Brookfield

MULTIPLEX EUROPEAN PROPERTY FUND

ARSN 124 527 206

Annual Report 2014

Responsible Entity

Brookfield Capital Management Limited

ACN 094 936 866
AFSL 223809

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Message from the Chairman

On behalf of the Board of Brookfield Capital Management Limited (BCML), enclosed is the annual report for Multiplex European Property Fund (Fund) for the year ended 30 June 2014.

FINANCIAL RESULTS
Key financial results as at 30 June 2014 include:

- net profit after tax of $1.6 million
- net cash held in Australia of approximately $7.6 million
- Fund net assets of $6.6 million or $0.03 per unit
- property portfolio valued at $316.7 million

DEBT FACILITY
The Fund's debt facility matured in April 2014 without repayment by the Fund's wholly owned German partnerships. Notwithstanding, Hypothekenbank Frankfurt AG (Financier) has agreed a standstill until 15 October 2014.

This standstill is subject to ongoing satisfaction of a number of conditions, including implementing a business plan that would see all of the Fund's properties sold over a six month period to repay outstanding bank debt. Discussions have taken place with the Financier to extend the date of the standstill but this remains at the discretion of the Financier.

In order to avoid a potential default, BCML intends to pursue the business plan and will continue to give further consideration to alternatives for the Fund in light of the potential outcome to the tax audit for the 2007 to 2010 years.

VALUATION OF PROPERTY PORTFOLIO
As the Fund is subject to terms of the standstill agreement the properties are required to be classified in the Financial Statements as 'properties held for sale' rather than 'investment properties' as was the case in prior periods.

The properties' carrying value in the Financial Statements as at 30 June 2014 of €218 million reflects potential for a lower sale value in circumstances where properties are sold to satisfy Financier requirements. BCML considers this to be appropriate for the purposes of the Financial Statements and will continue with a strategy to further extend terms of the standstill and maximise proceeds from the sale of the properties for the benefit of investors.

GERMAN TAX AUDIT
The tax audit of the partnerships continues. Preliminary findings were received from the German tax office in May 2014 regarding the partnerships' tax audit for 2007 to 2010. The findings result in tax payable of €0.15 million (A$0.22 million). The German tax office may alter the preliminary findings prior to being finalised. Therefore, there is no guarantee that this position will not change prior to assessments being issued.

To date, no response has been received from the German tax office regarding an objection lodged for the assessment of approximately €2 million for the 2004 to 2006 income years.

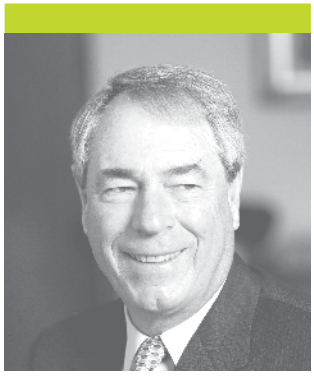
CASH POSITION IN AND OUT OF AUSTRALIA
As at 30 June 2014, the Fund retained cash balances of approximately $7.6 million (3. 1 cents per unit) in Australia. Cash held in Australia is not provided as security for the debt facility and is held outside of the German partnerships and its partners.

As the Loan to Value Ratio (LVR) continues to exceed 95%, the Fund's debt facility requires that cash and cashflow be subject to lock up and cannot be repatriated or disbursed without Financier consent. Approximately €16.5 million is retained in the German partnerships owned by the Fund. Cash has been used to fund ongoing property portfolio requirements.

DISTRIBUTIONS
Future distributions remain subject to BCML's assessment of operating and/or market conditions in Germany and Australia, ongoing compliance with the conditions of the debt facility and taxation requirements including the German tax audit outcome.

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

F. Allan McDonald,
Independent Chairman



Year in Review

Brookfield Capital Management Limited (BCML) the responsible entity of Multiplex European Property Fund (the Fund) provides a review of the year ended 30 June 2014.

FINANCIAL RESULTS

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

BCML continues to maintain its practice of revaluing the properties each reporting period. The properties were independently valued as at 30 June 2014 by Jones Lang LaSalle (JLL) on a basis consistent with prior periods.

The properties' carrying value in the Financial Statements as at 30 June 2014 of €218 million reflects JLL's valuation subject to two adjustments which reduce the valuation by €5.4 million. The Wiesbaden nursing home has been valued at its July 2014 contracted sale value of €8.5 million which is €0.6 million above the JLL valuation. Additionally, an adjustment of €6 million has been made to reflect potential lower sale value when properties are sold to satisfy the requirements of the Financier. BCML considers this to be appropriate for the purposes of the Financial Statements and will continue with a strategy to further extend terms of the standstill and maximise sales proceeds for the benefit of investors.

On conversion to Australian dollars, the property portfolio shows a $27.4 million decrease from the 31 December 2013 carrying value. This is a result of the depreciation of the Euro over the period and from the adjustment made to the JLL valuation.

Key results for the financial year ended 30 June 2014 are as follows:

- property portfolio valued at $316.7 million (31 December 2013: $344.1 million);
- net profit after tax of $1.6 million (30 June 2013: net profit after tax of $4.3 million);
- earnings per unit of 0.63 cents (30 June 2013: 1.73 cents);
- net assets of $6.6 million or 3 cents per unit (31 December 2013: $11.4 million or 5 cents per unit);
- portfolio occupancy of 93% (31 December 2013: 91%);
- weighted average lease expiry (WALE) by income of 7.0 years (31 December 2013: 7.3 years); and
- no distributions declared to investors.

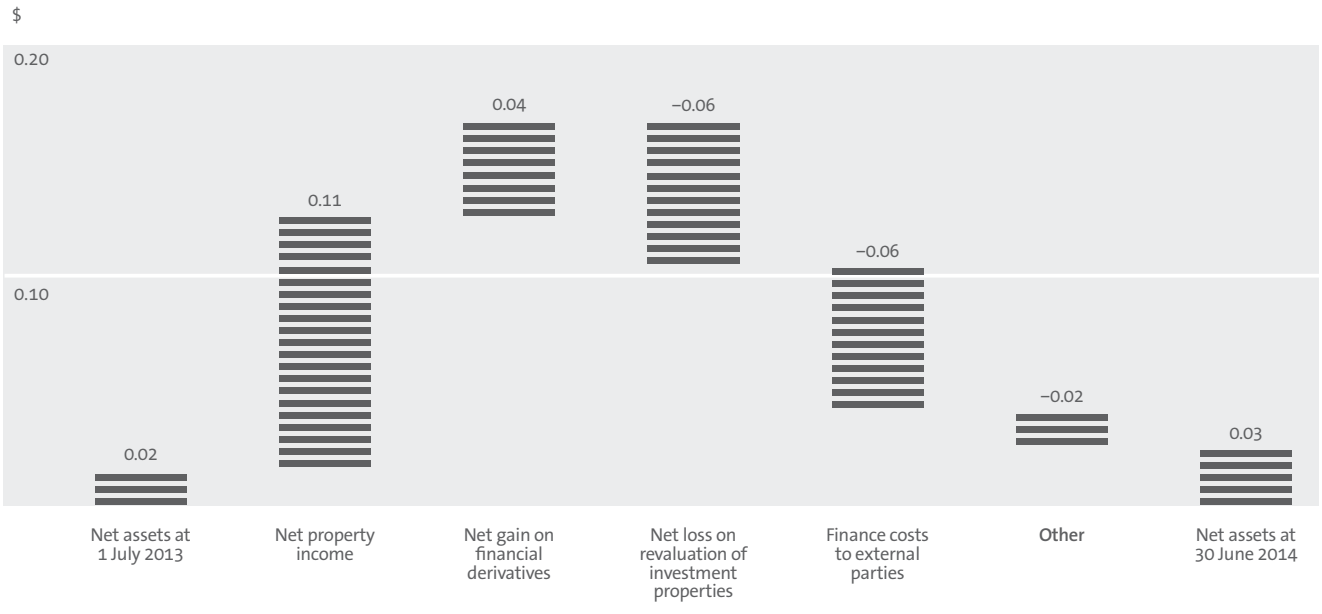
When measured in euro, the Fund had a decline in underlying operational performance against the comparable 2013 period. This is largely a result of increased property maintenance works as well as continued impact of economic conditions on leasing activities.

DISTRIBUTIONS

The Fund retains cash in Australia to meet ongoing obligations for costs associated with management of the Fund.

Future distributions remain subject to BCML's assessment of operating and/or market conditions in Germany and Australia, ongoing compliance with conditions of the debt facility and taxation requirements including the German tax audit outcome.

NTA MOVEMENT (per unit)



ASSET MANAGEMENT

As at 30 June 2014, the Fund's property portfolio comprises 67 properties: 55 retail properties, six nursing homes, three logistic properties and three office properties.

A minor increase in portfolio value assessed by JLL reflects improved market sentiment for the assets, offsetting the negative effects of the ageing assets, declining portfolio WALE and decline in net operating income.

The German economy has been relatively stable over the past few years. This has filtered through to an improved outlook in the German investment market. A shortage of supply of core investments has a potential to steer investors towards higher risk options, such as properties with higher vacancies, shorter WALE or those in secondary locations. These factors also contribute to the German real estate market remaining a focus of foreign investors.

Although the Fund's portfolio WALE as at 30 June 2014 was 7.0 years (weighted by net rental income), the WALE is predominantly weighted towards 12 of the portfolio's 67 assets which have a WALE of over 10 years, while approximately 60% of the portfolio balance have a WALE of less than 5 years.

As at 30 June 2014, the portfolio vacancy rate was 7.1% (by net lettable area). Three assets were major contributors to the vacancy. An office building in Dusseldorf with a vacancy rate of 86% contributes to more than 50% of the vacant space within the portfolio. Two retail assets in Clenze and Rabenau are 100% vacant and combined contribute to 16% of vacant space within the portfolio.

During the year to 30 June 2014, the property portfolio's net operating income declined from €20.2 million to €18.6 million reflecting a 3% decline in rental income and an increase in non recoverable expenses.

Non recoverable expenses increased by €0.9 million due to higher repairs and maintenance expenses incurred by general ageing of the assets.

Asset management initiatives on the following properties are expected to strengthen the Fund's future net operating income:

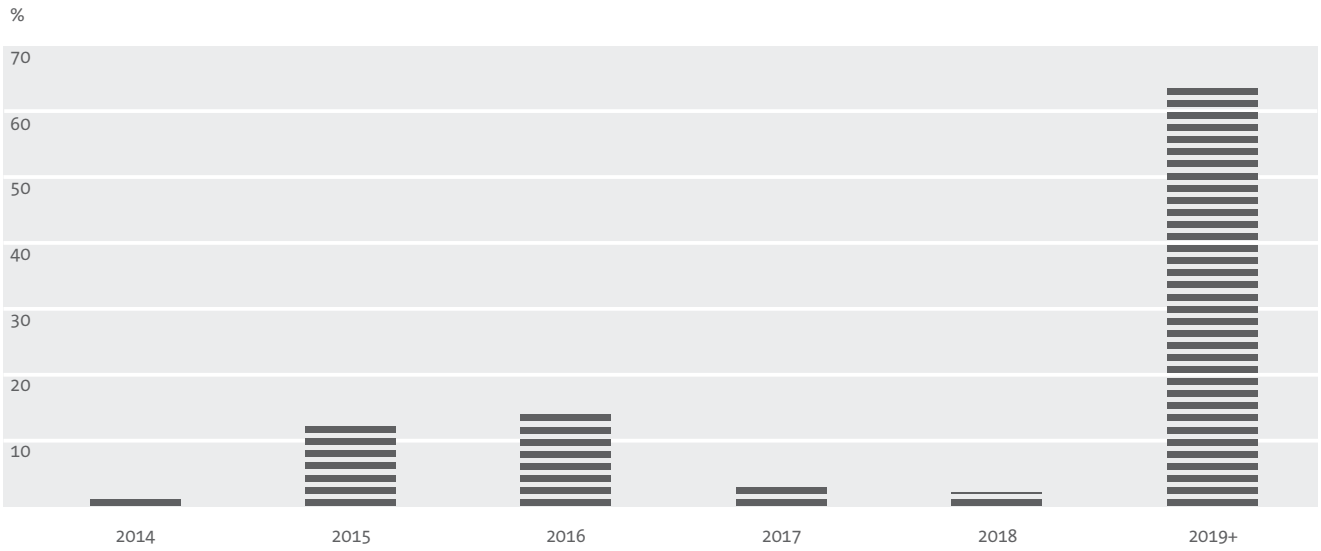
- Loerrach supermarket: a potential lease extension with existing tenant Edeka;
- Dusseldorf: a new lease with the tenant, for a further 803sqm has been negotiated and will commence in September 2015; and
- As further stages of the Wittmund home improvement centre / supermarket development complete, the following new leases are forecast to commence:
  - Aldi in November 2014
  - Combi in February 2015

RETAIL SECTOR

The Fund's property portfolio comprises 55 retail properties including Supermarkets, Discount Retailers, Retail Parks, Do It Yourself (DIY) and Hypermarkets, with large national and multi-national tenants including Aldi, Edeka, Lidl and Netto.

Edeka contributes to more than 13% of portfolio net income over seven assets. Hornbach, the DIY operator, provides 6% of the portfolio net income.

LEASE EXPIRY PROFILE (by income)



Year in Review

The Fund's retail portfolio value as assessed by JLL has increased from €122.0 million at 31 December 2013 to €123.2 million as at 30 June 2014, reflecting a number of new leases and developments in the last six months. A major contributor to the value uplift was a redevelopment of the home improvement centre / supermarket in Wittmund, which resulted in an increase of €1.7 million in value. A lease extension with Lidl at a food discount outlet in Bad Marienberg for 15 years from January 2014 and a takeover of a lease contract at the supermarket in Bunde to January 2020 contributed €0.2 million each to the retail portfolio value increase.

The decline in retail value was mostly due to a home maker centre in Hannover which decreased by €0.4 million, reflecting a reduction in WALE to 30 June 2014.

Although the retail property market will benefit from an improving German investment market and a decline in supply of core investments, the discount rates and capitalisation rates applied to the Fund's portfolio have remained relatively static over the year to 30 June 2014. This reflects the current market sentiment that discounts pricing of standalone supermarkets or discounters which have short lease terms and secondary locations.

NURSING HOMES
The six nursing homes contribute to 25% of the Fund's property portfolio value.

In July 2014, contracts were executed to sell the Wiesbaden nursing home for €8.5 million. Settlement is expected on 30 November 2014 and net proceeds will be used to reduce the debt facility.

LOGISTICS SECTOR
The portfolio comprises three logistics assets which contribute to 8% of the Fund's portfolio value. During the six months to 30 June 2014, the value of the logistics portfolio declined by €0.2 million. All three logistics assets have a WALE of less than three years as at 30 June 2014. The value of the Hallbergmoos and Winkelhaid assets declined, reflecting shorter WALE. The value of the Gera asset increased due to a new three year lease from March 2014.

OFFICE SECTOR
The office portfolio comprises three assets which contribute to 12% of the Fund's portfolio value. Due to a decline in lease durations, the office portfolio decreased in value by €0.5 million to €26.3 million over the six months to 30 June 2014.

DEBT AND HEDGING

Debt
As the LVR continues to exceed 95%, the debt facility terms provide that cash and cashflow within the partnerships be retained within those entities, and not repatriated or disbursed without Financier consent. Approximately €16.5 million is retained and cash has been used to fund ongoing requirements of the property portfolio.

The debt facility provided to the partnerships matured on 15 April 2014. The Financier has signed a standstill agreement whereby it has agreed to:

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

until 15 October 2014 (Standstill Period).

OCCUPANCY AND WEIGHTED AVERAGE LEASE EXPIRY (WALE)

DESCRIPTION	OCCUPANCY % (BY NLA)	MAJOR TENANTS	YEARS (BY INCOME)
55 retail properties comprising: – discount supermarkets – full supply supermarkets – DIY markets	95	EDEKA, Hornbach, Netto, REWE	5.5
6 nursing homes	100	Kursana, Phönix	11.0
3 logistic/warehouses	100	Spicers, TNT	2.2
3 offices	65	ABB AG Division Energietechnik, Telecity	12.5
Total Portfolio	93		7.0

This standstill agreement is subject to ongoing satisfaction of a number of conditions, including:

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

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

Further standstills or debt facility extensions after 15 October 2014 are at the Financier's sole discretion.

The interest rate payable under the debt facility after 15 April 2014 is the Euribor base rate plus 2.75%. As at 30 June 2014, this was an "all in" rate of 3.08% per annum.

Hedging

The net equity position of the Fund's investment in the property portfolio is not hedged. Therefore, the Fund may be impacted by movements between the Australian dollar and the euro.

No interest rate hedge is in place for the debt facility at 30 June 2014.

CASHFLOW CONSIDERATIONS

The Fund's Australian entities are not party to the debt facility and the Financier has no recourse to the Fund's assets held in Australia. The Fund retained net cash of approximately $7.6 million (3.1 cents per unit) in Australia as at 30 June 2014.

Expenses incurred by the Fund outside of Germany will continue to be met from cash reserves. It is estimated that net cash reserves will reduce by approximately $1.6 million over the period to 31 December 2014 (assuming sale of all of the Fund's properties prior to 31 December 2014). Management fees are calculated using gross asset values and property sales will significantly reduce management fees payable.

The level of excess cash reserves capable of being distributed to investors will ultimately be determined by the outcome of any sales process, the German tax audit and time and costs incurred in winding up the Fund.

TAX AUDIT

German Tax Audit 2007-2010

Preliminary findings regarding the partnerships' tax audit for 2007 to 2010 were received in May 2014 from the German tax office. The findings result in tax payable of €0.15 million

VALUATION SUMMARY

SECTOR	30 JUNE 2013 VALUATION (€M)	31 DECEMBER 2013 VALUATION (€M)	30 JUNE 2014 VALUATION (€M)	% CHANGE JUNE 2013 – JUNE 2014
Retail	121.9	122.0	123.2	1.1
Nursing homes	56.4	56.3	56.2	(0.4)
Logistics	18.6	17.9	17.7	(4.8)
Office	26.5	26.8	26.3	(0.8)
Adjustment*			(5.4)	
Total	223.4	223.0	218.0	

* The adjustment to the valuation reflects the contracted sale value of the Weisbaden nursing home in July 2014 and the potential for a lower sale value where properties are sold to satisfy the requirements of the Financier.

(A$0.22 million) with none of the liability being relevant to Trade Tax. The preliminary findings have been reviewed with advisors and further information has been provided to the German tax office.

Assuming the findings are accepted, it is expected that final findings and subsequent tax assessments, if any, will be issued in the coming months. The German tax office may alter the preliminary findings prior to being finalised. Therefore, there is no guarantee that this position will not change prior to assessments being issued.

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

The Financier has confirmed the following regarding the preliminary findings for the 2007 to 2010 tax audit:

- it will agree to the estimated tax payable being funded from the partnerships' cash reserves retained in Germany; and
- any assessment arising on substantially the same basis is not an event of default or termination event under the debt facility.

It should be noted that, as the tax audit findings are not final, if the German tax office were to apply the same approach for the 2007 to 2010 period as was applied to 2004 to 2006, the current estimate a tax payable would be approximately €28.6 million (including €6.8 million in interest and penalties) calculated to 30 June 2014. Further, if an assessment was to become due and payable, discussions with the Financier and German tax office would be required regarding payment of part or all of any such liability. If no deferral of liability is achieved, or if the Financier does not consent to use of cash reserves, this may give rise to solvency considerations in those entities and/ or an event of default under the debt facility.

Consistent with prior reporting periods, having obtained independent advice, BCML's view remains that, in the event that the tax matter was pursued through to court appeal, the relevant entities are more likely than not to successfully defend their position and no trade tax would ultimately be payable. No liability has been recognised in the Financial Statements for the potentially outstanding amounts.

German Tax Audit 2004-2006

No response has been received from the German tax authorities regarding an objection lodged for the Trade Tax assessment for the 2004 to 2006 income years. Approximately €2 million has been paid for that Trade Tax assessment.

As each year is assessed independently, the findings for the 2007 to 2010 years do not impact findings for 2004 to 2006. As such, it is intended to wait until a response is received for the objection before any further action is undertaken.

OVERVIEW OF THE FUND'S CURRENT POSITION

Given the current level of property gearing and uncertainty of the partnerships' German tax audit, it is not presently considered possible to obtain Fund refinancing or recapitalisation.

Options for the Fund are to proceed with a sale process managed by BCML or to allow the Financier to proceed with enforcement action. BCML believes that a managed sales process is more likely to optimise values and is preferable for investors rather than a process managed by the Financier or a receiver.

Following external advice, BCML believes that the optimal sales strategy is to sell the nursing home properties and have a separate portfolio sale of the other properties.

The partnerships have engaged Corpus Sireo and Brookfield Private Advisers LP (Brookfield Financial) to undertake the sales process. Corpus Sireo have been engaged to manage selling the nursing home properties with Brookfield Financial managing selling the balance of the portfolio. Corpus Sireo will remain property manager for the properties during this process.

If investor approval is required by the ASX Listing Rules, a meeting of investors will be convened when details of the sale proposal have been finalised.

At this stage, it is estimated that a managed sale process will result in a cash surplus in the German entities. However, the amount cannot be accurately assessed at present and there is no guarantee that any proceeds will be available for repatriation to investors.

BCML will continue to assess the position. Importantly, investors should recognise the German tax audit outcome may ultimately determine the future of the partnerships and potential returns to investors, even if surplus cash reserves remain after the sales process is complete. An adverse finding from the audit may lead to an event of default under the debt facility and/or a breach of standstill conditions.

Should the tax audit result in an assessment becoming payable, this may result in the German partnerships or partner entities being placed into insolvency. Although this is a possibility, BCML consider that as the tax audit is ongoing and the outcome remains uncertain, the optimal course is to undertake a managed sale process in accordance with the standstill.

RISKS

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

Solvency of Fund Subsidiaries

Insolvency of the German partnerships or the Fund's European subsidiaries may result in an event of default under the debt facility. Ongoing solvency of these entities is being closely monitored.

Wind Up of the Fund and its Subsidiaries

The method and timing of a Fund wind up is determined by many factors including outcome of the sale process and the German tax audit. A delay in this process will delay repatriation of any excess proceeds and may reduce the amount, if any, ultimately distributed to investors.

Performance at a Glance

FUND SNAPSHOT (AS AT 30 JUNE 2014)

Listing date	3 July 2007
Market capitalisation[1]	$7.9 million
Total assets	$349.5 million
Net assets per unit	$0.03
Portfolio occupancy	93%
Portfolio weighted average lease expiry (by income)	7.0 years
Fund gearing (total interest-bearing loans/total assets at Fund level)	96.2%
Loan to value ratio (interest-bearing loans/property assets)[2]	103%
Management fee[3] (excluding GST)	0.41% of gross asset value
Performance fee (excluding GST)	5% to 15% of benchmark[4] outperformance

1 Market capitalisation as at close of trading on 30 June 2014.
2 Calculated using 30 June 2014 valuations of JLL.
3 Subject to the arrangements outlined in the Chairman's letter dated 14 June 2007.
4 S&P/ASX 300 A-REIT Accumulation Index.

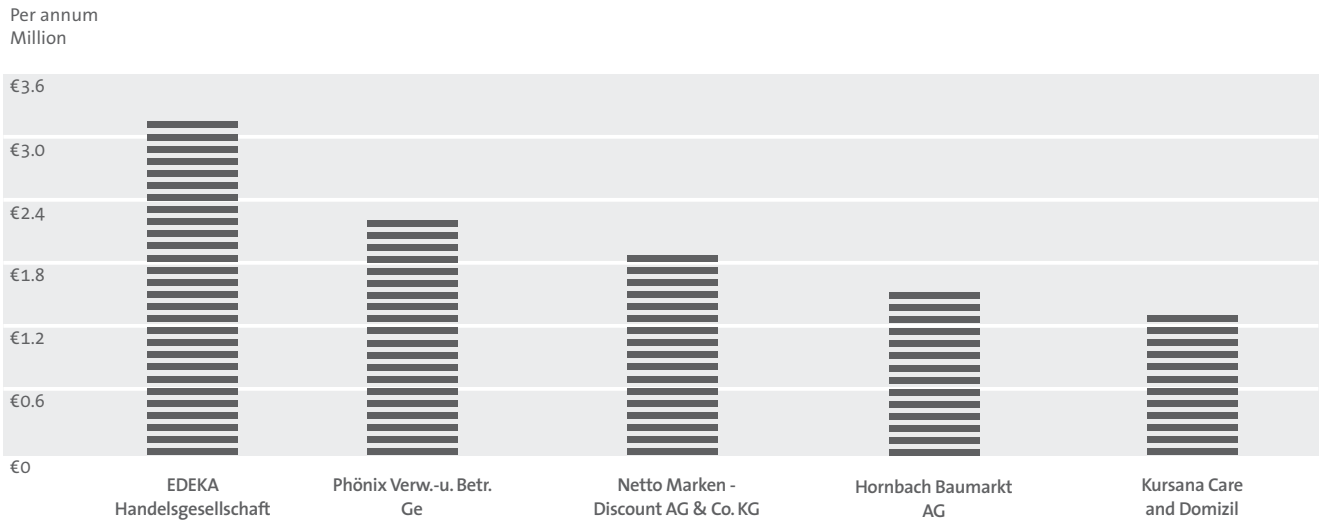
RECONCILIATION OF NORMALISED PROFIT

Net profit after tax	$1.6 million
Adjustments:	
– net loss on revaluation of investment property	$14.4 million
– net unrealised gain on revaluation of financial derivatives	($8.9) million
– deferred income tax expense	$1.6 million
– amortisation of borrowing costs	$0.2 million
Normalised net profit	$8.9 million
Normalised earnings per unit	3.6 cents

Portfolio at a Glance

MAJOR TENANTS

By rental income Edeka Handelsgesellschaft, Phonix Verwaltungs- und Betriebsgesellschaft mbH, Netto Marken Discout AG & Co. KG, Hornbach Baumarkt AG, Kursana Care and Domizil 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.



SECTOR ALLOCATION*

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

* Calculated on the value of properties as at 30 June 2014.

Property Analysis

PROPERTY	TENANT/ANCHOR TENANT	PURCHASE PRICE €M	VALUATION 30 JUNE 2013 €M	VALUATION 30 JUNE 2014 €M
Dresden. Heideblick	Netto Marken-Discount	2.206	1.11	1.04
Artern	Netto Marken-Discount	1.827	1.15	1.12
Dresden. Tatzberg	Netto Marken-Discount	2.136	1.11	1.03
Eisleben	Netto Marken-Discount	1.737	0.87	0.84
Gernrode	Netto Marken-Discount	1.594	0.78	0.74
Geyer	Netto Marken-Discount	1.597	0.78	0.73
Schlema	Netto Marken-Discount	1.571	0.75	0.71
Jena-Lobeda	Netto Marken-Discount	1.717	0.91	0.84
Delitzsch. Beerendorfer Strasse	Netto Marken-Discount	1.409	0.70	0.66
Stockheim	Netto Marken-Discount	1.674	0.86	0.77
Burgstädt	Netto Marken-Discount	1.554	0.79	0.78
Bückeburg	Netto Marken-Discount	1.639	0.87	0.82
Merseburg. Geusaer Strasse	Netto Marken-Discount	1.792	0.85	0.78
Mühlhausen	Netto Marken-Discount	1.594	0.75	0.71
Halle. Merseburger Strasse	ALDI	3.066	1.35	1.25
Stollberg	ALDI	1.555	0.77	0.74
Oberhausen	Netto Marken-Discount	1.763	0.96	0.93
Clenze	Vacant	1.655	0.28	0.28
Boizenburg	Lidl	1.693	1.14	1.12
Bad Marienberg	Lidl	2.841	1.19	1.31
Delitzsch. Richard-Wagner Strasse	Lidl	2.110	1.06	1.00
Hage	Lidl	1.726	0.87	0.83
Schöppenstedt	Lidl	1.629	1.22	1.18
Woldegk	NORMA	1.844	1.07	1.02
Pampow	EDEKA	1.430	1.62	1.61
Blankenfelde	EDEKA	4.101	2.71	2.49
Prüm	KIK Textilien	3.930	1.16	1.24
Peine	EDEKA MIHA	1.117	0.45	0.40
Schloßvippach	REWE	2.280	1.09	1.02
Gotha	REWE	6.812	4.07	3.86
Köthen	Penny Markt	2.170	0.87	0.87
Offenburg	Penny Markt	1.491	1.05	1.00
Rabenau	Vacant	2.797	0.57	0.27
Rheinau	Penny Markt	1.858	1.02	0.93

PROPERTY	TENANT/ANCHOR TENANT	PURCHASE PRICE €M	VALUATION 30 JUNE 2013 €M	VALUATION 30 JUNE 2014 €M
Malchin	LIDL	3.752	1.76	1.62
Bopfingen	REWE	2.007	0.59	0.51
Burladingen	REWE	3.030	1.68	1.68
Cloppenburg	Coma Verbrauchermarkt	4.267	2.42	2.27
Tespe	Edeka	1.796	0.69	0.63
Feldatal	Tegut Gutberlet Stiftung & Co	1.558	0.95	0.93
Saarlouis	Accord Distributa Warenhandel	2.256	1.70	1.67
Zimmern	AWG	1.817	1.04	0.89
Winkelhaid	SPICERS Deutschland	14.871	9.90	9.50
Hallbergmoos	TNT Express	16.399	8.00	7.60
Gera	Compagnie d'Affretement et de Transport	3.196	0.68	0.58
Chemnitz	Hornbach Baumarkt	20.740	16.30	16.10
Hannover	Toom Baumarkt	16.158	9.40	9.10
Wittmund	Toom Baumarkt	10.913	3.94	5.60
Marienhafe	Toom Baumarkt	4.779	1.68	1.65
Halle. Trothaer Strasse	POLO Motorrad	1.710	0.71	1.26
Bünde	Jibi	1.861	0.96	1.11
Minden	ABB Utilities Niederlassung Minden	6.658	3.59	3.44
Düsseldorf	Hochschule Fresenius	14.888	8.60	8.80
Frankfurt/Oder	Car Glass	1.359	0.75	0.69
Frankenberg	Rheika-Delta	2.021	1.29	1.27
Osnabrück	Bugsy Burger	2.484	1.00	1.00
Frankfurt/Main	Telecity Group	17.960	14.30	14.10
Kassel	Spiel In Casino	2.214	0.52	0.54
Lörrach A	EDEKA	21.699	18.10	20.00
Lörrach B	McDonald's	1.895	1.36	1.24
Bochum	EDEKA	26.753	18.30	18.50
Eisenhüttenstadt	Kursana	8.841	6.50	6.40
Schwedt	Kursana	8.593	6.10	6.00
Erfurt	Phönix	11.968	10.10	10.10
Wetzlar	Alloheim Senioren Residenzen	14.115	10.90	11.30
Göttingen	Phönix	17.234	14.60	14.50
Wiesbaden	Maternus Altenheim	13.296	8.20	7.90
Adjustment				(5.40)
Total		355.000	223.41	218.00

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 18 August 2014.

1. SUBSTANTIAL HOLDERS

COMPANY NAME	NO OF UNITS	% OF UNITS ON ISSUE
Brookfield Asset Management Inc.	62,500,150	25.309
Phoenix Portfolios Pty Ltd	15,678,675	6.35
Pullington Investments Pty Ltd	14,342,483	5.81

2. DISTRIBUTION OF ORDINARY UNITS

Analysis of numbers of unitholders by size of holding:

	UNITS	UNITHOLDERS
1–1,000	11,066	38
1,001–5,000	1,313,728	287
5,001–10,000	5,231,460	549
10,001–100,000	47,792,787	1,263
100,001 and over	192,601,109	210
Total	246,950,150	2,347

There were 931 holders with less than a marketable parcel of 13,157 securities ($0.038 on 18 August 2014).

3. UNITHOLDERS

The twenty largest holders of ordinary units are listed below:

	ORDINARY UNITS	
NAME	NUMBER HELD	% OF ORDINARY UNITS
Multiplex German Investment Pty Limited	49,750,100	20.15
J P Morgan Nominees Australia Limited	39,024,520	15.80
Pullington Investments Pty Ltd	16,758,464	6.79
Mr Robert Thomas Turney	6,500,000	2.63
Mr Peter Richard Robinson & Mrs Tobey Teresa Robinson & Miss Kimberley Jane Holman	5,450,000	2.21
Mrs Tobey Teresa Robinson	5,404,173	2.19
HSBC Custody Nominees (Australia) Limited	4,729,617	1.92
Navigator Australia Ltd	3,448,935	1.40
Mr Terence Burns	3,000,000	1.21
Mr Peter Chappel & Mrs Wendy Elizabeth Chappel	2,850,000	1.15
National Nominees Limited	1,430,032	0.58
Reddifund Limited	1,300,000	0.53
Dr Sharad Pandit	1,109,000	0.45
Mr Martin Danev	1,000,000	0.40
Mr Colin Bambrick & Mrs Lorelei Bambrick	1,000,000	0.40
BNP Paribas Noms Pty Ltd	915,351	0.37
Hopes & Wishes Pty Ltd	901,868	0.37
ABN AMRO Clearing Sydney Nominees Pty Ltd	789,959	0.32
Mr Sean Corbett	787,605	0.32
G Nicol Investments Pty Ltd	700,000	0.28
Peter Dowling & Co SF Fund No 2 Pty Ltd	600,000	0.24
Sidhi Superannuation Pty Ltd	600,000	0.24
D & G Kelly Pty Ltd	600,000	0.24
Total	148,649,624	60.19

4. ON-MARKET BUY-BACK

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

5. VOTING RIGHTS

Refer to Note 18 of the Financial Statements for details of voting rights.

Investor Relations

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

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

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

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

CONTACT THE REGISTRY
Queries relating to individual unit holdings or requests to change investment record details such as:

- change of address (issuer sponsored holdings only)
- update method of payment for receiving distributions
- tax file number notification
- annual report election

should be addressed to:

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

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

The Manager
Brookfield
GPO Box 172
Sydney NSW 2001

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

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

By Post
GPO Box 172
Sydney NSW 2001

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

By fax
+61 2 9322 2001

By email
clientenquiries@au.brookfield.com

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

www.au.brookfield.com

Brookfield

MULTIPLEX EUROPEAN PROPERTY FUND

ARSN 124 527 206

Financial Report for the year ended 30 June 2014

Responsible Entity

Brookfield Capital Management Limited

ACN 094 936 866
AFSL 223809

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For the year ended 30 June 2014

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Directory

For the year ended 30 June 2014

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

Directors of Brookfield Capital Management Limited
F. Allan McDonald
Barbara Ward
Brian Motteram (resigned 28 February 2014)
Russell Proutt
Shane Ross (resigned and appointed alternate director 28 February 2014)

Company Secretary of Brookfield Capital Management Limited
Neil Olofsson

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

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

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

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

Auditor
Deloitte Touche Tohmatsu
Eclipse Tower
Level 19, 60 Station Street
Parramatta NSW 2150
Telephone: +61 2 9840 7000
Facsimile: +61 2 9840 7001

Directors' Report

For the year ended 30 June 2014

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 2014 and the Independent Auditor's Report thereon.

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

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

Responsible Entity

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

Directors

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

Name	Capacity
F. Allan McDonald	Non-Executive Independent Chairman
Barbara Ward	Non-Executive Independent Director
Brian Motteram (resigned 28 February 2014)	Non-Executive Independent Director
Russell Proutt	Executive Director
Shane Ross (resigned and appointed alternate director 28 February 2014)	Executive Director / Alternate Director

Information on Directors

F. Allan McDonald (BEcon, FCPA, FAIM, FGIA), Non-Executive Independent Chairman

Allan was appointed the Non-Executive Independent Chairman of BCML on 1 January 2010 and also performs that role for Brookfield Funds Management Limited (BFML). Allan has had extensive experience in the role of Chairman and is presently associated with a number of companies as a consultant and Company Director. BCML is also the Responsible Entity for the listed fund Brookfield Prime Property Fund (BPA). BFML is the Responsible Entity for the listed Multiplex SITES Trust. Allan's other directorship of listed entities is Astro Japan Property Management Limited (Responsible Entity of Astro Japan Property Trust) (appointed February 2005). During the past 3 years Allan has also served as a director of Billabong International Limited (July 2000 – October 2012) and Brookfield Office Properties Inc. (May 2011 – June 2014).

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

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

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

Russell is the Chief Financial Officer of Brookfield Australia Pty Ltd, 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 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 / Alternate Director

Shane is the Group General Manager of Treasury for Brookfield Australia Investments Limited and was appointed as an Executive Director of BCML on 16 May 2011, resigned on 28 February 2014 and was appointed as Alternate Director for Russell on that date. BCML is also the Responsible Entity for the listed BPA. Shane joined the organisation in 2003 following a background in banking and has over 20 years experience in treasury and finance within the property industry.

Information on Company Secretary

Neil Olofsson

Neil has over 18 years of international company secretarial experience and has been with the Brookfield Australia group since 2005.

Directors' Report Continued

For the year ended 30 June 2014

Directors' interests

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

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

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

Directors' meetings

	Board Meetings		Audit Committee Meetings		Board Risk and Compliance Committee Meetings	
Director	A	B	A	B	A	B
F. Allan McDonald	6	6	2	2	2	2
Barbara Ward	6	6	2	2	2	2
Brian Motteram	4	4	2	2	2	2
Russell Proutt	5	6	n/a	n/a	n/a	n/a
Shane Ross	5	5	n/a	n/a	n/a	n/a

A – Number of meetings attended.
B – Number of meetings held during the time the Director held office during the year, or number of meetings held that the Alternate Director was eligible to attend during the year.

Committee meetings

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

Principal activities

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

Review of operations

The Consolidated Entity recorded a net profit after tax of $1,559,000 for the year ended 30 June 2014 (2013: net profit after tax of $4,281,000). The reported net profit after tax includes an unrealised loss of $14,401,000 (2013: unrealised loss $11,048,000) on property revaluations.

The Consolidated Entity's remaining derivatives matured during the current year and no derivatives are held at year end.

Future distributions remain subject to BCML's assessment of operating and/or market conditions in Germany and Australia, ongoing discussions with the financier and taxation requirements including the outcome of the appeal process arising from German tax assessments.

Some of the significant events during the year are detailed below:
- property rental income of $33,692,000 (2013: $30,392,000);
- total revenue and other income of $44,468,000 (2013: $40,694,000);
- net profit after tax of $1,559,000 (2013: $4,281,000);
- earnings per unit (EPU) of 0.63 cents (2013: 1.73 cents);
- net assets of $6,575,000 and net assets per unit of $0.03 (2013: $5,537,000 and $0.02 per unit); and
- property portfolio value of $316,722,000 (2013: $316,129,000) and unrealised revaluation decrement of $14,401,000 (2013: $11,048,000). The property portfolio was reclassified from investment property to property held for sale during the year ended 30 June 2014.

The Consolidated Entity continues to manage its relationship with the financier through the standstill agreement executed in April 2014. This standstill is subject to ongoing satisfaction of a number of conditions, including implementation of a business plan that will see all of the Consolidated Entity's properties sold over a period of six months to repay outstanding bank debt. In order to avoid a potential default, BCML intends to pursue the above business plan at the present time but will continue to give further consideration to alternatives for the Consolidated Entity in light of the potential outcome to the tax audit of the 2007 to 2010 years.

Directors' Report Continued

For the year ended 30 June 2014

Financier discussions regarding extension of debt facility

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

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

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

until 15 October 2014 (Standstill Period).

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

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

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

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

Impact of valuations on debt

During the year, the classification for the property portfolio changed from investment properties to properties held for sale. As at 30 June 2014, the portfolio value was €217,976,000, representing a 2.4% reduction from the 30 June 2013 valuation adopted by the Consolidated Entity. The 30 June 2014 value takes into account the impact of the standstill agreement condition to implement a business plan which will see all the properties sold over a period of six months.

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

Call option

The Fund indirectly owned 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 partnerships was previously owned by Naiad Property S.a.r.l. (NAIAD). During the year, a subsidiary of the Fund exercised a call option over the 5.1% interest in the Monti Partnerships that it did not own. The Monti Partnerships are now a wholly owned subsidiary.

Directors' Report Continued

For the year ended 30 June 2014

Tax audit

German tax audit 2007-2010

Correspondence, in the form of preliminary findings, has been received from the German tax office in relation to the Monti Partnerships' tax audit for the 2007 to 2010 years. These preliminary findings result in tax payable in the amount of €0.15 million (A$0.22 million) with none of the liability being relevant to Trade Tax. The preliminary findings have been reviewed with advisors and further information has been provided to the German tax office in relation to the findings.

Assuming the findings are accepted, it can be expected that final findings and subsequent tax assessments, if any, will be issued in the coming months. It is open to the German tax office to alter the preliminary findings prior to being finalised. Therefore, there is no guarantee that this position will not change prior to assessments being issued.

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

The Consolidate Entity's financier, Hypothekenbank has confirmed the following regarding the preliminary findings for the Monti Partnerships' tax audit for the 2007 to 2010 years:

- it will agree to the estimated tax payable of approximately €0.2 million being funded from Monti Partnerships' cash reserves retained in Germany; and
- the preliminary findings received from the German tax office and any assessment arising on substantially the same basis is not an event of default or termination event under the debt facility.

It should be noted that as the tax audit findings are not final, if the German tax office were to apply the same approach for the 2007 to 2010 period as was applied to 2004 to 2006, the current estimate of potential trade tax payable would be approximately €28.6 million (including approximately €6.8 million in interest and penalties) calculated to 30 June 2014. Further, if an assessment was to become due and payable, discussions with the Financier and the German tax office would be required regarding payment of part or all of any such liability. If no deferral of any liability is achieved or if the Financier does not consent to the use of cash reserves then this may give rise to solvency considerations in those entities and/or an event of default under the debt facility.

German tax audit 2004-2006

No response has been received from the German tax authorities relating to the objection lodged against the Trade Tax assessment for the 2004 to 2006 income years. Approximately €2 million has been paid for that Trade Tax assessment.

As each year is assessed independently, the findings for the 2007 to 2010 years do not impact the findings for 2004 to 2006. As such, it is intended to wait until a response is received in relation to the objection before any further action is undertaken.

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.

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 2013 to 30 June 2014.

Directors' Report Continued

For the year ended 30 June 2014

Corporate governance continued

Principle 1: Lay solid foundations for management and oversight

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

Role of the Board & Senior Executives

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

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

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

In addition, the Board is responsible for:

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

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

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
Barbara Ward	Non-Executive Independent Director	Yes	1 January 2010
Brian Motteram	Non-Executive Independent Director	Yes	Resigned 28 February 2014
Russell Proutt	Executive Director	No	1 January 2010
Shane Ross	Executive Director / Alternate Director	No	Resigned as Executive Director and appointed Alternate Director 28 February 2014

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.

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

Directors' Report Continued

For the year ended 30 June 2014

Corporate governance continued

Principle 2: Structure the Board to add value continued

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.

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

For the year ended 30 June 2014

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[1]	Chairman	2	2
Barbara Ward[1]	Chairman	2	2
F. Allan McDonald	Member	2	2

[1] Barbara Ward was appointed the Chairman of the Audit Committee following Brian Motteram's resignation on 28 February 2014.

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 reduced number of members to two, the Audit Committee does not satisfy 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.

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.

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.

Directors' Report Continued

For the year ended 30 June 2014

Corporate governance continued

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	Chairman	2	2
F. Allan McDonald	Member	2	2
Brian Motteram (resigned 28 February 2014)	Member	2	2

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

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

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 2014, the Consolidated Entity incurred $1,497,000 in management fees to the Responsible Entity (2013: $1,407,000). $349,000 of management fees remain payable as at year end (2013: $372,000).

Significant changes in the state of affairs

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

Directors' Report Continued

For the year ended 30 June 2014

Events subsequent to the reporting date
Subsequent to current year end, agreements have been executed for the sale of the Wiesbaden nursing home property for a gross sale price of €8.5 million. Settlement is expected on 30 November 2014, subject to the meeting of customary conditions relating to providing clear title to the property. The expected net sale proceeds is approximately €8.2 million and the net proceeds will be used to pay down the Consolidated Entity's debt facility.

As previously advised the standstill agreement in relation to the debt facility expires on 15 October 2014. Discussions are underway with the Financier to extend the standstill agreement past that date, however, there is no guarantee that this will occur. The Responsible Entity continues to review the German property market and assess the potential for other property sales in line with the business plan prescribed in the agreement with the financier.

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

Likely developments
Other than the matters already included in the Directors' Report, information on likely developments in the operations of the Consolidated Entity in future financial years and the expected results of those operations have not been included in this report because the Directors believe that to do so would be likely to result in unreasonable prejudice to the Consolidated Entity.

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

Distributions and returns of capital
During the current year, no distributions or returns of capital were declared by the Fund to unitholders (2013: special distribution payable at 30 June 2013 of $24,695,000 or 10.0 cents per unit accounted for as a return of capital in the financial statements was paid on 23 July 2013).

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.

Directors' Report Continued

For the year ended 30 June 2014

Indemnification and insurance of officers and auditors 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.

No fees for non-audit services were incurred by the Consolidated Entity to Deloitte during the current year (2013: nil).

Remuneration report

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

F. Allan McDonald (appointed 1 January 2010)
Barbara Ward (appointed 1 January 2010)
Brian Motteram (resigned 28 February 2014)
Russell Proutt (appointed 1 January 2010)
Shane Ross (resigned and appointed alternate director 28 February 2014)

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 2014 was $1,497,000 (2013: $1,407,000).

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

Directors' Report Continued

For the year ended 30 June 2014

Lead auditor's independence declaration under Section 307C of the *Corporations Act 2001*
The lead auditor's independence declaration is set out on page 15 and forms part of the Directors' Report for the year ended 30 June 2014.

Dated at Sydney this 25th day of August 2014.

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

Auditor's Independence Declaration

For the year ended 30 June 2014

Deloitte.

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Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

Eclipse Tower
Level 19
60 Station Street
Parramatta NSW 2150
PO Box 38
Parramatta NSW 2124 Australia

DX 28485
Tel: +61 (0) 2 9840 7000
Fax: +61 (0) 2 9840 7001
www.deloitte.com.au

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

25 August 2014

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 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Helen Hamilton-James
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2014

	Note	Consolidated Year ended 30 June 2014 $'000	Year ended 30 June 2013 $'000
Revenue			
Property rental income		33,692	30,392
Interest income		254	1,267
Net realised gain on financial derivatives		10,522	2,519
Net unrealised gain on revaluation of financial derivatives	6	–	6,516
Total revenue and other income		**44,468**	**40,694**
Expenses			
Property expenses		7,107	5,379
Finance costs to external parties		15,323	13,596
Management fees		1,497	1,407
Net loss on revaluation of investment properties and properties held for sale	13,14	14,401	11,048
Other expenses		2,934	1,095
Total expenses		**41,262**	**32,525**
Profit before income tax		**3,206**	**8,169**
Income tax expense	9	(1,647)	(3,888)
Net profit after tax for the year		**1,559**	**4,281**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Changes in foreign currency translation reserve	19	(521)	(722)
Other comprehensive loss for the year, net of income tax		**(521)**	**(722)**
Total comprehensive income for the year		**1,038**	**3,559**
Net profit attributable to ordinary unitholders		**1,559**	**4,281**
Total comprehensive income attributable to ordinary unitholders		**1,038**	**3,559**
Earnings per unit			
Basic and diluted earnings per ordinary unit (cents)	8	0.63	1.73

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

Consolidated Statement of Financial Position

As at 30 June 2014

	Note	Consolidated 2014 $'000	2013 $'000
Assets			
Current assets			
Cash and cash equivalents	11	31,972	54,310
Trade and other receivables	12	850	1,352
Fair value of foreign currency financial derivatives	22	–	1,677
Properties held for sale	14	316,722	–
Total current assets		**349,544**	**57,339**
Non-current assets			
Investment properties	13	–	316,129
Deferred tax asset	9	–	1,453
Total non-current assets		**–**	**317,582**
Total assets		**349,544**	**374,921**
Liabilities			
Current liabilities			
Trade and other payables	15	6,730	6,492
Return of capital payable	10	–	24,695
Interest bearing liabilities	16	336,239	327,204
Fair value of interest rate financial derivatives	16	–	9,180
Non-controlling interest payable	17	–	1,415
Total current liabilities		**342,969**	**368,986**
Non-current liabilities			
Trade and other payables	15	–	398
Total non-current liabilities		**–**	**398**
Total liabilities		**342,969**	**369,384**
Net assets		**6,575**	**5,537**
Equity			
Units on issue	18	202,533	202,533
Reserves	19	(1,421)	(900)
Undistributed losses	20	(194,537)	(196,096)
Total equity		**6,575**	**5,537**

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2014

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

	Attributable to Unitholders of the Fund			
Consolidated Entity	Ordinary units $'000	Undistributed profits/(losses) $'000	Foreign currency translation reserves $'000	Total $'000
Opening equity - 1 July 2012	**227,228**	**(200,377)**	**(178)**	**26,673**
Changes in foreign currency translation reserve	–	–	(722)	**(722)**
Other comprehensive loss for the year	**–**	**–**	**(722)**	**(722)**
Net profit for the year	–	4,281	–	**4,281**
Total comprehensive income/(loss) for the year	**–**	**4,281**	**(722)**	**3,559**
Transactions with unitholders in their capacity as unitholders:				
Return of capital	(24,695)	–	–	**(24,695)**
Total transactions with unitholders in their capacity as unitholders	**(24,695)**	**–**	**–**	**(24,695)**
Closing equity – 30 June 2013	**202,533**	**(196,096)**	**(900)**	**5,537**

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2014

	Note	Consolidated Year ended 30 June 2014 $'000	Year ended 30 June 2013 $'000
Cash flows from operating activities			
Cash receipts in the course of operations		35,141	30,051
Cash payments in the course of operations		(11,235)	(8,981)
Gross proceeds from settlement on FX forwards		12,597	7,854
Gross payments for settlement on FX forwards		(10,971)	(5,357)
Interest received		254	1,376
Financing costs paid		(15,465)	(13,129)
2004 to 2006 German trade tax assessment paid		–	(2,450)
Net cash flows from operating activities	24	**10,321**	**9,364**
Cash flows from investing activities			
Payments for additions to investment properties		(7,428)	(2,198)
Net cash flows used in investing activities		**(7,428)**	**(2,198)**
Cash flows from financing activities			
Return of capital paid		(24,695)	–
Net cash flows used in financing activities		**(24,695)**	**–**
Net (decrease)/increase in cash and cash equivalents		**(21,802)**	**7,166**
Impact of foreign exchange		(536)	2,377
Cash and cash equivalents at beginning of year		54,310	44,767
Cash and cash equivalents at 30 June		**31,972**	**54,310**

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

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 2014 comprise the Fund and its subsidiaries (together referred to as the Consolidated Entity).

2 Basis of preparation

a Statement of compliance

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

The consolidated financial statements were authorised for issue by the Directors on this 25th day of August 2014.

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

The methods used to measure the above are discussed further in Note 3.

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

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

c Use of estimates and judgments

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

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

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are provided in investment properties (Note 13), properties held for sale (Note 14), financial instruments (Note 22) and non-financial assets and liabilities at fair value (Note 23).

d Going concern

The consolidated financial statements have been prepared on the going concern basis, which assumes the Consolidated Entity will be able to realise its assets and discharge its liabilities in the normal course of business. Notwithstanding that the Directors of the Responsible Entity believe it is appropriate to adopt the going concern basis, the debt facility provided by Hypothekenbank Frankfurt AG (Hypothekenbank or Financier) to certain German partnerships (Monti Partnerships), being subsidiaries of the Fund, matured on 15 April 2014 without repayment. The Financier has signed a standstill agreement whereby it has agreed to waive any "event of default" which would otherwise have arisen following non-payment of the debt on the maturity date and not take any enforcement action until 15 October 2014 (Standstill Period).

This standstill is subject to the on-going satisfaction of a number of conditions, including the implementation of a business plan that will see all of the Consolidated Entity's properties sold over a period of six months to repay outstanding bank debt. If any of the conditions, or any other standstill conditions, are breached the Standstill Period will terminate and the Financier may proceed with enforcement action.

At current year end, no sale agreements have been executed on any of the Consolidated Entity's properties. Subsequent to 30 June 2014, agreements have been executed for the sale of the Wiesbaden nursing home property, with settlement expected on 30 November 2014, subject to certain conditions being met. Further information regarding the Wiesbaden sale is disclosed in events subsequent to the reporting date (Note 28).

Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2014

2 Basis of preparation continued

d Going concern continued

Discussions are underway with the Financier to extend the standstill agreement past the expiry date of 15 October 2014. However, there is no guarantee that any extensions will be granted. In order to avoid a potential default, the Responsible Entity intends to pursue the above business plan at the present time but will continue to give further consideration to alternatives for the Consolidated Entity in light of the potential outcome to the tax audit of the 2007 to 2010 years.

In the event the above business plan is not fulfilled or any other standstill conditions are not met within the Standstill Period and an extension/waiver is not granted by the Financier, significant uncertainty will exist as to whether the Consolidated Entity will continue as a going concern and therefore, whether it will be able to realise its assets and extinguish its liabilities in the normal course of business. The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classifications of liabilities that might be necessary should the Consolidated Entity not continue as a going concern.

e New and amended standards adopted

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

AASB 10 *Consolidated Financial Statements* which replaces all of the guidance on control and consolidation. 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.

AASB 11 *Joint Arrangements* which introduces a principle 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 for their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard AASB 131 *Interests in Joint Ventures*.

AASB 12 *Disclosure of Interests in Other Entities* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards*, which set out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11 and replace the disclosure requirements previously found in AASB 127 *Separate Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures*.

AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* which sets out in a single standard a framework for measuring fair value, including related disclosure requirements in relation to fair value measurement. AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique.

AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* which removes 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*.

AASB 2012-2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to AASB 7)* which requires an entity to disclose information about rights of offset and related arrangements for financial instruments under an enforceable master netting agreement or similar arrangement.

AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle* which amends a number of pronouncements as a result of the 2009-2011 annual improvements cycle.

AASB 2012-10 *Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments* which provides transition guidance for the amendments to AASB 10 Consolidated Financial Statements.

These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards. The adoption of the above revised Standards and Interpretations has resulted in amended disclosures in the financial report but has not impacted the financial results of the Consolidated Entity.

Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2014

3 Significant accounting policies

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

a Principles of consolidation

Subsidiaries

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

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

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

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

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

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

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

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

b Foreign and cross currency transactions

Foreign and cross currency transactions of the Consolidated Entity are converted to Australian dollars at the rate of exchange prevailing at the date of the transaction or at hedge rates where applicable. Amounts receivable or payable by entities within the Consolidated Entity that are outstanding as at period end and are denominated in foreign currencies are converted to Australian dollars using rates of exchange at the end of the period. All resulting exchange differences arising on settlement are brought to account in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. Foreign currency differences are recognised directly in equity in the foreign currency translation reserve (FCTR).

c Revenue recognition

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

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

Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2014

3 Significant accounting policies continued

c Revenue recognition continued

Property rental revenue

Rental income from investment property leased out under an operating lease is recognised in the Consolidated Statement of Profit or Loss and Other 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.

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.

Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2014

3 Significant accounting policies continued

f Goods and services tax (GST)

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

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

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

g Value added tax (VAT)

Revenues, expenses 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 Consolidated Statement of Financial Position.

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

h Income tax - funds

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

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

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

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

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

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

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

i Cash and cash equivalents

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

j Trade and other receivables

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

Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2014

3 Significant accounting policies continued

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;
- 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 Consolidated Statement of Profit or Loss and Other Comprehensive Income in the period in which they arise.

l Properties held for sale

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

Properties held for sale are measured at fair value.

m Derivative financial instruments

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

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

Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2014

3 Significant accounting policies continued

n 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.

o Impairment

Financial assets

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

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

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

All impairment losses are recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available for sale financial assets that are debt securities, the reversal is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Non-financial assets

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

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

p 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.

q 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.

Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2014

3 Significant accounting policies continued

r Interest bearing liabilities

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

s Distributions

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

t 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.

u 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).

v 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 2014 but have not been applied in preparing this financial report:

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and liabilities. Since December 2013 it also sets out new rules for hedge accounting. The standard is applicable for financial years commencing on or after 1 January 2017 (deferred from 1 January 2015) but is available for early adoption.

Under AASB 9, financial assets will be 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 Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Financial assets may also be designated and measured at fair value through profit or loss if doing so eliminates or significantly reduces 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.

New hedging rules will introduce expanded disclosure requirements and changes in presentation for hedge accounting.

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 2018. The Consolidated Entity is still assessing the consequential impact of the amendments.

AASB 1031 *Materiality (December 2013)* is an interim standard that cross references to other Standards and the Framework for the Preparation and Presentation of Financial Statements (issued December 2013) that contains guidance on materiality.

The AASB is progressively removing reference to AASB 1031 in all Standards and Interpretations, and once all these references have been removed AASB 1031 will be withdrawn.

AASB 1031 is applicable to financial statements with a reporting period beginning on or after 1 January 2014. It is not considered that the Standard will have a material effect on the financial statements.

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

AASB 2013-3 is applicable to financial statements with a reporting period beginning on or after 1 January 2014. The impact on the financial statements is still being assessed.

Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2014

3 Significant accounting policies continued

v New standards and interpretations not yet adopted continued

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

AASB 2013-5 is applicable to financial statements with a reporting period beginning on or after 1 January 2014. The impact on the financial statements is still being assessed.

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

AASB 2013-9 Part B is applicable to financial statements with a reporting period beginning on or after 1 January 2014. It is not considered that the Standard will have a material effect on the financial statements.

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

4 Parent entity disclosures

	Fund 2014 $'000	2013 $'000
Assets		
Current assets	5,019	26,925
Total assets	**5,019**	**26,925**
Liabilities		
Current liabilities	659	25,194
Total liabilities	**659**	**25,194**
Equity		
Units on issue	202,533	202,533
Undistributed losses	(198,173)	(200,802)
Total equity	**4,360**	**1,731**

	Fund Year ended 30 June 2014 $'000	Year ended 30 June 2013 $'000
Net profit/(loss) for the year	2,629	(247)
Total comprehensive income/(loss) for the year	**2,629**	**(247)**

The Fund did not have any contingent assets or liabilities, commitments or guarantees at 30 June 2014 or 30 June 2013. Refer to contingent liabilities and assets (Note 26) and capital and other commitments (Note 27) for amounts in relation to the Consolidated Entity.

5 Segment reporting

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

Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2014

6 Net unrealised gain on revaluation of financial derivatives

	Consolidated	
	Year ended 30 June 2014 $'000	Year ended 30 June 2013 $'000
Interest rate swaps	–	9,509
Forward foreign exchange contracts	–	(2,993)
Net unrealised gain on revaluation of financial derivatives	**–**	**6,516**

7 Auditor's remuneration

	Consolidated	
	Year ended 30 June 2014 $	Year ended 30 June 2013 $
Auditors of the Fund:		
Audit and review of financial reports	180,000	174,894
Network firms to the auditors of the Fund:		
Audit and review of financial reports	22,153	18,873
Other audit firms:		
Audit and review of the financial reports	9,070	7,549
Total auditor's remuneration	**211,223**	201,316

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 3p.

		Consolidated	
		Year ended 30 June 2014	Year ended 30 June 2013
Net profit attributable to unitholders	$'000	1,559	4,281
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	0.63	1.73

Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2014

9 Income tax

	Consolidated Year ended 30 June 2014 $'000	Year ended 30 June 2013 $'000
a Major components of income tax expense		
Current income tax charge and adjustments in respect of prior year charges	(97)	(2,383)
Total current income tax expense	**(97)**	**(2,383)**
Deferred income tax		
Relating to origination and reversal of temporary differences	(1,550)	(1,505)
Total deferred income tax expense	**(1,550)**	**(1,505)**
Total income tax expense reported in the Consolidated Statement of Profit or Loss and Other Comprehensive Income	**(1,647)**	**(3,888)**
b Income tax expense		
Numerical reconciliation between tax expense and pre-tax net profit		
Profit before income tax	**3,206**	8,169
Add back profit to arrive at local accounting profit[1]	(3,037)	(8,054)
Total accounting profit subject to tax	**169**	**115**
Prima facie income tax expense on profit using the Luxembourg tax rate of just under 30% (2013: just under 30%)	(49)	(33)
Origination and reversal of temporary timing differences	(1,550)	(1,505)
2004 to 2006 German trade tax assessment	–	(2,450)
Other[2]	(48)	100
Total income tax expense reported in the Consolidated Statement of Profit or Loss and Other Comprehensive Income	**(1,647)**	**(3,888)**

1 Under current income tax legislation, the Fund is not liable for Australian income tax as unitholders are presently entitled at year end to the income of the trust estate calculated in accordance with the Fund's Constitution and applicable tax law. Furthermore, the Fund's subsidiaries that are subject to taxation are subject to taxation in regimes that do not apply International Financial Reporting Standards. The adjustments above also reflect adjustments in order to arrive at local GAAP accounting profit/(loss). These adjustments primarily include revaluation of investment property and derivatives.

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

	Consolidated 2014 $'000	2013 $'000
c Tax assets and liabilities		
Tax liability – current (recognised within trade and other payables)	(95)	(211)
Deferred tax asset – non-current	–	1,453

d Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2014 $'000	2013 $'000	Liabilities 2014 $'000	2013 $'000	Net 2014 $'000	2013 $'000
Consolidated						
Derivative fair value adjustments	–	1,453	–	–	–	1,453
Total	–	**1,453**	–	–	–	**1,453**

In accordance with AASB 112 *Income taxes*, a deferred tax asset of $1,977,000 (2013: $1,882,000) arising from the fair value of investment properties has not been recognised.

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

10 Distributions and returns of capital

During the current and prior years, no distributions were declared/paid by the Fund to unitholders. In the prior year, the Fund paid a special distribution of 10 cents per unit or $24,695,000 on 23 July 2013. This was treated in the financial statements as a return of capital.

Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2014

11 Cash and cash equivalents

	Consolidated	
	30 June 2014 $'000	30 June 2013 $'000
Cash at bank	8,014	33,047
Restricted cash	23,958	21,263
Total cash and cash equivalents	**31,972**	**54,310**

Subsequent to the prior period ended 31 December 2011, following 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 the notice restricted the cash that was generated and held within the partnerships that own the Consolidated Entity's investment properties. This restriction continues to be in place. Further details are contained within Note 16 interest bearing liabilities. As at 30 June 2014, the value of cash held within these entities was $23,958,000 or €16,488,000 (2013: $21,263,000 or €15,027,000).

12 Trade and other receivables

	Consolidated	
	2014 $'000	2013 $'000
Trade receivables	782	1,227
Prepayments other receivables	68	125
Total trade and other receivables	**850**	**1,352**

13 Investment properties

Description	Latest external valuation date	Latest external valuation[1] $'000	Consolidated 2014 Carrying value $'000	2013 Carrying value $'000
Total retail	31 Dec 13	177,259	–	172,546
Total logistics	31 Dec 13	39,000	–	26,291
Total office	31 Dec 13	26,025	–	37,484
Total nursing home	31 Dec 13	81,807	–	79,808
Total investment properties[1]		**324,091**	**–**	**316,129**

1 The external latest valuations are as at 31 December 2013 using 30 June 2014 exchange rate of €0.6882 to $1.00 (2013: €0.7067 to $1.00). The 31 December 2013 external valuation totals €223,040,00 (2013: €223,410,000). Investment property has been reclassified as property held for sale (refer to Note 14).

On the 15 April 2014 the Consolidated Entity's debt facility with Hypothekenbank Frankfurt AG (Hypothekenbank or Financier) matured without repayment (refer to Note 16). Notwithstanding, the Financier has signed a standstill agreement whereby it has agreed to waive any "event of default" which would otherwise have arisen following non-payment of the debt on the maturity date and not take any enforcement action until 15 October 2014 (Standstill Period). One condition of the standstill is the implementation of a business plan that will see all of the Consolidated Entity's properties sold over a period of six months to repay outstanding bank debt. The investment properties were reclassified as at the date of entering into the standstill agreement to properties held for sale (refer to Note 14). Further information regarding property fair values have been included in non-financial assets and liabilities recognised at fair value (Note 23).

Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2014

13 Investment properties continued

Independent valuations

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

The entire property portfolio has been independently valued at 31 December 2013 and 30 June 2013 by Jones Lang LaSalle. The valuation conducted by Jones Lang LaSalle has been made on the basis of fair value, using the Discounted Cash Flow (DCF) calculation method. The capitalisation rate utilised for the 31 December 2013 valuation ranges from 6.75% to 11.00% (30 June 2013: 6.75% to 11.00%).

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 Consolidated Statement of Profit or Loss and Other 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 Consolidated Statement of Financial Position. Additions and other expenditure on property investments which are capital in nature are capitalised as incurred.

Reconciliation of the carrying amount of investment properties is set out below:

	Consolidated	
	Year ended 30 June 2014 $'000	Year ended 30 June 2013 $'000
Carrying amount at beginning of year	316,129	284,327
Capital expenditure and incentives	4,702	2,068
Decrease in fair value of investment properties	(2,583)	(11,048)
Foreign currency translation exchange adjustment	17,402	40,782
Investment properties transferred to properties held for sale	(335,650)	–
Carrying amount at year end	**–**	**316,129**

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 consolidated financial statements are receivable as follows for the prior year end 30 June 2013. Amounts for the year ended 30 June 2014 have not been provided as the properties have been reclassified to held for sale.

	Consolidated 2013 $'000
Within one year	31,187
Later than one year but not later than five years	97,534
Later than five years	91,090
Total	**219,811**

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 for the prior year ended 30 June 2013 was 7.46 years.

Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2014

14 Properties held for sale

	Consolidated 2014 $'000	2013 $'000
Total properties held for sale[1]	**316,722**	**–**

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

On the 15 April 2014 the Consolidated Entity's debt facility with Hypothekenbank matured without repayment (refer to Note 16). Notwithstanding, the Financier has signed a standstill agreement whereby it has agreed to waive any "event of default" which would otherwise have arisen following non-payment of the debt on the maturity date and not take any enforcement action until 15 October 2014 (Standstill Period). One condition of the standstill is the implementation of a business plan that will see all of the Consolidated Entity's properties sold over a period of six months to repay outstanding bank debt. The investment properties were reclassified as at the date of entering into the standstill agreement to properties held for sale.

Properties held for sale are stated at fair value. The properties have been independently valued at 30 June 2014 by Jones Lang LaSalle on a basis consistent with prior years, using the Discounted Cash Flow (DCF) calculation method. The capitalisation rates utilised for the 30 June 2014 Jones Lang LaSalle valuation ranges from 6.75% to 11.00%.

The carrying value of the properties at $316,722,000 or €217,976,000 in the financial statements at 30 June 2014 reflect the Jones Lang LaSalle valuation, subject to two adjustments. The Wiesbaden nursing home has been valued at the €8,500,000 gross sale price of agreements executed subsequent to year end (refer to events subsequent to the reporting date (Note 28) for further information). A further adjustment of €6,024,000 has been adopted to reflect the potential for a lower sales value to be achieved in circumstances where the properties are sold so as to satisfy the requirements of the Financier.

Further information regarding property fair values have been included in non-financial assets and liabilities recognised at fair value (Note 23).

15 Trade and other payables

	Consolidated 2014 $'000	2013 $'000
Current		
Trade payables	993	1,530
Interest payable	2,214	3,138
Management fee payable	349	372
Other payables and accruals	3,174	1,452
Total current	**6,730**	**6,492**
Non-current		
Trade payables	–	398
Total non-current	**–**	**398**
Total trade and other payables	**6,730**	**6,890**

Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2014

16 Interest bearing liabilities

	Consolidated 2014 $'000	2013 $'000
Current		
Secured bank debt[1]	336,239	327,437
Debt establishment fees[2]	–	(233)
Total current	**336,239**	**327,204**
Total interest bearing liabilities	**336,239**	**327,204**

1 Only interest is paid on this facility until the maturity of the facility. The facility totals €231,400,000 and has been translated at 30 June 2014 exchange rate of €0.6882 to $1.00 (2013: €0.7067 to $1.00).
2 The debt establishment fees are amortised using the effective interest rate method.

Finance arrangements	Expiry Date	Consolidated 2014 $'000	2013 $'000
Facilities available			
Bank debt facility	15 Oct 2014	336,239	327,437
Less: Facilities utilised		(336,239)	(327,437)
Facilities not utilised		**–**	**–**

Finance arrangements	Consolidated Year ended 30 June 2014 $'000	Year ended 30 June 2013 $'000
Secured bank debt		
Opening balance	327,437	285,855
Changes in foreign currency	8,802	41,582
Total secured debt	**336,239**	**327,437**

The Consolidated Entity has granted the lender a first ranking security over its interest in the relevant properties in Note 13 and Note 14 and the cash that is reflected as restricted cash in Note 11.

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

Notwithstanding, the Financier has signed a standstill agreement whereby it has agreed to:
– waive any "event of default" which would otherwise have arisen following non-payment of the debt on the maturity date; and
– not take any enforcement action.
until 15 October 2014 (Standstill Period).

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

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

Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2014

16 Interest bearing liabilities continued

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

During the year Consolidated Entity's interest rate swap derivative matured. At 30 June 2014 there were no interest rate swap derivatives.

The Consolidated Entity's holdings in interest rate swap derivatives are detailed below:

		Floating rate		Fixed rate		Notional amount of contracts outstanding		Fair value of interest rate swaps	
Expiry date	Underlying instrument	2014 %	2013 %	2014 %	2013 %	2014 €'000	2013 €'000	2014 $'000	2013 $'000
15 April 2014	Floating to fixed	–	0.90	–	4.48	–	231,400	–	(9180)

17 Non-controlling interest payable

The Fund indirectly owned 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 partnerships was previously owned by Naiad Property S.a.r.l. (NAIAD). During the year, a subsidiary of the Fund exercised a call option over the 5.1% interest in the Monti Partnerships that it did not own. The Monti Partnerships are now a wholly owned subsidiary.

Any remaining unpaid costs associated with the exercise of this option is shown as part of trade and other payables at current year end.

18 Units on issue

	Year ended 30 June 2014 $'000	Year ended 30 June 2014 Units	Year ended 30 June 2013 $'000	Year ended 30 June 2013 Units
Opening balance	202,533	246,950,150	227,228	246,950,150
Return of capital	–	–	(24,695)	–
Closing balance	**202,533**	**246,950,150**	**202,533**	**246,950,150**

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

19 Reserves

Foreign Currency Translation Reserve

	Consolidated	
	Year ended 30 June 2014 $'000	Year ended 30 June 2013 $'000
Opening balance	(900)	(178)
Movement in reserves due to changes in foreign exchange rates	(521)	(722)
Closing balance	**(1,421)**	**(900)**

20 Undistributed losses

	Consolidated	
	Year ended 30 June 2014 $'000	Year ended 30 June 2013 $'000
Opening balance	(196,096)	(200,377)
Net profit after tax	1,559	4,281
Closing balance	**(194,537)**	**(196,096)**

Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2014

21 Controlled entities

	Principal place of business / country of incorporation	Ownership interest 2014 %	Ownership interest 2013 %
Directly held subsidiaries			
Multiplex German Property Fund	Australia	100.0	100.0
Indirectly held subsidiaries			
Multiplex German Landowning Fund	Australia	100.0	100.0
Multiplex Malta 1 Ltd	Malta	100.0	100.0
Multiplex Malta 2 Ltd	Malta	100.0	100.0
Multiplex Luxembourg Holding S.a.r.l.	Luxembourg	100.0	100.0
Multiplex Luxembourg Limited Partner S.a.r.l.	Luxembourg	100.0	100.0
Multiplex Luxembourg General Partner S.a.r.l.	Luxembourg	100.0	100.0
Multiplex Luxembourg 1 S.a.r.l.	Luxembourg	100.0	100.0
Multiplex German Investments GmbH	Germany	100.0	100.0
Monti Partnerships [1]	Germany	100.0	94.9

1 The Fund owns a 100% interest in the following seven partnerships (2013: 94.9%): 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 17 for information regarding non-controlling interest payable.

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

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 consolidated financial statements.

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

a Capital risk management

The Board monitors the market unit price of the Consolidated Entity against the Consolidated Entity's net asset value, along with earnings per unit invested and distributions paid per unit. There were no changes in the Consolidated Entity's approach to capital management during the year. Neither the Fund nor any of its subsidiaries are subject to externally imposed capital requirements.

b Financial risk management

Overview

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

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

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

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

Investment mandate

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

Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2014

22 Financial instruments continued

b Financial risk management continued

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. The Consolidated Entity's remaining derivatives matured during the current year and no derivatives are held at year end. As at 30 June 2013, the Consolidated Entity was party to one interest rate swap (IRS) and a number of forward foreign exchange (FFX) agreements.

c Credit risk

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

Sources of credit risk and risk management strategies

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

Trade and other receivables

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

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

Fair value of financial derivatives

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

The Consolidated Entity's overall strategy of credit risk management remains unchanged from 2013.

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 2014 $'000	2013 $'000
Cash and cash equivalents	31,972	54,310
Trade and other receivables	850	1,352
Financial derivatives at fair value	–	1,677
Total exposure to credit risk	**32,822**	**57,339**

Concentrations of credit risk exposure

Hypothekenbank is the counterparty to the term debt facility and, for part of the current year and/or prior years, 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 Hypothekenbank's financial position, market share and reputation, previous experience with these types of transactions, and independent ratings for various covered and uncovered securities offerings. In considering all these factors, the Consolidated Entity does not consider there to be a significant risk of default by the counterparty as at the balance date.

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.

Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2014

22 Financial instruments continued

c Credit risk continued

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 2014, the Consolidated Entity did not call on any collateral provided (2013: nil).

Financial assets past due but not impaired

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

	Consolidated 2014 $'000	2013 $'000
Current	600	1,165
Past due 0-30 days	36	22
Past due 31-120 days	79	133
Past due 121 days to one year	102	14
More than one year	33	18
Total trade and other receivables	**850**	**1,352**

A majority of the receivables reflected above relate to service charges recoverable from tenants. The standard terms of business in Germany include payment of these amounts with what would normally be regarded as extended credit terms to ensure accurate payment. There are no significant financial assets that have had their terms renegotiated that would otherwise have rendered the financial assets past due or impaired.

Impairment losses

During the year ended 30 June 2014 bad debt expense of $79,000 (2013: bad debt expense of $62,000) 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.

Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2014

22 Financial instruments continued

d Liquidity risk continued

Defaults and breaches

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

During the prior year, under the terms of the debt facility, in certain circumstances, the rights and obligations under the option agreement were required to be transferred from one wholly owned entity of the Fund to another wholly owned entity to the satisfaction of the financier. The transfer was required in early 2013 and a waiver was sought from the financier but none was provided and management executed the transfer and provided it to the financier. The financier did not provide any indication as to whether the transfer was effected to its satisfaction.

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

As at 30 June 2014, the loan to value ratio (LVR) is approximately 103.6% (2013: 103.6%). As the LVR continues to exceed 95%, the terms of debt facility provide that cash and cashflow within the partnerships that own the Consolidated Entity's investment property interests must be retained within those entities, and cannot be repatriated or disbursed without consent of the financier.

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
2014						
Financial liabilities						
Trade and other payables	4,516	4,516	4,516	–	–	–
Interest bearing liabilities	336,239	336,239	336,239	–	–	–
	340,755	**340,755**	**340,755**	**–**	**–**	**–**
Interest payable on debt	2,214	12,051	12,051	–	–	–
Net interest payable on debt	**2,214**	**12,051**	**12,051**	**–**	**–**	**–**
Total financial liabilities	**342,969**	**352,806**	**352,806**	**–**	**–**	**–**

	Consolidated $'000					
	Carrying amount	Contractual cash flows	Within 1 year	1 to 2 years	2 to 5 years	Greater than 5 years
2013						
Financial liabilities						
Trade and other payables	3,541	3,541	3,143	398	–	–
Return of capital payable	24,695	24,695	24,695	–	–	–
Interest bearing liabilities	327,204	327,437	327,437	–	–	–
Non-controlling interest payable	1,415	1,415	1,415	–	–	–
	356,855	**357,088**	**356,690**	**398**	**–**	**–**
Interest payable on debt	631	2,360	2,360	–	–	–
Effect of interest rate swap	11,687	9,375	9,375	–	–	–
Net interest payable on debt	**12,318**	**11,735**	**11,735**	–	**–**	**–**
Total financial liabilities	**369,173**	**368,823**	**368,425**	**398**	**–**	**–**

Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2014

22 Financial instruments continued

e Market risk

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

Sources of market risk and risk management strategies

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

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Cash and cash equivalent balances will also fluctuate with changes in interest rates due to interest earned. The key source of interest rate risk for the Consolidated Entity is derived from interest bearing liabilities. The Consolidated Entity 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 16). The Consolidated Entity's interest rate swap matured during the current financial year and no derivatives are held at year end. The table below shows the Consolidated Entity's direct exposure to interest rate risk at year end:

	Floating rate $'000	Fixed rate $'000	Non-interest bearing $'000	Total $'000
Consolidated 2014				
Financial assets				
Cash and cash equivalents	28,906	3,066	–	31,972
Trade and other receivables	–	–	850	850
Total financial assets	**28,906**	**3,066**	**850**	**32,822**
Financial liabilities				
Trade and other payables	–	–	6,730	6,730
Interest bearing liabilities	336,239	–	–	336,239
Total financial liabilities	**336,239**	**–**	**6,730**	**342,969**

	Floating rate $'000	Fixed rate $'000	Non-interest bearing $'000	Total $'000
Consolidated 2013				
Financial assets				
Cash and cash equivalents	50,084	4,226	–	54,310
Trade and other receivables	–	14	1,338	1,352
Financial derivatives	–	–	1,677	1,677
Total financial assets	**50,084**	**4,240**	**3,015**	**57,339**
Financial liabilities				
Trade and other payables	–	3,138	3,752	6,890
Return of capital payable	–	–	24,695	24,695
Interest bearing liabilities	327,437	–	(233)	327,204
Financial derivatives	9,180	–	–	9,180
Other	–	–	1,415	1,415
Total financial liabilities	**336,617**	**3,138**	**29,629**	**369,384**

Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2014

22 Financial instruments continued

e Market risk continued

Sensitivity analysis

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

	2014		2014		2013		2013	
	+ 1% Profit or loss	+ 1% Equity	- 1% Profit or loss	- 1% Equity	+ 1% Profit or loss	+ 1% Equity	- 1% Profit or loss	- 1% Equity
Consolidated								
Interest on cash	289	289	(289)	(289)	501	501	(501)	(501)
Interest bearing liabilities	(3,362)	(3,362)	3,362	3,362	(3,274)	(3,274)	3,274	3,274
Interest on swaps	–	–	–	–	3,274	3,274	(3,274)	(3,274)
Fair value of derivatives	–	–	–	–	2,452	2,452	(756)	(756)
Total increase/(decrease)	**(3,073)**	**(3,073)**	**3,073**	**3,073**	**2,953**	**2,953**	**(1,257)**	**(1,257)**

Foreign currency risk

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

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

This arises as the capital raised by the Fund (and subsequently redeemed) is in Australian dollars, and all distributions are paid to unitholders in Australian dollars.

The Consolidated Entity uses the following strategies to hedge its foreign currency exposures:

- for assets which earn income in a foreign currency, borrowings are sourced in the same currency as the asset, which creates a natural hedge; and
- forward exchange contracts may be utilised to hedge net income earned in Europe which is repatriated to Australia to pay distributions to unitholders (which are paid in Australian dollars).

The Consolidated Entity's remaining forward foreign exchange contracts matured during the year.:

Type of contract	Expiry date	Underlying exposure	Fixed rate	Notional amount of contracts outstanding 30 June 2014 €'000	Fair value of forward foreign exchange asset 30 June 2014 $'000	Fair value of forward foreign exchange asset 30 June 2013 $'000
Forward foreign exchange	Quarterly until 15 April 2014	Euro	0.5476	–	–	1,677

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 2014 $'000	2013 $'000
Australia (Australian dollar-denominated) *		
Gross assets	7,642	32,397
Gross liabilities	(659)	(25,194)
Europe (Euro-denominated)		
Gross assets	235,299	242,064
Gross liabilities	(235,580)	(243,241)

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

	Euro			
The following Euro exchange rates were applied to transactions during the year:	2014 reporting date spot rate	Year ended 30 June 2014 average rate	2013 reporting date spot rate	Year ended 30 June 2013 average rate
1 Australian Dollar	0.6882	0.6771	0.7067	0.7948

Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2014

22 Financial instruments continued

e Market risk continued

Sensitivity analysis continued

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

	2014		2014		2013		2013	
	+ 5% Profit or loss $'000	+ 5% Equity $'000	- 5% Profit or loss $'000	- 5% Equity $'000	+ 5% Profit or loss $'000	+ 5% Equity $'000	- 5% Profit or loss $'000	- 5% Equity $'000
Consolidated	294	313	(325)	(346)	410	490	(453)	(541)

f Fair values

Methods for determining fair values

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

Cash and cash equivalents and trade and other receivables

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

Derivatives

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

Non-derivative financial liabilities

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

Fair values versus carrying amounts

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

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

The carrying amounts of cash and cash equivalents, trade and other receivables, and trade and other payables are assumed to reasonably approximate their fair values due to their short-term nature. Accordingly, fair value disclosures are not provided for such assets and liabilities. Furthermore, there are no derivatives held at current year end.

The following table presents the Consolidated Entity's assets and liabilities measured and recognised at fair value at 30 June 2013:

Consolidated Entity – at 30 June 2013	Level 2 $'000	Total $'000
Assets		
Financial derivatives at fair value through profit or loss	1,677	1,677
Total assets	**1,677**	**1,677**
Liabilities		
Financial derivatives at fair value through profit or loss	9,180	9,180
Total liabilities	**9,180**	**9,180**

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

Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2014

23 Non-financial assets and liabilities recognised at fair value

Fair value hierarchy

The below table presents the Consolidated Entity's non-financial assets and liabilities measured and recognised at fair value at 30 June 2014.

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

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

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

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

Valuation techniques used to determine level 3 fair values

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

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

- the most recent independent valuations;
- current prices in an active market for properties of a different nature or recent prices of similar properties in a less active market, adjusted to reflect differences;
- discounted cash flow projections based on reliable estimates; and
- capitalised income projections

The following table presents the changes in level 3 items for the year ended 30 June 2014 for recurring fair value measurements:

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

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

Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2014

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

Valuation inputs and relationship to fair value

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

24 Reconciliation of cash flows from operating activities

	Consolidated Year ended 30 June 2014 $'000	Year ended 30 June 2013 $'000
Net profit after tax for the year	**1,559**	**4,281**
Adjustments for:		
Non-cash items		
Net loss on revaluation of investment properties	14,401	11,048
Net realised gain on revaluation of financial derivatives	(8,894)	(6,516)
Deferred tax expense	1,550	1,505
Other	1,408	(393)
Operating profit before changes in working capital	**10,024**	**9,925**
Changes in assets and liabilities during the year:		
Decrease/increase in trade and other receivables	502	(778)
(Decrease)/increase in trade and other payables	(205)	217
Net cash flows from operating activities	**10,321**	**9,364**

Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2014

25 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
Barbara Ward
Brian Motteram (resigned 28 February 2014)
Russell Proutt
Shane Ross (resigned and appointed alternate director 28 February 2014)

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, interests in registered schemes and rights or options over such instruments issued by the entities within the Consolidated Entity and other related bodies corporate as at the date of this report:

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

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 2014 was nil (2013: nil). As at 30 June 2014, the performance fee payable to the Responsible Entity was nil (2013: 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 2014 was $1,497,000 (2013: $1,407,000). As at 30 June 2014, the management fee payable to the Responsible Entity was $349,000 (2013: $372,000).

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, until October 2012 when it disposed its holdings to BAO Trust. These are related parties by virtue of their Responsible Entities being part of the Brookfield group.

Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2014

25 Related parties continued

Related party unitholders

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

- Multiplex German Investment Pty Ltd as trustee for Multiplex German Investment Trust, owned 100% by Brookfield Australia Property Trust, holds 49,750,100 units or 20.2% of the Fund at year end (2013: 49,750,100 units or 20.2%); and
- JP Morgan Chase Bank N.A., as custodian for BAO Trust, holds 12,750,050 units or 5.2% of the Fund at year end (2013: 12,750,050 or 5.2%).

	Consolidated 2014 $'000	2013 $'000
Transactions with the Responsible Entity		
Management fees	1,497	1,407
Cost reimbursements	217	140
Management fee payable	349	372
Cost reimbursements payable	179	–
Transactions with related parties of the Responsible Entity		
Return of capital to Multiplex German Investment Trust	–	4,975
Return of capital payable to Multiplex German Investment Trust	–	4,975
Return of capital to BAO Trust	–	1,275
Return of capital payable to BAO Trust	–	1,275

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.

26 Contingent liabilities and assets

Tax audit

German tax audit 2007-2010

Correspondence, in the form of preliminary findings, has been received from the German tax office in relation to the Monti Partnerships' tax audit for the 2007 to 2010 years. These preliminary findings result in tax payable in the amount of €0.15 million (A$0.22 million) with none of the liability being relevant to Trade Tax. The preliminary findings have been reviewed with advisors and further information has been provided to the German tax office in relation to the findings.

Assuming the findings are accepted, it can be expected that final findings and subsequent tax assessments, if any, will be issued in the coming months. It is open to the German tax office to alter the preliminary findings prior to being finalised. Therefore, there is no guarantee that this position will not change prior to assessments being issued.

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

The Consolidated Entity's financier, Hypothekenbank has confirmed the following regarding the preliminary findings for the Monti Partnerships' tax audit for the 2007 to 2010 years:

- it will agree to the estimated tax payable of approximately €0.2 million being funded from Monti Partnerships' cash reserves retained in Germany; and
- the preliminary findings received from the German tax office and any assessment arising on substantially the same basis is not an event of default or termination event under the debt facility.

It should be noted that as the tax audit findings are not final, if the German tax office were to apply the same approach for the 2007 to 2010 period as was applied to 2004 to 2006, the current estimate of potential trade tax payable would be approximately €28.6 million (including approximately €6.8 million in interest and penalties) calculated to 30 June 2014. Further, if an assessment was to become due and payable, discussions with the Financier and the German tax office would be required regarding payment of part or all of any such liability. If no deferral of any liability is achieved or if the Financier does not consent to the use of cash reserves then this may give rise to solvency considerations in those entities and/ or an event of default under the debt facility.

Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2014

26 Contingent liabilities and assets continued

Tax audit continued

German tax audit 2004-2006

No response has been received from the German tax authorities relating to the objection lodged against the Trade Tax assessment for the 2004 to 2006 income years. Approximately €2 million has been paid for that Trade Tax assessment.

As each year is assessed independently, the findings for the 2007 to 2010 years do not impact the findings for 2004 to 2006. As such, it is intended to wait until a response is received in relation to the objection before any further action is undertaken.

27 Capital and other commitments

Capital or other commitments at 30 June 2014 of A$5,672,492 relate to capital works on various properties (30 June 2013: nil).

28 Events subsequent to the reporting date

Subsequent to current year end, agreements have been executed for the sale of the Wiesbaden nursing home property for a gross sale price of €8.5 million. Settlement is expected on 30 November 2014, subject to the meeting of customary conditions relating to providing clear title to the property. The expected net sale proceeds is approximately €8.2 million and the net proceeds will be used to pay down the Consolidated Entity's debt facility.

As previously advised the standstill agreement in relation to the debt facility expires on 15 October 2014. Discussions are underway with the Financier to extend the standstill agreement past that date, however, there is no guarantee that this will occur. The Responsible Entity continues to review the German property market and assess the potential for other property sales in line with the business plan prescribed in the agreement with the financier.

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

Directors' Declaration

For the year ended 30 June 2014

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

a The consolidated financial statements and notes, set out in pages 16 to 47, 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 2014 and of its performance for the financial year ended on that date;

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

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

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

The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2014.

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 25th day of August 2014.

Russell Proutt
Director
Brookfield Capital Management Limited

Independent Auditor's Report

For the year ended 30 June 2014

Deloitte.

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

Eclipse Tower
Level 19
60 Station Street
Parramatta NSW 2150
PO Box 38
Parramatta NSW 2124 Australia

DX 28485
Tel: +61 (0) 2 9840 7000
Fax: +61 (0) 2 9840 7001
www.deloitte.com.au

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

We have audited the accompanying financial report of Multiplex European Property Fund ('the Fund'), which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the Fund and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 16 to 48.

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.

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

Independent Auditor's Report Continued

For the year ended 30 June 2014

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 2014 and of its performance for the year ended on that date; and

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

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

Emphasis of matter

Without modifying our opinion, we draw attention to note 2 in the financial statements regarding the status of the consolidated entity's financing arrangements. The standstill agreement on the existing debt facility is due to expire on 15 October 2014. This condition, along with other matters as set out in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about the ability of the consolidated entity to continue as a going concern, and therefore the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

DELOITTE TOUCHE TOHMATSU

Helen Hamilton-James
Partner
Chartered Accountants
Parramatta, 25 August 2014

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
Eclipse Tower
Level 19
60 Station Street
Parramatta NSW 2150
Telephone: (02) 9840 7000
Facsimile: (02) 9840 7001

www.au.brookfield.com