

Multiplex European Property Fund
Interim financial report
For the half year ended
31 December 2010

Multiplex European Property Fund

ARSN 124 527 206

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Directory

Multiplex European Property Fund

For the half year ended 31 December 2010

Responsible Entity

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

Directors of Brookfield Capital Management Limited

F. Allan McDonald
Brian Motteram
Barbara Ward
Tim Harris
Russell Prutt

Company Secretary of Brookfield Capital Management Limited

Neil Olofsson

Registered Office

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

Custodian

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

Stock Exchange

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

Location of Share Registry

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

Auditor

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

Directors' Report

Multiplex European Property Fund

For the half year ended 31 December 2010

Introduction

The Directors of Brookfield Capital Management Limited (BCML) (ABN 32 094 936 866), formerly Brookfield Multiplex Capital Management Limited, the Responsible Entity of Multiplex European Property Fund (ARSN 124 527 206) (Fund), present their report together with the financial statements of the Consolidated Entity, being the Fund and its subsidiaries, for the six months ended 31 December 2010 and the Independent Auditor's Review Report thereon.

Directors

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

Name	Capacity
F. Allan McDonald (appointed 1 January 2010)	Non-Executive Independent Chairman
Brian Motteram (appointed 21 February 2007)	Non-Executive Independent Director
Barbara Ward (appointed 1 January 2010)	Non-Executive Independent Director
Tim Harris (appointed 1 January 2010)	Executive Director
Russell Prutt (appointed 1 January 2010)	Executive Director

Principal activities

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

Review of operations

The Consolidated Entity recorded a net profit after tax of \$20,406,000 for the six month period ended 31 December 2010 (2009: net profit after tax of \$13,433,000). The reported net profit after tax includes an unrealised loss of \$9,445,000 on property revaluations (2009: unrealised losses of \$8,998,000).

As communicated to investors in the ASX announcement dated 17 December 2010, the Fund paid a distribution for the quarter ended 31 December 2010. BCML will consider the Fund's net profit after providing for maintenance capital expenditure, the prevailing market conditions and tax considerations before declaring any distribution for the March 2011 and June 2011 quarters.

An unrealised gain of \$23,021,000 was also recorded by the Consolidated Entity on account of marking-to-market value the Consolidated Entity's derivatives (2009: unrealised gain of \$13,215,000). The practice of marking-to-market the Consolidated Entity's derivatives at each period end date will continue to introduce volatility into the Consolidated Entity's Statement of Comprehensive Income and Statement of Financial Position. However, these adjustments are non-cash related as the Consolidated Entity's derivative obligations were fixed at the time of entering into the derivatives in November 2006 and these obligations do not change during the term of the derivative.

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

- property rental income of \$17,017,000 (2009: \$19,772,000);
- total revenue and other income of \$43,444,000 (2009: \$36,329,000);
- net profit after tax of \$20,406,000 (2009: net profit after tax of \$13,433,000);
- earnings per unit (EPU) of 8.3 cents (2009: 5.4 cents);
- distributions to unitholders for the half year ended 31 December 2010 were \$3,087,000 (2009: \$3,086,000) and distributions per unit (DPU) of 1.25 cents per unit (2009: 1.25);
- net assets of \$91,325,000 and NTA of \$0.37 (30 June 2010: \$77,506,000 and NTA of \$0.31); and
- property portfolio value of \$347,655,000 (30 June 2010: \$384,769,000) and unrealised revaluation decrement of \$9,445,000 (2009: \$8,998,000).

Directors' Report continued

Multiplex European Property Fund

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For the half year ended 31 December 2010

Rounding of amounts

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

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

The lead auditor's independence declaration is set out on page 6 and forms part of the Directors' Report for the half year ended 31 December 2010.

Dated at Sydney this 28th day of February 2011.

Signed in accordance with a resolution of the Directors made pursuant to Section 306(3) of the *Corporations Act 2001*.



Russell Proutt

Director

Brookfield Capital Management Limited

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

28 February 2011

Dear Directors

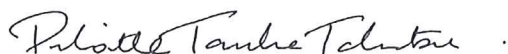
MULTIPLEX EUROPEAN PROPERTY FUND

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

As lead audit partner for the review of the financial statements of Multiplex European Property Fund for the half year ended 31 December 2010, 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours faithfully



DELOITTE TOUCHE TOHMATSU



Helen Hamilton-James
Partner
Chartered Accountants

Condensed Consolidated Interim Statement of Comprehensive Income

Multiplex European Property Fund

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For the half year ended 31 December 2010

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

The Condensed Consolidated Interim Statement of Comprehensive Income should be read in conjunction with the Notes to the condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Financial Position

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Multiplex European Property Fund

As at 31 December 2010

	Note	Consolidated 31 December 2010 \$'000	30 June 2010 \$'000
Assets			
Current assets			
Cash and cash equivalents		33,081	33,932
Trade and other receivables		3,165	2,556
Fair value of financial derivatives		2,064	1,620
Total current assets		38,310	38,108
Non-current assets			
Investment properties	7	347,655	384,769
Fair value of financial derivatives		35,011	19,537
Deferred tax asset		2,837	3,954
Total non-current assets		385,503	408,260
Total assets		423,813	446,368
Liabilities			
Current liabilities			
Trade and other payables		6,105	6,179
Distribution payable	6	1,543	6,482
Provisions		977	1,055
Total current liabilities		8,625	13,716
Non-current liabilities			
Interest bearing liabilities	8	303,129	327,100
Fair value of financial derivatives		18,108	25,211
Minority interest payable		2,626	2,835
Total non-current liabilities		323,863	355,146
Total liabilities		332,488	368,862
Net assets		91,325	77,506
Equity			
Units on issue	9	227,228	227,228
Reserves		(2,084)	1,416
Undistributed losses		(133,819)	(151,138)
Total equity		91,325	77,506

The Condensed Consolidated Interim Statement of Financial Position should be read in conjunction with the Notes to the condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Changes in Equity

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Multiplex European Property Fund

For the half year ended 31 December 2010

Consolidated Entity	Attributable to Unitholders of the Fund			
	Ordinary units \$'000	Undistributed profits/(losses) \$'000	Reserves \$'000	Total \$'000
Opening equity - 1 July 2010	227,228	(151,138)	1,416	77,506
Changes in foreign currency translation reserve	–	–	(3,500)	(3,500)
Other comprehensive loss for the period	–	–	(3,500)	(3,500)
Net profit for the period	–	20,406	–	20,406
Total comprehensive income/(loss) for the period	–	20,406	(3,500)	16,906
Transactions with unitholders in their capacity as unitholders:				
Distributions paid/payable	–	(3,087)	–	(3,087)
Total transactions with unitholders in their capacity as unitholders	–	(3,087)	–	(3,087)
Closing equity - 31 December 2010	227,228	(133,819)	(2,084)	91,935

Consolidated Entity	Attributable to Unitholders of the Fund			
	Ordinary units \$'000	Undistributed profits/(losses) \$'000	Reserves \$'000	Total \$'000
Opening equity - 1 July 2009	227,228	(180,145)	16,355	63,438
Changes in foreign currency translation reserve	–	–	(7,188)	(7,188)
Other comprehensive loss for the period	–	–	(7,188)	(7,188)
Net loss for the period	–	13,433	–	13,433
Total comprehensive income/(loss) for the period	–	13,433	(7,188)	6,245
Transactions with unitholders in their capacity as unitholders:				
Distributions paid/payable	–	(3,086)	–	(3,086)
Total transactions with unitholders in their capacity as unitholders	–	(3,086)	–	(3,086)
Closing equity - 31 December 2009	227,228	(169,798)	9,167	66,597

The Condensed Consolidated Interim Statement of Changes in Equity should be read in conjunction with the Notes to the condensed consolidated interim financial statements

Condensed Consolidated Interim Statement of Cash flows

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Multiplex European Property Fund

For the half year ended 31 December 2010

	Consolidated	
	Half year ended 31 December 2010 \$'000	Half year ended 31 December 2009 \$'000
Cash flows from operating activities		
Cash receipts in the course of operations	15,093	20,101
Cash payments in the course of operations	(5,345)	(5,149)
Interest received	4,005	3,589
Financing costs paid	(7,585)	(8,492)
Net cash flows from operating activities	6,168	10,049
Cash flows from investing activities		
Payments for purchase of, and additions to, investment properties	(628)	(101)
Net cash flows used in investing activities	(628)	(101)
Cash flows from financing activities		
Distributions paid	(8,025)	(3,086)
Net cash flows used in financing activities	(8,025)	(3,086)
Net (decrease)/increase in cash and cash equivalents	(2,485)	6,862
Impact of foreign exchange	1,634	(1,123)
Cash and cash equivalents at beginning of the period	33,932	18,735
Cash and cash equivalents at 31 December	33,081	24,474

The Condensed Consolidated Interim Statement of Cash Flows should be read in conjunction with the Notes to the condensed consolidated interim financial statements.

Condensed Notes to the Consolidated Interim Financial Statements Multiplex European Property Fund

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For the half year ended 31 December 2010

1 Reporting entity

Multiplex European Property Fund (Fund) is an Australian registered managed investment scheme under the *Corporations Act 2001*. Brookfield Capital Management Limited (BCML), formerly Brookfield Multiplex Capital Management Limited the Responsible Entity of the Fund, is incorporated and domiciled in Australia. The consolidated interim financial report of the Fund as at and for the six months ended 31 December 2010 comprises the Fund and its subsidiaries (together referred to as the Consolidated Entity).

2 Basis of preparation

Statement of compliance

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 *Interim Financial Reporting*. The consolidated interim financial report does not include all the information required for a full year report, and should be read in conjunction with the consolidated annual financial report of the Consolidated Entity as at and for the year ended 30 June 2010.

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

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

3 Significant accounting policies

The accounting policies applied in this consolidated interim financial report are the same as those applied in the consolidated financial report as at and for the year ended 30 June 2010, except for the impact of the new or revised Standards and Interpretations that are first effective in the current reporting period, as described below.

AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process
AASB 2009-5 introduces amendments into Accounting Standards that are equivalent to those made by the IASB under its program of annual improvements to its standards. A number of the amendments are largely technical, clarifying particular terms, or eliminating unintended consequences. Other changes are more substantial, such as the current/non-current classification of convertible instruments, the classification of expenditures on unrecognised assets in the statement of cash flows and the classification of leases of land and buildings.

AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project
AASB 2010-3 introduces amendments to a number of pronouncements as a result of the IASB's 2008-2010 cycle of annual improvements to provide clarification of certain matters. The key clarifications include the measurement of non-controlling interests in a business combination, transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised AASB 3 *Business Combinations (2008)*, and transition requirements for amendments arising as a result of AASB 127 *Consolidated and Separate Financial Statements*.

The adoption of the above amendments have not resulted in any material changes to the Consolidated Entity's accounting policies or adjustments to amounts reported in the current or prior periods.

4 Estimates

The preparation of the consolidated interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from those estimates.

5 Segment reporting

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

Condensed Notes to the Consolidated Interim Financial Statements continued

Multiplex European Property Fund

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For the half year ended 31 December 2010

6 Distributions

Distributions paid/payable to unitholders were as follows:

	Cents per unit	Total amount \$'000	Date of payment
Ordinary units			
September 2010 distribution	0.625	1,543	29 October 2010
December 2010 distribution	0.625	1,544	31 January 2011
Total distribution for the six months ended 31 December 2010	1.250	3,087	
Ordinary units			
September 2009 distribution	0.625	1,543	30 October 2009
December 2009 distribution	0.625	1,543	29 January 2010
Total distribution for the six months ended 31 December 2009	1.250	3,086	

7 Investment properties

The Consolidated Entity holds the following categories of investment properties at the reporting date:

Description	Consolidated		30 June 2010 book value \$'000
	Latest external valuation \$'000	31 December 2010 book value \$'000	
Total retail investment properties	225,148	225,148	248,101
Total commercial investment properties	14,282	14,282	17,901
Total logistics investment properties	32,217	32,217	35,405
Total nursing home investment properties	76,008	76,008	83,362
Total investment properties	347,655	347,655	384,769

Last valuation in Euro has been converted at the 31 December 2010 exchange rate of €0.7611 to \$1.00. The Euro valuation totals €264,600,000.

Independent valuations

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

The entire property portfolio has been independently valued at 31 December 2010 by DTZ. The valuation conducted by DTZ has been prepared in accordance with the appropriate sections of the Practice Statements contained within the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Standards, 6th Edition, and in accordance with the relevant sections of the European Valuation Standards prepared by the European Group of Valuers Association (TEGoVA). Both these standards are internationally accepted standards of valuation. The methodology utilises the principle of the cold multiplier. The cold multiplier is the estimate of market conditions that is multiplied by the gross rent to derive the value of the assets in the German portfolio. The cold multipliers utilised in the 31 December 2010 valuation range from 0 – 13.70 (30 June 2010: range 0 – 13.33).

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

Condensed Notes to the Consolidated Interim Financial Statements continued

Multiplex European Property Fund

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For the half year ended 31 December 2010

7 Investment properties continued

	Consolidated Half year ended 31 December 2010 \$'000
Reconciliation of the carrying amount of investment properties is set out below:	
Carrying amount at beginning of period	384,769
Capital expenditure	606
Net loss from fair value adjustments to investment properties	(9,445)
Foreign currency translation exchange adjustment	(28,275)
Carrying amount at end of period	347,655

	Consolidated 31 December 2010 \$'000	30 June 2010 \$'000
8 Interest bearing liabilities		
Non-current		
Secured bank debt ¹	304,034	328,227
Debt establishment fees ²	(905)	(1,127)
Total interest bearing liabilities	303,129	327,100

- 1 Only interest is paid on this facility and no other repayments within 12 months have been forecast, hence all the debt due is non-current.
2 The debt establishment fees are amortised using the effective interest rate method.

	Consolidated 31 December 2010 \$'000	30 June 2010 \$'000
Finance arrangements		
Facilities available		
Bank debt facility	304,034	328,227
Less: Facilities utilised	(304,034)	(328,227)
Facilities not utilised	-	-

The bank debt facility consists of a €231,400,000 facility financed by Eurohypo AG. At 31 December 2010, the facility was fully drawn (30 June 2010: fully drawn). The movement in the balance between 30 June 2010 and 31 December 2010 is solely due to changes in foreign exchange rates. The 31 December 2010 debt balance has been translated at the 31 December 2010 foreign exchange rate, or €0.7611 to A\$1.00 (30 June 2010: €0.7050 to A\$1.00).

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

At 31 December 2010, the Fund was in compliance with its loan covenant ratios.

	Half year ended 31 December 2010 \$'000	Half year ended 31 December 2010 Units	Year ended 30 June 2010 \$'000	Year ended 30 June 2010 Units
9 Units on issue				
Opening balance	227,228	246,950,150	227,228	246,950,150
Closing balance	227,228	246,950,150	227,228	246,950,150

Condensed Notes to the Consolidated Interim Financial Statements continued Multiplex European Property Fund

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For the half year ended 31 December 2010

10 Related parties

There have been no significant changes to the related party transactions as disclosed in the annual report for the year ended 30 June 2010.

11 Contingent liabilities and assets

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

There are no other contingent liabilities or assets at 31 December 2010 (30 June 2010: nil).

12 Capital and other commitments

There were no capital or other commitments at 31 December 2010 (30 June 2010: nil).

13 Events subsequent to the reporting date

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

Directors' Declaration

Multiplex European Property Fund

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For the half year ended 31 December 2010

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

- a The condensed consolidated interim financial statements and notes, set out in pages 7 to 14, are in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2010 and of its performance for the six month period ended on that date; and
 - ii complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*;
- 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.

Signed in accordance with a resolution of the Directors of Brookfield Capital Management Limited.

Dated at Sydney, this 28th day of February 2011



Russell Proutt
Director
Brookfield Capital Management Limited

