

# ASX Announcement

27 August 2012

## **Multiplex European Property Fund (ASX: MUE) 2012 Annual Results**

Brookfield Capital Management Limited (BCML), as Responsible Entity for Multiplex European Property Fund (Fund), announces the results for the financial year ended 30 June 2012.

Net loss after tax for the year was \$21.3 million. The Australian dollar appreciation against the Euro continues to impact the comparison of financial information between the current period and prior periods.

Key messages in this announcement are:

- distributions to investors for the year were \$38.9 million or 15.8 cents per unit.
- net loss after tax of \$21.3 million (net profit after tax of \$17.2 million for the year ended 30 June 2011) with loss per unit of 8.63 cents (30 June 2011: earnings per unit of 6.95 cents);
- net assets of \$26.7 million or \$0.11 per unit (30 June 2011: \$0.35 per unit);
- €22.7 million valuation decrement recorded across the Fund's property assets to €230.2 million; property rental income of \$31.0 million; and
- cash reserves retained in Australia of approximately \$30 million.

### **Property Portfolio**

BCML continues to maintain its practice of revaluing the properties each reporting period. The properties were independently valued as at 30 June 2012 by Jones Lang LaSalle. The valuation of €230.2 million as at 30 June 2012 represents a decrease of 9% on the 30 June 2011 valuation of €252.9 million.

As at 30 June 2012 portfolio occupancy was 92%.

The decline in property values predominantly represents less demand from investors and increased supply in the retail sector in which the majority of the Fund's properties reside. In addition, the decreasing period to lease expiry (WALE) of some of the more significant assets has adversely affected value despite an increase in the portfolio WALE overall from 7.19 to 7.62 years.

### **Cash lock up**

As a result of falling property values, the Loan to Value Ratio (LVR) calculated for the Fund's debt facility is 100.5% which exceeds 95% permitted under the facility. As a consequence the cash and cashflow within the German partnerships that own the Fund's property interests must be retained, and financier consent is required to pay certain expenses. Restrictions on cash remittances from the partnerships will cease if various conditions are satisfied prior to 15 April 2013.

## **Tax audit**

In June 2012, the German tax authorities notified that assessments would be issued to the German partnerships regarding Trade Tax for the 2004 to 2006 income years in the amount of approximately €2 million including interest and penalties. The liability is due and payable on 3 September 2012. Such liability falls to be paid by the German partnership and ultimately its partners. The assets of this partnership and its partners are limited to the value of the interests held in the partnership's German property portfolio related operating cashflows, cash reserves of those entities and the nominal capital of the partners.

BCML continues discussions with the financier in relation to the use of the partnership cashflow and retained cash reserves to meet this liability. Discussions are ongoing regarding the property portfolio. BCML will advise investors of the outcome of these discussions in due course.

## **Cash reserves**

The Fund currently retains available cash balances of approximately \$30 million (12 cents per unit) in Australia. Cash held in Australia is not provided as security for the debt facility and is held outside of the German partnerships and their partners. BCML continues to consider the optimal use of these reserves for investors. Expenses incurred by the Fund outside of Germany are currently being met from earnings on the cash retained in Australia and the net proceeds of the forward foreign exchange contracts which remain in place.

Future distributions will remain subject to BCML's assessment of the cash lock up, operating and/or market conditions in Germany and Australia and taxation requirements including the outcome of appeal process arising from the German tax assessments. Further information will be provided to investors in due course.

## **Further information and Financial Results as at 30 June 2012**

Further information regarding the Fund's annual results is available in the form of an Annual Report. It is recommended that investors review this document. The financial report for the year ended 30 June 2012 is available at [www.au.brookfield.com](http://www.au.brookfield.com).

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Brookfield Customer Service  
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## MULTIPLEX EUROPEAN PROPERTY FUND

ARSN 124 527 206

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## Annual Report 2012

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



**Distributions paid or payable for the  
financial year ended 30 June 2012  
total \$38.9 million (15.8 cents per unit)  
including two special distributions  
totalling \$35.8 million (14.5 cents per unit)  
in November 2011 and April 2012.**

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# Message from the Chairman

On behalf of the Board of Brookfield Capital Management Limited (BCML), enclosed is the Multiplex European Property Fund (Fund) annual report for the financial year ended 30 June 2012.

## FINANCIAL RESULTS

The Fund reported a net loss after tax of \$21.3 million for the year, which includes a \$31.9 million property valuation decrement. Net assets of the Fund decreased by \$60.7 million over the year, mainly as a result of the decline in property values and the early termination of the Fund's cross currency interest rate swaps which resulted in higher cash distributions to investors.

Key financial results as at 30 June 2012 include:

- distributions paid or payable of \$38.9 million (15.75 cents per unit);
- total property net operating income of \$26.4 million; and
- net assets of \$26.7 million or \$0.11 per unit.

## STATUS OF FUND, CASH LOCK UP AND GERMAN TAX AUDIT

As announced on 24 January 2012 the Fund's financier, Eurohypo AG, obtained a valuation of the Fund's properties as at 31 December 2011 valuing the portfolio at €230.92 million. As a result, the Loan to Value Ratio (LVR) calculated for the Fund's debt facility exceeds 95%. Therefore, the cash and cashflow within the German partnerships that own the Fund's property interests must be retained and financier consent is required to pay certain expenses. Restrictions on cash remittances from the partnerships will cease if conditions are satisfied prior to 15 April 2013.

In June 2012, the German tax authorities notified that assessments would be issued to the German partnerships regarding Trade Tax for the 2004-06 income years in the amount of approximately €2 million including interest and penalties. The liability is payable by 3 September 2012 by the German partnership and ultimately its partners. The assets of this partnership and its partners are limited to the value of interests held in the partnership's German property portfolio, related operating cashflows and the nominal capital of the partners.

BCML continues discussions with the financier in relation to use of the partnership cashflow and retained cash reserves to meet this liability. Discussions are also ongoing regarding the property portfolio and BCML will advise investors of the outcome of these discussions in due course.

From an operational perspective, the ongoing challenge and continued focus for the Fund is to fill property vacancies and negotiate improved lease terms with tenants.

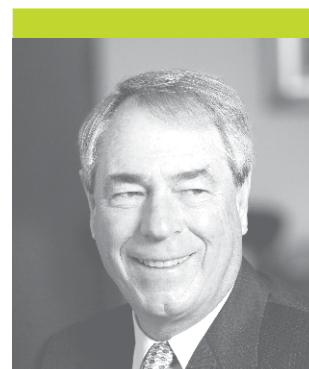
The Fund currently retains available cash balances of approximately \$30 million (12 cents per unit) in Australia. Cash held in Australia is not provided as security for the debt facility and is held outside of the partnerships and its partners. BCML continues to consider the optimal use of these reserves for investors.

Future distributions will remain subject to BCML's assessment of the cash lock up, operating and/or market conditions in Germany and Australia and taxation requirements including the outcome of the German taxation audit. Further information will be provided to investors when available.

On behalf of the Board, thank you for your ongoing support.



**F. Allan McDonald,**  
Independent Chairman



# Year in Review

Brookfield Capital Management Limited (BCML) the Responsible Entity of Multiplex European Property Fund (the Fund) provides a review of the financial year ended 30 June 2012.

## FINANCIAL RESULTS

The Fund experienced a small decline in operational performance amidst continued uncertainty surrounding the European economy.

Further depreciation of the Euro against the Australian dollar has made comparing financial information against prior periods difficult, however underlying operating performance of the Fund's property assets remained largely steady, with rental income in Euro decreasing by approximately 3% over the previous year.

Key results for the financial year ended 30 June 2012 are as follows:

- distributions were \$38.9 million and distributions per unit (DPU) of 15.75 cents per unit (2011: 2.5 cents per unit);
- net assets of \$26.7 million or 11 cents per unit (2011: \$87.3 million or 35 cents per unit);
- net loss after tax of \$21.3 million (2011: net profit after tax of \$17.2 million);
- property portfolio valued at \$284.3 million (2011: \$341.6 million);
- property rental income of \$31.0 million (2011: \$34.2 million);
- loss per unit of 8.63 cents (2011: earnings per unit 6.95 cents); and
- normalised earnings (i.e. excluding unrealised fair value adjustments on property and financial derivatives) of 19.3 cents per unit (2011: 6.5 cents).

## ASSET MANAGEMENT

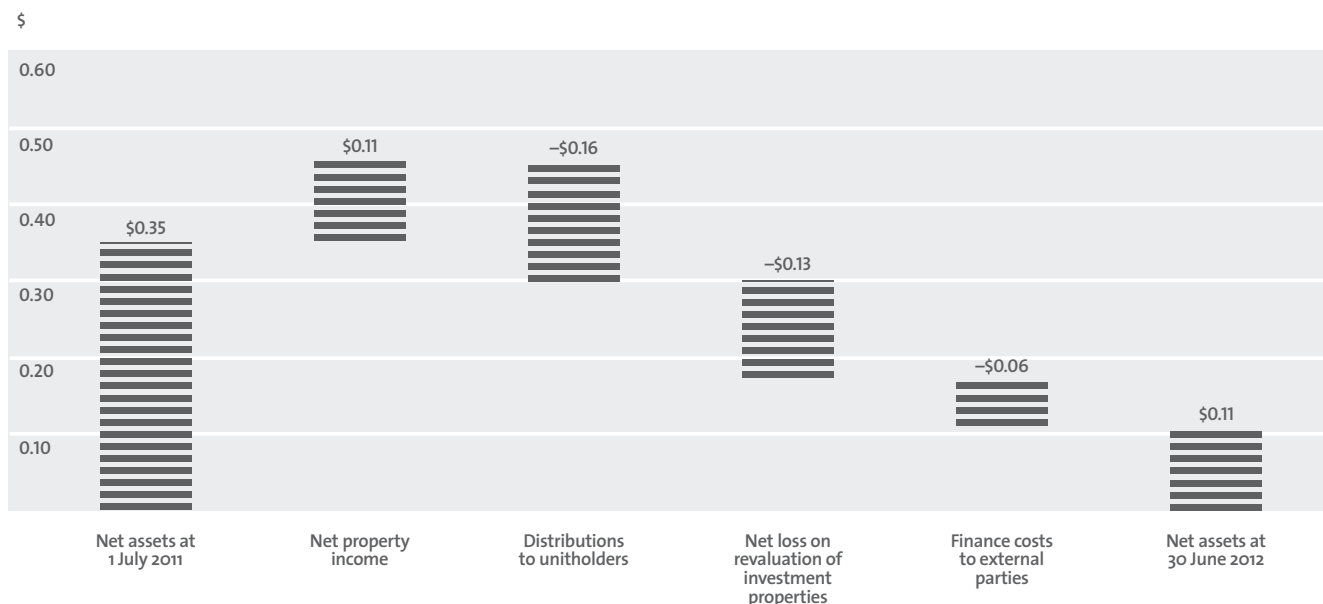
The Fund's property portfolio comprises 67 properties: 55 retail properties, six nursing homes, three logistic properties and three office properties.

As at 30 June 2012, portfolio occupancy was 92.4% with a WALE of 7.6 years (weighted by income). The occupancy rate is predominantly impacted by an office asset in Düsseldorf which is only 8% occupied, a vacant discount supermarket at Rabenau, and 86.6% occupancy at Bochum.

The properties were independently valued by Jones Lang LaSalle GmbH (JLL) in Frankfurt as at 30 June 2012. The market value of the portfolio was €230.16 million (A\$284.3 million based on 30 June 2012 exchange rate 1 AUD = 0.8095 EUR), which represents a 9.0% decline from the 30 June 2011 external valuation of €252.9 million.

Market value was assessed using the discounted cashflow calculation methodology.

## NTA MOVEMENT (per unit)



### Retail Sector

The Fund has 55 retail properties including supermarkets, discounts, retail parks, DIY and hypermarkets making up 59% of the total lettable area, which contribute approximately 54% of the total rental income. Aldi, Edeka, Lidl and Netto are represented across a number of the assets.

With a large national and multi-national tenant mix, this sector offers security of income, typically with strong covenants and good credit ratings. Edeka Handelsgesellschaft contributes more than 12% of portfolio net income over six assets. Hornbach, the DIY operator, provides 6% of the portfolio net income.

The investment market for retail properties has slowed in 2012. Supermarkets and discounters particularly experienced supply levels in excess of demand resulting in the slowdown in the investment market.

During the period, a 15-year extension with Combi at Witmund and a new 12-year term with Lidl at Malchin were contracted. These extensions have been undertaken on terms to secure the value of the properties. Additional leasing discussions are well progressed and should complete in the immediate future.

### Nursing Homes

Nursing homes provide 25% of the Fund's asset value and remain an attractive asset class for investors, when viewed against the backdrop of an ageing German population. Discussions are progressing with the lessee of three nursing homes for an extension of the lease for up to five years from the existing expiry post 2020.

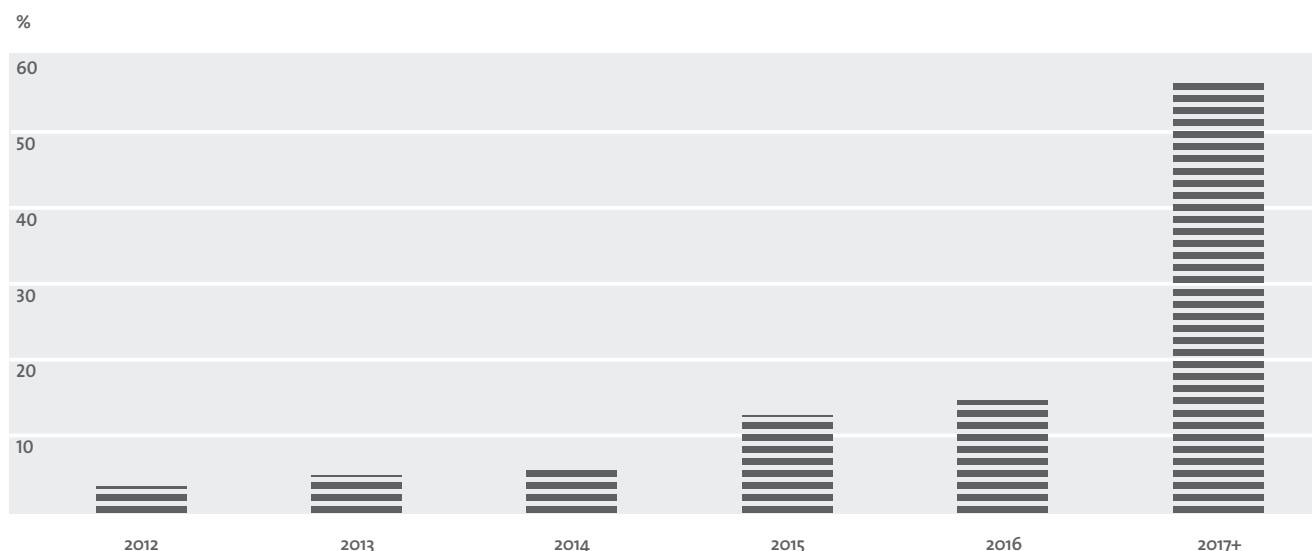
### Logistics Sector

The portfolio includes three logistics sector assets, contributing 8% of the portfolio value. All properties continue to be 100% occupied.

### Office Sector

The office portfolio accounts for 5% of the total portfolio value. To address vacancies, the Fund has committed significant leasing resources to the principal office asset in Dusseldorf. Various works to the showroom have been completed and works to the entrance area and facade are scheduled to complete by the end of August 2012. Intensive marketing and reletting activities are in progress.

## LEASE EXPIRY PROFILE (by income)



# Year in Review

## DEBT

As at 30 June 2012, the portfolio value was €230.2 million, representing a 9.0% reduction from the 30 June 2011 valuation, being approximately equal to the principal amount owing under the debt facility.

The LVR calculated for the purpose of the debt facility is approximately 100.5%. As the LVR exceeds 95%, the terms of the debt facility provide that cash and cashflow within the partnerships that own the Fund's investment property interests must be retained within those entities, and financier consent is required to pay certain expenses.

The debt is due to be repaid on 15 April 2014 and remains classified as non-current debt within the accounts as no event of default arises due to the reduced valuation and increased LVR. Restrictions on cash remittances from the partnerships will cease if conditions are met prior to 15 April 2013 including a reduction in LVR to 95% or below and an Interest Cover Ratio of greater than 140% for the two preceding interest payment dates.

BCML continues discussions with the financier in relation to use of the partnerships' cashflow and retained cash reserves to meet the tax liability payable by 3 September 2012. If the financier does not consent to use of the reserves, or no deferral of payment of the liability is obtained, this may give rise to an event of default under the debt facility.

## HEDGING

In September 2011, BCML completed unwinding the Fund's Cross-Currency Interest Rate Swap (CCIRS) for total proceeds of \$34.8 million (net of all transaction costs). This swap was

put in place when the Fund was established to address risk associated with fluctuations in capital invested between the Australian dollar and the Euro.

Unwinding the CCIRS means that 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.

There has been no change to the Fund's other derivative instruments as follows:

- an interest rate swap remains in place in the Fund's German partnerships with the effective interest rate fixed at 4.48% with a carrying value of the liability as at 30 June 2012 of (\$16.6 million); and
- forward quarterly foreign exchange contracts remain in place outside the Fund's German partnerships whereby Euro is exchanged for Australian dollars on a quarterly basis (carrying value as at 30 June 2012 of \$4.7 million).

BCML will continue to monitor exchange rate movements and all hedging arrangements currently in place.

## CASHFLOW CONSIDERATIONS

The Fund currently retains available cash balances of approximately \$30 million (12 cents per unit) in Australia. Cash held in Australia is not provided as security for the debt facility and is not affected by the lock up of cash in the Fund's German partnerships.

## OCCUPANCY AND WEIGHTED AVERAGE LEASE EXPIRY (WALE)

DESCRIPTION	OCCUPANCY %	MAJOR TENANTS	YEARS (BY INCOME)
55 retail properties comprising:	95	EDEKA, REWE, Hornbach	7.3
– discount supermarkets			
– full supply supermarkets			
– DIY markets			
6 nursing homes	100	Kursana, Phönix	11.1
3 logistic/warehouses	100	Spicers, TNT	2.6
3 offices	43	State of Nord Rhine-Westphalia	2.5
<b>Total portfolio</b>	<b>92</b>		<b>7.6</b>



In the event that the cash lock-up continues, costs to manage the Fund (estimated to be approximately \$2 million per annum) will be met from cash reserves, earnings on such reserves or net proceeds from the forward quarterly foreign exchange contracts which remain in place.

#### TAX AUDIT

Partnerships in which the Fund has an interest of 94.9% have received an assessment for German Trade Tax for the 2004-2006 income years in the amount of approximately €2 million including interest and penalties. The liability is payable on 3 September 2012.

In line with independent advice received, the relevant entities have lodged an objection regarding the assessment and have sought a deferral of payment of the liability. It is not possible to determine when the decision about deferral of payment will be made by the German tax authorities or whether such deferral may require some form of cash security for payment.

It is possible that enforcement action for payment of the assessment may be taken after 29 September 2012 even in circumstances where the decision remains under consideration.

No taxation audit has commenced for the 2007 year. In the event that the 2007 year is subject to a taxation audit, the current estimate of maximum potential risk of trade tax for that year would be approximately €26.7 million (including interest and penalties).

In the event that a liability was to arise as a result of the audit, such liability would be payable by the the respective German partnership and ultimately its partners.

**The Fund currently retains available cash balances of approximately \$30 million (12 cents per unit) in Australia. Cash held in Australia is not provided as security for the debt facility and is not affected by the lock up of cash in the Fund's German partnerships.**

Consistent with prior reporting periods, independent advice remains that, in the event that the matter was pursued through to court appeal, the relevant entity is more likely than not to successfully defend its position and no trade tax would be payable.

#### DISTRIBUTIONS

Distributions paid or payable for the financial year ended 30 June 2012 total \$38.9 million (15.8 cents per unit) including two special distributions totalling \$35.8 million (14.5 cents per unit) in November 2011 and April 2012.

Declaration of any future distributions will remain subject to ongoing discussions with the Fund's financier, BCML's assessment of the Fund's operating results, future financial commitments, market conditions in Europe and Australia and taxation requirements. Further information will be communicated to investors when available.

#### VALUATION SUMMARY

SECTOR	30 JUNE 2011 VALUATION (€M)	31 DECEMBER 2011 VALUATION (€M)	30 JUNE 2012 VALUATION (€M)	% CHANGE JUNE 2011 – JUNE 2012
Retail	146.4	128.0	127.4	(13)
Nursing homes	59.4	56.6	56.9	(4)
Logistics	22.3	19.3	19.0	(15)
Office	24.7	27.0	26.9	9
<b>Total</b>	<b>252.8</b>	<b>230.9</b>	<b>230.2</b>	<b>(9)</b>

# Performance at a Glance

## FUND SNAPSHOT (as at 30 June 2012)

Listing date	3 July 2007
Market capitalisation <sup>1</sup>	\$19.2 million
Total assets	\$337 million
Net assets per unit	\$0.11
Portfolio occupancy	92%
Portfolio weighted average lease expiry (by income)	7.6 years
Fund gearing (total interest-bearing loans/total assets at Fund level)	84.6%
Loan to value ratio (interest-bearing loans/property assets) <sup>2</sup>	100.5%
Management fee <sup>3</sup> (excluding GST)	0.41% of gross asset value
Performance fee (excluding GST)	5% to 15% of benchmark <sup>4</sup> outperformance

1 Market capitalisation as at close of trading on 30 June 2012.

2 Calculated using 30 June 2012 valuations.

3 Subject to the arrangements outlined in the Chairman's letter dated 14 June 2007.

4 S&P/ASX 300 A-REIT Accumulation Index.

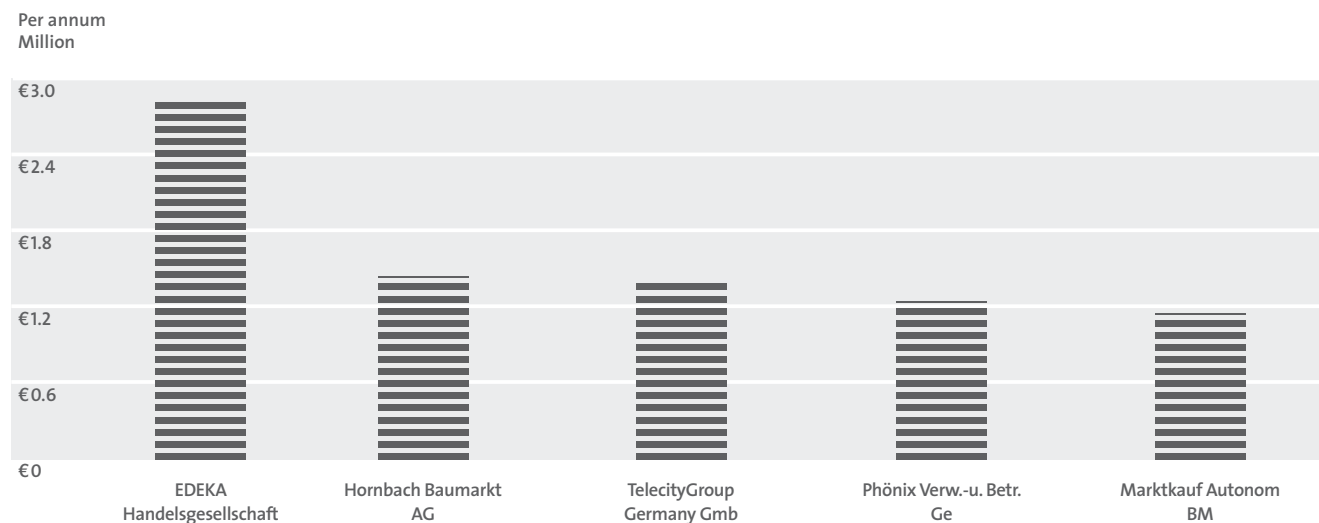
## RECONCILIATION OF NORMALISED PROFIT

Net loss after tax	(\$21.3) million
Adjustments:	
– net loss on revaluation of investment property	\$31.9 million
– net unrealised loss on revaluation of financial derivatives	\$37.5 million
– deferred income tax benefit	(\$0.8) million
– amortisation of borrowing costs	\$0.3 million
Normalised net profit	\$47.6 million
Normalised earnings per unit	19.3 cents
Distributions per unit	15.75 cents

# Portfolio at a Glance

## MAJOR TENANTS

By rental income Edeka Handelsgesellschaft, Hornbach Baumarkt AG, TelecityGroup Germany GmbH, Phoenix Verwaltungs- und Betriebsgesellschaft mbH, Marktauf Autonom BM are individually the most important tenants in the portfolio. The main lease contracts (by income) of these tenants generate approximately 37% of the annual rental income.



Source: Jones Lang LaSalle

## SECTOR ALLOCATION\*

- 55% Retail
- 25% Nursing homes
- 12% Office
- 8% Logistics



\* Calculated on the value of properties as at 30 June 2012.

# Property Analysis

PROPERTY	TENANT/ANCHOR TENANT	PURCHASE PRICE €M	VALUATION 30 JUNE 2011 €M	VALUATION 30 JUNE 2012 €M
Dresden. Heideblick	Netto Marken-Discount	2.206	1.65	1.23
Artern	Netto Marken-Discount	1.827	1.30	0.95
Dresden. Tatzberg	Netto Marken-Discount	2.136	1.62	1.25
Eisleben	Netto Marken-Discount	1.737	1.25	0.92
Gernrode	Netto Marken-Discount	1.594	1.00	0.83
Geyer	Netto Marken-Discount	1.597	0.89	0.81
Schlema	Netto Marken-Discount	1.571	0.86	0.79
Jena-Lobeda	Netto Marken-Discount	1.717	1.23	0.96
Delitzsch. Beerendorfer Strasse	Netto Marken-Discount	1.409	0.90	0.78
Stockheim	Netto Marken-Discount	1.674	1.26	0.93
Burgstädt	Netto Marken-Discount	1.554	1.04	0.84
Bückeburg	Netto Marken-Discount	1.639	1.06	0.93
Merseburg. Geusaer Strasse	Netto Marken-Discount	1.792	1.10	0.89
Mühlhausen	Netto Marken-Discount	1.594	1.12	0.79
Halle. Merseburger Strasse	ALDI	3.066	1.74	1.41
Stollberg	ALDI	1.555	0.94	0.80
Oberhausen	Netto Marken-Discount	1.763	1.07	0.97
Clenze	Netto Marken-Discount	1.655	0.92	0.71
Boizenburg	Lidl	1.693	1.13	1.19
Bad Marienberg	Lidl	2.841	1.68	1.30
Delitzsch. Richard-Wagner Strasse	Lidl	2.110	1.27	1.02
Hage	Lidl	1.726	1.06	0.82
Schöppenstedt	Lidl	1.629	1.12	0.87
Woldegk	NORMA	1.844	1.70	1.13
Pampow	EDEKA	1.430	1.89	1.62
Blankenfelde	EDEKA	4.101	2.65	3.07
Prüm	EDEKA	3.930	2.06	1.42
Peine	EDEKA MIHA	1.117	0.61	0.50
Schloßvippach	REWE	2.280	1.72	1.10
Gotha	REWE	6.812	4.74	4.33
Köthen	Penny Markt	2.170	1.46	0.93
Offenburg	Penny Markt	1.491	0.90	1.14
Rabenau	Vacant	2.797	0.42	0.59
Rheinau	Penny Markt	1.858	1.17	1.02

PROPERTY	TENANT/ANCHOR TENANT	PURCHASE PRICE €M	VALUATION 30 JUNE 2011 €M	VALUATION 30 JUNE 2012 €M
Malchin	coop	3.752	1.84	1.43
Bopfingen	REWE	2.007	1.36	1.12
Burladingen	REWE	3.030	2.12	1.75
Cloppenburg	Coma Verbrauchermarkt	4.267	2.81	2.55
Tespe	EDEKA	1.796	1.14	1.03
Feldatal	Tegut Gutberlet Stiftung & Co	1.558	0.94	0.99
Saarlouis	Accord Distributa Warenhandel	2.256	1.89	1.69
Zimmern	AWG	1.817	1.07	1.13
Winkelhaid	SPICERS Deutschland	14.871	11.60	11.00
Hallbergmoos	TNT Express	16.399	9.59	7.20
Gera	Hermes Logistik	3.196	1.08	0.77
Chemnitz	Hornbach Baumarkt	20.740	17.70	17.80
Hannover	Marktkauf	16.158	13.90	10.90
Wittmund	Toom Baumarkt	10.913	4.24	1.57
Marienhafe	Marktkauf	4.779	2.83	1.97
Halle. Trothaer Strasse	Goldkuhle Fachmärkte Frick für Wand und Boden	1.710	0.97	0.87
Bünde	Markant Ostwestfalen	1.861	1.21	1.06
Minden	ABB Utilities Niederlassung Minden	6.658	4.14	3.47
Düsseldorf	Vacant	14.888	5.97	8.80
Frankfurt/Oder	Car Glass	1.359	0.96	0.90
Frankenberg	Rheika-Delta	2.021	1.38	1.34
Osnabrück	Bugsy Burger	2.484	1.30	1.49
Frankfurt/Main	Telecity Group	17.960	14.60	14.60
Kassel	Spiel In Casino	2.214	0.68	0.55
Lörrach A	EDEKA	21.699	18.80	18.70
Lörrach B	McDonald's	1.895	1.37	1.44
Bochum	EDEKA	26.753	21.40	18.30
Eisenhüttenstadt	Kursana	8.841	7.60	6.80
Schwedt	Kursana	8.593	6.91	6.30
Erfurt	Phönix	11.968	9.19	9.50
Wetzlar	Alloheim Senioren Residenzen	14.115	11.30	10.80
Göttingen	Phönix	17.234	14.50	14.50
Wiesbaden	Maternus Altenheim	13.296	9.93	9.00
<b>Total</b>		<b>355.000</b>	<b>252.85</b>	<b>230.16</b>

# 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 14 August 2012.

## 1. SUBSTANTIAL HOLDERS

COMPANY NAME	NO OF UNITS	% OF UNITS ON ISSUE
Brookfield Asset Management Inc.	62,500,150	25.309

## 2. DISTRIBUTION OF ORDINARY UNITS

Analysis of numbers of unitholders by size of holding:

	UNITS	UNITHOLDERS
1-1,000	12,675	28
1,001-5,000	1,588,097	345
5,001-10,000	6,380,736	669
10,001-100,000	63,564,587	1,699
100,001 and over	175,404,055	264
<b>Total</b>	<b>246,950,150</b>	<b>3,005</b>

There were 407 holders with less than a marketable parcel of 6,250 securities (\$0.08 on 13 August 2012).

### 3. UNITHOLDERS

#### *Twenty largest quoted unitholders.*

The twenty largest holders of ordinary units are listed below:

NAME	ORDINARY UNITS	
	NUMBER HELD	% OF ORDINARY UNITS
Multiplex German Investment Pty Limited	49,750,100	20.15
J P Morgan Nominees Australia Limited	21,536,002	8.72
Miss Ashley Arshpreet Rai and Mr Tharnar Singh and Mrs Satwant Kaur Rai	10,500,000	4.25
Navigator Australia Ltd	6,698,671	2.71
ABN AMRO Clearing Sydney Nominees Pty Ltd	5,592,405	2.26
Mr Peter Chappel and Mrs Wendy Elizabeth Chappel	2,850,000	1.15
ABN AMRO Clearing Sydney Nominees Pty Ltd	2,540,010	1.03
Antares Capital Partners Pty Ltd	2,539,500	1.03
BNP Paribas Noms Pty Ltd	2,342,268	0.95
CVC Limited	2,014,000	0.82
Horrie Pty Ltd	2,000,000	0.81
Hillmorton Custodians Pty Ltd	1,425,087	0.58
Ozone Protected Systems Pty Limited	1,300,000	0.53
WA Construction Industry Redundancy Fund Ltd	1,300,000	0.53
Mr Colin Bambrick and Mrs Lorelei Bambrick	1,000,000	0.40
Etrade Australia Nominees Pty Limited	1,000,000	0.40
Stilwood Pty Ltd	980,000	0.40
Stilwood Custodians Pty Ltd	962,703	0.39
National Nominees Limited	955,967	0.39
Mr Sean Corbett	945,076	0.38
<b>Total</b>	<b>118,231,789</b>	<b>47.88</b>

### 4. ON-MARKET BUY-BACK

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

### 5. VOTING RIGHTS

Entitlement to vote

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

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

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

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

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

# Investor Relations

## ASX LISTING

Multiplex European Property Fund is listed on the ASX under the code MUE. Daily unit prices can be found in all major Australian newspapers, on the ASX website and at [www.au.brookfield.com](http://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](http://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](mailto: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](mailto: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](http://www.au.brookfield.com)



# Corporate Directory

## **RESPONSIBLE ENTITY**

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

## **DIRECTORS**

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

## **COMPANY SECRETARY**

Neil Olofsson

## **REGISTERED OFFICE**

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

## **CUSTODIAN**

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

## **STOCK EXCHANGE**

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

## **AUDITOR**

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



[www.au.brookfield.com](http://www.au.brookfield.com)



## MULTIPLEX EUROPEAN PROPERTY FUND

ARSN 124 527 206

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## Financial Report for the year ended 30 June 2012

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

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# Directory

## Multiplex European Property Fund

For the year ended 30 June 2012

### **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  
Brian Motteram  
Barbara Ward  
Russell Proutt  
Shane Ross

### **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 2 8280 7111  
Facsimile: +61 2 9287 0303

### **Auditor**

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

# Directors' Report

## Multiplex European Property Fund

For the year ended 30 June 2012

### 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 2012 and the Independent Auditor's Report thereon.

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

### Responsible Entity

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

### Directors

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

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

### Information on Directors

#### F. Allan McDonald (BEcon, FCPA, FAIM, FCIS), 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 funds Brookfield Australian Opportunities Fund (BAO) and Brookfield Prime Property Fund (BPA). BFML is the Responsible Entity for the listed Multiplex SITES Trust. Allan's other directorships of listed entities are Astro Japan Property Management Limited (Responsible Entity of Astro Japan Property Trust) (appointed February 2005), Billabong International Limited (appointed July 2000), and Brookfield Office Properties Inc. (appointed May 2011). During the past 3 years, Allan has also served as a Director of the following listed company: Ross Human Directions Limited (April 2000 – February 2011).

#### Brian Motteram (BBus, CA), Non-Executive Independent Director

Brian has in excess of 40 years of experience working in the area of finance and accounting. He has worked with international accounting firms, in his own private practice, and during the last 21 years in private enterprise in both the mining and property industries. He spent 8 years (from 1996 to 2004) as an executive of a Perth-based property company in the position of Chief Financial Officer and, later, as Financial Director. BCML is also the Responsible Entity for listed funds BAO and BPPF. Brian is a fully qualified Chartered Accountant having trained with KPMG and Deloitte.

#### Barbara Ward, AM (BEcon, MPoEcon, MAICD), Non-Executive Independent Director

Barbara was appointed as a Non-Executive Independent Director of BCML on 1 January 2010 and also performs that role for BFML. Barbara has gained extensive business and finance experience through her role as Chief Executive Officer of Ansett Worldwide Aviation Services, as General Manager Finance for the TNT Group and as a Senior Ministerial Advisor. BCML is also the Responsible Entity for listed funds BPA and MUE. BFML is the Responsible Entity for the listed Multiplex SITES Trust. Barbara is a Director of Essential Energy, Ausgrid, Endeavour Energy and Qantas Airways Limited. During the past 3 years Barbara has also served as a Director of Lion Nathan Limited (February 2003 to October 2009) and Chair of Essential Energy (June 2001 to June 2012).

#### Russell Proutt (BComm, CA, CBV), Executive Director

Russell Proutt is the Chief Financial Officer of Brookfield Australia Pty Limited and was appointed as an Executive Director of BCML on 1 January 2010 and also performs that role for BFML. BCML is also the Responsible Entity for the listed funds BAO and BPA. BFML is the Responsible Entity for the listed Multiplex SITES Trust. Russell joined Brookfield Asset Management Inc, the ultimate parent company of BCML, in 2006 and has held various senior management positions within Brookfield.

#### Shane Ross (BBus), Executive Director

Shane is the Group General Manager of Treasury for Brookfield Australia Investments Limited and was appointed as an Executive Director of BCML on 16 May 2011. BCML is also the Responsible Entity for BAO and BPA. Shane joined the organisation in 2003 following a background in banking and has over 17 years experience in treasury and finance within the property industry.

# Directors' Report continued

## Multiplex European Property Fund

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For the year ended 30 June 2012

### Information on Company Secretary

#### Neil Olofsson

Neil has over 16 years of international company secretarial experience and has been with the Brookfield Australia group since 2005.

### Directors' interests

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

Director	Multiplex European Property Fund units held
F. Allan McDonald	50,000
Brian Motteram	–
Barbara Ward	–
Russell Proutt	–
Shane Ross	–

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

### Directors' meetings

Director	Board Meetings		Audit Committee Meetings		Board Risk and Compliance Committee Meetings	
	A	B	A	B	A	B
F. Allan McDonald	6	6	2	2	2	2
Brian Motteram	6	6	2	2	2	2
Barbara Ward	6	6	2	2	2	2
Russell Proutt	6	6	n/a	n/a	n/a	n/a
Shane Ross	6	6	n/a	n/a	n/a	n/a

A – Number of meetings attended.

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

### Committee meetings

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

### Principal activities

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

### Review of operations

The Consolidated Entity recorded a net loss after tax of \$21,323,000 for the year ended 30 June 2012 (2011: net profit after tax of \$17,153,000). The reported net loss after tax includes an unrealised loss of \$31,880,000 (2011: \$26,058,000) on property revaluations.

During the year, \$34,827,000 of net proceeds was received by the Consolidated Entity as a result of an early termination of the cross currency interest rate swap (CCIRS). Following from the close out of the CCIRS, a special distribution of 9.5 cents per unit was paid out to investors on 16 November 2011. Further distributions have also been paid by the Consolidated Entity. Refer to the distributions section for further information.

An unrealised loss of \$37,457,000 (2011: unrealised gain \$29,517,000) was also recorded by the Consolidated Entity on account of marking-to-market value the Consolidated Entity's derivatives as at year end. The practice of marking-to-market value the Consolidated Entity's derivatives at each period end date will continue to introduce volatility into the Consolidated Entity's Statement of Comprehensive Income and Statement of Financial Position. However, these adjustments are non-cash related as the Consolidated Entity's derivative obligations were fixed at the time of entering into the derivatives in November 2006, and these obligations do not change during the term of the derivative, unless the Consolidated Entity exits out of the derivative positions prior to maturity date. Net realised gain on derivatives of \$36,456,000 (2011: loss \$3,000) was also recognised and includes the impact from the early termination of the CCIRS.

Declaration of any future distributions will remain subject to BCML's assessment of the effects of the cash lock up, operating and/or market conditions in Germany and Australia and taxation requirements including the outcome of the German taxation audit which is continuing.

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

- property rental income of \$31,016,000 (2011: \$34,178,000);
- total revenue and other income of \$69,843,000 (2011: \$70,385,000);
- net loss after tax of \$21,323,000 (2011: net profit after tax of \$17,153,000);

# Directors' Report continued

## Multiplex European Property Fund

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For the year ended 30 June 2012

### Review of operations *continued*

- earnings per unit (EPU) of (8.63) cents (2011: 6.95 cents);
- distributions to unitholders for the year ended 30 June 2012 were \$38,895,000 (2011: \$6,174,000) and distributions per unit (DPU) of 15.75 cents per unit (2011: 2.50 cents per unit);
- net assets of \$26,673,000 and net assets per unit of \$0.11 (2011: \$87,343,000 and \$0.35 per unit); and
- property portfolio value of \$284,327,000 (2011: \$341,643,000) and unrealised revaluation decrement of \$31,880,000 (2011: \$26,058,000).

### Impact of valuations on debt

On an annual basis, the financier and the Fund appoint a joint valuation of the investment properties.

As at 30 June 2012, the portfolio value was €230,160,000, representing a 9.0% reduction from the 30 June 2011 valuation and a 0.3% reduction from the 31 December 2011 valuation adopted by the Consolidated Entity. The value is approximately equal to the principal amount owing under the debt facility. The Loan to Value ratio (LVR) calculated for the purposes of the debt facility is approximately 100.5% at 30 June 2012. As the LVR exceeds 95% the terms of the debt facility provide that the cash and cash flow within the partnerships that own the Consolidated Entity's investment property interests be retained within those entities, and financier consent will be required to pay certain expenses.

The debt remains classified as non-current debt within the financial statements as no event of default arises as a direct consequence of the reduced valuation and the increased LVR.

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

### Trade tax audit

A controlled entity, in which the Fund has an interest of 94.9%, within the Consolidated Entity continues to be the subject of a German taxation audit for the 2004-6 years. The primary area subject to audit relates to trade tax and was identified in the Fund's PDS (dated 20 April 2007).

The assessment for the German Trade Tax liability for the 2004-06 income years was received post year end on 30 July 2012. The amount sought is approximately €2 million including interest and penalties accrued to the current date. The liability is due and payable on 3 September 2012.

In line with independent advice received the relevant entities have lodged an objection in relation to the assessment and have sought a deferral of payment of the liability pending determination of the objection. It is not possible to determine when the decision in relation to deferral of payment will be made by the German tax authorities or whether such deferral may require some form of cash security for payment. It is possible that enforcement action in relation to payment of the assessment may be taken after 29 September 2012 even in circumstances where the decision remains under consideration.

In the event that the payment of the €2 million is enforced and the liability of approximately €2 million is due and payable such liability would fall to be paid by the German partnerships and ultimately its partners. The assets of these partnerships and its partners are limited to the value of the interest held in the partnership's German property portfolio related operating cashflows and the nominal capital of the partners. As notified previously the German partnerships in which the Fund holds a 94.9% interest are in cash lock up position as a result of a fall in values of the properties and cash reserves and net operating cashflow cannot be repatriated or disbursed without further consent of the financier.

The Fund retains cash reserves in Australia of approximately \$30m. These cash reserves are not provided as security for the Fund's debt facility and do not form part of the assets of the German partnerships.

No taxation audit has commenced in relation to the 2007 year. In the event that the 2007 year was subjected to taxation audit the current estimate of the maximum potential liability relating to trade tax for that year would be approximately €26.7 million (including interest and penalties)

Consistent with prior reporting periods, independent advice remains that, in the event that the matter was pursued through to court appeal, the relevant entity is more likely than not to successfully defend its position and no trade tax would be payable. As such no liability has been recognised in the 30 June 2012 financial statements.

### Corporate governance

BCML, in its capacity as Responsible Entity for the Fund, 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 2010 Amendments (2nd edition), (the ASX Principles) during the reporting period.



# Directors' Report continued

## Multiplex European Property Fund

For the year ended 30 June 2012

### Corporate governance *continued*

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 2011 to 30 June 2012.

### 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](http://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.

#### 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

#### 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 2.1 of the ASX Principles. The table below sets out the details of each of the Directors including their independent status and length of tenure.

Name	Position held	Independent (Yes/No)	Date appointed to the Board
F. Allan McDonald	Non-Executive Independent Chairman	Yes	1 January 2010
Brian Motteram	Non-Executive Independent Director	Yes	21 February 2007
Barbara Ward	Non-Executive Independent Director	Yes	1 January 2010
Russell Proutt	Executive Director	No	1 January 2010
Shane Ross	Executive Director	No	16 May 2011

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.

# Directors' Report continued

## Multiplex European Property Fund

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For the year ended 30 June 2012

### **Corporate governance** continued

#### **Principle 2: Structure the Board to add value** continued

##### **Chairperson and independence**

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.

##### **Roles of the Chairman and CEO**

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, is a non-executive, independent director.

##### **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.

##### **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.

##### **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.

##### **Access to information**

All Directors have unrestricted access to records of BCML and the Fund and receive regular financial and operational reports from senior management to enable them to carry out their duties.

The Board Charter grants the Board collectively, and each Director individually, the right to seek independent professional advice at BCML's expense to help them carry out their responsibilities.

##### **The Board and the 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.

#### **Principle 3: Promote ethical and responsible decision making**

The Brookfield 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](http://www.au.brookfield.com).

##### **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.

#### **Principle 4: Safeguard integrity in financial 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.

# Directors' Report continued

## Multiplex European Property Fund

For the year ended 30 June 2012

### Corporate governance *continued*

#### Principle 4: Safeguard integrity in financial reporting *continued*

##### 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
Brian Motteram	Chairman	2	2
F. Allan McDonald	Member	2	2
Barbara Ward	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 three members, the Audit Committee satisfies all the requirements of ASX Recommendation 4.2 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 4.2.

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](http://www.au.brookfield.com).

#### Principle 5: Make timely and balanced disclosure

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](http://www.au.brookfield.com).

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

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.

Up to date information on the Fund, 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](http://www.au.brookfield.com).

#### Principle 7: Recognise and manage risk

##### Risk management and compliance framework

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.

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	Chairperson	2	2
F. Allan McDonald	Member	2	2
Brian Motteram	Member	2	2

# Directors' Report continued

## Multiplex European Property Fund

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For the year ended 30 June 2012

### **Corporate governance** continued

#### **Principle 7: Recognise and manage risk** continued

##### **Risk management and compliance framework** continued

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](http://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 Australian Financial Services License Holders and their Authorised Representatives.

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.

##### **Risk management and internal control system**

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](http://www.au.brookfield.com).

##### **Chief Executive Officer and Chief Financial Officer Assurance**

The Board has received assurance 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.

#### **Principle 8: Remunerate fairly and responsibly**

The ASX Corporate Governance Council suggests that Companies 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 2012, the Consolidated Entity incurred \$1,515,000 in management fees to the Responsible Entity (2011: \$1,661,000). \$331,000 of management fees remain payable as at year end (2011: \$386,000).

#### **Significant changes in the state of affairs**

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

#### **Events subsequent to the reporting date**

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

#### **Likely developments**

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

#### **Environmental regulation**

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

# Directors' Report continued

## Multiplex European Property Fund

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For the year ended 30 June 2012

### Distributions

	Cents per unit	Total amount \$'000	Date of payment
<b>Ordinary units</b>			
September 2011 distribution	0.625	1,543	31 October 2011
Special distribution	9.500	23,461	16 November 2011
December 2011 distribution	0.625	1,543	31 January 2012
Special distribution	5.000	12,348	30 April 2012
<b>Total distribution to ordinary unitholders for the year ended 30 June 2012</b>	<b>15.750</b>	<b>38,895</b>	
<b>Ordinary units</b>			
September 2010 distribution	0.625	1,543	29 October 2010
December 2010 distribution	0.625	1,544	31 January 2011
March 2011 distribution	0.625	1,544	29 April 2011
June 2011 distribution	0.625	1,543	29 July 2011
<b>Total distribution to ordinary unitholders for the year ended 30 June 2011</b>	<b>2.500</b>	<b>6,174</b>	

Distributions paid for the year ended 30 June 2012 and 2011 were paid out of the Consolidated Entity's realised revenues and expenses.

### 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 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.

### Contract of insurance

The Group has paid or agreed to pay a portion of the premium in respect of a contract taken out by Brookfield Asset Management Inc. insuring the Directors and officers of Brookfield Asset Management Inc. and its subsidiaries, which include BCML, against a liability.

# Directors' Report continued

## Multiplex European Property Fund

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For the year ended 30 June 2012

### Corporate governance *continued*

#### Principle 8: Remunerate fairly and responsibly *continued*

##### Contract of insurance *continued*

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 7.

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

	Consolidated	
	Year ended 30 June 2012	Year ended 30 June 2011
	\$	\$
<b>Services other than statutory audit:</b>		
Non-audit services	-	-
<b>Total fees related to non-audit services</b>	<b>-</b>	<b>-</b>

### Remuneration report

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

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

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

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

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

#### Loans to Directors and Key Management Personnel of the Responsible Entity

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

#### Other transactions with Directors and Specified Executives of the Responsible Entity

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

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

#### b Management fees

The management fees incurred by the Consolidated Entity to the Responsible Entity for the year ended 30 June 2012 was \$1,515,000 (2011: \$1,661,000).

### Rounding of amounts

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

Directors' Report continued  
Multiplex European Property Fund  
For the year ended 30 June 2012

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

The lead auditor's independence declaration is set out on page 14 and forms part of the Directors' Report for the year ended 30 June 2012.

Dated at Sydney this 27th day of August 2012.

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



**Russell Proutt**  
Director  
Brookfield Capital Management Limited



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

27 August 2012

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 2012, 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



Helen Hamilton-James  
Partner  
Chartered Accountants



# Statement of Comprehensive Income

## Multiplex European Property Fund

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For the year ended 30 June 2012

	Note	Consolidated Year ended 30 June 2012 \$'000	Year ended 30 June 2011 \$'000
<b>Revenue</b>			
Property rental income		31,016	34,178
Interest income		2,371	6,690
Net realised gain on financial derivatives		36,456	–
Net unrealised gain on revaluation of financial derivatives	6	–	29,517
<b>Total revenue and other income</b>		<b>69,843</b>	<b>70,385</b>
<b>Expenses</b>			
Property expenses		4,645	5,554
Finance costs to external parties		14,058	14,887
Management fees		1,515	1,661
Net loss on revaluation of investment properties	13	31,880	26,058
Net unrealised loss on revaluation of financial derivatives	6	37,457	–
Net realised loss on financial derivatives		–	3
Other expenses		2,362	2,148
<b>Total expenses</b>		<b>91,917</b>	<b>50,311</b>
<b>(Loss)/profit before income tax</b>		<b>(22,074)</b>	<b>20,074</b>
Income tax benefit/(expense)	9	751	(2,921)
<b>Net (loss)/profit after tax for the year</b>		<b>(21,323)</b>	<b>17,153</b>
<b>Other comprehensive income</b>			
Changes in foreign currency translation reserve		(452)	(1,142)
<b>Other comprehensive loss for the year</b>		<b>(452)</b>	<b>(1,142)</b>
<b>Total comprehensive (loss)/income for the year</b>		<b>(21,775)</b>	<b>16,011</b>
<b>Net (loss)/profit attributable to ordinary unitholders</b>		<b>(21,323)</b>	<b>17,153</b>
<b>Total comprehensive (loss)/income attributable to ordinary unitholders</b>		<b>(21,775)</b>	<b>16,011</b>
<b>Earnings per unit</b>			
Basic and diluted earnings per ordinary unit (cents)	8	(8.63)	6.95

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

# Statement of Financial Position

## Multiplex European Property Fund

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As at 30 June 2012

	Note	Consolidated 2012 \$'000	2011 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	11	44,767	39,192
Trade and other receivables	12	574	3,117
Fair value of financial derivatives	22	2,452	1,923
<b>Total current assets</b>		<b>47,793</b>	<b>44,232</b>
<b>Non-current assets</b>			
Investment properties	13	284,327	341,643
Fair value of financial derivatives	22	2,218	36,507
Deferred tax asset	9	2,633	2,023
<b>Total non-current assets</b>		<b>289,178</b>	<b>380,173</b>
<b>Total assets</b>		<b>336,971</b>	<b>424,405</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	14	6,338	6,975
Distribution payable	10	–	1,543
Minority interest payable	16	1,235	–
Provisions		–	1,005
<b>Total current liabilities</b>		<b>7,573</b>	<b>9,523</b>
<b>Non-current liabilities</b>			
Trade and other payables	14	695	–
Interest bearing liabilities	15	285,393	311,870
Fair value of financial derivatives	15	16,637	12,968
Minority interest payable	16	–	2,701
<b>Total non-current liabilities</b>		<b>302,725</b>	<b>327,539</b>
<b>Total liabilities</b>		<b>310,298</b>	<b>337,062</b>
<b>Net assets</b>		<b>26,673</b>	<b>87,343</b>
<b>Equity</b>			
Units on issue	17	227,228	227,228
Reserves	18	(178)	274
Undistributed losses	19	(200,377)	(140,159)
<b>Total equity</b>		<b>26,673</b>	<b>87,343</b>

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

# Statement of Changes in Equity

## Multiplex European Property Fund

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For the year ended 30 June 2012

Consolidated Entity	Attributable to Unitholders of the Fund			Total \$'000
	Ordinary units \$'000	Undistributed profits/(losses) \$'000	Foreign currency translation reserves \$'000	
<b>Opening equity - 1 July 2011</b>	<b>227,228</b>	<b>(140,159)</b>	<b>274</b>	<b>87,343</b>
Changes in foreign currency translation reserve	–	–	(452)	(452)
<b>Other comprehensive loss for the year</b>	–	–	<b>(452)</b>	<b>(452)</b>
Net loss for the year	–	(21,323)	–	(21,323)
<b>Total comprehensive loss for the year</b>	–	<b>(21,323)</b>	<b>(452)</b>	<b>(21,775)</b>
<i>Transactions with unitholders in their capacity as unitholders:</i>				
Distributions paid/payable	–	(38,895)	–	(38,895)
<b>Total transactions with unitholders in their capacity as unitholders</b>	–	<b>(38,895)</b>	–	<b>(38,895)</b>
<b>Closing equity – 30 June 2012</b>	<b>227,228</b>	<b>(200,377)</b>	<b>(178)</b>	<b>26,673</b>

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

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

# Statement of Cash Flows

## Multiplex European Property Fund

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For the year ended 30 June 2012

		Consolidated	
	Note	Year ended 30 June 2012 \$'000	Year ended 30 June 2011 \$'000
<b>Cash flows from operating activities</b>			
Cash receipts in the course of operations		31,843	34,017
Cash payments in the course of operations		(9,355)	(9,543)
Gross proceeds from settlement on FX forwards		7,854	7,854
Gross payments for settlement on FX forwards		(5,544)	(5,994)
Interest received		3,509	4,330
Financing costs paid		(13,611)	(14,729)
<b>Net cash flows from operating activities</b>	23	<b>14,696</b>	<b>15,935</b>
<b>Cash flows from investing activities</b>			
Payments for additions to investment properties		(2,292)	(1,434)
<b>Net cash flows used in investing activities</b>		<b>(2,292)</b>	<b>(1,434)</b>
<b>Cash flows from financing activities</b>			
Proceeds from early termination of financial derivatives		34,827	-
Distributions paid		(40,438)	(11,113)
<b>Net cash flows used in financing activities</b>		<b>(5,611)</b>	<b>(11,113)</b>
Net increase in cash and cash equivalents		6,793	3,388
Impact of foreign exchange		(1,218)	1,872
Cash and cash equivalents at beginning of year		39,192	33,932
<b>Cash and cash equivalents at 30 June</b>		<b>44,767</b>	<b>39,192</b>

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

# Notes to the Financial Statements

## Multiplex European Property Fund

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For the year ended 30 June 2012

### 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 2012 comprise the Fund and its subsidiaries (together referred to as the Consolidated Entity).

### 2 Basis of preparation

#### a Statement of compliance

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

The financial statements were authorised for issue by the Directors on this 27th day of August 2012.

#### b Basis of measurement

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

- derivative financial instruments which are measured at fair value;
- investment properties 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 (updated by CO 05/641 effective 28 July 2005 and CO 06/51 effective 31 January 2006), and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand dollars, unless otherwise stated.

#### c Use of estimates and judgments

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

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

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are provided in investment properties (Note 13) and financial instruments (Note 22).

### 3 Significant accounting policies

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

#### a Principles of consolidation

##### Subsidiaries

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

The results of the subsidiaries acquired or disposed of during the year are included in the consolidated Statement of Comprehensive Income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Consolidated Entity.

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

In the Fund's financial statements, investments in controlled entities are carried at cost less impairment, if applicable.

Non-controlling interests in subsidiaries are identified separately from the Consolidated Entity's equity therein. The interests of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate

# Notes to the Financial Statements continued

## Multiplex European Property Fund

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For the year ended 30 June 2012

### 3 Significant accounting policies continued

#### a Principles of consolidation continued

##### Subsidiaries continued

share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

#### b Foreign and cross currency transactions

Foreign and cross currency transactions of the Consolidated Entity are converted to Australian dollars at the rate of exchange prevailing at the date of the transaction or at hedge rates where applicable. Amounts receivable or payable by entities within the Consolidated Entity that are outstanding as at 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 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

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

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

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

##### Dividends and distributions

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

# Notes to the Financial Statements continued

## Multiplex European Property Fund

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For the year ended 30 June 2012

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

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

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

#### g Value added tax (VAT)

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

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

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

# Notes to the Financial Statements continued

## Multiplex European Property Fund

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For the year ended 30 June 2012

### 3 Significant accounting policies continued

#### h Income tax - funds

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

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

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

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

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

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

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

#### i Cash and cash equivalents

For purposes of presentation in the Statement of Cash Flows, cash includes cash balances, deposits at call with financial institutions and other highly liquid investments, with short periods to maturity, which 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 Investment property

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

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

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

#### Valuations

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

The investment properties of the Consolidated Entity are internally valued at each reporting date. The Consolidated Entity's policy is to obtain external valuations when internal valuations performed indicate the property value has changed by more than 5%, or whenever it is believed that the fair value of a property differs significantly from its carrying value, based on a material change to the assumptions and market conditions underlying the valuation. An external valuation is obtained at least every 3 years. All external valuations are adopted as the fair value of the investment property at the relevant reporting date. When internal valuations indicate a change from the carrying value between 2% and 5% the internal valuation will be adopted.

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

- without any deduction for transaction costs the entity may incur on sale or other disposal;
- reflecting market conditions at the reporting date;



# Notes to the Financial Statements continued

## Multiplex European Property Fund

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For the year ended 30 June 2012

### **3 Significant accounting policies** continued

#### **k Investment property** continued

##### Valuations continued

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

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

#### **l Derivative financial instruments**

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

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value, with the changes in fair value during the period recognised in the Statement of Comprehensive Income.

#### **m Non-derivative financial instruments**

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

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at 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 Statement of Comprehensive Income. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available for sale financial assets that are debt securities, the reversal is recognised in the Statement of Comprehensive Income.

# Notes to the Financial Statements continued

## Multiplex European Property Fund

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For the year ended 30 June 2012

### **3 Significant accounting policies** continued

#### **n Impairment** continued

##### **Non-financial assets**

The carrying amount of the Consolidated Entity's non financial assets, other than investment property and deferred tax assets is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists then the asset's recoverable amount is estimated.

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

#### **o Earnings per unit**

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

#### **p Trade and other payables**

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

#### **q Interest bearing liabilities**

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

#### **r Distributions**

A provision for distribution is recognised in the 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 Statement of Cash Flows.

#### **s Units on issue**

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

#### **t Segment reporting**

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

#### **u New standards and interpretations not yet adopted**

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2012 but have not been applied in preparing this financial report:

*AASB 9 Financial Instruments*, *AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9* and *AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* (effective for annual reporting periods beginning on or after 1 January 2013)

*AASB 9 Financial Instruments* addresses the classification, measurement and derecognition of financial assets and liabilities and will replace the existing *AASB 139 Financial Instruments: Recognition and Measurement*. The standard is not applicable until 1 January 2013 but is available for early adoption. Under *AASB 9*, financial assets will be classified as subsequently measured at either amortised cost or fair value based on the objective of an entity's business model for managing financial assets and the characteristics of the contractual cash flows. This will replace the categories of financial assets under *AASB 139*, where each had its own classification criteria. For example, *AASB 9* only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading and an irrevocable election is made upon initial recognition. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in the profit or loss of the Statement of Comprehensive Income. Financial assets may also be designated and measured at fair value through profit or loss if doing so eliminates or significantly reduces

# Notes to the Financial Statements continued

## Multiplex European Property Fund

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For the year ended 30 June 2012

### 3 Significant accounting policies continued

#### u New standards and interpretations not yet adopted continued

certain inconsistencies. For financial liabilities, the new requirements under AASB 9 only affect the accounting for financial liabilities designated at fair value through profit or loss. The Consolidated Entity does not expect to adopt AASB 9 before its operative date and therefore will apply the new standard for the annual reporting period ending 30 June 2014. The Consolidated Entity is still assessing the consequential impact of the amendments.

*AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* (effective for annual reporting periods beginning on or after 1 January 2013)

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements*, and Interpretation 12 *Consolidation – Special Purpose Entities*. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities, whereby an investor controls an investee only if the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns. There is also new guidance on participating and protective rights and on agent/principal relationships.

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a “partial disposal” concept.

The Consolidated Entity does not expect to adopt the new standards and amendments before their operative date and therefore will apply the amendments for the annual reporting period ending 30 June 2014. The Consolidated Entity is still assessing the consequential impact of the new standards and amendments.

*AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13* (effective for annual reporting periods beginning on or after 1 January 2013)

AASB 13 was released in September 2011 and sets out in a single standard a framework for measuring fair value, including related disclosure requirements in relation to fair value measurement. The Consolidated Entity does not expect to adopt AASB 13 before its operative date and therefore will apply the amendments for the annual reporting period ending 30 June 2014. The Consolidated Entity is still assessing the consequential impact of the new standard.

*AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* (effective for annual reporting periods beginning on or after 1 July 2013)

The amendments from AASB 2011-4 remove the individual key management personnel disclosure requirements from AASB 124 *Related Party Disclosures*, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the *Corporations Act 2001*. The Consolidated Entity will adopt the amendments from AASB 2011-4 for the annual reporting period ending 30 June 2014. The Consolidated Entity is still assessing the consequential impact of the amendments.

*AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income* (effective for annual reporting periods beginning on or after 1 July 2012)

The main change resulting from the amendments in AASB 2011-9 is a requirement for entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss in the future.

# Notes to the Financial Statements continued

## Multiplex European Property Fund

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For the year ended 30 June 2012

### 3 Significant accounting policies continued

#### u New standards and interpretations not yet adopted continued

The Consolidated Entity does not expect to adopt AASB 2011-9 before its operative date and therefore will apply the amendments for the annual reporting period ending 30 June 2013. The Consolidated Entity is still assessing the consequential impact of the amendments.

*AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets* (effective for annual reporting periods beginning on or after 1 January 2012)

The amendments from AASB 2010-8 introduces a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale and therefore impact the measurement of the deferred tax liability or asset. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The Consolidated Entity does not expect to adopt AASB 2010-8 before its operative date and therefore will apply the amendments for the annual reporting period ending 30 June 2013. The Consolidated Entity is still assessing the consequential impact of the amendments.

### 4 Parent entity disclosures

	Fund	
	2012 \$'000	2011 \$'000
<b>Assets</b>		
Current assets	73	2,857
Non-current assets	27,097	65,717
<b>Total assets</b>	<b>27,170</b>	<b>68,574</b>
<b>Liabilities</b>		
Current liabilities	497	2,524
<b>Total liabilities</b>	<b>497</b>	<b>2,524</b>
<b>Equity</b>		
Units on issue	227,228	227,228
Undistributed losses	(200,555)	(161,178)
<b>Total equity</b>	<b>26,673</b>	<b>66,050</b>
	Fund	
	Year ended 30 June 2012 \$'000	Year ended 30 June 2011 \$'000
Net (loss)/profit for the year	(482)	7,454
<b>Total comprehensive (loss)/income for the year</b>	<b>(482)</b>	<b>7,454</b>

### 5 Segment reporting

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

	Consolidated	
	Year ended 30 June 2012 \$'000	Year ended 30 June 2011 \$'000
<b>6 Net unrealised (loss)/gain on revaluation of financial derivatives</b>		
Interest rate swaps	(4,956)	12,243
Cross currency interest rate swaps	(33,457)	17,192
Forward foreign exchange contracts	(303)	82
Minority interest option	1,259	–
<b>Net unrealised (loss)/gain on revaluation of financial derivatives</b>	<b>(37,457)</b>	<b>29,517</b>

# Notes to the Financial Statements continued

## Multiplex European Property Fund

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For the year ended 30 June 2012

	Consolidated	
	Year ended 30 June 2012	Year ended 30 June 2011
	\$	\$
<b>7 Auditor's remuneration</b>		
Auditors of the Fund:		
Audit and review of financial reports	169,800	164,755
Network firms to the auditors of the Fund:		
Audit and review of financial reports	15,351	18,846
Other audit firms:		
Audit and review of the financial reports	6,483	6,483
<b>Total auditor's remuneration</b>	<b>191,634</b>	<b>190,084</b>

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

### 8 Earnings per unit

#### Classification of securities as ordinary units

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

#### Earnings per unit

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

		Consolidated	
		Year ended 30 June 2012	Year ended 30 June 2011
Net (loss)/profit attributable to unitholders	\$'000	(21,323)	17,153
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	(8.63)	6.95

		Consolidated	
		Year ended 30 June 2012	Year ended 30 June 2011
		\$'000	\$'000
<b>9 Income tax</b>			
<b>a Major components of income tax expense</b>			
Current income tax charge and adjustments in respect of prior year charges		(60)	(990)
<b>Total current income tax</b>		<b>(60)</b>	<b>(990)</b>
<b>Deferred income tax</b>			
Relating to origination and reversal of temporary differences		811	(1,931)
<b>Total deferred income tax</b>		<b>811</b>	<b>(1,931)</b>
<b>Total income tax benefit/(expense) reported in the Statement of Comprehensive Income</b>		<b>751</b>	<b>(2,921)</b>
<b>b Income tax expense</b>			
<b>Numerical reconciliation between tax expense and pre-tax net profit</b>			
<b>(Loss)/profit before income tax</b>		<b>(22,074)</b>	<b>20,074</b>
Add back loss/(profit) to arrive at local accounting profit <sup>1</sup>		22,331	(19,743)
<b>Total accounting profit subject to tax</b>		<b>257</b>	<b>331</b>
Prima facie income tax expense on profit using the Luxembourg tax rate of just under 30% (2011: just under 30%)		(74)	(99)
Origination and reversal of temporary timing differences		811	(1,931)
Other <sup>2</sup>		14	(891)
<b>Total income tax benefit/(expense) reported in the Statement of Comprehensive Income</b>		<b>751</b>	<b>(2,921)</b>

<sup>1</sup> Under current income tax legislation, the Fund is not liable for Australian income tax provided that the taxable income is fully distributed to unitholders each year. The Fund fully distributes its taxable income each year, calculated in accordance with the Trust Constitution and applicable legislation to unitholders who are presently entitled to income under the Constitution. Furthermore, the Fund's subsidiaries that are subject to taxation are subject to taxation in regimes that do not apply International Financial Reporting Standards. The adjustments above also reflect adjustments in order to arrive at local GAAP accounting profit/(loss). These adjustments primarily include revaluation of investment property and derivatives.

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

# Notes to the Financial Statements continued

## Multiplex European Property Fund

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For the year ended 30 June 2012

### 9 Income tax continued

	Consolidated 2012 \$'000	2011 \$'000
<b>c Tax assets and liabilities</b>		
Tax liability – current	(253)	(831)
Deferred tax asset – non-current	2,633	2,052
Deferred tax liability – non-current	–	(29)

### d Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>Consolidated</b>						
Provisions	–	–	–	29	–	(29)
Derivative fair value adjustments	2,633	2,052	–	–	2,633	2,052
<b>Total</b>	<b>2,633</b>	<b>2,052</b>	<b>–</b>	<b>29</b>	<b>2,633</b>	<b>2,023</b>

In accordance with AASB 112 *Income taxes*, a deferred tax asset of \$616,000 (2011: \$5,984,000) in respect of revaluation movements on property has not been recognised as it has been determined that realisation of this asset in the short term is not probable.

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

### 10 Distributions

	Cents per unit	Total amount \$'000	Date of payment
<b>Ordinary units</b>			
September 2011 distribution	0.625	1,543	31 October 2011
Special distribution	9.500	23,461	16 November 2011
December 2011 distribution	0.625	1,543	31 January 2012
Special distribution	5.000	12,348	30 April 2012
<b>Total distribution to ordinary unitholders for the year ended 30 June 2012</b>	<b>15.750</b>	<b>38,895</b>	
<b>Ordinary units</b>			
September 2010 distribution	0.625	1,543	29 October 2010
December 2010 distribution	0.625	1,544	31 January 2011
March 2011 distribution	0.625	1,544	29 April 2011
June 2011 distribution	0.625	1,543	29 July 2011
<b>Total distribution to ordinary unitholders for the year ended 30 June 2011</b>	<b>2.500</b>	<b>6,174</b>	

Distributions paid for the year ended 30 June 2012 and 2011 were paid out of the Consolidated Entity's realised revenues and expenses.

	Consolidated 30 June 2012 \$'000	30 June 2011 \$'000
<b>11 Cash and cash equivalents</b>		
Cash at bank	31,251	39,192
Restricted cash	13,516	–
<b>Total cash and cash equivalents</b>	<b>44,767</b>	<b>39,192</b>

Subsequent to half year end, following the receipt of the 31 December 2011 external valuations of the investment properties, the Consolidated Entity received a notice from its financier regarding the operation of the rental accounts held within Germany. The provision of this notice restricts the cash that is generated and held within the partnerships that own the Consolidated Entity's investment property. Further details are contained within note 15 interest bearing liabilities. As at 30 June 2012, the value of cash held within these entities was \$13,516,000 or €10,941,000.



# Notes to the Financial Statements continued

## Multiplex European Property Fund

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For the year ended 30 June 2012

	2012 \$'000	2011 \$'000
<b>12 Trade and other receivables</b>		
Trade receivables and interest receivable	355	1,821
Derivative interest receivable	–	1,168
Prepayments other receivables	219	128
<b>Total trade and other receivables</b>	<b>574</b>	<b>3,117</b>

### 13 Investment properties

Description	Cost including additions <sup>1</sup> \$'000	Latest external valuation date	Latest external valuation <sup>2</sup> \$'000	2012 Carrying value \$'000	2011 Carrying value \$'000
<b>Retail</b>					
Netto Marken-Discount, Dresden	2,794	Jun-12	1,519	1,519	2,229
Netto Marken-Discount, Artern	2,317	Jun-12	1,174	1,174	1,757
Netto Marken-Discount, Dresden	2,706	Jun-12	1,544	1,544	2,189
Netto Marken-Discount, Eisleben	2,224	Jun-12	1,137	1,137	1,689
Netto Marken-Discount, Gernrode	2,021	Jun-12	1,025	1,025	1,351
Netto Marken-Discount, Geyer	2,023	Jun-12	1,001	1,001	1,203
Netto Marken-Discount, Schlema	1,990	Jun-12	976	976	1,162
Netto Marken-Discount, Jena-Lobeda	2,177	Jun-12	1,186	1,186	1,662
Netto Marken-Discount, Delitzsch	1,789	Jun-12	964	964	1,216
Netto Marken-Discount, Stockheim	2,122	Jun-12	1,149	1,149	1,702
Netto Marken-Discount, Burgstadt	1,971	Jun-12	1,038	1,038	1,405
Netto Marken-Discount, Buckeburg	2,081	Jun-12	1,149	1,149	1,432
Netto Marken-Discount, Merseburg	2,274	Jun-12	1,099	1,099	1,486
Netto Marken-Discount, Muhlhausen	2,017	Jun-12	976	976	1,513
ALDI, Halle	3,896	Jun-12	1,742	1,742	2,351
ALDI, Stollberg	1,981	Jun-12	988	988	1,270
Netto Marken-Discount, Oberhausen	2,231	Jun-12	1,198	1,198	1,446
Netto Marken-Discount, Clenze	2,096	Jun-12	877	877	1,243
Lidl, Boizenburg	2,469	Jun-12	1,470	1,470	1,527
Lidl, Bad Marienberg	3,600	Jun-12	1,606	1,606	2,270
Lidl, Delitzsch	2,671	Jun-12	1,260	1,260	1,716
Lidl, Hage	2,185	Jun-12	1,013	1,013	1,432
Lidl, Schoppenstedt	2,062	Jun-12	1,075	1,075	1,513
NORMA, Woldegk	2,760	Jun-12	1,396	1,396	2,297
EDEKA, Pampow	2,591	Jun-12	2,001	2,001	2,554
EDEKA, Blankenfelde	5,190	Jun-12	3,792	3,792	3,581
EDEKA, Prum	4,984	Jun-12	1,754	1,754	2,783
EDEKA, Peine-Dungelbeck	1,414	Jun-12	618	618	824
REWE, SchloBvippach	2,891	Jun-12	1,359	1,359	2,324
REWE, Gotha	8,688	Jun-12	5,349	5,349	6,405
Penny Markt, Kothen	2,747	Jun-12	1,149	1,149	1,973
Penny Markt, Offenburg	1,902	Jun-12	1,408	1,408	1,216
Rabenau	3,540	Jun-12	729	729	567
Penny Markt, Rheinau	2,351	Jun-12	1,260	1,260	1,581
Coop-Markt, Malchin	4,749	Jun-12	1,767	1,767	2,486
REWE, Bopfingen	2,540	Jun-12	1,384	1,384	1,838
REWE, Burladingen	3,864	Jun-12	2,162	2,162	2,864
Coma Verbrauchermarkt, Cloppenburg	5,413	Jun-12	3,150	3,150	3,797
EDEKA, Tespe	2,275	Jun-12	1,272	1,272	1,540
Tegut Gutberlet Stiftung & Co, Feldatal	1,991	Jun-12	1,223	1,223	1,270
Accord Distributa Warenhandels, Saarlouis	2,881	Jun-12	2,088	2,088	2,554
AWG, Zimmern ob Rottweil	2,300	Jun-12	1,396	1,396	1,446
Hornbach Baumarkt, Chemnitz	27,580	Jun-12	21,989	21,989	23,916
Marktkauf Autonom, Hannover	20,451	Jun-12	13,465	13,465	18,781
Toom BauMarkt, Wittmund	13,984	Jun-12	1,939	1,939	5,729
Marktkauf Autonom, Marienhefe	6,053	Jun-12	2,434	2,434	3,824

# Notes to the Financial Statements continued

## Multiplex European Property Fund

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For the year ended 30 June 2012

13 Investment properties continued	Cost including additions <sup>1</sup> \$'000	Latest external valuation date	Latest external valuation <sup>2</sup> \$'000	2012 Carrying value \$'000	2011 Carrying value \$'000
<b>Description</b>					
<b>Retail continued</b>					
Goldkuhle Fachmarkte, Halle	2,171	Jun-12	1,075	1,075	1,311
Markant Ostwestfalen, Bünde	2,361	Jun-12	1,309	1,309	1,635
RHEIKA-Delta, Frankenburg	2,563	Jun-12	1,655	1,655	1,865
EDEKA, Bochum	33,888	Jun-12	22,607	22,607	28,915
Car Glass GmbH, Frankfurt/Oder	1,720	Jun-12	1,112	1,112	1,297
Bugsy Burger GmbH, Osnabruck	3,144	Jun-12	1,841	1,841	1,757
Spiel in Casino, Kassel	2,855	Jun-12	679	679	919
EDEKA, Lorrach	28,505	Jun-12	23,101	23,101	25,402
McDonalds, Lorrach	2,399	Jun-12	1,779	1,779	1,851
<b>Total retail</b>	<b>266,442</b>		<b>157,408</b>	<b>157,408</b>	<b>197,865</b>
<b>Logistics</b>					
SPICERS Deutschland, Winkelhaid	18,825	Jun-12	13,589	13,589	15,674
TNT Express, Hallbergmoos	20,767	Jun-12	8,894	8,894	12,958
Hermes Logistik, Gera	4,047	Jun-12	951	951	1,459
<b>Total logistics</b>	<b>43,639</b>		<b>23,434</b>	<b>23,434</b>	<b>30,091</b>
<b>Office</b>					
ABB, Minden	8,457	Jun-12	4,287	4,287	5,594
Dusseldorf	18,991	Jun-12	10,871	10,871	8,066
Telecitry Group, Frankfurt/Main	22,904	Jun-12	18,036	18,036	19,727
<b>Total office</b>	<b>50,352</b>		<b>33,194</b>	<b>33,194</b>	<b>33,387</b>
<b>Nursing Home</b>					
Kursana, Eisenhüttenstadt	11,221	Jun-12	8,400	8,400	10,269
Kursana, Schwedt/Oder	10,919	Jun-12	7,783	7,783	9,337
Phönix Verwaltungs, Erfurt	15,159	Jun-12	11,736	11,736	12,417
Alloheim Senioren Residenzen AG, Wetzlar	17,871	Jun-12	13,342	13,342	15,268
Phönix Seniorenzentrum, Göttingen	21,937	Jun-12	17,912	17,912	19,592
Maternus Altenheim, Wiesbaden	16,933	Jun-12	11,118	11,118	13,417
<b>Total nursing home</b>	<b>94,040</b>		<b>70,291</b>	<b>70,291</b>	<b>80,300</b>
<b>Total investment properties</b>	<b>454,473</b>		<b>284,327</b>	<b>284,327</b>	<b>341,643</b>

1 Initial cost has been converted at the forward rate at which the settlement of the initial properties occurred, or €0.5922 to \$1.00. The Euro cost including additions totals €367,898,000 (2011: €365,468,000).

2 Last valuation in Euro has been converted at the 30 June 2012 exchange rate of €0.8095 to \$1.00 (2011: €0.7401 to \$1.00). The Euro valuation totals €230,160,000 (2011: €252,850,000).

### Independent valuations

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

The entire property portfolio has been independently valued at 30 June 2012 by Jones Lang LaSalle (30 June 2011: by Savills). The valuation conducted by Jones Lang LaSalle has been carried out in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Standards (Sixth Edition) published by the Royal Institution of Chartered Surveyors as well as the European Valuation Standards 2003 (EVS 2003) on the basis of Fair Value. The Fair Value of the properties has been assessed using the Discounted Cash Flow (DCF) calculation method. The capitalisation rate utilised for the 30 June 2012 valuation ranges from 6.75% to 11.50%. At 30 June 2011, a cold multiplier range from 0 to 18.41, with the exception of one vacant property that had a small amount of rental income from storage space and an indicative cold multiplier of 151.83, was utilised by Savills as the external valuers in computing the 30 June 2011 valuations.

Valuations reflect, where appropriate, the type of tenants, future rent reviews and market conditions. Any change in any of these factors could have a significant impact on the value of the Consolidated Entity's property investments. Any gain or loss from a change in fair value is recognised in the Statement of Comprehensive Income. All property acquisition costs in respect of properties acquired are capitalised into the value of the property investments at the time of purchase to reflect the total acquisition cost in the Statement of Financial Position. Additions and other expenditure on property investments which are capital in nature are capitalised as incurred.



# Notes to the Financial Statements continued

## Multiplex European Property Fund

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For the year ended 30 June 2012

### 13 Investment properties *continued* Independent valuations *continued*

	Consolidated	
	Year ended 30 June 2012 \$'000	Year ended 30 June 2011 \$'000
Reconciliation of the carrying amount of investment properties is set out below:		
Carrying amount at beginning of year	341,643	384,769
Capital expenditure and incentives	3,139	1,456
Net loss from fair value adjustments to investment properties	(31,880)	(26,058)
Foreign currency translation exchange adjustment	(28,575)	(18,524)
<b>Carrying amount at year end</b>	<b>284,327</b>	<b>341,643</b>

#### Leasing arrangements

Completed investment properties are leased to tenants under long-term operating leases with rentals receivable monthly. Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:

	Consolidated	
	2012 \$'000	2011 \$'000
Within one year	28,063	30,612
Later than one year but not later than five years	88,514	101,510
Later than five years	86,781	86,262
<b>Total</b>	<b>203,358</b>	<b>218,384</b>

Minimum lease payments in Euro have been converted at the 30 June 2012 exchange rate of €0.8095 to \$1.00 (2011: €0.7401 to \$1.00).

Annual rent receivable by the Consolidated Entity under current leases from tenants is from retail, logistics, office and nursing home assets held. The weighted average lease term is 7.6 years (2011: 7.2 years).

	Consolidated	
	2012 \$'000	2011 \$'000
<b>14 Trade and other payables</b>		
<b>Current</b>		
Trade payables	1,058	1,240
Interest payable	2,704	2,996
Management fee payable	331	386
Other payables and accruals	2,245	2,353
<b>Total current</b>	<b>6,338</b>	<b>6,975</b>
<b>Non-current</b>		
Trade payables	695	–
<b>Total non-current</b>	<b>695</b>	<b>–</b>
<b>Total</b>	<b>7,033</b>	<b>6,975</b>

	Consolidated	
	2012 \$'000	2011 \$'000
<b>15 Interest bearing liabilities</b>		
<b>Non-current</b>		
Secured bank debt <sup>1</sup>	285,855	312,660
Debt establishment fees <sup>2</sup>	(462)	(790)
<b>Total interest bearing liabilities</b>	<b>285,393</b>	<b>311,870</b>

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

<sup>2</sup> The debt establishment fees are amortised using the effective interest rate method.

		Consolidated	
	Expiry Date	2012 \$'000	2011 \$'000
Finance arrangements			
<b>Facilities available</b>			
Bank debt facility	15 April 2014	285,855	312,660
Less: Facilities utilised		(285,855)	(312,660)
<b>Facilities not utilised</b>		<b>–</b>	<b>–</b>

# Notes to the Financial Statements continued

## Multiplex European Property Fund

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For the year ended 30 June 2012

### 15 Interest bearing liabilities continued

The bank debt facility consists of a €231,400,000 facility financed by Eurohypo AG. At 30 June 2012, the facility was fully drawn at €231,400,000 (30 June 2011: fully drawn at €231,400,000). The movement in the balance of secured debt during the year is solely due to changes in foreign exchange rates as set out below. The 30 June 2012 debt balance has been translated at the 30 June 2012 foreign exchange rate of €0.8095 to \$1.00 (30 June 2011: €0.7401 to \$1.00).

Finance arrangements	Consolidated	
	Year ended 30 June 2012 \$'000	Year ended 30 June 2011 \$'000
<b>Non-current – secured bank debt</b>		
Opening balance	312,660	328,227
Changes in foreign currency	(26,805)	(15,567)
<b>Total secured debt</b>	<b>285,855</b>	<b>312,660</b>

The Consolidated Entity has granted the lender a first ranking security over its interest in the relevant investment properties in Note 13 and the cash that is reflected as restricted cash in Note 11.

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

As at 30 June 2012, the portfolio value was €230,160,000. The Loan to Value ratio (LVR) calculated for the purposes of the debt facility is approximately 100.5%. As the LVR exceeds 95% the terms of the debt facility provide that the cash and cash flow within the partnerships that own the Consolidated Entity's investment property interests be retained within those entities, and financier consent will be required to pay certain expenses.

The debt remains classified as non-current debt within the financial statements as no event of default arises as a direct consequence of the reduced valuation and the increased LVR. The restrictions on cash remittances from the partnerships will be eliminated if certain conditions are met prior to 15 April 2013 including a reduction in the LVR to 95% or below and an Interest Cover Ratio of greater than 140% for the two immediately preceding interest payment dates.

The interest rate in respect of amounts drawn under the facilities (including margin) was 1.45% at 30 June 2012 (2011: 2.02%). The amount does not include the effect of swaps. The effect after swaps including all margins is an interest rate of 4.48% (2011: 4.48%).

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

Expiry date	Underlying instrument	Floating rate		Fixed rate		Notional amount of contracts outstanding		Fair value of interest rate swaps	
		2012 %	2011 %	2012 %	2011 %	2012 €'000	2011 €'000	2012 \$'000	2011 \$'000
15 April 2014	Floating to fixed	1.45	2.02	4.48	4.48	231,400	231,400	(16,637)	(12,968)

### 16 Minority interest payable

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

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

This option has been valued at €1,000,000 or \$1,235,000 (2011: €2,000,000 or \$2,701,000) and is shown as a current liability due to the exercise date (2011: non-current).

# Notes to the Financial Statements continued

## Multiplex European Property Fund

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For the year ended 30 June 2012

	Year ended 30 June 2012 \$'000	Year ended 30 June 2012 Units	Year ended 30 June 2011 \$'000	Year ended 30 June 2011 Units
<b>17 Units on issue</b>				
Opening balance	227,228	246,950,150	227,228	246,950,150
<b>Closing balance</b>	<b>227,228</b>	<b>246,950,150</b>	<b>227,228</b>	<b>246,950,150</b>

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.

### 18 Reserves

#### Foreign Currency Translation Reserve

	Consolidated	
	Year ended 30 June 2012 \$'000	Year ended 30 June 2011 \$'000
Opening balance	274	1,416
Movement in reserves due to changes in foreign exchange rates	(452)	(1,142)
<b>Closing balance</b>	<b>(178)</b>	<b>274</b>

### 19 Undistributed losses

	Consolidated	
	Year ended 30 June 2012 \$'000	Year ended 30 June 2011 \$'000
Opening balance	(140,159)	(151,138)
Net (loss)/profit	(21,323)	17,153
Distributions to unitholders	(38,895)	(6,174)
<b>Closing balance</b>	<b>(200,377)</b>	<b>(140,159)</b>

	Country of Incorporation	Ownership interest 2012 %	Ownership interest 2011 %
<b>20 Controlled entities</b>			
Multiplex German Property Fund	Australia	100.0	100.0
Multiplex German Landowning Fund	Australia	100.0	100.0
Multiplex Malta 1 Ltd	Malta	100.0	100.0
Multiplex Malta 2 Ltd	Malta	100.0	100.0
Multiplex Luxembourg Holding S.a.r.l.	Luxembourg	100.0	100.0
Multiplex Luxembourg Limited Partner S.a.r.l.	Luxembourg	100.0	100.0
Multiplex Luxembourg General Partner S.a.r.l.	Luxembourg	100.0	100.0
Multiplex Luxembourg 1 S.a.r.l.	Luxembourg	100.0	100.0
Multiplex German Investments GmbH	Germany	100.0	100.0
Monti Partnerships <sup>1</sup>	Germany	94.9	94.9

<sup>1</sup> The Fund owns a 94.9% interest in the following seven partnerships: Erste Monti Immobiliengesellschaft mbH & Co. KG; Zweite Monti Immobiliengesellschaft mbH & Co. KG; Dritte Monti Immobiliengesellschaft mbH & Co. KG; Vierte Monti Immobiliengesellschaft mbH & Co. KG; Funfte Monti Immobiliengesellschaft mbH & Co. KG; Sechste Monti Immobiliengesellschaft mbH & Co. KG; and Siebente Monti Immobiliengesellschaft mbH & Co. KG (collectively Monti or Monti partnerships). Refer to note 16 for information regarding minority interest payable.

		Fund	
	Ownership %	2012 \$'000	2011 \$'000
<b>21 Investment in controlled entity</b>			
Investment in Multiplex German Property Fund	100%	218,654	218,654
Provision for impairment		(193,671)	(152,936)
<b>Total investment in controlled entity</b>		<b>24,983</b>	<b>65,718</b>

A review of the carrying value of the investment in controlled entity at 30 June 2012 indicated that a further impairment of \$40,735,000 against the investment in Multiplex German Property Fund is required.

# Notes to the Financial Statements continued

## Multiplex European Property Fund

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For the year ended 30 June 2012

### 22 Financial instruments

#### Significant accounting policies

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

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

#### a Capital risk management

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

#### b Financial risk management

##### Overview

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

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

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

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

##### Investment mandate

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

##### Derivative financial instruments

Whilst the Consolidated Entity utilises derivative financial instruments, it does not enter into or trade derivative financial instruments for speculative purposes. The use of derivatives is governed by the Consolidated Entity's investment policies, which provide written principles on the use of financial derivatives. These principles permit the use of derivatives to mitigate financial risks associated with financial instruments utilised by the Consolidated Entity. As at 30 June 2012 and 30 June 2011, the Consolidated Entity is/was party to one interest rate swap (IRS) and a number of forward foreign exchange (FFX) agreements. At 30 June 2011, the Consolidated Entity was also party to one cross currency interest rate swap (CCIRS), which was terminated during the current year.

#### c Credit risk

Credit risk is the risk of financial loss to the Consolidated Entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

##### Sources of credit risk and risk management strategies

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

##### Trade and other receivables

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

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

# Notes to the Financial Statements continued

## Multiplex European Property Fund

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For the year ended 30 June 2012

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

The Consolidated Entity's overall strategy of credit risk management remains unchanged from 2011.

##### 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 2012 \$'000	2011 \$'000
Cash and cash equivalents	44,767	39,192
Trade and other receivables	574	3,117
Fair value financial derivatives	4,670	38,430
<b>Total exposure to credit risk</b>	<b>50,011</b>	<b>80,739</b>

##### Concentrations of credit risk exposure

Eurohypo AG (Eurohypo) is the counterparty to the term debt facility, one IRS, a number of FFX agreements and, in prior years, one CCIRS. Therefore the Consolidated Entity has a concentration of credit risk with this party. In assessing this risk, the Consolidated Entity has taken into account Eurohypo's financial position, market share and reputation, previous experience with these types of transactions, and independent ratings for various covered and uncovered securities offerings. In considering all these factors, the Consolidated Entity does not consider there to be a significant risk of default by the counterparty as at the balance date.

The majority of the cash held by the Consolidated Entity is deposited with the Australian and New Zealand Bank (ANZ). Therefore the Consolidated Entity has a concentration of credit risk with this party. In assessing this risk, the Consolidated Entity has taken into account ANZ's financial position, market share and reputation, previous experience with these types of transactions, and independent ratings for various covered and uncovered securities offerings. In considering all these factors, the Consolidated Entity does not consider there to be a significant risk of default by the counterparty as at the balance date.

##### Collateral obtained/held

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

During the year ended 30 June 2012, the Consolidated Entity did not call on any collateral provided (2011: nil).

##### Financial assets past due but not impaired

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

	Consolidated 2012 \$'000	2011 \$'000
Current	502	3,067
Past due 0-30 days	13	6
Past due 31-120 days	40	26
Past due 121 days to one year	14	18
More than one year	5	-
<b>Total trade and other receivables</b>	<b>574</b>	<b>3,117</b>

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.

# Notes to the Financial Statements continued

## Multiplex European Property Fund

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For the year ended 30 June 2012

### 22 Financial instruments continued

#### Impairment losses

During the year ended 30 June 2012, bad debt expense of \$5,000 (2011: reversal of \$94,000) 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.

#### Defaults and breaches

During the financial years ended 30 June 2012 and 30 June 2011, the Consolidated Entity was not in default or breach of any terms of its loan amounts or covenants.

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

As at 30 June 2012, the portfolio value was €230,160,000. The Loan to Value ratio (LVR) calculated for the purposes of the debt facility is approximately 100.5%. As the LVR exceeds 95% the terms of the debt facility provide that the cash and cash flow within the partnerships that own the Consolidated Entity's investment property interests be retained within those entities, and financier consent will be required to pay certain expenses.

The debt remains classified as non-current debt within the financial statements as no event of default arises as a direct consequence of the reduced valuation and the increased LVR. The restrictions on cash remittances from the partnerships will be eliminated if certain conditions are met prior to 15 April 2013 including a reduction in the LVR to 95% or below and an Interest Cover Ratio of greater than 140% for the two immediately preceding interest payment dates.

#### Maturity analysis of financial liabilities

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

	Consolidated \$'000					
	Carrying amount	Contractual cash flows	Within 1 year	1 to 2 years	2 to 5 years	Greater than 5 years
<b>2012</b>						
<b>Financial liabilities</b>						
Trade and other payables	4,329	4,329	3,634	347	348	–
Interest bearing liabilities	285,393	285,855	–	285,855	–	–
Minority interest payable	1,235	1,235	1,235	–	–	–
	<b>290,957</b>	<b>291,419</b>	<b>4,869</b>	<b>286,202</b>	<b>348</b>	<b>–</b>
Interest payable on debt	874	7,400	4,136	3,264	–	–
Effect of interest rate swap	18,467	15,511	8,670	6,841	–	–
<b>Net interest payable on debt</b>	<b>19,341</b>	<b>22,911</b>	<b>12,806</b>	<b>10,105</b>	<b>–</b>	<b>–</b>
<b>Total financial liabilities</b>	<b>310,298</b>	<b>314,330</b>	<b>17,675</b>	<b>296,307</b>	<b>348</b>	<b>–</b>

# Notes to the Financial Statements continued

## Multiplex European Property Fund

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For the year ended 30 June 2012

### 22 Financial instruments continued

#### d Liquidity risk continued

##### Maturity analysis of financial liabilities continued

	Consolidated \$'000					
	Carrying amount	Contractual cash flows	Within 1 year	1 to 2 years	2 to 5 years	Greater than 5 years
<b>2011</b>						
<b>Financial liabilities</b>						
Trade and other payables	3,979	3,979	3,979	–	–	–
Distributions payable	1,543	1,543	1,543	–	–	–
Provisions	1,005	1,005	1,005	–	–	–
Interest bearing liabilities	311,870	312,660	–	–	312,660	–
Minority interest payable	2,701	2,701	–	2,701	–	–
	<b>321,098</b>	<b>321,888</b>	<b>6,527</b>	<b>2,701</b>	<b>312,660</b>	<b>–</b>
Interest payable on debt	1,349	17,833	6,394	6,394	5,045	–
Effect of interest rate swap	14,615	21,777	7,808	7,808	6,161	–
<b>Net interest payable on debt</b>	<b>15,964</b>	<b>39,610</b>	<b>14,202</b>	<b>14,202</b>	<b>11,206</b>	<b>–</b>
<b>Total financial liabilities</b>	<b>337,062</b>	<b>361,498</b>	<b>20,729</b>	<b>16,903</b>	<b>323,866</b>	<b>–</b>

During the year, the Consolidated Entity completed a wind up of its CCIRS. Total proceeds received from Eurohypo AG, being the counterparty to the CCIRS, were \$34,827,000 (net of all transaction costs). Therefore no maturity analysis of the capital hedge has been presented for 30 June 2012. The positions as at 30 June 2011 are detailed below.

	Consolidated \$'000					
	Carrying amount	Contractual cash flows	Within 1 year	1 to 2 years	2 to 5 years	Greater than 5 years
<b>2011</b>						
Capital hedge						
Interest receivable on capital hedge	2,396	31,672	11,356	11,356	8,960	–
Interest payable on capital hedge	(1,228)	(16,232)	(5,820)	(5,820)	(4,592)	–
<b>Net interest receivable on capital hedge</b>	<b>1,168</b>	<b>15,440</b>	<b>5,536</b>	<b>5,536</b>	<b>4,368</b>	<b>–</b>
Payment in settlement of capital hedge	–	(149,878)	–	–	(149,878)	–
Receipt in settlement of capital hedge	–	187,297	–	–	187,297	–
<b>Net settlement of capital hedge</b>	<b>–</b>	<b>37,419</b>	<b>–</b>	<b>–</b>	<b>37,419</b>	<b>–</b>

#### e Market risk

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

##### Sources of market risk and risk management strategies

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

##### Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Cash and cash equivalent balances will also fluctuate with changes in interest rates due to interest earned. The key source of interest rate risk for the Consolidated Entity is derived from interest bearing liabilities. The Consolidated Entity manages this exposure by ensuring up to 100% of its interest bearing liabilities are on a fixed rate basis. This is achieved by entering into interest rate swaps, as detailed in interest bearing liabilities (Note 15). The table below shows the Consolidated Entity's direct exposure to interest rate risk at year end:



# Notes to the Financial Statements continued

## Multiplex European Property Fund

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For the year ended 30 June 2012

### 22 Financial instruments continued

#### e Market risk continued

#### Interest rate risk continued

	Floating rate \$'000	Fixed rate \$'000	Non- interest bearing \$'000	Total \$'000
<b>Consolidated 2012</b>				
<b>Financial assets</b>				
Cash and cash equivalents	15,003	29,764	–	44,767
Trade and other receivables	–	123	451	574
Financial derivatives	–	–	4,670	4,670
<b>Total financial assets</b>	<b>15,003</b>	<b>29,887</b>	<b>5,121</b>	<b>50,011</b>
<b>Financial liabilities</b>				
Trade and other payables	–	2,704	4,329	7,033
Interest bearing liabilities	285,855	–	(462)	285,393
Financial derivatives	16,637	–	–	16,637
Other	–	–	1,235	1,235
<b>Total financial liabilities</b>	<b>302,492</b>	<b>2,704</b>	<b>5,102</b>	<b>310,298</b>

	Floating rate \$'000	Fixed rate \$'000	Non- interest bearing \$'000	Total \$'000
<b>Consolidated 2011</b>				
<b>Financial assets</b>				
Cash and cash equivalents	14,080	25,112	–	39,192
Trade and other receivables	1,168	–	1,949	3,117
Financial derivatives	33,457	–	4,973	38,430
<b>Total financial assets</b>	<b>48,705</b>	<b>25,112</b>	<b>6,922</b>	<b>80,739</b>
<b>Financial liabilities</b>				
Trade and other payables	–	2,996	3,979	6,975
Interest bearing liabilities	312,660	–	(790)	312,660
Financial derivatives	12,968	–	–	12,968
Distributions payable	–	–	1,543	1,543
Other	–	–	3,706	2,916
<b>Total financial liabilities</b>	<b>325,628</b>	<b>2,996</b>	<b>8,438</b>	<b>337,062</b>

#### 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 and loss	2012 + 1% Equity	- 1% Profit and loss	2012 - 1% Equity	+ 1% Profit and loss	2011 + 1% Equity	- 1% Profit and loss	2011 - 1% Equity
<b>Consolidated</b>								
Interest on cash	150	150	(150)	(150)	392	392	(392)	(392)
Interest bearing liabilities	(2,859)	(2,859)	2,859	2,859	(3,127)	(3,127)	3,127	3,127
Interest on swaps	2,859	2,859	(2,859)	(2,859)	3,127	3,127	(3,127)	(3,127)
Fair value of derivatives	2,156	2,156	(1,184)	(1,184)	8,648	8,648	(8,975)	(8,975)
<b>Total increase/(decrease)</b>	<b>2,306</b>	<b>2,306</b>	<b>(1,334)</b>	<b>(1,334)</b>	<b>9,040</b>	<b>9,040</b>	<b>(9,367)</b>	<b>(9,367)</b>

#### Foreign currency risk

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

#### Sources of risk and risk management strategies

The Consolidated Entity undertakes the majority of their transactions in the Euro currency, as the assets of the Consolidated Entity are located in Europe. As a consequence, all activities of the Consolidated Entity are exposed to exchange rate risk.



# Notes to the Financial Statements continued

## Multiplex European Property Fund

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For the year ended 30 June 2012

### 22 Financial instruments continued

#### e Market risk continued

##### Sources of risk and risk management strategies continued

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 hedge;
- forward exchange contracts may be utilised to hedge net income earned in Europe which is repatriated to Australia to pay distributions to unitholders (which are paid in Australian dollars); and
- in prior years, a controlled entity of the Consolidated Entity was party to a foreign exchange rate hedge in the form of a CCIRS with physical exchange of principal front end and back end with an interest rate swap component to hedge capital. The CCIRS was early terminated during the current year.

Details of the forward foreign exchange contracts are shown below:

Type of contract	Expiry date	Underlying exposure	Fixed rate	Notional amount of contracts outstanding 30 June 2012 €'000	Fair value of forward foreign exchange asset 30 June 2012 \$'000	Fair value of forward foreign exchange asset 30 June 2011 \$'000
Forward foreign exchange	Quarterly until 15 April 2014	Euro	0.5476	8,602	4,670	4,972

During the current year the CCIRS was early terminated with counterparty Eurohypo AG. The table below details the CCIRS position at prior year ended 30 June 2011:

Type of contract	Expiry date	Underlying exposure	Fixed rate %	Notional amount of contracts outstanding 30 June 2011 '000	Fair value of cross currency interest rate swap asset 30 June 2012 '000	Fair value of cross currency interest rate swap asset 30 June 2011 \$'000
Principal investment	15 April 2014	AUD	5.98	\$187,297	–	191,269
Principal borrow	15 April 2014	Euro	3.83	€110,925	–	(157,811)
<b>Net fair value</b>					<b>–</b>	<b>33,458</b>

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 2012 \$'000	2011 \$'000
<i>Australia (Australian dollar-denominated)</i>		
Gross assets	30,445	29,677
Gross liabilities	(667)	(2,695)
<i>Europe (Euro-denominated)</i>		
Gross assets	248,129	314,103
Gross liabilities	(250,643)	(249,460)

The following euro exchange rates were applied to transactions during the year:	2012 reporting date spot rate	Year ended 30 June 2012 average rate	2011 reporting date spot rate	Year ended 30 June 2011 average rate
1 Australian dollar	0.8095	0.7713	0.7401	0.7248

# Notes to the Financial Statements continued

## Multiplex European Property Fund

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For the year ended 30 June 2012

### 22 Financial instruments continued

#### e Market risk continued

##### Sensitivity analysis

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

	2012		2012		2011		2011	
	+ 5%	+ 5%	- 5%	- 5%	+ 5%	+ 5%	- 5%	- 5%
	Profit and loss \$'000	Equity \$'000	Profit and loss \$'000	Equity \$'000	Profit and loss \$'000	Equity \$'000	Profit and loss \$'000	Equity \$'000
<b>Consolidated</b>	(684)	(536)	756	592	9,936	5,777	(9,748)	(5,151)

#### 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 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:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- 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
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Consolidated Entity's assets and liabilities measured and recognised at fair value at 30 June 2012. The carrying amounts of cash and cash equivalents, trade and other receivables, and trade and other payables are assumed to reasonably approximate their fair values due to their short-term nature. Accordingly, fair value disclosures are not provided for such assets and liabilities.

Consolidated Entity – at 30 June 2012	Level 2 \$'000	Total \$'000
<b>Assets</b>		
Financial derivatives at fair value through profit or loss	4,670	4,670
<b>Total assets</b>	<b>4,670</b>	<b>4,670</b>
<b>Liabilities</b>		
Financial derivatives at fair value through profit or loss	16,637	16,637
<b>Total liabilities</b>	<b>16,637</b>	<b>16,637</b>
<b>Consolidated Entity – at 30 June 2011</b>	<b>Level 2 \$'000</b>	<b>Total \$'000</b>
<b>Assets</b>		
Financial derivatives at fair value through profit or loss	38,430	38,430
<b>Total assets</b>	<b>38,430</b>	<b>38,430</b>
<b>Liabilities</b>		
Financial derivatives at fair value through profit or loss	12,968	12,968
<b>Total liabilities</b>	<b>12,968</b>	<b>12,968</b>

# Notes to the Financial Statements continued

## Multiplex European Property Fund

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For the year ended 30 June 2012

### 22 Financial instruments continued

#### f Fair values continued

##### Fair values versus carrying amounts continued

As at 30 June 2012 and 30 June 2011, there were no financial assets or liabilities in levels 1 or 3. During the current and prior years, there were no financial assets or liabilities which transferred between levels 1, 2 or 3.

### 23 Reconciliation of cash flows from operating activities

	Consolidated	
	Year ended 30 June 2012 \$'000	Year ended 30 June 2011 \$'000
<b>Net (loss)/profit after tax for the year</b>	<b>(21,323)</b>	<b>17,153</b>
Adjustments for:		
<i>Items classified as investing activities</i>		
Net realised gain on financial derivatives	(34,146)	–
<i>Non-cash items</i>		
Net loss on revaluation of investment properties	31,880	26,058
Net unrealised (loss)/gain on revaluation of financial derivatives	37,457	(29,517)
Income tax (benefit)/expense	(610)	2,400
Amortisation	(273)	(290)
Other	267	(104)
<b>Operating profit before changes in working capital</b>	<b>13,252</b>	<b>15,700</b>
Changes in assets and liabilities during the year:		
Decrease/(Increase) in trade and other receivables	2,543	(561)
(Decrease)/increase in trade and other payables	(1,099)	796
<b>Net cash flows from operating activities</b>	<b>14,696</b>	<b>15,935</b>

### 24 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 and the Consolidated Entity. The Directors of the Responsible Entity are Key Management Personnel of that entity.

F. Allan McDonald (appointed 1 January 2010)

Brian Motteram (appointed 21 February 2007)

Barbara Ward (appointed 1 January 2010)

Russell Proutt (appointed 1 January 2010)

Shane Ross (appointed 16 May 2011)

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

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

#### Directors' interests

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

Director	Multiplex European Property Fund units held
F. Allan McDonald	50,000
Brian Motteram	–
Barbara Ward	–
Russell Proutt	–
Shane Ross	–

# Notes to the Financial Statements continued

## Multiplex European Property Fund

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For the year ended 30 June 2012

### 24 Related parties continued

#### 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 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. The performance fee expense for the year ended 30 June 2012 was nil (2011: nil). As at 30 June 2012, the performance fee payable to the Responsible Entity was nil (2011: nil).

##### Management fee

A management fee based on the gross value of assets, less fair value of derivatives, is payable to the Responsible Entity. The fee is payable by the Consolidated Entity quarterly in arrears. The management fee expense for the year ended 30 June 2012 was \$1,515,000 (2011: \$1,661,000). As at 30 June 2012, the management fee payable to the Responsible Entity was \$331,000 (2011: \$386,000).

##### Establishment fee

The Fund was constituted on 16 November 2006 and it was registered as a Managed Investment Scheme on 3 April 2007. The Consolidated Entity was previously ultimately owned by Multiplex Limited (71.91% ownership), Brookfield 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 Multiplex Limited held 160,000,000 units or 71.91% ownership of the Fund. These units were fully redeemed. Multiplex German Investment Pty Ltd as trustee for Multiplex German Investment Trust, retained its 49,750,100 units. JP Morgan Chase Bank N.A., as custodian for Brookfield Australian Opportunities Fund, retained its 12,750,050 units. These are related parties by virtue of their Responsible Entities being part of the Brookfield group.

#### Related party unitholders

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

- Multiplex German Investment Pty Ltd as trustee for Multiplex German Investment Trust, owned 100% by Brookfield Australia Property Trust, holds 49,750,100 units or 20.2% of the Fund as at 30 June 2012 (2011: 49,750,100 units or 20.2%); and
- JP Morgan Chase Bank N.A., as custodian for Brookfield Australian Opportunities Fund, holds 12,750,050 units or 5.2% of the Fund as at 30 June 2012 (2011: 12,750,050 units or 5.2%).

	Consolidated 2012 \$'000	2011 \$'000
<b>Transactions with the Responsible Entity</b>		
Management fees	1,515	1,661
Cost reimbursements	358	407
Management fee payable	331	386
Cost reimbursements payable	25	299
<b>Transactions with related parties of the Responsible Entity</b>		
Distribution to Multiplex German Investment Trust	7,836	1,244
Distribution payable to Multiplex German Investment Trust	–	311
Distribution to Brookfield Australian Opportunities Fund	2,008	319
Distribution payable to Brookfield Australian Opportunities Fund	–	80

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.

### 25 Contingent liabilities and assets

#### Trade tax audit

A controlled entity, in which the Fund has an interest of 94.9%, within the Consolidated Entity continues to be the subject of a German taxation audit for the 2004-6 years. The primary area subject to audit relates to trade tax and was identified in the Fund's PDS (dated 20 April 2007).

The assessment for the German Trade Tax liability for the 2004-06 income years was received post year end on 30 July 2012. The amount sought is approximately €2 million including interest and penalties accrued to the current date. The liability is due and payable on 3 September 2012.

# Notes to the Financial Statements continued

## Multiplex European Property Fund

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For the year ended 30 June 2012

### **25 Contingent liabilities and assets** continued

In line with independent advice received the relevant entities have lodged an objection in relation to the assessment and have sought a deferral of payment of the liability pending determination of the objection. It is not possible to determine when the decision in relation to deferral of payment will be made by the German tax authorities or whether such deferral may require some form of cash security for payment. It is possible that enforcement action in relation to payment of the assessment may be taken after 29 September 2012 even in circumstances where the decision remains under consideration.

No taxation audit has commenced in relation to the 2007 year. In the event that the 2007 year was subjected to taxation audit the current estimate of the maximum potential liability relating to trade tax for that year would be approximately €26.7 million (including interest and penalties)

In the event that a liability was to arise as a result of the audit such liability would be payable by the subsidiary entity (the respective German partnership).

Consistent with prior reporting periods, independent advice remains that, in the event that the matter was pursued through to court appeal, the relevant entity is more likely than not to successfully defend its position and no trade tax would be payable. As such no liability has been recognised in the 30 June 2012 financial statements.

There are no other contingent liabilities or assets at 30 June 2012 (30 June 2011: nil).

### **26 Capital and other commitments**

There are no capital or other commitments at 30 Jun 2012 (30 June 2011: nil).

### **27 Events subsequent to the reporting date**

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

# Directors' Declaration

## Multiplex European Property Fund

For the year ended 30 June 2012

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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 15 to 43, 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 2012 and of its performance for the financial year ended on that date;
  - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
  - iii complying with International Financial Reporting Standards, as stated in note 2 to the financial statements.
- b There are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and the Chief Financial Officer for the financial year ended 30 June 2012.

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 27th day of August 2012.



**Russell Proutt**  
Director  
Brookfield Capital Management Limited



# Independent Auditor's Report to the Unitholders of Multiplex European Property Fund

## Report on the Financial Report

We have audited the accompanying financial report of Multiplex European Property Fund ('the Fund'), which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the Fund and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 15 to 44.

### *Directors' Responsibility for the Financial Report*

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

### *Auditor's Responsibility*

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

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

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

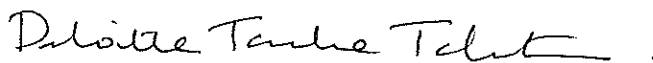
### *Auditor's Independence Declaration*

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

### *Opinion*

In our opinion:

- (a) the financial report of Multiplex European Property Fund is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Fund's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.



DELOITTE TOUCHE TOHMATSU



Helen Hamilton-James  
Partner  
Chartered Accountants  
Parramatta, 27 August 2012





[www.au.brookfield.com](http://www.au.brookfield.com)