**	**342,969**
Total liabilities		**253,544**	**342,969**
Net assets		**30,110**	**6,575**
Equity			
Units on issue	15	202,533	202,533
Reserves	16	(1,350)	(1,421)
Undistributed losses	17	(171,073)	(194,537)
Total equity		**30,110**	**6,575**

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2015

		Attributable to Unitholders of the Fund		
Consolidated Entity	Ordinary units $'000	Undistributed profits/(losses) $'000	Foreign currency translation reserves $'000	Total $'000
Opening equity - 1 July 2014	**202,533**	**(194,537)**	**(1,421)**	**6,575**
Changes in foreign currency translation reserve	–	–	71	**71**
Other comprehensive income for the year	**–**	**–**	**71**	**71**
Net profit for the year	–	23,464	–	**23,464**
Total comprehensive income for the year	**–**	**23,464**	**71**	**23,535**
Total transactions with unitholders in their capacity as unitholders	**–**	**–**	**–**	**–**
Closing equity – 30 June 2015	**202,533**	**(171,073)**	**(1,350)**	**30,110**

		Attributable to Unitholders of the Fund		
Consolidated Entity	Ordinary units $'000	Undistributed profits/(losses) $'000	Foreign currency translation reserves $'000	Total $'000
Opening equity - 1 July 2013	**202,533**	**(196,096)**	**(900)**	**5,537**
Changes in foreign currency translation reserve	–	–	(521)	**(521)**
Other comprehensive loss for the year	**–**	**–**	**(521)**	**(521)**
Net profit for the year	–	1,559	–	**1,559**
Total comprehensive income/(loss) for the year	**–**	**1,559**	**(521)**	**1,038**
Total transactions with unitholders in their capacity as unitholders	**–**	**–**	**–**	**–**
Closing equity – 30 June 2014	**202,533**	**(194,537)**	**(1,421)**	**6,575**

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2015

	Note	Consolidated Year ended 30 June 2015 $'000	 Year ended 30 June 2014 $'000
Cash flows from operating activities			
Cash receipts in the course of operations		29,573	35,141
Cash payments in the course of operations		(13,875)	(11,235)
Gross proceeds from settlement on FX forwards		–	12,597
Gross payments for settlement on FX forwards		–	(10,971)
Interest received		887	254
2004 to 2006 German trade tax assessment refund (deferred payment)		2,074	–
Financing costs paid		(9,214)	(15,465)
Net cash flows from operating activities	21	**9,445**	**10,321**
Cash flows from investing activities			
Proceeds from sale of properties		96,016	–
Payments for additions to investment properties		(6,658)	(7,428)
Net cash flows used in investing activities		**89,358**	**(7,428)**
Cash flows from financing activities			
Repayment of interest bearing liabilities		(89,508)	–
Return of capital paid		–	(24,695)
Net cash flows used in financing activities		**(89,508)**	**(24,695)**
Net increase / (decrease) in cash		**9,295**	**(21,802)**
Impact of foreign exchange		(2,835)	(536)
Cash at beginning of year		31,972	54,310
Cash at 30 June	10	**38,432**	**31,972**

Reconciliation of cash to cash and cash equivalents:		
Cash and cash equivalents	6,091	8,014
Restricted cash	32,341	23,958
Cash at 30 June	**38,432**	**31,972**

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

1 Reporting entity

Multiplex European Property Fund (Fund) is an Australian registered managed investment scheme under the *Corporations Act 2001*. Brookfield Capital Management Limited (BCML), the Responsible Entity of the Fund, is incorporated and domiciled in Australia. The consolidated financial statements of the Fund as at and for the year ended 30 June 2015 comprise the Fund and its subsidiaries (together referred to as the Consolidated Entity).

2 Basis of preparation

a Statement of compliance

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

The consolidated financial statements were authorised for issue by the Directors on this 28th day of August 2015.

b Basis of measurement

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

- properties held for sale which are measured at fair value; and
- interest bearing liabilities which are measured at amortised cost.

The methods used to measure the above 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, 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 consolidated financial statements are provided in properties held for sale (Note 12), financial instruments (Note 19) and non-financial assets and liabilities at fair value (Note 20).

d Going concern

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

The standstill is subject to the on-going satisfaction of a number of conditions, including the implementation of a business plan that will see all of the Consolidated Entity's properties sold to repay outstanding bank debt.

Subsequent to year end, a meeting of unitholders was convened on 27 July 2015 and an ordinary resolution was passed by unitholders in relation to the approval of sale of the remaining properties and the subsequent wind up of the Fund in accordance with its Constitution and the *Corporations Act 2001.* Following the approval, the Responsible Entity has taken steps consistent with those detailed in the Notice of Meetings and Explanatory Memorandum dated 1 July 2015 and it is expected that the wind up process will take a number years to complete.

Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2015

2 Basis of preparation continued

d going concern continued

Given the period of time required to wind up the Fund, the Directors believe it is appropriate for these financial statements to continue to be prepared on the going concern basis.

In the event the remaining properties do not settle, that any condition of the standstill agreement is not fulfilled or if an extension of the standstill agreement is required and not granted then significant uncertainty will exist as to whether the Consolidated Entity will continue as a going concern and therefore, whether it will be able to realise its assets and extinguish its liabilities in the normal course of business. The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classifications of liabilities that might be necessary should the Consolidated Entity not continue as a going concern.

e New and amended standards adopted

The following new and amended standards have been applied in preparing this financial report:

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

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

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

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

The adoption of the new and amended standards has resulted in amendments to disclosures but have not impacted the financial results of the Consolidated Entity.

3 Significant accounting policies

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

a Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Fund and its subsidiaries. Control of an entity is achieved where the Fund is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to significantly affect those returns through its power to direct the activities of the entity.

The results of the subsidiaries acquired or disposed of during the year are included in the Consolidated Statement of Profit or Loss and Other 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.

3 Significant accounting policies continued

a Principles of consolidation continued

Subsidiaries continued

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 period end 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 Profit or Loss and Other Comprehensive Income. Foreign currency differences 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.

Property rental revenue

Refer to Note 3d operating leases.

Dividends and distributions

Revenue from dividends and distributions is recognised when the right of the Consolidated Entity 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.

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

Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2015

3 Significant accounting policies continued

d Leases continued

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 Property Trust 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.

f Goods and services tax (GST)

Revenues, expenses, assets and liabilities 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 Consolidated Statement of Financial Position.

Cash flows are included in the Consolidated 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, assets and liabilities 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 Consolidated Statement of Financial Position.

Cash flows are included in the Consolidated 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.

3 Significant accounting policies continued

h Income tax - funds

Under current income tax legislation, the Fund is not liable for Australian income tax as unitholders are presently entitled at year end to the income of the trust estate calculated in accordance with the Fund's Constitution and applicable tax law.

The subsidiary 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% on the corporate rate. 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 consolidated 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 presentation in the Consolidated 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 are 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. Impairment charges are brought to account as described in Note 3n. Non-current receivables are measured at amortised cost using the effective interest rate method.

k Properties held for sale

Investment properties are classified as held for sale if their carrying value will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable.

Valuations

Properties held for sale is stated at fair value at the reporting date.

The properties held for sale of the Consolidated Entity are internally valued at each reporting date. The Consolidated Entity obtains 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.

The fair value of property held for sale 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.

Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2015

3 Significant accounting policies continued

k Properties held for sale continued

Valuations continued

Any gains or losses arising from a change in the fair value of an investment property is recognised in the Consolidated Statement of Profit or Loss and Other 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 Consolidated Statement of Profit or Loss and Other 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 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.

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 Consolidated Statement of Profit or Loss and Other 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 Consolidated Statement of Profit or Loss and Other 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.

Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2015

3 Significant accounting policies continued

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 Consolidated Statement of Profit or Loss and Other 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 period date.

r Distributions

A provision for distribution is recognised in the Consolidated Statement of Financial Position if the distribution has been declared prior to period end. 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 Consolidated 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 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 2015 but have not been applied in preparing this financial report:

AASB 9 *Financial Instruments* (and applicable amendments), (effective from 1 January 2018) addresses the classification, measurement and derecognition of financial assets and financial liabilities. It has now also introduced revised rules around hedge accounting and impairment. The standard is not applicable until 1 January 2018 but is available for early adoption.

AASB 15 *Revenue from Contracts with Customers* (and applicable amendments), (effective from 1 January 2018) is a new standard for the recognition of revenue. This will replace AASB 118 *Revenue* which covers contracts for goods and services and AASB 111 *Construction Contracts* which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer, so the notion of control replaces the existing notion of risks and rewards.

AASB 2014-9 *Amendments to Equity Method in Separate Financial Statements*, (effective 1 January 2016) is an amendment to AASB 127 *Separate Financial Statements* and allows an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements at either cost, in accordance with AASB 9 *Financial Instruments* or using the equity method described in AASB 128 *Investments in Associates and Joint Ventures*.

AASB 2015-2 *Amendments to AASB 101,* (effective from 1 January 2016) provides clarification to the existing disclosure requirements in AASB 101 *Presentation of Financial Statements* and ensures that entities are able to use judgements when applying the standard in determining what information to disclose in their financial statements.

The Consolidated Entity does not intend to early adopt the above new standards and amendments and management continues to assess their impacts.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Consolidated Entity in the current or future reporting periods and on foreseeable future transactions.

Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2015

4 Parent entity disclosures

	Fund 2015 $'000	2014 $'000
Assets		
Current assets	3,271	5,019
Total assets	**3,271**	**5,019**
Liabilities		
Current liabilities	481	659
Total liabilities	**481**	**659**
Equity		
Units on issue	202,533	202,533
Undistributed losses	(199,743)	(198,173)
Total equity	**2,790**	**4,360**

	Fund Year ended 30 June 2015 $'000	Year ended 30 June 2014 $'000
Net (loss) / profit for the year	(1,570)	2,629
Total comprehensive income for the year	**(1,570)**	**2,629**

The Fund did not have any contingent assets or liabilities, commitments or guarantees at 30 June 2015 or 30 June 2014. Refer to contingent liabilities and assets (Note 23) and capital and other commitments (Note 24) for amounts in relation to the Consolidated Entity.

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 Consolidated Statement of Profit or Loss and Other Comprehensive Income and Consolidated Statement of Financial Position, therefore no further segment reporting is required. All property rental income is derived from properties in Germany.

6 Auditor's remuneration

	Consolidated Year ended 30 June 2015 $	Year ended 30 June 2014 $
Auditors of the Fund:		
Audit and review of financial reports	185,400	180,000
Network firms to the auditors of the Fund:		
Audit and review of financial reports	25,154	22,153
Other audit firms:		
Audit and review of the financial reports	8,833	9,070
Total auditor's remuneration	**219,387**	**211,223**

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

Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2015

7 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 2015	Year ended 30 June 2014
Net profit attributable to unitholders	$'000	23,464	1,559
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	9.50	0.63

8 Income tax

	Consolidated	
	Year ended 30 June 2015 $'000	Year ended 30 June 2014 $'000
a Major components of income tax expense		
Current income tax charge and adjustments in respect of prior year charges	2,168	(97)
Total current income tax benefit/(expense)	**2,168**	**(97)**
Deferred income tax		
Relating to origination and reversal of temporary differences	–	(1,550)
Total deferred income tax expense	–	**(1,550)**
Total income tax benefit/(expense) reported in the Consolidated Statement of Profit or Loss and Other Comprehensive Income	**2,168**	**(1,647)**
b Income tax expense		
Numerical reconciliation between tax expense and pre-tax net profit		
Profit before income tax	**21,296**	**3,206**
Prima facie income tax expense on profit using the domestic corporate tax rate of 30% (2014: 30%)	(6,389)	(962)
Effect of tax rates in foreign jurisdictions using the Luxembourg and German tax rates of 28.6% and 15.8% respectively (2014: 28.6% and 15.8%)	2,668	79
Non-assessable income [1]	430	527
2004 to 2006 German trade tax assessment refund (deferred payment)	2,101	–
Deferred tax not previously brought to account and utilised in the current year	3,358	(1,291)
Total income tax benefit/(expense) reported in the Consolidated Statement of Profit or Loss and Other Comprehensive Income	**2,168**	**(1,647)**

[1] Under current income tax legislation, the Fund is not liable for Australian income tax as unitholders are presently entitled at year end to the income of the trust estate calculated in accordance with the Fund's Constitution and applicable tax law.

	Consolidated	
	2015 $'000	2014 $'000
c Tax assets and liabilities		
Tax liability – current (recognised within trade and other payables)	(7)	(95)

d Recognised deferred tax assets and liabilities

In accordance with AASB 112 *Income Taxes*, a deferred tax asset of $12,384,000 (2014: $1,977,000) arising from the fair value of investment properties has not been recognised.

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

9 Distributions and returns of capital

During the current and prior years, no distributions or returns of capital were declared by the Fund to unitholders.

Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2015

10 Cash

	Consolidated 30 June 2015 $'000	30 June 2014 $'000
Cash at bank	6,091	8,014
Total cash and cash equivalents	**6,091**	**8,014**
Locked cash	28,699	23,958
Cash in escrow	3,642	–
Total restricted cash	**32,341**	**23,958**
Total cash	**38,432**	**31,972**

During the financial year ended 30 June 2012 the Consolidated Entity received a notice from its financier regarding the operation of the rental accounts held within Germany. The provision of this notice restricted the cash that is generated and held within the partnerships that own the Consolidated Entity's investment properties. This restriction continues to be in place. Further details are contained within Note 14 interest bearing liabilities.

As at 30 June 2015, the value of cash held within these entities was $28,699,000 or €19,702,000 (2014: $23,958,000 or €16,488,000).

Total restricted cash includes cash held in escrow in relation to the sale of the nursing homes of $3,642,000 or €2,500,000 (2014: nil).

11 Trade and other receivables

	Consolidated 2015 $'000	2014 $'000
Trade receivables	217	782
Prepayments other receivables	285	68
Total trade and other receivables	**502**	**850**

12 Properties held for sale

	Consolidated 2015 $'000	2014 $'000
Total properties held for sale[1]	**244,720**	**316,722**

1 The 30 June 2015 exchange rate for properties held for sale was €0.6865 to $1.00 (2014: €0.6882 to $1.00). The Euro carrying value totals €168,000,000, (2014: €217,976,000).

On the 15 April 2014 the Consolidated Entity's debt facility with Hypothekenbank matured without repayment (refer to interest bearing liabilities, Note 14). Notwithstanding, the Financier has signed a standstill agreement whereby it has agreed to:

- waive any "event of default" which would otherwise have arisen following non-payment of the debt on the maturity date; and
- not take any enforcement action

during a period which originally expired on 15 October 2014 (Standstill Period) and was subsequently extended to 31 December 2014 and then 30 September 2015. Any extension remains at the discretion of the Financier.

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

Sale of properties and valuations

Conditional agreements were executed during the year to sell the remaining portfolio of 61 properties for gross sale proceeds of $244,720,000 or €168,000,000. The agreement was reached after an extensive multi-stage sales process that saw numerous parties review the portfolio and submit bids. Subsequent to year end, a meeting of unitholders was convened on 27 July 2015 and an ordinary resolution was passed by unitholders in relation to the approval of sale of the remaining assets and the subsequent wind up of the Fund in accordance with its Constitution and the *Corporations Act 2001*. The Directors have adopted the gross sale price of $244,720,000 or €168,000,000 as the fair value of the properties at year ended 30 June 2015.

Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2015

12 Properties held for sale continued

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

	Consolidated 2015 $'000	2014 $'000
Carrying amount at beginning of period	316,722	–
Investment properties transferred to held for sale	–	335,650
Disposal of properties held for sale	(95,356)	–
Capital expenditure and incentives	5,680	1,756
Net gain/(loss) from fair value adjustments to investment properties	15,485	(11,789)
Foreign currency translation exchange adjustment	2,189	(8,895)
Carrying amount at end of period	**244,720**	**316,722**

13 Trade and other payables

	Consolidated 2015 $'000	2014 $'000
Current		
Trade payables	984	993
Interest payable	1,460	2,214
Management fee payable	284	349
Other payables and accruals	3,528	3,174
Total trade and other payables	**6,256**	**6,730**

14 Interest bearing liabilities

	Consolidated 2015 $'000	2014 $'000
Current		
Secured bank debt[1]	247,288	336,239
Total current	**247,288**	**336,239**
Total interest bearing liabilities	**247,288**	**336,239**

1 The facility total of €169,763,000 (2014: €231,400,000) has been translated at 30 June 2015 exchange rate of €0.6865 to $1.00 (2014: €0.6882 to $1.00).

Finance arrangements	Expiry Date	Consolidated 2015 $'000	2014 $'000
Facilities available			
Bank debt facility	30 Sep 2015	247,288	336,239
Less: Facilities utilised		(247,288)	(336,239)
Facilities not utilised		**–**	**–**

Finance arrangements	Consolidated Year ended 30 June 2015 $'000	Year ended 30 June 2014 $'000
Secured bank debt		
Opening balance	336,239	327,437
Repayments	(89,508)	–
Changes in foreign currency	557	8,802
Total secured debt	**247,288**	**336,239**

Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2015

14 Interest bearing liabilities continued

The Consolidated Entity has granted the lender a first ranking security over its interest in the relevant properties in Note 12 and the cash that is reflected as restricted cash in Note 10.

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

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

during a period which originally expired on 15 October 2014 (Standstill Period) and was subsequently extended to 31 December 2014 and then 30 September 2015. Any extension remains at the discretion of the Financier.

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

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

During the year ended 30 June 2015, the sale of the nursing homes was settled for total gross sale proceeds of $96,016,000 or €64,500,000. Net proceeds of $89,508,000 or €61,637,000 were used to pay down the debt facility with Hypothekenbank.

Impact of valuations on debt

As calculated under the debt facility the loan to value ratio (LVR) is approximately 101.1% at 30 June 2015 (2014: 103.6%). As the LVR continues to exceed 95%, the terms of the debt facility provide that cash and cashflow within the partnerships that own the Consolidated Entity's investment property interests must be retained within those entities, and cannot be repatriated or disbursed without consent of the financier. No event of default arises as a direct consequence of the reduced valuation and the increased LVR.

15 Units on issue

	Year ended 30 June 2015 $'000	Year ended 30 June 2015 Units	Year ended 30 June 2014 $'000	Year ended 30 June 2014 Units
Opening balance	202,533	246,950,150	202,533	246,950,150
Closing balance	**202,533**	**246,950,150**	**202,533**	**246,950,150**

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.

Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2015

16 Reserves

Foreign Currency Translation Reserve

	Consolidated Year ended 30 June 2015 $'000	Consolidated Year ended 30 June 2014 $'000
Opening balance	(1,421)	(900)
Movement in reserves due to changes in foreign exchange rates	71	(521)
Closing balance	**(1,350)**	**(1,421)**

17 Undistributed losses

	Consolidated Year ended 30 June 2015 $'000	Consolidated Year ended 30 June 2014 $'000
Opening balance	(194,537)	(196,096)
Net profit after tax	23,464	1,559
Closing balance	**(171,073)**	**(194,537)**

18 Controlled entities

	Principal place of business / country of incorporation	Ownership interest 2015 %	Ownership interest 2014 %
Directly held subsidiaries			
Multiplex German Property Fund	Australia	100.0	100.0
Indirectly held subsidiaries			
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	100.0	100.0

1 The Fund owns a 100% interest in the following seven partnerships (2014: 100%): 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).

The principal activity of the above entities is direct and indirect property investment.

Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2015

19 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 consolidated 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 monitors the market unit price of the Consolidated Entity against the Consolidated Entity's net asset value, along with earnings per unit invested and distributions paid per unit. 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 its operations. These risks can be summarised as follows:

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

The Responsible Entity has responsibility for the establishment and monitoring of a risk management framework. This framework seeks to minimise the potential adverse impact of the above risks on the 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 may utilise 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. The Consolidated Entity's does not currently hold derivative financial instruments. The Consolidated Entity's last financial derivatives matured during the year ended 30 June 2014.

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 equivalent and restricted cash 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).

Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2015

19 Financial instruments continued

c Credit risk continued

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 may also utilise the International Swaps and Derivatives Association's (ISDA's) agreements with derivative counterparties where possible to limit the credit risk exposure of such transactions by allowing settlement of derivative transactions on a net rather than gross basis.

The Consolidated Entity's overall strategy of credit risk management remains unchanged from 2014.

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 2015 $'000	2014 $'000
Cash and cash equivalents	6,091	8,014
Restricted cash	32,341	23,958
Trade and other receivables	502	850
Total exposure to credit risk	**38,934**	**32,822**

Concentrations of credit risk exposure

Hypothekenbank is the counterparty to the term debt facility. In prior years, it was also the counterparty to a number of derivative financial instruments. Therefore the Consolidated Entity has a concentration of credit risk with Hypothekenbank. In assessing this risk, the Consolidated Entity has taken into account Hypothekenbank'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.

Cash held by the Australian entities is deposited with the Australia and New Zealand Banking Group Limited (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.

Cash held by the German entities is deposited with a range of different banks and financial institutions. In assessing this risk, the Consolidated Entity has taken into account the banks' and financial institutions' 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 2015, the Consolidated Entity did not call on any collateral provided (2014: nil).

Financial assets past due but not impaired

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

	Consolidated 2015 $'000	2014 $'000
Current	289	600
Past due 0-30 days	10	36
Past due 31-120 days	92	79
Past due 121 days to one year	111	102
More than one year	–	33
Total trade and other receivables	**502**	**850**

Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2015

19 Financial instruments continued

c Credit risk continued

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 2015 bad debt recovery of $3,000 (2014: bad debt expense of $79,000) 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. Refer to Note 14.

Defaults and breaches

The debt facility provided by Hypothekenbank to the Monti Partnerships matured on 15 April 2014 without repayment. Notwithstanding, the Financier has signed a standstill agreement whereby it has agreed to waive any "event of default" which would otherwise have arisen following non-payment of the debt on the maturity date and not take any enforcement action until 15 October 2014 (Standstill Period) which was subsequently extended to 31 December 2014 and then 30 September 2015.

On an annual basis, the Financier and the Consolidated Entity appoint a joint valuation of the investment properties.

As calculated under the debt facility, the loan to value ratio (LVR) is approximately 101.1% at 30 June 2015 (2014: 103.6%). As the LVR continues to exceed 95%, the terms of debt facility provide that cash and cashflow within the partnerships that own the Consolidated Entity's investment property interests must be retained within those entities, and cannot be repatriated or disbursed without consent of the financier.

Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2015

19 Financial instruments continued

d Liquidity risk continued

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					
2015	Carrying amount	Contractual cash flows	Within 1 year	1 to 2 years	2 to 5 years	Greater than 5 years
Financial liabilities						
Trade and other payables	4,796	4,796	4,796	–	–	–
Interest bearing liabilities	247,288	247,288	247,288	–	–	–
	252,084	**252,084**	**252,084**	**–**	**–**	**–**
Interest payable on debt	1,460	1,460	1,460	–	–	–
Net interest payable on debt	**1,460**	**1,460**	**1,460**	**–**	**–**	**–**
Total financial liabilities	**253,544**	**253,544**	**253,544**	**–**	**–**	**–**

	Consolidated $'000					
2014	Carrying amount	Contractual cash flows	Within 1 year	1 to 2 years	2 to 5 years	Greater than 5 years
Financial liabilities						
Trade and other payables	4,516	4,516	4,516	–	–	–
Interest bearing liabilities	336,239	336,239	336,239	–	–	–
	340,755	**340,755**	**340,755**	**–**	**–**	**–**
Interest payable on debt	2,214	12,051	12,051	–	–	–
Net interest payable on debt	**2,214**	**12,051**	**12,051**	**–**	**–**	**–**
Total financial liabilities	**342,969**	**352,806**	**352,806**	**–**	**–**	**–**

Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2015

19 Financial instruments continued

e Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the 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 held no derivatives at year end. All interest rate swaps matured during the prior financial year and were not rolled.

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

Consolidated 2015	Floating rate $'000	Fixed rate $'000	Non-interest bearing $'000	Total $'000
Financial assets				
Cash and cash equivalents	347	5,744	–	**6,091**
Restricted cash	32,341	–	–	**32,341**
Trade and other receivables	–	–	502	**502**
Total financial assets	**32,688**	**5,744**	**502**	**38,934**
Financial liabilities				
Trade and other payables	–	–	6,256	**6,256**
Interest bearing liabilities	247,288	–	–	**247,288**
Total financial liabilities	**247,288**	**–**	**6,256**	**253,544**

Consolidated 2014	Floating rate $'000	Fixed rate $'000	Non-interest bearing $'000	Total $'000
Financial assets				
Cash and cash equivalents	4,948	3,066	–	8,014
Restricted cash	23,958	–	–	23,958
Trade and other receivables	–	–	850	850
Total financial assets	**28,906**	**3,066**	**850**	**32,822**
Financial liabilities				
Trade and other payables	–	–	6,730	6,730
Interest bearing liabilities	336,239	–	–	336,239
Total financial liabilities	**336,239**	**–**	**6,730**	**342,969**

19 Financial instruments continued

e Market risk continued

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.

	+ 1% Profit or loss	2015 + 1% Equity	- 1% Profit or loss	2015 - 1% Equity	+ 1% Profit or loss	2014 + 1% Equity	- 1% Profit or loss	2014 - 1% Equity
Consolidated								
Interest on cash and cash equivalents	3	3	(3)	(3)	49	49	(49)	(49)
Interest on restricted cash	324	324	(324)	(324)	240	240	(240)	(240)
Interest bearing liabilities	(2,473)	(2,473)	2,473	2,473	(3,362)	(3,362)	3,362	3,362
Total (decrease)/increase	**(2,146)**	**(2,146)**	**2,146**	**2,146**	**(3,073)**	**(3,073)**	**3,073**	**3,073**

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.

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 as 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 economic hedge; and
- 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).

As at 30 June 2015 the Consolidated Entity's has no foreign exchange hedge contracts (2014: nil).

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 2015 '000	2014 '000
*Australia (Australian dollar-denominated)**		
Gross assets (A$)	5,853	7,642
Gross liabilities (A$)	(481)	(659)
Europe (Euro-denominated)		
Gross assets (€)	190,710	235,299
Gross liabilities (€)	(173,727)	(235,580)

* Australian Dollar denominated amounts are not subject to foreign exchange exposures.

The following Euro exchange rates were applied to transactions during the year:	2015 reporting date spot rate	Euro Year ended 30 June 2015 average rate	2014 reporting date spot rate	Year ended 30 June 2014 average rate
1 Australian Dollar	0.6865	0.6961	0.6882	0.6771

Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2015

19 Financial instruments continued

e Market risk continued

Sensitivity analysis continued

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

	2015		2015		2014		2014	
	+ 5%	+ 5%	- 5%	- 5%	+ 5%	+ 5%	- 5%	- 5%
	Profit or loss	Equity	Profit or loss	Equity	Profit or loss	Equity	Profit or loss	Equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Consolidated	(1,043)	(2,221)	1,153	2,455	299	329	(330)	(363)

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.

Cash and cash equivalents and trade and other receivables

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

Derivatives

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

Non-derivative financial liabilities

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

Fair values versus carrying amounts

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

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

The 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. Furthermore, there are no derivatives held at current year end (2014: nil).

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

Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2015

20 Non-financial assets and liabilities recognised at fair value

Fair value hierarchy

The below table presents the Consolidated Entity's non-financial assets and liabilities measured and recognised at fair value at 30 June 2015.

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).

Consolidated Entity – at 30 June 2015	Level 3 $'000	Total $'000
Assets		
Properties held for sale	244,720	**244,720**
Total assets	**244,720**	**244,720**

Consolidated Entity – at 30 June 2014	Level 3 $'000	Total $'000
Assets		
Properties held for sale	316,722	**316,722**
Total assets	**316,722**	**316,722**

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

Valuation techniques used to determine level 3 fair values

At the end of each reporting period, the Responsible Entity make an assessment of the fair value of each property.

The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available the Directors consider other information from a variety of sources including:

- market offers for properties held;
- current prices for properties of a different nature or recent prices of similar properties in a less active market, adjusted to reflect differences; and
- the most recent independent valuations.

The following table presents the changes in level 3 items for the year ended 30 June 2015 for recurring fair value measurements:

	Nursing homes Year ended 30 June 2015 $'000	Commercial properties Year ended 30 June 2015 $'000	Consolidated Year ended 30 June 2015 $'000
Opening balance 1 July 2014	82,534	234,188	**316,722**
Capital expenditure and incentives	(21)	5,701	**5,680**
Disposal of properties held for sale	(95,356)	–	**(95,356)**
Increase in fair value of properties(1)	12,566	2,919	**15,485**
Foreign currency translation exchange adjustment(2)	277	1,912	**2,189**
Carrying amount at year end	**–**	**244,720**	**244,720**

(1) Recognised in profit and loss
(2) Recognised in other comprehensive income

Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2015

20 Non-financial assets and liabilities recognised at fair value continued

Valuation techniques used to determine level 3 fair values continued

	Nursing homes Year ended 30 June 2014 $'000	Commercial properties Year ended 30 June 2014 $'000	Consolidated Year ended 30 June 2014 $'000
Opening balance 1 July 2013	–	–	–
Investment properties			
Adoption of AASB 13	79,808	236,321	**316,129**
Capital expenditure and incentives	156	4,546	**4,702**
Decrease in fair value of investment properties(1)	(341)	(2,242)	**(2,583)**
Foreign currency translation exchange adjustment(2)	4,384	13,018	**17,402**
Investment properties transferred to properties held for sale	(84,007)	(251,643)	**(335,650)**
Closing balance investment properties	**–**	**–**	**–**
Properties held for sale			
Transfer from investment properties	84,007	251,643	**335,650**
Capital expenditure and incentives	(12)	1,768	**1,756**
Increase/(decrease) in fair value of properties(1)	760	(12,549)	**(11,789)**
Foreign currency translation exchange adjustment(2)	(2,221)	(6,674)	**(8,895)**
Carrying amount at year end	**82,534**	**234,188**	**316,722**

(1) Recognised in profit and loss
(2) Recognised in other comprehensive income

Valuation inputs and relationship to fair value

Conditional agreements were executed during the period to sell the remaining portfolio of 61 properties for gross sale proceeds of $244,720,000 or €168,000,000. The agreement was reached after an extensive multi-stage sales process that saw numerous parties review the portfolio and submit bids. Subsequent to year end, a meeting of unitholders was convened on 27 July 2015 and an ordinary resolution was passed by unitholders in relation to the approval of sale of the remaining properties and the subsequent wind up of the Fund in accordance with its Constitution and the *Corporations Act 2001*. The Directors have adopted the gross sale price of $244,720,000 or €168,000,000 as the fair value of the properties at year ended 30 June 2015.

The sensitivity performed last year have not been provided this year because the fair value adopted, as stated above, is the contract offer price. Fair value, therefore, is dependent on the settlement of the properties. Should the properties not settle then the fair value maybe higher or lower as the properties would need to put on the market.

The below table represents that inputs used in arriving at the fair value for properties held for sale for the 30 June 2014.

Description Properties held for sale	Fair value at 30 June 2014 $'000	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
Commercial properties	$234,188	Discount rate	7.00% - 13.00%	The higher the discount rate the lower the fair value.
		Capitalisation rate	6.75% - 11.00%	The higher the capitalisation rate and expected vacancy rate, the lower the fair value.
		Vacancy rate	0.00% - 100.00%	
		Weight average lease term (WALT)	0.0 - 18.5 yrs	The higher the WALT, the higher the fair value.
Nursing homes	$82,534	Discount rate	7.50% - 9.00%	The higher the discount rate the lower the fair value.
		Capitalisation rate	7.25% - 8.25%	The higher the capitalisation rate and expected vacancy rate, the lower the fair value.
		Vacancy rate	0.00%	
		Weight average lease term (WALT)	6.50 – 14.50 yrs	The higher the WALT, the higher the fair value.

Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2015

21 Reconciliation of cash flows from operating activities

	Consolidated Year ended 30 June 2015 $'000	Consolidated Year ended 30 June 2014 $'000
Net profit after tax for the year	**23,464**	**1,559**
Adjustments for:		
Non-cash items		
Net (gain)/loss on revaluation of investment properties	(15,485)	14,401
Net realised gain on revaluation of financial derivatives	–	(8,894)
Loss on sale of properties held for sale	4,017	–
Deferred tax expense	–	1,550
Amortised costs	794	808
Foreign exchange movements	(3,216)	600
Operating profit before changes in working capital	**9,574**	**10,024**
Changes in assets and liabilities during the year:		
Decrease in trade and other receivables	348	502
Decrease in trade and other payables	(477)	(205)
Net cash flows from operating activities	**9,445**	**10,321**

22 Related parties

Responsible Entity

The Responsible Entity of the Fund is Brookfield Capital Management Limited

Key management personnel

The Fund is required to have an incorporated Responsible Entity to manage the activities of the Fund. The Directors of the Responsible Entity are Key Management Personnel of that entity.

F. Allan McDonald
Barbara Ward
Shane Ross (Resigned as Alternate Director for Russell Proutt and appointed Director on 6 May 2015)
Russell Proutt (Resigned as Director on 6 May 2015)

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.

Directors' interests

The following table sets out each Director's relevant interest in the units, debentures, 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
Barbara Ward	–
Shane Ross	–

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

Russell Proutt resigned as a Director on 6 May 2015.

Responsible Entity's fees and other transactions

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

Performance fee

A performance fee of 20% (including GST less any reduced input tax credits) of the outperformance of the Fund against the benchmark return (S&P/ASX 300 Property Trust 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 2015 was nil (2014: nil). As at 30 June 2015, the performance fee payable to the Responsible Entity was nil (2014: nil).

Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2015

22 Related parties continued

Responsible Entity's fees and other transactions continued

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 2015 was $1,309,000 (2014: $1,497,000). As at 30 June 2015, the management fee payable to the Responsible Entity was $284,000 (2014: $349,000).

Establishment costs

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 Brookfield Australia Investments Limited (71.91% ownership), Brookfield Australia Property Trust (22.36% ownership) and Brookfield Australian Opportunities 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 Australia Investments 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 Chase Bank N.A., as custodian for Brookfield Australian Opportunities Fund, retained its 12,750,050 units, until October 2012 when it disposed its holdings to BAO Trust. 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, holds 49,750,100 units or 20.2% of the Fund at year end (2014: 49,750,100 units or 20.2%); and
- JP Morgan Chase Bank N.A., as custodian for BAO Trust, holds 12,750,050 units or 5.2% of the Fund at year end (2014: 12,750,050 or 5.2%).

	Consolidated 2015 $'000	2014 $'000
Transactions with the Responsible Entity		
Management fees	1,309	1,497
Cost reimbursements	211	217
Management fee payable	284	349
Cost reimbursements payable	45	179

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.

Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2015

23 Contingent liabilities and assets

Tax audit

German tax audit 2004-2006

Subsequent to year end, correspondence has been received from the German tax office indicating that the German partnerships have been successful in the determination that no German Trade Tax should be payable for the 2004 to 2006 years. The assessments issued show that the previous assessments issued in 2012 for amounts of approximately €2 million have been cancelled and that no Trade Tax basis exists for those years. It is expected that final assessments from the City of Munich should issue shortly to complete the process.

German tax audit 2007-2010

Subsequent to year end, final findings for the German tax audit for 2007 to 2010 have been received for all seven German partnerships and assessments have been issued for two of the seven partnerships.

The final findings indicate that in relation to Trade Tax that no place of management was considered to be in existence in Germany in the 2007 to 2010 years. Independent advice is that this conclusion means that no Trade Tax should be payable by any of the partnerships.

Assessments issued to two of the seven partnerships confirm that no Trade Tax basis has been assessed. However, no assessment has as yet been received for the partnership that was subjected to the previous Trade Tax assessment for the 2004 to 2006 years (and which has now been overturned as set out above). As the final findings are subject to further review in the German tax office before assessments are issued there is the possibility that the final findings may be altered before being issued although independent advice is that such course of action is not likely in the present circumstances.

In addition, the final findings and assessments received indicate a liability of approximately €0.1 million (A$0.15million) for corporate income tax which would be payable by the Fund's subsidiaries who are partners in the partnerships. There is no liability for VAT payable.

Once a final assessment as a result of a tax audit has been issued and the relevant liability paid, the German tax office should generally be unable to re-assess or make any further amendments for those years.

24 Capital and other commitments

Capital or other commitments at 30 June 2015 of $555,755 relate to capital works on various properties (30 June 2014: $5,672,492).

25 Events subsequent to the reporting date

Subsequent to year end, a meeting of unitholders was convened on 27 July 2015 and an ordinary resolution was passed by unitholders in relation to the approval of sale of the remaining properties and the subsequent wind up of the Fund in accordance with its Constitution and the *Corporations Act 2001.* Following the approval, the Responsible Entity has taken steps consistent with those detailed in the Notice of Meetings and Explanatory Memorandum dated 1 July 2015 and it is expected that the wind up process will take a number of years to complete. The Fund is also expected to incur various further costs during the sale and windup process and this will impact the distributions, if any, ultimately returned to unitholders upon windup.

In accordance with the sale agreement, documentation has been received by the Consolidated Entity confirming that completion of the sale of the 61 properties owned by the Consolidated Entity is expected to occur on 12 September 2015. Subject to any change in the process leading to that date it is expected that the debt facility with Hypothekenbank will be repaid in full shortly after that date.

ASX have confirmed that in circumstances where completion of the sale of all or the majority of the properties occurs on 12 September 2015 in Germany, it will require suspension of trading in the securities of the Fund from close of trading on 14 September 2015. De-listing of the Fund will take place following settlement of all ASX trades. Investors should note that it will not be possible to trade the security on ASX after the security is suspended from trading, effectively from close of trading on 14 September 2015.

Subsequent to year end, correspondence from the German tax office was received in relation to the German Trade Tax. Refer to Note 23 Contingent liabilities and assets.

Other than the matters noted above, 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

For the year ended 30 June 2015

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 16 to 44, 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 2015 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 consolidated 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* for the financial year ended 30 June 2015.

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 28th day of August 2015.

Shane Ross
Director
Brookfield Capital Management Limited

Independent Auditor's Report

For the year ended 30 June 2015

Deloitte.

Deloitte Touche Tohmatsu
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Independent Auditor's Report to the Unitholders of Multiplex European Property Fund

We have audited the accompanying financial report of Multiplex European Property Fund ('the Fund'), which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated 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 16 to 45.

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 gives a true and fair view and 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 consolidated 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.

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

Independent Auditor's Report Continued

For the year ended 30 June 2015

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 2015 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.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 2 in the financial statements regarding the status of the consolidated entity's financing arrangements. The existing debt facility is due to expire on 30 September 2015. This condition, along with other matters as set out in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about the ability of the consolidated entity to continue as a going concern, and therefore the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU

AG Collinson
Partner
Chartered Accountants
Sydney, 28 August 2015

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Corporate Directory

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Barbara Ward
Shane Ross

COMPANY SECRETARY
Neil Olofsson

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

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