




## MULTIPLEX EUROPEAN PROPERTY FUND

ARSN 124 527 206

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## Annual Report 2010

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



**Multiplex European Property Fund owns 67 property assets located in Germany. The portfolio is diversified by asset class in the sectors of retail, office, logistics and nursing homes. The total portfolio is valued at €271.26 million.**

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# Message from the Chairman

On behalf of the Board, I present the 2010 Annual Report for Multiplex European Property Fund (MUE or the Fund) for the year ended 30 June 2010.

## FINANCIAL RESULTS

Despite instability of global economies, the Fund experienced a year of solid operational performance. The Fund reported a net profit after tax of \$40.1 million for the period.

Distributions to unitholders for the period were \$11.1 million and the net tangible asset (NTA) per unit was \$0.31 which is an increase of 5 cents on the previous year's NTA.

Portfolio occupancy is 95%.

## BROOKFIELD ASSET MANAGEMENT INC

Approximately 25% of the Fund is owned by Brookfield related entities.

Brookfield Asset Management (BAM) is a global asset manager focused on property, renewable power and infrastructure assets with approximately US\$100 billion of assets under management. BAM has 100 offices, 400 investment professionals and 15,000 staff worldwide in operations in Australia, New Zealand, Europe, North America and South America and the Middle East. BAM's portfolio comprises:

- US\$31 billion of property assets
- US\$15 billion of renewable power assets
- US\$15 billion of timberlands and electricity transmission assets
- US\$37 billion of specialty funds and advisory services
- Development and construction projects on five continents.

BAM is listed on the New York, Toronto and Amsterdam stock exchanges and is focused on owning and managing high-quality assets that produce sustainable cash flows and generate attractive long-term returns. The combination of Brookfield and Multiplex has created a company with an extraordinary history of success in Australasia, global financial strength and world-leading expertise.

## BOARD AND MANAGEMENT

The Responsible Entity of the Fund recently changed its name from Brookfield Multiplex Capital Management Limited to Brookfield Capital Management Limited (BCML).

During the year, there were some changes to the BCML Board. Peter Morris (Chairman) and Robert McCuaig, both independent directors, announced their retirement after overseeing the restoration of a number of Brookfield Multiplex's retail funds to a more stable financial position during the global financial crisis. During their eight years of service on the Board, Peter and Robert made significant contributions on behalf of the various funds' unitholders.

In addition, Mark Wilson, executive director, announced his resignation as Brookfield Multiplex's CEO Funds Management and Infrastructure. Mark played an instrumental role in restructuring the funds' business. Brian Kingston also resigned from the Board following his appointment as CEO of Prime Infrastructure. Appointments to the BCML Board during the period included independent directors Barbara Ward and myself (Chairman); as well as Tim Harris and Russell Proutt as executive directors.

Details of the directors of BCML are included in the financial report.

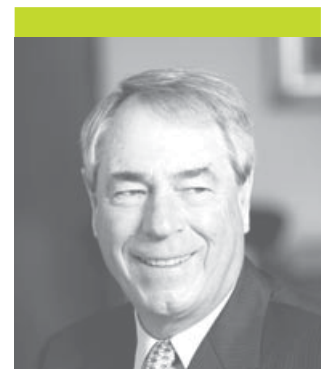
## OUTLOOK

BCML continues to monitor the European and German economies closely and remains focused on ensuring that occupancy levels within the portfolio remain high.

On behalf of the Board, I would like to thank you for your support throughout the year.



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 2010.

## FINANCIAL RESULTS

The Fund experienced a year of solid operational performance among continued uncertainty surrounding the underlying economic position of the European continent. The Fund's exposure to Germany, as opposed to other Eastern and Central European economies, has been a contributing factor to it avoiding a significant downturn in financial performance.

Operational results presented in the financial statements, including comparative information, have a range of comparability issues this year given that there has been a significant depreciation of the euro in relation to most of the world's major currencies. Investors should note that there has not been any significant change in the underlying euro-denominated net property income of the Fund since inception.

Key financial highlights are as follows:

- net profit after tax of \$40.1 million (2009: net loss after tax of \$149.0 million);
- total revenue and other income of \$79.1 million (2009: \$54.1 million);
- property rental income of \$38.7 million (2009: \$47.8 million);
- earnings per unit (EPU) of 16.3 cents (2009: loss of 60.3 cents);
- distributions to unitholders for the year ended 30 June 2010 were \$11.1 million (2009: \$12.3 million) and distributions per unit (DPU) of 4.5 cents per unit (2009: 5.0 cents per unit);
- net assets of \$77.5 million (2009: \$63.4 million) and net tangible assets per unit (NTA) of \$0.31 (2009: \$0.26);
- the portfolio occupancy is 95% with a weighted average lease expiry (by income) of 6.8 years; and
- the Fund remains in compliance with all financing covenants.

## Trading Performance

ASX UNIT PRICE HISTORY VS S&P/ASX 300 A-REIT INDEX (XPKAI)



### ASSET MANAGEMENT

BCML continues to maintain its practice of externally revaluing the properties each reporting period. The initial properties were independently valued during the period by DTZ Zadelhoff Tie Leung GmbH in Frankfurt. Their valuation of €271.3 million as at 30 June 2010 represents a 3.5% decline from their 30 June 2009 valuation of €281.2 million, and a 1.6% decline from the 31 December 2009 valuation of €275.7 million.

The portfolio's weighted average initial yield increased to 7.40% from 7.39% at June 2009. The decline in property values predominantly represents the impending vacancy at the Düsseldorf property from April 2011.

The portfolio's weighted average lease expiry (by income) is 6.8 years and the tenant mix is still dominated by major German national and multi-national tenants who contribute approximately 75% of the Fund's net property income.

### Retail Sector

The retail sector continues to be the asset sector underwriting the performance of the Fund. With a predominant large national and multi-national tenant mix, this sector presents good security of income for the Fund.

While it is pleasing to have the largest asset sector of the portfolio performing well, it should be noted that both historical and forecast rental growth levels have remained relatively flat for a prolonged period and it is likely this will continue in the future.

The discount supermarket sub-sector, in which the Fund has approximately 42 assets, has continued its growth in the food retailing market. The Fund has approximately 42 discount supermarkets in its portfolio and this asset class sub-sector has continued its strong growth in market share of the food retailing market. During the past 20 years, the market share of discount supermarkets has increased by 23.7% to over 40% today. This sub-sector now represents a turnover of in excess of €50 billion per annum in Germany.

The Fund's larger tenants remain anchored in the list of top discount supermarkets, with Lidl, Aldi, Plus and Netto Markt comprising greater than 85% of this market. A brief description of Lidl can be found on page 13.

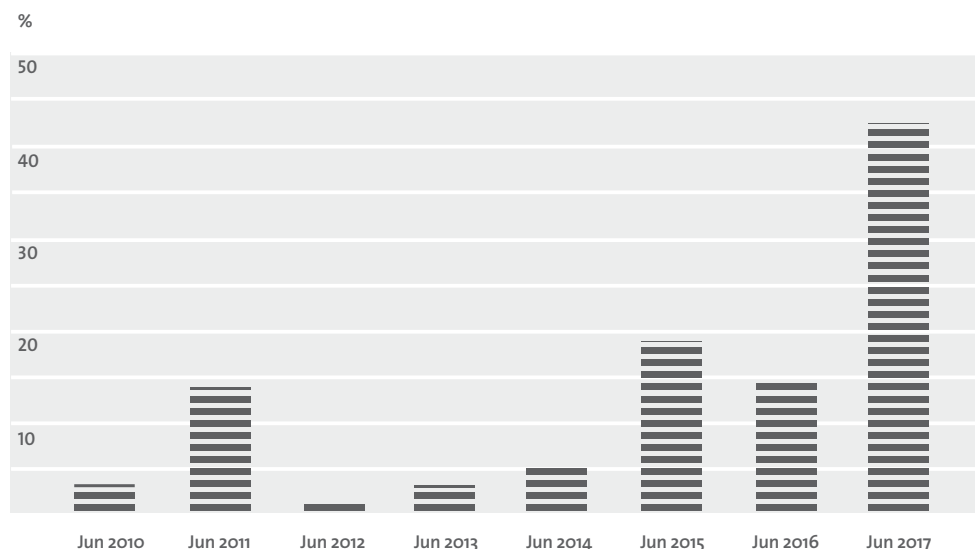
### SECTOR ALLOCATION

- 59% Retail
- 22% Nursing homes
- 10% Office
- 9% Logistics



\* Calculated on the value of properties as at 30 June 2010.

### LEASE EXPIRY PROFILE (by income)



# Year in Review

## Nursing Homes

The prosperity of nursing home and healthcare operators has become divergent among the smaller and larger operators in Europe. This has seen the larger operators consolidate their positions during recent years. Importantly, this consolidation in the market by the larger operators has resulted in more stable multipliers and a 'floor' in pricing multipliers being paid for nursing home and healthcare assets.

The Fund's portfolio of nursing homes remains well placed to capture this interest (seen as a "critical mass" for most operators), as all nursing homes have a minimum of 100 beds. It is also important to note that the Fund bears no operating risk on any of the assets.

## Logistics Sector

Logistics activities have been predominantly tenant led during 2010, with almost no speculative development activity taking place. The trend for new space has typically been driven by retail sector tenants who are looking for new space outside the traditional main economic business areas (Berlin, Düsseldorf, Frankfurt, Hamburg and Munich).

It is forecast that activity levels within the logistics sector will continue at their present rate for the remainder of 2010.

## Office Sector

The office sector has doubled in investment volumes from the first quarter of 2009 but still remains below historical levels. The emergence of growth in this sector is pleasing as its outlook can be considered a bellwether for the broader economic outlook of the German economy.

New office developments do however remain restricted to the larger economic areas such as Frankfurt, Berlin and Munich.

## DEBT UPDATE

The Fund remains in compliance with all financing covenants. The Term Facility is fully drawn and no part of the Term Facility is due to be refinanced before expiry in April 2014.

During the year, BCML monetised 25% of the Fund's cross-currency interest rate swap in order to take advantage of the relative strength of the Australian dollar (against the euro) and to better align the Fund's hedged equity position. This resulted in the declaration of a special distribution of 2.00p paid to unitholders on 30 July 2010.

There have been no other changes to the Fund's derivative instruments during the year. However, BCML may consider further capital management initiatives during the next year.

## HIGH OCCUPANCY WITH LONG WEIGHTED AVERAGE LEASE EXPIRY (WALE)

DESCRIPTION	OCCUPANCY %	MAJOR TENANTS	YEARS (BY INCOME)
55 retail properties comprising: – discount supermarkets – full supply supermarkets – DIY markets	94	EDEKA, REWE, Hornbach	6.0
6 nursing homes	100	Kursana, Phönix	11.8
3 logistic/warehouses	100	Spicers, TNT	4.4
3 offices	90	State of Nord Rhine-Westphalia	3.2
<b>Total portfolio</b>	<b>95</b>		<b>6.8</b>

**DISTRIBUTIONS**

BCML continues to maintain distribution levels that provide unitholders with a continued and reliable stream of distributions but also ensure that the Fund has an appropriate level of liquidity to deal with any future external shocks as well as fund necessary property works required for the coming years.

The Fund's current distribution policy is to ensure that it is distributing at least its taxable income each year and this may be impacted by the level of realised foreign exchange gains/losses that the Fund realises on its existing derivative contracts, through the ordinary course of business or if terminated early.

It is unlikely that distribution levels will change in the short term from current levels.

Declaration of distributions remain subject to BCML's assessment of the Fund's operating results, future financial commitments, and operating or market conditions in Europe and Australia.

**OUTLOOK**

BCML continues to monitor the European and German economies closely, and aims to maintain a prudent approach to management of the Fund. While it is anticipated that the German economic recovery will provide further stability to the Fund's property portfolio, BCML remains focused on ensuring that occupancy levels are high and that the Düsseldorf property is successfully redeveloped during the coming years.

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

**BCML continues to maintain distribution levels that provide Unitholders with a continued and reliable stream of distributions, but also ensures that the Fund has an appropriate level of liquidity**

**RECONCILIATION OF NORMALISED PROFIT**

Net (loss)/profit after tax	\$40.1 million
Adjustments:	
– net loss on revaluation of investment property	\$15.3 million
– net gain on revaluation of financial derivatives	(\$28.3 million)
– deferred income tax benefit	(\$4.0 million)
– amortisation of borrowing costs	\$0.3 million
– net gain on derivative termination	(\$5.4 million)
<b>Normalised net profit</b>	<b>\$18.0 million</b>

# Performance at a Glance

## FUND SNAPSHOT (as at 30 June 2010)

Listing date	3 July 2007
Market capitalisation <sup>1</sup>	\$33.3 million
Total assets	\$446 million
NTA per unit	\$0.31
Portfolio occupancy	95%
Portfolio weighted average lease expiry (by income)	6.8 years
FY10 yield on \$0.135 closing price at 2.50cpu distribution <sup>2</sup>	18.5%
ASX liquidity (average units per day since listing)	152,394
Distributions paid	Quarterly
Tax advantaged status (approximate for 2010)	13%
Fund gearing (total interest-bearing loans/total assets at fund level)	73%
Management fee <sup>3</sup> (excluding GST)	0.41% of gross asset value
Performance fee (excluding GST)	5% to 15% of benchmark <sup>4</sup> outperformance

### Notes:

1 Market capitalisation as at close of trading on 30 June 2010.

2 Estimated yield based on current annualised level of distributions (excluding the special distribution notified on 17 June 2010) and the ASX closing price at 30 June 2010.

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

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

## NORMALISED RESULTS (as at 30 June 2010)

Net profit	\$18.0 million
Earnings per unit	7.31cpu
Distributions per unit	4.50cpu
Total assets	\$446 million



Rewe Deutsche Supermarket, Gotha



Nursing Home, Wetzlar



Netto Marken-Discount, Arten

# Property Analysis

PROPERTY	TENANT/ANCHOR TENANT	PURCHASE PRICE €M	VALUATION 30 JUNE 2009 €M	VALUATION 30 JUNE 2010 €M
Dresden. Heideblick	Netto Marken-Discount	2.206	1.825	1.790
Artern	Netto Marken-Discount	1.827	1.490	1.450
Dresden. Tatzberg	Netto Marken-Discount	2.136	1.830	1.820
Eisleben	Netto Marken-Discount	1.737	1.485	1.480
Gernrode	Netto Marken-Discount	1.594	1.370	1.340
Geyer	Netto Marken-Discount	1.597	1.320	1.290
Schlema	Netto Marken-Discount	1.571	1.240	1.220
Jena-Lobeda	Netto Marken-Discount	1.717	1.460	1.430
Delitzsch. Beerendorfer Strasse	Netto Marken-Discount	1.409	1.150	1.120
Stockheim	Netto Marken-Discount	1.674	1.395	1.390
Burgstädt	Netto Marken-Discount	1.554	1.270	1.250
Bückeburg	Netto Marken-Discount	1.639	1.365	1.330
Merseburg. Geusaer Strasse	Netto Marken-Discount	1.792	1.460	1.450
Mühlhausen	Netto Marken-Discount	1.594	1.340	1.310
Halle. Merseburger Strasse	Fa. Theo Albrecht BGB Gesellschaft	3.066	2.275	2.260
Stollberg	ALDI	1.555	1.325	1.240
Oberhausen	PLUS	1.763	1.390	1.370
Clenze	PLUS	1.655	1.260	1.230
Boizenburg	Lidl	1.693	1.315	1.250
Bad Marienberg	Lidl	2.841	2.190	2.130
Delitzsch. Richard-Wagner Strasse	Lidl	2.110	1.640	1.630
Hage	Lidl	1.726	1.405	1.370
Schöppenstedt	Lidl	1.629	1.310	1.280
Woldegk	NORMA	1.844	1.190	1.180
Pampow	EDEKA	1.430	1.140	1.110
Blankenfelde	EDEKA	4.101	3.475	3.370
Prüm	EDEKA	3.930	3.045	2.930
Peine	EDEKA MIHA	1.117	0.886	0.850
Schloßvippach	REWE	2.280	1.820	1.780
Gotha	REWE	6.812	5.610	5.560
Köthen	REWE	2.170	1.760	1.740
Offenburg	REWE	1.491	1.300	1.270
Rabenau	Vacant	2.797	1.955	1.500
Rheinau	REWE	1.858	1.480	1.450
Malchin	coop	3.752	2.970	2.830
Bopfingen	coop	2.007	1.615	1.570

PROPERTY	TENANT/ANCHOR TENANT	PURCHASE PRICE €M	VALUATION 30 JUNE 2009 €M	VALUATION 30 JUNE 2010 €M
Burladingen	coop	3.030	1.705	1.690
Cloppenburg	Coma Verbrauchermarkt	4.267	3.305	3.220
Tespe	EDEKA	1.796	1.440	1.400
Feldatal	Tegut Gutberlet Stiftung & Co	1.558	1.260	1.250
Saarlouis	Distributa Warenhandel	2.256	1.970	1.920
Zimmern	AWG	1.817	1.475	1.460
Winkelhaid	SPICERS Deutschland	14.871	13.120	12.990
Hallbergmoos	TNT Express	16.399	9.900	9.750
Gera	Hermes Logistik	3.196	2.405	2.220
Chemnitz	Hornbach Baumarkt	20.740	17.630	17.460
Hannover	Marktkauf	16.158	13.990	13.930
Wittmund	J.Bünting Beteiligungs	10.913	7.680	6.830
Marienhaf	Marktkauf	4.779	3.175	3.110
Halle. Trothaer Strasse	Goldkuhle Fachmärkte Frick für Wand und Boden	1.710	1.245	1.260
Bünde	Markant Ostwestfalen	1.861	1.635	1.610
Minden	ABB Utilities Niederlassung Minden	6.658	5.390	5.240
Düsseldorf	Landesamt für Besoldung und Versorgung	14.888	11.010	7.380
Frankfurt/Oder	Pit-Stop Auto Service	1.359	1.100	1.070
Frankenberg	Rheika-Delta	2.021	1.590	1.550
Osnabrück	Bugsy Burger	2.484	1.775	1.730
Frankfurt/Main	Telecity Redbus	17.960	14.040	13.930
Kassel	Vacant	2.214	0.550	0.680
Lörrach A	EDEKA	21.699	17.340	17.150
Lörrach B	McDonald's	1.895	1.660	1.650
Bochum	AVA Allgemeine Handelsgesellschaft der Verbraucher	26.753	22.120	21.440
Eisenhüttenstadt	Hospitalia Care GmbH	8.841	7.250	7.010
Schwedt	Hospitalia Care GmbH	8.593	6.800	6.540
Erfurt	Phönix	11.968	10.080	9.820
Wetzlar	Alloheim Senioren Residenzen	14.115	11.610	11.440
Göttingen	Phönix	17.234	14.890	14.530
Wiesbaden	Maternus Altenheim	13.296	9.720	9.430
<b>Total</b>		<b>355.000</b>	<b>281.217</b>	<b>271.260</b>



# Property Analysis

## LOCATION

Düsseldorf is the capital of the Rhine Westphalia region of northern Germany, with an approximate urban population of 570,000. The wider Düsseldorf-Rhine-Ruhr region is home to a population in excess of 11.1 million, and is a base for 312,000 companies offering employment to more than 3.7 million people. The city has 45 universities and technical colleges, with more than 300,000 students. The property is located in the Friedrichstadt area of central Düsseldorf, where a concentration of government offices can be found.

## PROPERTY DESCRIPTION

The building is a five storey 1960's office block of concrete frame construction. There are three floors of underground parking, with 225 spaces accessed from a ramp leading onto Fahrstrasse.

## ASSET MANAGEMENT

With the building's main tenant, Landesamt für Besoldung und Versorgung (LBV), due to vacate in April 2011, this provides an opportunity for the Fund to substantially renovate the building.

While currently occupied by just one tenant, it is likely that the building may be reconfigured to accommodate multi-tenanted uses (akin to a strata office, for example). Most of the core services (eg. sewerage, power, air conditioning, etc) will need to be renewed, with alterations to almost every part of the building required.

The building has good immediate access to public transport on the Fahrstrasse and is within walking distance of the central train station (hauptbahnhof). It also provides for a large number of car spaces below the building.

## VALUATION DETAILS

Valuation (€m)	7.4
Valuer	DTZ International Property Advisors
Valuation date	30 June 2010
Valuation per sqm of net lettable area (€)	795

## PROPERTY DETAILS

Net lettable area (whole building) (sqm)	9,161
Initial yield (%)	6.8

## TENANCY PROFILE

Occupancy (%)	74
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## MAJOR TENANT

Tenant	LBV
Net lettable area (sqm)	6,062
Lease expiry	30 April 2011
Reviews	100% of CPI threshold (10% threshold)



Düsseldorf from the Fahrstrasse

# Düsseldorf

## LOCATION

Kassel is a city in the state of Nordhessen in the middle of Germany. The city is the economic, social and cultural centre of the region and has a population of approximately 200,000 people. The property is just off a major arterial road which provides excellent access by car, along with public transport links by tram.

## PROPERTY DESCRIPTION

The property was originally built as a drive-through restaurant for KFC. This shape and condition is maintained today for the new tenant, Spiel Halle.

## ASSET MANAGEMENT

The property, while legally tenanted, has never been occupied by KFC since acquisition. Management accepted that it was unlikely that KFC would ever tenant the building, and thus entered into negotiations to obtain a suitable lease surrender payment that would compensate the Fund for the loss of rent, tenant covenant, and make good provisions.

After accepting that payment, management engaged with local agents to procure a new tenant and Spiel Halle was found. A change in planning permissions was also required and obtained and now the property includes gaming and associated activities.

The new lease is a key win for the Fund and demonstrates management's active asset management strategy in ensuring that all the properties are in a best-use possible configuration.

## VALUATION DETAILS

Valuation (€m)	0.68
Valuer	DTZ International Property Advisors
Valuation date	30 June 2010
Valuation per sqm of net lettable area (€)	1,495

## PROPERTY DETAILS

Net lettable area (whole building) (sqm)	455
Initial yield (%)	n/a

## TENANCY PROFILE

Occupancy (%)	Vacant
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## FUTURE TENANT

Tenant	Spiel Halle
Net lettable area (sqm)	455
Lease expiry	31 December 2020
Reviews	60% of CPI threshold (10% threshold)



Top: The original KFC building unoccupied since acquisition

Bottom: Artist's impression of the new Spiel Halle Casino with advertising placards

# Kassel

# Property Manager

## ASSET MANAGER

In April 2010, the Fund's property management contract with the Scheven Group expired. Management sought selected expressions of interest in replacing the Scheven Group, including on an expanded mandate and with more commercially-orientated remuneration arrangements.

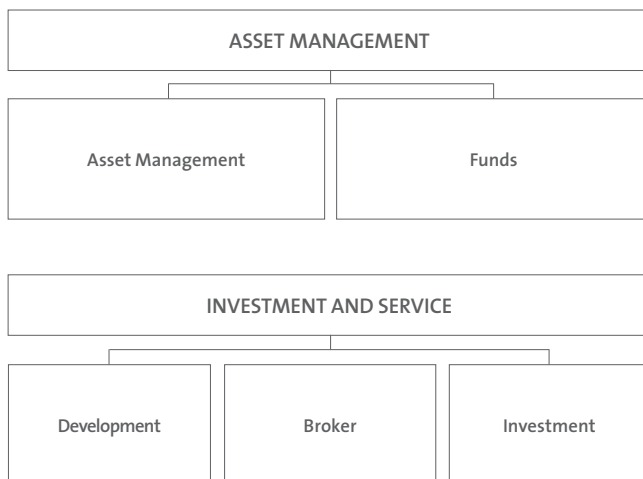
Through an exhaustive process, the Corpus Sireo Group was selected in June 2010 to be the Fund's German property and asset manager for a four year period to 2014.

The Corpus Sireo Group ranks as one of Europe's foremost asset managers for residential and commercial real estate. From strategic analysis to purchasing, adding value and reducing costs up to the sale, their services cover the full scope of real estate value creation.

With approximately €19.4 billion of assets under management and a supporting workforce of 580 employees in 11 different locations throughout Europe, Corpus Sireo's clients include most multinational institutional investors such as Morgan Stanley, Citigroup, DB Real Estate, Goldman Sachs, Deutsche Telekom, among many others.

The Corpus Sireo Group is the result of the merger between Corpus Immobiliengruppe and Sireo Real Estate in 2007.

## CORPUS SIREO GROUP STRUCTURE



Trigon House, Berlin (not a Fund asset)

# Corpus Sireo



# Major Tenant

## TENANT

Lidl Stiftung & Co. KG (Lidl) is a German discount supermarket chain that operates about 8,000 stores worldwide. It belongs to the holding company Schwarz, which also owns the store chains Handelshof and Kaufland. Lidl is the chief competitor of the similar German discount chain Aldi. Founded in the 1930s, it now operates in over 20 countries worldwide.

Lidl is one of the top five discount supermarket operators in Germany.

## TENANCY DETAILS

No. of properties leased	5
% of income of portfolio	2.6%



The Lidl discount supermarket at Bad Marienberg

## Lidl Discount Supermarkets

TNT Express, Hallbergmoos



SPICERS Deutschland, Winkelhaid



Nursing Home, Weisbaden



# 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.brookfieldmultiplex.com](http://www.brookfieldmultiplex.com).

## ONLINE SERVICES

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

## E-COMMUNICATIONS

The default for Brookfield Multiplex annual and interim reports is now electronic. Online versions of the annual and interim reports are available at [www.brookfieldmultiplex.com](http://www.brookfieldmultiplex.com).

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

## CONTACT THE REGISTRY

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

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

should be addressed to:

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

## INVESTOR SERVICES

Investors wishing to register a complaint should direct it to:

The Manager  
Brookfield Multiplex  
GPO Box 172  
Sydney NSW 2001

## CONTACT US

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

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

**By post**  
GPO Box 172  
Sydney NSW 2001

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

**By fax**  
+61 2 9322 2001

**By email**  
[clientenquiries@au.brookfield.com](mailto:clientenquiries@au.brookfield.com)

**By internet**  
The Brookfield Multiplex 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.brookfieldmultiplex.com](http://www.brookfieldmultiplex.com)





## Financial Report 2010

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# Directors' Report

For the year ended 30 June 2010

## Introduction

The Directors of Brookfield Multiplex 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 (together referred to as the Consolidated Entity), for the year ended 30 June 2010 and the Independent Auditor's Report thereon. The Fund was constituted on 16 November 2006 and it was registered as a Managed Investment Scheme on 3 April 2007.

## Responsible Entity

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

## Directors

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

Name	Capacity
F. Allan McDonald (appointed 1 January 2010)	Non-Executive Independent Chairman
Brian Motteram (appointed 21 February 2007)	Non-Executive Independent Director
Barbara Ward (appointed 1 January 2010)	Non-Executive Independent Director
Tim Harris (appointed 17 March 2010)	Executive Director
Russell Proutt (appointed 1 January 2010)	Executive Director
Peter Morris (appointed 14 April 2004 – resigned 1 January 2010)	Non-Executive Independent Chairman
Robert McCuaig (appointed 31 March 2004 – resigned 1 January 2010)	Non-Executive Independent Director
Mark Wilson (appointed 27 August 2008 – resigned 1 January 2010)	Executive Director
Brian Kingston (appointed 27 August 2008 – resigned 17 March 2010)	Executive Director

## Information on Directors

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

Allan was appointed the Non-Executive Independent Chairman of Brookfield Multiplex Capital Management Limited on 1 January 2010 and also performs that role for Brookfield Multiplex Funds Management Limited (BMFML). 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. BMCML is also the Responsible Entity for listed funds Multiplex Prime Property Fund (MAFCB) and Multiplex Acumen Property Fund (MPF). BMFML is the Responsible Entity for the listed Multiplex SITES Trust. Allan's other directorships of listed entities are Astro Japan Property Management Limited (responsible entity of Astro Japan Property Trust) (appointed November 2004), Billabong International Limited (appointed July 2000), and Ross Human Directions Limited (appointed April 2000). During the past three years, Allan has also served as a director of the following listed company: Multiplex Limited (December 2003 to October 2007 – delisted December 2007). Age 70.

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

Brian has in excess of 40 years of experience working in the area of finance and accounting. He has worked with international accounting firms, in his own private practice, and during the last 19 years in private enterprise in both the mining and property industries. He spent eight years (from 1996 to 2004) as an executive of a Perth-based property company in the position of Chief Financial Officer and, later, as Financial Director. BMCML is also the Responsible Entity for listed funds MAFCB and MPF. Brian is a fully qualified Chartered Accountant, having trained with KPMG and Deloitte. Age 57.

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

Barbara was appointed as a Non-Executive Independent Director of Brookfield Multiplex Capital Management Limited on 1 January 2010 and also performs that role for Brookfield Multiplex Funds Management Limited. 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. BMCML is also the Responsible Entity for listed funds MAFCB and MPF. BMFML is the Responsible Entity for the listed Multiplex SITES Trust. Barbara is Chairman of Country Energy and a Director of Qantas Airways Limited (appointed June 2008). During the past three years Ms Ward has also served as a Director of Multiplex Limited (December 2003 to October 2007 – delisted December 2007), Lion Nathan Limited (February 2003 to October 2009) and Allico Finance Group Limited (April 2005 to January 2008). Age 56.

### Tim Harris (BA (Hons), ACA), Executive Director

Tim Harris is the Chief Financial Officer of Brookfield Multiplex Group and was appointed as an Executive Director of Brookfield Multiplex Capital Management Limited on 17 March 2010 and also performs that role for debt listed companies Brookfield Secured Bonds Series A Limited (BSBSA) and Brookfield Secured Bonds Series B Limited (BSBSB) (both appointed March 2010). BMCML is also the Responsible Entity for MAFCB and MPF. Tim joined the organisation in February 2009, prior to which he held various senior finance positions with the Westfield Group. Tim has also worked for Lion Nathan Australia, Southcorp Wines and The Walt Disney Company in London. Tim is a fully qualified Chartered Accountant, having trained with Ernst & Young in London. Age 39.

**Information on Directors** continued**Russell Proutt (BComm, CA, CBV), Executive Director**

Russell Proutt is the Chief Financial Officer of Brookfield Australia and was appointed as an Executive Director of Brookfield Multiplex Capital Management Limited on 1 January 2010 and also performs that role for BMFML (appointed 17 March 2010) and for debt listed companies BSBSA Issuer Limited (appointed 30 April 2009) and BSBSB Issuer Limited (appointed 2 September 2009). BMCML is also the Responsible Entity for MAFCB and MPF. Russell joined Brookfield Asset Management Inc., the parent company of Brookfield Multiplex Capital Management Limited, in 2006 and has held various senior management positions within Brookfield, including managing the Bridge Lending Fund, mergers and acquisitions involving subsidiaries, and transactions involving Brookfield's restructuring fund, Tricap Partners. Age 42.

**Information on Company Secretary****Neil Olofsson**

Neil has over 14 years' international company secretarial experience, including having worked at KPMG, Clifford Chance and Schroder Investment Management prior to joining Brookfield Multiplex Group Company Secretariat.

**Directors' interests**

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

Director	Multiplex European Property Fund units held
F. Allan McDonald	50,000
Brian Motteram	—
Barbara Ward	—
Tim Harris	—
Russell Proutt	—

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

**Directors' meetings**

Director	Board Meetings		Audit Committee Meetings		Board Risk and Compliance Committee Meetings <sup>1</sup>	
	A	B	A	B	A	B
F. Allan McDonald	4	4	1	1	1	1
Brian Motteram	8	8	2	2	1	1
Barbara Ward	4	4	1	1	1	1
Tim Harris	1	2	n/a	n/a	n/a	n/a
Russell Proutt	4	4	n/a	n/a	n/a	n/a
Peter Morris	4	4	1	1	n/a	n/a
Robert McCuaig	4	4	1	1	n/a	n/a
Mark Wilson	4	4	n/a	n/a	n/a	n/a
Brian Kingston	5	6	n/a	n/a	n/a	n/a

A – Number of meetings attended.

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

1 – Board Risk and Compliance Committee Meetings were established from January 2010. Compliance and Risk Committee Meetings were held prior to January 2010, as a committee comprising a majority of external members, when it was disbanded.

**Committee meetings**

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

**Principal activities**

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

**Review of operations**

The Consolidated Entity recorded a net profit after tax of \$40,120,000 for the year ended 30 June 2010 (2009: net loss after tax of \$148,964,000). The reported net profit after tax includes an unrealised loss of \$15,303,000 (2009: unrealised loss of \$115,061,000) on property revaluations.

An unrealised gain of \$28,310,000 (2009: unrealised loss of \$58,799,000) was also recorded by the Consolidated Entity on account of marking-to-market value the Consolidated Entity's derivatives as at balance date. The practice of marking-to-market value the Consolidated Entity's derivatives at each balance date will continue to introduce volatility into the Consolidated Entity's Statement of Comprehensive Income and Statement of Financial Position. However, these

# Directors' Report

For the year ended 30 June 2010

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.

## Review of operations *continued*

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

- property rental income of \$38,706,000 (2009: \$47,799,000);
- total revenue and other income of \$79,126,000 (2009: \$54,060,000);
- net profit after tax of \$40,120,000 (2009: net loss after tax of \$148,964,000);
- earnings per unit (EPU) of 16.25 cents (2009: loss of 60.32 cents);
- distributions to unitholders for the year ended 30 June 2010 were \$11,113,000 (2009: \$12,346,000) and distributions per unit (DPU) of 4.50 cents per unit (2009: 5.00 cents per unit);
- net assets of \$77,506,000 and net tangible assets (NTA) per unit of \$0.31 (2009: \$63,438,000 and NTA of \$0.26); and
- property portfolio value of \$384,769,000 (2009: \$488,988,000) and unrealised revaluation decrement of \$15,303,000 (2009: \$115,061,000).

## Corporate governance

This section outlines the main corporate governance practices that are currently in place for Brookfield Multiplex Capital Management Limited (the Company) in its capacity as Responsible Entity for Multiplex European Property Fund (the Fund). The Company as Responsible Entity of the Fund is committed to maintaining the required standards of corporate governance.

The Fund was listed on the Australian Securities Exchange (the ASX) on 3 July 2007. The Company, as the Fund's Responsible Entity, has operated within a corporate governance system that the Board and management have developed over time. Corporate governance is a dynamic force that keeps evolving and, for that reason, our systems, policies and procedures are regularly reviewed and tailored to changing circumstances.

The Company is a wholly owned Brookfield Asset Management Inc. (BAM) subsidiary. BAM is listed on the New York, Toronto and Euronext Stock Exchanges.

## Best practice principles

The ASX has established best practice guidelines that are embodied in eight principles (the Principles). The Board is supportive of the Principles and has applied these Principles to the extent relevant to the Fund. The Board's approach has been guided by the Principles and practices which are in the best interests of investors, while ensuring compliance with legal requirements. In pursuing its commitment to these governance standards, the Board will continue to review and improve its governance practices.

The Principles, as set out by the Corporate Governance Council, are intended only as guidelines. The ASX Listing Rules require listed companies (or in the case of a listed fund, the Responsible Entity of that fund) to include in their annual report a statement disclosing the extent to which they have followed the Principles during the financial period.

The Principles have been adopted, where appropriate, to ensure that the Company, as Responsible Entity of the Fund, continues to protect stakeholder interests. This Corporate Governance Statement sets out each Principle and provides details of how the Principle has been addressed by the Company as Responsible Entity of the Fund.

### Principle 1: Lay solid foundations for management and oversight

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

#### Role of the Board

The Board has adopted a Board Charter that details its functions and responsibilities, a summary of which is available at [www.brookfieldmultiplex.com](http://www.brookfieldmultiplex.com).

The Fund has a Fund Manager who is responsible for the day-to-day management of the Fund's operations and who reports to the Executive Director, Russell Proutt.

The Company holds Australian Financial Services Licence (AFSL) No. 223809 and is an experienced Responsible Entity. It is subject to duties imposed by its AFSL, the Fund's Constitution, the *Corporations Act 2001*, the ASX Listing Rules, the Fund's compliance plan and the law. The Company has appointed Key Persons and Responsible Managers and they are named on its AFSL. Their duties are to assist with, and ensure the Company's ongoing compliance with, the conditions of the AFSL and the law.

Management responsible for the operation of the Fund are employees of Brookfield Multiplex Limited (BML), and are therefore subject to BML's performance evaluation.

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

The ASX views independence of Board members as a key element of an effective corporate governance regime. It recommends that a majority of the Board be independent, that the Chairperson be independent, that the roles of Chairperson and the Chief Executive Officer be split, and further that the Board establish a Nomination Committee with a charter in line with best practice recommendations.

The Board believes that sound corporate governance is crucial to protecting the interests of investors. The Board has a broad range of relevant financial and other skills, experience and expertise necessary to meet its objectives and is subject to a continuous review of its composition. The Board meets formally at least four times per year and whenever necessary to deal with specific matters needing attention between scheduled meetings. As at 30 June 2010, the Board consists of five Directors.

Profiles of each of the Directors, including age and length of service, may be found on pages 18 and 19.

### **Independence**

The Chairman of the Board is an independent director. The roles of Chairman and Executive Directors are not exercised by the same individual. This is in line with the ASX best practice principle. Dr Peter Morris resigned as Chairman of the Board in January 2010 and was replaced by Mr Allan McDonald. The Board also identified Non-Executive Directors Mr Robert McCuaig and Mr Brian Motteram as being independent in accordance with the relationships affecting independent status listed by the ASX Corporate Governance Principles. Mr McCuaig also resigned in January 2010 and was replaced by another independent Director, Ms Barbara Ward.

As a wholly owned subsidiary of BAM, the Board has not established a nomination committee as it believes the consideration of Director appointments is a matter for BAM in conjunction with the views of the Board.

The Board conducted a self evaluation of its performance and that of individual Directors for the year ended 30 June 2010 by way of a survey of each Director, followed by an analysis and discussion of responses by the Board. As part of the review, consideration was given to the skills and competency of Board members as well as the appropriate mix of skills required for managing the Company and the Fund. An assessment of Board, committee and individual Director performance is intended to occur on an annual basis and may in the future include an external mediator.

### **Access to information and advice**

All Directors have unrestricted access to records of the Company and the Fund and receive regular detailed financial and operational reports from management to enable them to carry out their duties. Non-Executive Directors may obtain independent professional advice at the expense of the Company or the Fund with the prior approval of the Chairman.

The Company Secretary supports the effectiveness of the Board by monitoring adherence to Board policies and procedures, and co-ordinating the timely completion and dispatch of Board agenda and briefing material. All Directors have access to the Company Secretary.

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

The Board has established both a Code of Business Conduct and Ethics and a Security Trading Policy.

### **Code of Business Conduct and Ethics**

All Directors and management involved in the operation of the Fund are employees of BML. In accordance with the Code of Business Conduct and Ethics and statutory obligations, all employees of BML are required to act honestly and with integrity and, in relation to financial products, to give priority to the investors' interests over the Company's interests when there is a conflict. The Board is committed to recognising the interests of investors and other stakeholders, as well as all employees involved in the management and operation of the Company and the Fund. The Board acknowledges that all BML employees are subject to a Code of Business Conduct and Ethics that governs workplace and human resource practices, risk management and legal compliance. The Code is aligned to BML's core values of teamwork, integrity and performance and is fully supported by the Board. A summary of the Code is available at [www.brookfieldmultiplex.com](http://www.brookfieldmultiplex.com).

Employees are encouraged to report any breaches of the Code. Access to an Ethics Hotline, which is managed independently of BAM, is provided to facilitate reporting in situations where the person making the report does not feel comfortable doing so through normal channels. A summary of the Code is available at [www.brookfieldmultiplex.com](http://www.brookfieldmultiplex.com).

### **Security Trading Policy**

All Directors of the Company and BML employees are subject to restrictions under the law relating to dealing in certain financial products, including securities in a company, if they are in possession of inside information. The BML Security Trading Policy has been formally adopted by the Board and specifically lists securities issued by the Fund as restricted securities for the purposes of the Policy. A summary of the Security Trading Policy is available at [www.brookfieldmultiplex.com](http://www.brookfieldmultiplex.com).

# Directors' Report

For the year ended 30 June 2010

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

### Security Trading Policy *continued*

BMCML also has a Conflicts of Interest Management Policy and Related Party Dealings Policy to minimise potential conflicts of interest in accordance with ASIC Regulatory Guide 181 – “Licensing: Managing conflicts of interest”.

## Principle 4: Safeguard integrity in financial reporting

The approach adopted by the Board is consistent with Principle 4. The Board requires the Executive Directors to provide a written statement that the financial statements of the Fund present a true and fair view, in all material aspects, of the financial position and operational results.

### Audit Committee

The Company established an Audit Committee which meets on a regular basis and reports the results of its deliberations to the Board.

The members of the Audit committee throughout the financial year are set out below:

Name	Position	Number of meetings in year	Attendance
Brian Motteram	Chairperson	2	2
F. Allan McDonald	Member	1	1
Barbara Ward	Member	1	1
Peter Morris	Member	1	1
Robert McCuaig	Member	1	1

The duties and responsibilities of the Audit Committee are set out in the Committee Charter, a summary of which appears at [www.brookfieldmultiplex.com](http://www.brookfieldmultiplex.com). The Audit Committee has rights of access to management, including the right to seek any explanations or additional information, and access to auditors (internal and external), without management present.

The Audit Committee reports to the Board in relation to the financial statements and notes, as well as the external audit report. An external auditor, Deloitte, has been appointed to audit the Fund and the Fund's compliance plan.

A procedure for the selection and appointment of external auditors, and for the rotation of external audit engagement partners, has been approved by the Board.

## Principle 5: Make timely and balanced disclosure

The Company is committed to the promotion of investor confidence by providing full and timely information to all investors about the Fund's activities and by complying with the continuous disclosure obligations contained in the Corporations Act 2001 and the ASX Listing Rules. The Board has adopted a Continuous Disclosure Policy which governs how the Company as Responsible Entity communicates with investors and the market. All price-sensitive information is to be disclosed to the ASX. A summary of the policy is available at [www.brookfieldmultiplex.com](http://www.brookfieldmultiplex.com).

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

In addition to its statutory reporting obligations, the Fund and the Company are committed to timely and ongoing communication with its investors.

The Company provides ongoing communication to investors through the annual and half yearly reports. Updates are also provided to investors whenever significant developments occur.

Fund investors are able to contact either the Fund Registry or the Fund Manager during business hours to discuss any queries in relation to their investment or the operation of the Fund.

The Fund has a section on the Brookfield Multiplex website that provides up to date Fund information, including any continuous disclosures notices given by the Fund, financial reports and distribution information.

As the Fund is a listed managed investment scheme, there is no mandatory requirement to hold annual general meetings (AGMs). In the future, the Company may decide to hold AGMs if the Company forms the view that there is sufficient demand from the Fund investors to incur that cost.

The Company has an internal dispute resolution mechanism in place which is designed to meet the requirements of the *Corporations Act 2001* and its Australian Financial Services Licence (AFSL). The process complies with the key principles of Australian Standard AS ISO 10002:2006 “Customer satisfaction – Guidelines for complaints handling in organizations” and the requirements of the ASIC Regulatory Guide 165 – “Licensing: Internal and external dispute resolution”. If a dispute cannot be resolved through the internal dispute resolution mechanism, it can be referred to the Financial Ombudsman Service, an independent complaint resolution service of which the Company is a member.



**Principle 6: Respect the rights of the Fund unitholders** *continued*

The Company encourages Fund investors to visit its website regularly and communicate with the company electronically as a first preference.

**Principle 7: Recognise and manage risk**

Management is responsible for developing and implementing policies and procedures to identify, manage and mitigate the risks across the Company and the Fund's operations. These policies are designed to ensure relevant risks are effectively and efficiently managed and monitored to enable the achievement of the Company's and the Fund's objectives.

The Board has elected to delegate responsibility for the oversight of the Company's compliance program to a Risk and Compliance Committee. The Committee comprises three independent Company directors. The Committee discharges Part 5C.5 obligations under the *Corporations Act 2001* in relation to managed investment schemes. It has a Charter, a summary of which appears at [www.brookfieldmultiplex.com](http://www.brookfieldmultiplex.com).

BML has an internal audit function which may review aspects of the Company business and the Fund as part of its annual program. The internal audit function communicates with the Audit Committee.

The procedures adopted by the Company are consistent with those in Principle 7, in that the Executive Directors approve the sign off of financial statements based upon a sound system of risk management and confirm that the internal compliance and control system is operating efficiently in all material respects in relation to financial reporting risks.

**Principle 8: Remunerate fairly and responsibly**

Principle 8 suggests that the Company should establish a dedicated Remuneration Committee. As neither the Fund nor the Company directly employ staff, no Remuneration Committee has been established.

Independent and Non-Executive Directors receive fees for serving as Directors. Director fees are not linked to the performance of the Company or the Fund. Executive Directors do not receive payment for undertaking the role of Director. Executive Directors receive remuneration in their capacity as employees of BML.

The Company, as Responsible Entity of the Fund, believes that it has followed the best practice recommendations set by the ASX.

**Interests of the Responsible Entity****Management fees**

For the year ended 30 June 2010, the Consolidated Entity incurred \$1,859,000 in management fees to the Responsible Entity (2009: \$2,797,000). These fees were paid out of the assets of the Consolidated Entity.

**Significant changes in the state of affairs**

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

**Events subsequent to the reporting date**

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

**Likely developments**

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

**Environmental regulation**

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

# Directors' Report

For the year ended 30 June 2010

## Distributions

Distributions paid/payable to unitholders were as follows:

	Cents per unit	Total amount \$'000	Date of payment
<b>Ordinary units</b>			
September 2009 distribution	0.625	1,543	30 October 2009
December 2009 distribution	0.625	1,544	29 January 2010
March 2010 distribution	0.625	1,544	23 April 2010
June 2010 distribution	2.625	6,482	30 July 2010
<b>Total distribution to ordinary unitholders for the year ended 30 June 2010</b>	<b>4.500</b>	<b>11,113</b>	

	Cents per unit	Total amount \$'000	Date of payment
<b>Ordinary units</b>			
September 2008 distribution	1.875	4,630	31 October 2008
December 2008 distribution	1.875	4,630	30 January 2009
March 2009 distribution	0.625	1,543	30 April 2009
June 2009 distribution	0.625	1,543	31 July 2009
<b>Total distribution to ordinary unitholders for the year ended 30 June 2009</b>	<b>5.000</b>	<b>12,346</b>	

Distributions paid for the year ended 30 June 2010 and 2009 were paid out of the Consolidated Entity's realised revenues and expenses.

## Indemnification and insurance premiums

Under the Fund's Constitution, the Responsible Entity's officers are indemnified out of the Fund's assets for any loss, damage, expense or other liability incurred by it in properly performing or exercising any of its powers, duties or rights in relation to the Fund.

Neither the Fund nor any controlled entity has indemnified any auditor of the Consolidated Entity.

No insurance premiums are paid out of the Fund's assets in relation to cover for the Responsible Entity or its officers, the Risk and Compliance Committee, or auditors of the Consolidated Entity. The insurance premiums are paid by the Responsible Entity.

## Non-audit services

During the year, the auditor of the Consolidated Entity and Fund changed from KPMG to Deloitte Touche Tohmatsu (Deloitte).

All amounts paid to Deloitte during the current year, and to KPMG during the prior year, for audit, review and regulatory services are disclosed in Note 7.

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

	Consolidated	
	Year ended 30 June 2010	Year ended 30 June 2009
<b>Services other than statutory audit</b>		
Non-audit services	—	12,100
<b>Total fees related to non-audit services</b>	<b>—</b>	<b>12,100</b>

## 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 Consolidated Entity and this is considered the Key Management Personnel (KMP). The Directors of the Responsible Entity are KMP of that entity and their names are:

F. Allan McDonald (appointed 1 January 2010)  
 Brian Motteram (appointed 21 February 2007)  
 Barbara Ward (appointed 1 January 2010)  
 Tim Harris (appointed 17 March 2010)  
 Russell Proutt (appointed 1 January 2010)  
 Peter Morris (appointed 14 April 2004 – resigned 1 January 2010)  
 Robert McCuaig (appointed 31 March 2004 – resigned 1 January 2010)  
 Mark Wilson (appointed 27 August 2008 – resigned 1 January 2010)  
 Brian Kingston (appointed 27 August 2008 – resigned 17 March 2010)

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 since the end of the previous financial 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 2010 was \$1,859,000 (2009: \$2,797,000). As at 30 June 2010, the management fee payable to the Responsible Entity was \$411,000 (2009: \$524,000).

### Rounding of amounts

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

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

The lead auditor's independence declaration is set out on page 26 and forms part of the Directors' Report for the year ended 30 June 2010.

Dated at Sydney this 25th day of August 2010.

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



**Russell Proutt**

Director

Brookfield Multiplex Capital Management Limited

# Auditor's Independence Declaration

For the year ended 30 June 2010

## Deloitte.

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

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

25 August 2010

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 Multiplex 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 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully



DELOITTE TOUCHE TOHMATSU



Helen Hamilton-James  
Partner  
Chartered Accountants

Member of  
**Deloitte Touche Tohmatsu**

# Statement of Comprehensive Income

		Consolidated	
		Year ended	Year ended
		30 June 2010	30 June 2009
	Note	\$'000	\$'000
<b>Revenue</b>			
Property rental income		38,706	47,799
Interest income		6,211	4,719
Net gain on revaluation of financial derivatives	6	28,310	–
Net realised gain on financial derivatives		5,899	1,542
<b>Total revenue and other income</b>		<b>79,126</b>	<b>54,060</b>
<b>Expenses</b>			
Property expenses		7,250	7,675
Finance costs to external parties		17,031	19,992
Management fees		1,859	2,797
Net loss on revaluation of investment property	12	15,303	115,061
Net loss on revaluation of financial derivatives	6	–	58,799
Other expenses		1,592	1,999
<b>Total expenses</b>		<b>43,035</b>	<b>206,323</b>
<b>Profit/(loss) before income tax</b>		<b>36,091</b>	<b>(152,263)</b>
Income tax benefit	9	4,029	3,299
<b>Net profit/(loss) after tax for the year</b>		<b>40,120</b>	<b>(148,964)</b>
<b>Other comprehensive income</b>			
Changes in foreign currency translation reserve		(14,939)	22,068
<b>Other comprehensive (loss)/income for the year</b>		<b>(14,939)</b>	<b>22,068</b>
<b>Total comprehensive income/(loss) for the year</b>		<b>25,181</b>	<b>(126,896)</b>
<b>Net profit/(loss) attributable to ordinary unitholders</b>		<b>40,120</b>	<b>(148,964)</b>
<b>Total comprehensive income/(loss) attributable to ordinary unitholders</b>		<b>25,181</b>	<b>(126,896)</b>
<b>Earnings per unit</b>			
Basic and diluted earnings per ordinary unit (cents)	8	16.25	(60.32)

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

# Statement of Financial Position

For the year ended 30 June 2010

	Note	Consolidated 2010 \$'000	2009 \$'000
<b>Assets</b>			
Current assets			
Cash and cash equivalents		33,932	18,735
Trade and other receivables	11	2,556	2,396
Fair value of financial derivatives		1,620	308
<b>Total current assets</b>		<b>38,108</b>	<b>21,439</b>
Non-current assets			
Investment properties	12	384,769	488,988
Fair value of financial derivatives		19,537	–
Deferred tax asset	9	3,954	–
<b>Total non-current assets</b>		<b>408,260</b>	<b>488,988</b>
<b>Total assets</b>		<b>446,368</b>	<b>510,427</b>
<b>Liabilities</b>			
Current liabilities			
Trade and other payables	13	6,179	7,324
Distribution payable	10	6,482	1,543
Provisions		1,055	1,311
<b>Total current liabilities</b>		<b>13,716</b>	<b>10,178</b>
Non-current liabilities			
Interest bearing liabilities	14	327,100	400,619
Deferred tax liability	9	–	44
Fair value of financial derivatives		25,211	32,672
Minority interest payable	15	2,835	3,476
<b>Total non-current liabilities</b>		<b>355,146</b>	<b>436,811</b>
<b>Total liabilities</b>		<b>368,862</b>	<b>446,989</b>
<b>Net assets</b>		<b>77,506</b>	<b>63,438</b>
<b>Equity</b>			
Units on issue	16	227,228	227,228
Reserves	17	1,416	16,355
Undistributed losses	18	(151,138)	(180,145)
<b>Total equity</b>		<b>77,506</b>	<b>63,438</b>

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

# Statement of Changes in Equity

Consolidated Entity	Attributable to Unitholders of the Fund			Total \$'000
	Ordinary units \$'000	Undistributed profits/(losses) \$'000	Foreign currency translation reserves \$'000	
<b>Opening equity – 1 July 2009</b>	<b>227,228</b>	<b>(180,145)</b>	<b>16,355</b>	<b>63,438</b>
Currency translation differences	–	–	(14,939)	(14,939)
<b>Other comprehensive loss for the year</b>	<b>–</b>	<b>–</b>	<b>(14,939)</b>	<b>(14,939)</b>
Net profit for the year	–	40,120	–	40,120
<b>Total comprehensive income/(loss) for the year</b>	<b>–</b>	<b>40,120</b>	<b>(14,939)</b>	<b>25,181</b>
Transactions with unitholders in their capacity as unitholders:				
Distributions paid/payable	–	(11,113)	–	(11,113)
<b>Total transactions with unitholders in their capacity as unitholders</b>	<b>–</b>	<b>(11,113)</b>	<b>–</b>	<b>(11,113)</b>
<b>Closing equity – 30 June 2010</b>	<b>227,228</b>	<b>(151,138)</b>	<b>1,416</b>	<b>77,506</b>

Consolidated Entity	Attributable to Unitholders of the Fund			Total \$'000
	Ordinary units \$'000	Undistributed profits/(losses) \$'000	Foreign currency translation reserves \$'000	
<b>Opening equity – 1 July 2008</b>	<b>227,228</b>	<b>(18,835)</b>	<b>(5,713)</b>	<b>202,680</b>
Currency translation differences	–	–	22,068	22,068
<b>Other comprehensive income for the year</b>	<b>–</b>	<b>–</b>	<b>22,068</b>	<b>22,068</b>
Net loss for the year	–	(148,964)	–	(148,964)
<b>Total comprehensive income/(loss) for the year</b>	<b>–</b>	<b>(148,964)</b>	<b>22,068</b>	<b>(126,896)</b>
Transactions with unitholders in their capacity as unitholders:				
Distributions paid/payable	–	(12,346)	–	(12,346)
<b>Total transactions with unitholders in their capacity as unitholders</b>	<b>–</b>	<b>(12,346)</b>	<b>–</b>	<b>(12,346)</b>
<b>Closing equity – 30 June 2009</b>	<b>227,228</b>	<b>(180,145)</b>	<b>16,355</b>	<b>63,438</b>

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

# Statement of Cash Flows

For the year ended 30 June 2010

		Consolidated	
		Year ended 30 June 2010	Year ended 30 June 2009
	Note	\$'000	\$'000
<b>Cash flows from operating activities</b>			
Cash receipts in the course of operations		39,013	48,646
Cash payments in the course of operations		(11,359)	(14,879)
Interest received		7,362	4,841
Financing costs paid		(16,913)	(18,992)
<b>Net cash flows from operating activities</b>	22	<b>18,103</b>	<b>19,616</b>
<b>Cash flows from investing activities</b>			
Payments for purchase of, and additions to, investment properties		(174)	(492)
<b>Net cash flows used in investing activities</b>		<b>(174)</b>	<b>(492)</b>
<b>Cash flows from financing activities</b>			
Proceeds from early termination of financial derivatives		5,406	–
Distributions paid		(6,174)	(15,996)
<b>Net cash flows used in financing activities</b>		<b>(768)</b>	<b>(15,996)</b>
Net increase in cash and cash equivalents		17,161	3,128
Impact of foreign exchange		(1,964)	165
Cash and cash equivalents at beginning of year		18,735	15,442
<b>Cash and cash equivalents at 30 June</b>		<b>33,932</b>	<b>18,735</b>

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



# Notes to the Financial Statements

For the year ended 30 June 2010

## 1 Reporting entity

Multiplex European Property Fund (Fund) is an Australian registered managed investment scheme under the *Corporations Act 2001*. Brookfield Multiplex Capital Management Limited (BMCML), 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 2010 comprise the Fund and its subsidiaries (together referred to as the Consolidated Entity).

## 2 Basis of preparation

### a Statement of compliance

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

The financial statements were authorised for issue by the Directors on this 25th day of August 2010.

### 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; and
- investment properties, which are measured at fair value.

The methods used to measure fair value are discussed further in Note 3.

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

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

### c Use of estimates and judgements

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 amount recognised in the financial statements is provided in investment properties (Note 12) and financial instruments (Note 21).

### d Financial statement presentation

The Consolidated Entity and Fund have applied the revised AASB 101 *Presentation of Financial Statements*, which became effective on 1 January 2009. The revised standard requires the separate presentation of a Statement of Comprehensive Income and a Statement of Changes in Equity. All non-owner changes in equity must now be presented in the Statement of Comprehensive Income. As a consequence, the Consolidated Entity and Fund had to change the presentation of its financial statements. Comparative information has been re-presented so that it conforms with the revised standard.

Previous primary statement	Current primary statement
Income Statement	Statement of Comprehensive Income
Balance Sheet	Statement of Financial Position
Statement of Changes in Equity	Statement of Changes in Equity
Cash Flow Statement	Statement of Cash Flows

# Notes to the Financial Statements

For the year ended 30 June 2010

## 3 Significant accounting policies

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

### a Principles of consolidation

#### Subsidiaries

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

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

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

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

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

Non-controlling interests in subsidiaries are identified separately from the Consolidated Entity's equity therein. The interests of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate 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 the balance date and are denominated in foreign currencies are converted to Australian dollars using rates of exchange at the end of the period. All resulting exchange differences arising on settlement are brought to account in the consolidated Statement of Comprehensive Income.

Foreign currency differences arising on translation 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.

### 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 Statement of Comprehensive Income on a straight-line basis over the term of the lease.

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

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

##### Dividends and distributions

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

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 the 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 A-REIT Accumulation Index) is recognised on an accruals basis. Any previous underperformance must be recovered before a performance fee becomes payable.

##### Other expenditure

Expenses are recognised by the Consolidated Entity on an accruals basis.

#### f Goods and services tax (GST and VAT)

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.

# Notes to the Financial Statements

For the year ended 30 June 2010

## 3 Significant accounting policies continued

### f Goods and services tax (GST and VAT) continued

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

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

### g Value Added Tax (VAT)

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

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

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

### h Income tax – funds

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

Tax allowances for buildings, plant and equipment are distributed to unitholders in the form of a tax deferred component of the distributions. The wholly owned entities of the Fund that own properties in Germany are liable to pay tax under German tax legislation at the current corporate rate of 15% plus a solitary surcharge of 5.5%. Wholly owned entities of the Fund that are based in Luxembourg are subject to tax at 30%.

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

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

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

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

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

### i Cash and cash equivalents

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

### j Trade and other receivables

Trade debtors and other receivables are stated at their amortised cost using the effective interest rate method less any identified impairment losses. Non-current receivables are measured at amortised cost using the effective interest rate method.

### k Investment property

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

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

### 3 Significant accounting policies continued

#### l Investment property

The costs of assets constructed/redeveloped internally include the costs of materials, direct labour, directly attributable overheads, finance costs (Note 3e) and other incidental costs.

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 three 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 investment property are recognised in the Statement of Comprehensive Income in the period in which they arise.

#### 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 Statement of Comprehensive Income.

#### n Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at a 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 purchases 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.

# Notes to the Financial Statements

For the year ended 30 June 2010

## 3 Significant accounting policies continued

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

#### 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.

### 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 Statement of Comprehensive Income over the period of the borrowings on an effective interest rate basis. Interest bearing loans and borrowings are classified as current liabilities unless the Consolidated Entity has an unconditional right to defer settlement of the liability to at least 12 months after the balance sheet date.

### s Distributions

A provision for distribution is recognised in the Statement of Financial Position if the distribution has been declared prior to balance date. Distributions paid and payable on units are recognised as a reduction in net assets attributable to unitholders. Distributions paid are included in cash flows from financing activities in the 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

#### Change in accounting policy

The Consolidated Entity has adopted AASB 8 *Operating Segments* with effect from 1 July 2009. AASB 8 requires operating segments to be 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 this function is performed by the Board of Directors of the Responsible Entity (Board). In contrast, the predecessor Standard (AASB 114 *Segment Reporting*) required an entity to identify two sets of segments using a risks and returns approach. As a result, following adoption of AASB 8, the identification of the Consolidated Entity's reportable segments has changed.



### 3 Significant accounting policies continued

#### 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 2010 but have not been applied preparing this financial report.

AASB 9 *Financial Instruments* and AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* (effective from 1 January 2013)

AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. 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 traded. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in the profit and loss of the Statement of Comprehensive Income. The Consolidated Entity and Fund have not yet decided when to adopt AASB 9 or the consequential impact of the amendment.

AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* [AASB 5, 8, 101, 107, 117, 118, 136 and 139]

In May 2009, the AASB issued a number of improvements to AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*, AASB 8 *Operating Segments*, AASB 101 *Presentation of Financial Statements*, AASB 107 *Statement of Cash Flows*, AASB 117 *Leases*, AASB 118 *Revenue*, AASB 136 *Impairment of Assets* and AASB 139 *Financial Instruments: Recognition and Measurement*. The Consolidated Entity and Fund will apply the revised Standards from 1 July 2010. The Consolidated Entity and Fund does not expect that any adjustments will be necessary as a result of applying the revised rules.

### 4 Parent entity disclosures

	Fund 2010 \$'000	2009 \$'000
<b>Assets</b>		
Current assets	6,246	78
Non-current assets	65,717	66,889
<b>Total assets</b>	<b>71,963</b>	<b>66,967</b>
<b>Liabilities</b>		
Current liabilities	7,193	4,557
Non-current liabilities	–	–
<b>Total liabilities</b>	<b>7,193</b>	<b>4,557</b>
<b>Equity</b>		
Units on issue	227,228	227,228
Reserves	–	–
Undistributed losses	(162,458)	(164,818)
<b>Total equity</b>	<b>64,770</b>	<b>62,410</b>

	Fund Year ended 30 June 2010 \$'000	Year ended 30 June 2009 \$'000
Net profit/(loss) for the year	13,476	(141,792)
Other comprehensive income/(loss) for the year	–	–
<b>Total comprehensive income/(loss) for the year</b>	<b>13,476</b>	<b>(141,792)</b>

### 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.

# Notes to the Financial Statements

For the year ended 30 June 2010

## 6 Net unrealised gain/(loss) on revaluation of financial derivatives

	Consolidated	
	Year ended 30 June 2010	Year ended 30 June 2009
	\$'000	\$'000
Interest rate swaps	(6,684)	(40,558)
Cross currency interest rate swaps	29,744	(16,467)
Forward foreign exchange contracts	5,250	(1,774)
<b>Net unrealised gain/(loss) on revaluation of financial derivatives</b>	<b>28,310</b>	<b>(58,799)</b>

## 7 Auditor's remuneration

	Consolidated	
	Year ended 30 June 2010	Year ended 30 June 2009
	\$	\$
Auditors of the Fund:		
Audit and review of the financial report	160,000	393,214
Non-audit services	–	12,100
Auditors of controlled entities:		
Audit and review of financial reports	–	73,542
Non-audit services	–	–
Auditors of controlled entities:		
Audit and review of financial reports	–	9,292
<b>Total auditor's remuneration</b>	<b>160,000</b>	<b>488,148</b>

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

During the year, the auditor of the Consolidated Entity and Fund changed from KPMG to Deloitte Touche Tohmatsu (Deloitte).

## 8 Earnings per unit

### Classification of securities as ordinary units

All securities have been classified as ordinary units and included in basic earnings per unit (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 2010	Year ended 30 June 2009
Net profit/(loss) attributable to unitholders	\$'000	40,120	(148,964)
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	16.25	(60.32)



## 9 Income tax

	Consolidated Year ended 30 June 2010 \$'000	Year ended 30 June 2009 \$'000
<b>a Major components of income tax expense</b>		
Current income tax	31	(690)
<b>Total current income tax</b>	<b>31</b>	<b>(690)</b>
Deferred income tax		
Relating to origination and reversal of temporary differences	3,998	3,989
<b>Total deferred income tax</b>	<b>3,998</b>	<b>3,989</b>
<b>Total income tax benefit reported in the Statement of Comprehensive Income</b>	<b>4,029</b>	<b>3,299</b>
<b>b Income tax expense</b>		
Numerical reconciliation between tax expense and pre-tax net profit		
<b>Profit/(loss) before income tax</b>	<b>36,091</b>	<b>(152,263)</b>
Adjustments to arrive at local accounting profit <sup>1</sup>	(35,918)	139,186
<b>Total accounting profit/(loss) subject to tax</b>	<b>173</b>	<b>(13,077)</b>
Prima facie income tax (expense)/benefit on profit using the Luxembourg tax rate of 30% (2009: 30%)	(52)	3,923
Deferred tax asset not previously recognised brought to account	3,990	–
Other <sup>2</sup>	91	(624)
<b>Total income tax benefit reported in the Statement of Comprehensive Income</b>	<b>4,029</b>	<b>3,299</b>

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

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

	Consolidated 2010 \$'000	2009 \$'000
<b>c Tax assets and liabilities</b>		
Tax liability – current	(362)	(811)
Deferred tax asset – non-current	3,990	–
Deferred tax liability – non-current	(36)	(44)

### d Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Consolidated						
Provisions	–	–	36	44	(36)	(44)
Derivative fair value adjustments	3,990	–	–	–	3,990	–
<b>Total</b>	<b>3,990</b>	<b>–</b>	<b>36</b>	<b>44</b>	<b>3,954</b>	<b>(44)</b>

In accordance with AASB 112 *Income taxes*, a deferred tax asset of \$2,967,000 (2009: \$13,966,000) in respect of revaluation movements on property has not been recognised, as it has been determined that realisation of this asset in the short term is not probable.

There are no tax amounts recognised directly in equity for the current year (2009: nil).

# Notes to the Financial Statements

For the year ended 30 June 2010

## 10 Distributions

	Cents per unit	Total amount \$'000	Date of payment
<b>Ordinary units</b>			
September 2009 distribution	0.625	1,543	30 October 2009
December 2009 distribution	0.625	1,544	29 January 2010
March 2010 distribution	0.625	1,544	23 April 2010
June 2010 distribution	2.625	6,482	30 July 2010
<b>Total distribution to ordinary unitholders for the year ended 30 June 2010</b>	<b>4.500</b>	<b>11,113</b>	
<b>Ordinary units</b>			
September 2008 distribution	1.875	4,630	31 October 2008
December 2008 distribution	1.875	4,630	30 January 2009
March 2009 distribution	0.625	1,543	30 April 2009
June 2009 distribution	0.625	1,543	31 July 2009
<b>Total distributions to ordinary unitholder for the year ended 30 June 2009</b>	<b>5.000</b>	<b>12,346</b>	

Distributions paid for the year ended 30 June 2010 and 2009 were paid out of the Consolidated Entity's realised revenues and expenses.

## 11 Trade and other receivables

	Consolidated 2010 \$'000	2009 \$'000
Trade receivables	1,320	1,106
Derivative interest receivable	1,107	1,087
Prepayments and accrued income	129	203
<b>Total trade and other receivables</b>	<b>2,556</b>	<b>2,396</b>

## 12 Investment properties

Description	Cost including additions \$'000	Latest external valuation date	Latest external valuation \$'000	2010 Carrying value \$'000	2009 Carrying value \$'000
<b>Retail</b>					
Netto Marken-Discount, Dresden	3,208	June 2010	2,539	2,539	3,173
Netto Marken-Discount, Artern	2,661	June 2010	2,057	2,057	2,591
Netto Marken-Discount, Dresden	3,107	June 2010	2,582	2,582	3,182
Netto Marken-Discount, Eisleben	2,553	June 2010	2,099	2,099	2,582
Netto Marken-Discount, Gemrode	2,321	June 2010	1,901	1,901	2,382
Netto Marken-Discount, Geyer	2,323	June 2010	1,830	1,830	2,295
Netto Marken-Discount, Schlema	2,285	June 2010	1,730	1,730	2,156
Netto Marken-Discount, Jena-Lobeda	2,500	June 2010	2,028	2,028	2,539
Netto Marken-Discount, Delitzsch	2,054	June 2010	1,589	1,589	2,000
Netto Marken-Discount, Stockheim	2,437	June 2010	1,972	1,972	2,426
Netto Marken-Discount, Burgstädt	2,263	June 2010	1,773	1,773	2,208
Netto Marken-Discount, Bückeburg	2,390	June 2010	1,887	1,887	2,375
Netto Marken-Discount, Merseburg	2,611	June 2010	2,057	2,057	2,539
Netto Marken-Discount, Mühlhausen	2,316	June 2010	1,858	1,858	2,330
ALDI, Halle	4,462	June 2010	3,206	3,206	3,956
ALDI, Stollberg	2,265	June 2010	1,759	1,759	2,304
PLUS, Oberhausen	2,562	June 2010	1,943	1,943	2,417
PLUS, Clenze	2,406	June 2010	1,745	1,745	2,191
Lidl Dienstleistung, Boizenburg	2,462	June 2010	1,773	1,773	2,287
Lidl Dienstleistung, Bad Marienberg	4,133	June 2010	3,021	3,021	3,808
Lidl Dienstleistung, Delitzsch	3,067	June 2010	2,312	2,312	2,852
Lidl Dienstleistung, Hage	2,509	June 2010	1,943	1,943	2,443
Lidl Dienstleistung, Schöppenstedt	2,368	June 2010	1,816	1,816	2,278
NORMA-Markt, Woldegk	2,690	June 2010	1,674	1,674	2,069

**12 Investment properties** continued

Description	Cost including additions \$'000	Latest external valuation date	Latest external valuation \$'000	2010 Carrying value \$'000	2009 Carrying value \$'000
<b>Retail continued</b>					
EDEKA, Pampow	2,078	June 2010	1,574	1,574	1,982
EDEKA, Blankenfelde	5,960	June 2010	4,780	4,780	6,042
EDEKA, Prum	5,711	June 2010	4,156	4,156	5,295
EDEKA, Peine-Dungelbeck	1,624	June 2010	1,206	1,206	1,542
REWE Deutsche Supermarkt, Schloßvippach	3,320	June 2010	2,525	2,525	3,165
REWE Deutsche Supermarkt, Gotha	9,905	June 2010	7,887	7,887	9,755
REWE Deutsche Supermarkt, Kothen	3,154	June 2010	2,468	2,468	3,060
REWE Deutsche Supermarkt, Offenburg	2,166	June 2010	1,801	1,801	2,261
Rabenau	4,065	June 2010	2,128	2,128	3,399
REWE Deutsche Supermarkt, Rheinau	2,700	June 2010	2,057	2,057	2,573
Coop-Markt, Malchin	5,453	June 2010	4,014	4,014	5,164
Coop-Markt, Bopfingen	2,917	June 2010	2,227	2,227	2,808
Coop-Markt, Burladingen	4,403	June 2010	2,397	2,397	2,96
Coma Verbrauchermarkt, Cloppenburg	6,216	June 2010	4,567	4,567	5,747
EDEKA, Tespe	2,612	June 2010	1,986	1,986	2,504
Tegut Gutberlet Stiftung & Co, Feldatal	2,274	June 2010	1,773	1,773	2,191
Distributa Accord, Saarlouis	3,278	June 2010	2,723	2,723	3,425
AWG, Zimmern ob Rottweil	2,641	June 2010	2,071	2,071	2,565
Hornbach Baumarkt, Chemnitz	30,142	June 2010	24,766	24,766	30,656
AVA, Hannover	23,483	June 2010	19,759	19,759	24,326
EDEKA, Wittmund	16,023	June 2010	9,688	9,688	13,354
EDEKA, Marienhäfe	6,946	June 2010	4,411	4,411	5,521
Fresnapf, Halle	2,494	June 2010	1,787	1,787	2,165
Markant Ostwestfalen, Bünde	2,711	June 2010	2,284	2,284	2,843
RHEIKA-Delta, Frankenburg	2,943	June 2010	2,199	2,199	2,765
EDEKA, Bochum	38,935	June 2010	30,411	30,411	38,463
Car Glass GmbH, Frankfurt/Oder	1,974	June 2010	1,518	1,518	1,913
Bugsy Burger GmbH, Osnabrück	3,610	June 2010	2,454	2,454	3,086
Telecity, Frankfurt/Main	26,102	June 2010	19,759	19,759	24,413
Kassel	3,247	June 2010	965	965	957
EDEKA, Lörrach	31,883	June 2010	24,326	24,326	30,151
McDonalds, Lörrach	2,755	June 2010	2,340	2,340	2,886
<b>Total retail</b>	<b>327,678</b>		<b>248,101</b>	<b>248,101</b>	<b>311,325</b>
<b>Logistics</b>					
SPICERS Deutschland, Winkelhaid	21,615	June 2010	18,426	18,426	22,813
TNT Express, Hallbergmoos	23,846	June 2010	13,830	13,830	17,214
Hermes Versand Service, Gera	4,647	June 2010	3,149	3,149	4,182
<b>Total logistics</b>	<b>50,108</b>		<b>35,405</b>	<b>35,405</b>	<b>44,209</b>
<b>Office</b>					
ABB Utilities, Minden	9,711	June 2010	7,433	7,433	9,372
LVB, Düsseldorf	21,641	June 2010	10,468	10,468	19,144
<b>Total office</b>	<b>31,352</b>		<b>17,901</b>	<b>17,901</b>	<b>28,516</b>
<b>Nursing home</b>					
Kursana Care, Eisenhüttenstadt	12,886	June 2010	9,943	9,943	12,607
Kursana Care, Schwedt/Oder	12,538	June 2010	9,277	9,277	11,824
Phönix Verwaltungs, Erfurt	17,406	June 2010	13,929	13,929	17,527
Alloheim Senioren Residenzen AG, Wetzlar	20,520	June 2010	16,227	16,227	20,188
Phönix Verwaltungs, Göttingen	25,061	June 2010	20,610	20,610	25,891
Maternus Altenheim, Wiesbaden	19,325	June 2010	13,376	13,376	16,901
<b>Total nursing home</b>	<b>107,736</b>		<b>83,362</b>	<b>83,362</b>	<b>104,938</b>
<b>Total investment properties</b>	<b>516,874</b>		<b>384,769</b>	<b>384,769</b>	<b>488,988</b>

1 Initial cost has been converted at the forward rate at which the settlement of the initial properties occurred, or €0.5922 to \$1.00. The euro cost including additions totals €364,394,000 (2009: €364,291,000).

2 Last valuation in euro has been converted at the 30 June 2010 exchange rate of €0.7050 to \$1.00 (2009: €0.5751 to \$1.00). The euro valuation totals €271,300,000 (2009: €281,217,000).

# Notes to the Financial Statements

For the year ended 30 June 2010

## 12 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 30 June 2010 by DTZ International Property Advisors. The valuation conducted by DTZ Zadelhoff Tie Leung GmbH 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 30 June 2010 valuation range from 0 to 13.33 (2009: range 0 to 13.67).

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.

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

	<b>Consolidated</b>	
	<b>Year ended</b>	<b>Year ended</b>
	<b>30 June 2010</b>	<b>30 June 2009</b>
	<b>\$'000</b>	<b>\$'000</b>
Carrying amount at beginning of year	488,988	557,020
Capital expenditure	107	450
Net loss from fair value adjustments to investment properties	(15,303)	(115,061)
Foreign currency translation exchange adjustment	(89,023)	46,579
<b>Carrying amount at year end</b>	<b>384,769</b>	<b>488,988</b>

### Leasing arrangements

Completed investment properties are leased to tenants under long-term operating leases with rentals receivable monthly.

Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:

	<b>Consolidated</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
Within one year	31,946	39,870
Later than one year but not later than five years	109,564	131,000
Later than five years	83,983	133,972
<b>Total</b>	<b>225,493</b>	<b>304,842</b>

Minimum lease payments in euro has been converted at the 30 June 2010 exchange rate of €0.7050 to \$1.00 (2009: €0.5751 to \$1.00).

Annual rent receivable by the Consolidated Entity under current leases from tenants is from retail, logistics, office and nursing home assets held. The weighted average lease term is 6.8 years (2009: 7.5 years).

### 13 Trade and other payables

	Consolidated 2010 \$'000	2009 \$'000
Trade payables	728	380
Interest payable	3,145	3,856
Management fee payable	411	524
Other payables and accruals	1,895	2,564
<b>Total trade and other payables</b>	<b>6,179</b>	<b>7,324</b>

### 14 Interest bearing liabilities

	Consolidated 2010 \$'000	2009 \$'000
<b>Non-current</b>		
Secured bank debt <sup>1</sup>	328,227	402,365
Debt establishment fees <sup>2</sup>	(1,127)	(1,746)
<b>Total interest bearing liabilities</b>	<b>327,100</b>	<b>400,619</b>

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.

Finance arrangements	Expiry Date	Consolidated 2010 \$'000	2009 \$'000
Facilities available			
Bank debt facility	15 April 2014	328,227	402,365
Less: Facilities utilised		(328,227)	(402,365)
<b>Facilities not utilised</b>		<b>-</b>	<b>-</b>

The bank debt facility consists of a €231,400,000 facility financed by Eurohypo AG. At 30 June 2010, the facility was fully drawn at €231,400,000 (30 June 2009: fully drawn at €231,400,000). The movement in the balance of secured debt during the year is solely due to changes in foreign exchange rates as set out below. The 30 June 2010 debt balance has been translated at the 30 June 2010 foreign exchange rate of €0.7050 to A\$1.00 (30 June 2009: €0.5751 to A\$1.00).

	Consolidated Year ended 30 June 2010 \$'000	Year ended 30 June 2009 \$'000
<b>Finance arrangements</b>		
Non-current – secured bank debt		
Opening balance	402,365	379,096
Changes in foreign currency	(74,138)	23,269
<b>Total secured debt</b>	<b>328,227</b>	<b>402,365</b>

The Consolidated Entity has granted the lender a first ranking security over its interest in the relevant investment properties in Note 12.

At 30 June 2010, the Fund was in compliance with its loan covenant ratios.

The interest rate in respect of amounts drawn under the facilities (including margin) was 1.457% at 30 June 2010 (2009: 1.789%). The amount does not include the effect of swaps. The effect after swaps including all margins is an interest rate of 4.48% (2009: 4.48%).

The Consolidated Entity has entered into an interest rate swap agreement to hedge the interest rate risk on the floating rate interest bearing liabilities detailed above. The interest rate swap agreement swaps the floating interest obligation for a fixed rate obligation. The floating interest rate on the term facility is Euribor plus 0.69% per annum. Fair value movements of the interest rate swap assets are recognised in the Statement of Comprehensive Income. The Fund does not hold interest rate swap derivatives. The Consolidated Entity's holdings in interest rate swap derivatives as at 30 June 2010 are detailed below in the following table:

# Notes to the Financial Statements

For the year ended 30 June 2010

## 14 Interest bearing liabilities continued

Expiry date	Underlying instrument	Floating rate		Fixed rate		Notional amount of contracts outstanding		Fair value of interest rate swaps	
		2010 %	2009 %	2010 %	2009 %	2010 €'000	2009 €'000	2010 \$'000	2009 \$'000
15 April 2014	Floating to fixed	1.46	1.78	4.48	4.48	231,400	231,400	(25,211)	(18,527)

## 15 Minority interest payable

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

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

This option has been valued at €2,000,000 or \$2,835,000 (2009: €2,000,000 or \$3,476,000) and is shown as a non-current liability as it is not the intention of the Consolidated Entity to exercise the call option in the next 12 months.

## 16 Units on issue

	Year ended 30 June 2010 \$'000	Year ended 30 June 2010 Units	Year ended 30 June 2009 \$'000	Year ended 30 June 2009 Units
Opening balance	227,228	246,950,150	227,228	246,950,150
<b>Closing balance</b>	<b>227,228</b>	<b>246,950,150</b>	<b>227,228</b>	<b>246,950,150</b>

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

## 17 Reserves

	Consolidated	
	Year ended 30 June 2010 \$'000	Year ended 30 June 2009 \$'000
<b>Foreign currency translation reserve</b>		
Opening balance	16,355	(5,713)
Movement in relation to consolidation of foreign controlled entities	(14,939)	22,068
<b>Closing balance</b>	<b>1,416</b>	<b>16,355</b>

## 18 Undistributed losses

	Consolidated	
	Year ended 30 June 2010 \$'000	Year ended 30 June 2009 \$'000
Opening balance	(180,145)	(18,835)
Net profit/(loss)	40,120	(148,964)
Distributions to unitholders	(11,113)	(12,346)
<b>Closing balance</b>	<b>(151,138)</b>	<b>(180,145)</b>



## 19 Controlled entities

	Country of Incorporation	Ownership interest 2010 %	Ownership interest 2009 %
Multiplex German Property Fund	Australia	100.0	100.0
Multiplex German Landowning Fund	Australia	100.0	100.0
Multiplex Malta 1 Ltd	Malta	100.0	100.0
Multiplex Malta 2 Ltd	Malta	100.0	100.0
Multiplex Luxembourg Holding S.a.r.l.	Luxembourg	100.0	100.0
Multiplex Luxembourg Limited Partner S.a.r.l.	Luxembourg	100.0	100.0
Multiplex Luxembourg General Partner S.a.r.l.	Luxembourg	100.0	100.0
Multiplex Luxembourg 1 S.a.r.l.	Luxembourg	100.0	100.0
Multiplex German Investments GmbH	Germany	100.0	100.0
Monti Partnerships <sup>1</sup>	Germany	94.9	94.9

<sup>1</sup> The Fund owns a 94.9% interest in the following seven partnerships: Erste Monti Immobiliengesellschaft mbH & Co. KG; Zweite Monti Immobiliengesellschaft mbH & Co. KG; Dritte Monti Immobiliengesellschaft mbH & Co. KG; Vierte Monti Immobiliengesellschaft mbH & Co. KG; Fünfte Monti Immobiliengesellschaft mbH & Co. KG; Sechste Monti Immobiliengesellschaft mbH & Co. KG; and Siebente Monti Immobiliengesellschaft mbH & Co. KG (collectively, Monti or Monti partnerships).

## 20 Investment in controlled entity

	Ownership %	Fund 2010 \$'000	2009 \$'000
Investment in Multiplex German Property Fund	100	218,654	219,825
Provision for impairment		(152,936)	(152,936)
<b>Total investment in controlled entity</b>		<b>65,718</b>	<b>66,889</b>

During the year, a return of capital of \$1,171,448 (2009: \$2,675,304) was made by Multiplex German Property Fund to the Fund. A review of the carrying value of the investment in the controlled entity at 30 June 2010 indicated that no further impairments to the investment in Multiplex German Property Fund is required.

## 21 Financial instruments

### Significant accounting policies

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

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

### a Capital risk management

The Board's intention is to maintain a strong capital base so as to maintain investor confidence and the sustainable future development of the Consolidated Entity. The Board monitors the net tangible assets (NTA) of the Consolidated Entity, along with earnings per unit invested and distributions paid per unit.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the security afforded by a sound capital position.

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

### b Financial risk management

#### Overview

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

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

# Notes to the Financial Statements

For the year ended 30 June 2010

## 21 Financial instruments continued

### b Financial risk management continued

#### Overview continued

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 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 Compliance Committee of the Responsible Entity quarterly.

#### Investment mandate

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

#### Derivative financial instruments

Whilst the Consolidated Entity utilises derivative financial instruments, it does not enter into or trade derivative financial instruments for speculative purposes. The use of derivatives is governed by the Consolidated Entity's investment policies, which provide written principles on the use of financial derivatives. These principles permit the use of derivatives to mitigate financial risks associated with financial instruments utilised by the Consolidated Entity. At 30 June 2010 and 30 June 2009, the Consolidated Entity is party to interest rate swap, cross currency interest rate swap and forward foreign exchange 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 both the Consolidated Entity related to cash and cash equivalents balances held.

#### Trade and other receivables

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

- obtaining guarantees from tenants of the Consolidated Entity's direct properties (where appropriate);
- managing and minimising exposures to individual tenants;
- 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 2009.

#### 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 2010 \$'000	2009 \$'000
Cash and cash equivalents	33,932	18,735
Trade and other receivables	2,556	2,396
Fair value financial derivatives	21,157	308
<b>Total exposure to credit risk</b>	<b>57,645</b>	<b>21,439</b>

## 21 Financial instruments continued

### c Credit risk continued

#### Concentrations of credit risk exposure

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

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

#### Collateral obtained/held

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

During the year ended 30 June 2010, the Consolidated Entity did not call on any collateral provided (2009: nil).

#### Financial assets past due but not impaired

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

	Consolidated 2010 \$'000	2009 \$'000
Current	2,484	2,319
Past due 0-30 days	43	13
Past due 31-120 days	28	29
Past due 121 days to one year	1	35
<b>Total trade and other receivables</b>	<b>2,556</b>	<b>2,396</b>

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

#### Impairment losses

During the year ended 30 June 2010, a reversal of \$104,000 taken against the bad debt provision (2009: \$271,000 bad debt impairment) 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 by matching maturity profiles of financial assets and liabilities.

# Notes to the Financial Statements

For the year ended 30 June 2010

## 21 Financial instruments continued

### d Liquidity risk continued

#### Defaults and breaches

During the financial year ended 30 June 2010, the Consolidated Entity has not defaulted on or breached any terms of its loan amounts or covenants (2009: nil).

#### Maturity analysis of financial liabilities

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

	Consolidated \$'000					
	Carrying amount	Contractual cash flows	Within 1 year	1 to 2 years	2 to 5 years	Greater than 5 years
<b>2010</b>						
<b>Financial liabilities</b>						
Trade and other payables	3,034	3,034	3,034	–	–	–
Distributions payable	6,482	6,482	6,482	–	–	–
Provisions	1,055	1,055	1,055	–	–	–
Interest bearing liabilities	327,100	328,227	–	–	328,227	–
Minority interest payable	2,835	2,835	–	–	2,835	–
	<b>340,506</b>	<b>341,633</b>	<b>10,571</b>	<b>–</b>	<b>331,062</b>	<b>–</b>
Interest payable on debt	937	16,820	4,439	4,439	7,942	–
Effect of interest rate swap	2,208	39,668	10,469	10,469	18,730	–
Fair value of financial derivatives	25,211	–	–	–	–	–
<b>Net interest payable on debt</b>	<b>28,356</b>	<b>56,488</b>	<b>14,908</b>	<b>14,908</b>	<b>26,672</b>	<b>–</b>
<b>Total financial liabilities</b>	<b>368,862</b>	<b>398,121</b>	<b>25,479</b>	<b>14,908</b>	<b>357,734</b>	<b>–</b>

	Consolidated \$'000					
	Carrying amount	Contractual cash flows	Within 1 year	1 to 2 years	2 to 5 years	Greater than 5 years
<b>2009</b>						
<b>Financial liabilities</b>						
Trade and other payables	3,468	3,468	3,468	–	–	–
Distributions payable	1,543	1,543	1,543	–	–	–
Provisions	1,311	1,311	1,311	–	–	–
Interest bearing liabilities	400,619	402,365	–	–	402,365	–
Minority interest payable	3,476	3,476	–	–	3,476	–
	<b>410,417</b>	<b>412,163</b>	<b>6,322</b>	<b>–</b>	<b>405,841</b>	<b>–</b>
Interest payable on debt	1,829	41,516	8,669	8,669	24,178	–
Effect of interest rate swap	2,027	46,009	9,607	9,607	26,795	–
Fair value of financial derivatives	32,672	–	–	–	–	–
<b>Net interest payable on debt</b>	<b>36,528</b>	<b>87,525</b>	<b>18,276</b>	<b>18,276</b>	<b>50,973</b>	<b>–</b>
<b>Total financial liabilities</b>	<b>446,945</b>	<b>499,688</b>	<b>24,598</b>	<b>18,276</b>	<b>456,814</b>	<b>–</b>

Settlement of the capital hedge is contracted to occur through settlement of principal amounts on 15 April 2014.

The Consolidated Entity will pay €110,925,000 to Eurohypo AG at a fixed rate of €1 to \$1.6885 (2009: €1 to \$1.6885).

The Consolidated Entity will receive \$187,296,863 from Eurohypo AG at a spot rate of €1 to \$1.6885 (2009: €1 to \$1.6885).

Further details related to the cross currency interest rate swap that the Consolidated Entity has entered into can be seen below.

**21 Financial instruments** continued**d Liquidity risk** continued

Maturity analysis of financial liabilities continued

	Carrying amount	Contractual cash flows	Within 1 year	1 to 2 years	2 to 5 years	Greater than 5 years
<b>2010</b>						
Interest receivable on capital hedge	2,396	43,028	11,356	11,356	20,316	–
Interest payable on capital hedge	(1,289)	(23,150)	(6,110)	(6,110)	(10,931)	–
<b>Net interest receivable on capital hedge</b>	<b>1,107</b>	<b>19,878</b>	<b>5,246</b>	<b>5,246</b>	<b>9,385</b>	<b>–</b>
Payment in settlement of capital hedge	–	(187,297)	–	–	(187,297)	–
Receipt in settlement of capital hedge	–	187,297	–	–	187,297	–
<b>Net settlement of capital hedge</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
	Carrying amount	Contractual cash flows	Within 1 year	1 to 2 years	2 to 5 years	Greater than 5 years
<b>2009</b>						
Capital hedge						
Interest receivable on capital hedge	3,194	72,511	15,141	15,141	42,229	–
Interest payable on capital hedge	(2,107)	(47,827)	(9,987)	(9,987)	(27,853)	–
<b>Net interest receivable on capital hedge</b>	<b>1,087</b>	<b>24,684</b>	<b>5,154</b>	<b>5,154</b>	<b>14,376</b>	<b>–</b>
Payment in settlement of capital hedge	–	249,729	–	–	249,729	–
Receipt in settlement of capital hedge	–	(249,729)	–	–	(249,729)	–
<b>Net settlement of capital hedge</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

**e Market risk**

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

## Sources of market risk and risk management strategies

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

## Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Cash and cash equivalents 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 Note 14.

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

	Floating rate \$'000	Non-interest bearing \$'000	Total \$'000
<b>Consolidated 2010</b>			
Financial assets			
Cash and cash equivalents	33,932	–	<b>33,932</b>
Trade and other receivables	1,107	1,449	<b>2,556</b>
Financial derivatives	–	21,157	<b>21,157</b>
<b>Total financial assets</b>	<b>35,039</b>	<b>22,606</b>	<b>57,645</b>
Financial liabilities			
Trade and other payables	–	6,179	<b>6,179</b>
Interest bearing liabilities	328,227	–	<b>328,227</b>
Financial derivatives	25,211	–	<b>25,211</b>
Distributions payable	–	6,482	<b>6,482</b>
Other	–	2,182	<b>2,182</b>
<b>Total financial liabilities</b>	<b>353,438</b>	<b>14,842</b>	<b>368,281</b>

# Notes to the Financial Statements

For the year ended 30 June 2010

## 21 Financial instruments continued

### e Market risk continued

Interest rate risk continued

	Floating rate \$'000	Non-interest bearing \$'000	Total \$'000
<b>Consolidated 2009</b>			
Financial assets			
Cash and cash equivalents	18,735	–	<b>18,735</b>
Trade and other receivables	–	2,396	<b>2,396</b>
Financial derivatives	–	308	<b>308</b>
<b>Total financial assets</b>	<b>18,735</b>	<b>2,704</b>	<b>21,439</b>
Financial liabilities			
Trade and other payables	–	7,324	<b>7,324</b>
Interest bearing liabilities	402,365	–	<b>402,365</b>
Financial derivatives	32,005	667	<b>32,672</b>
Distributions payable	–	1,543	<b>1,543</b>
Other	–	4,787	<b>4,787</b>
<b>Total financial liabilities</b>	<b>434,370</b>	<b>14,321</b>	<b>448,691</b>

### Sensitivity analysis

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

	+ 1% Profit and loss \$'000	2010 + 1% Equity \$'000	– 1% Profit and loss \$'000	2010 – 1% Equity \$'000	+ 1% Profit and loss \$'000	2009 + 1% Equity \$'000	– 1% Profit and loss \$'000	2009 – 1% Equity \$'000
<b>Consolidated</b>								
Interest on cash	339	339	(339)	(339)	148	148	(148)	(148)
Interest bearing liabilities	(3,282)	(3,282)	3,282	3,282	(4,079)	(4,079)	4,079	4,079
Swap proceeds	3,282	3,282	(3,282)	(3,282)	4,079	4,079	(4,079)	(4,079)
Fair value of derivatives	6,310	6,310	(6,570)	(6,570)	20,493	20,493	(21,642)	(21,642)
<b>Total increase/(decrease)</b>	<b>6,649</b>	<b>6,649</b>	<b>(6,909)</b>	<b>(6,909)</b>	<b>20,641</b>	<b>20,641</b>	<b>(21,790)</b>	<b>(21,790)</b>

### Foreign currency risk

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

### Sources of risk and risk management strategies

The Consolidated Entity undertakes the majority of their transactions in the euro currency, as the assets of the Fund and the Consolidated Entity are located in Europe. As a consequence, all activities of the Consolidated Entity are exposed to exchange rate risk. This arises due to the capital raised by the Fund (and subsequently redeemed) is in Australian dollars, and all distributions are paid to unitholders in Australian dollars.

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

- for assets which earn income in a foreign currency, borrowings are sourced in the same currency as the asset, which creates a natural hedge;
- forward exchange contracts may be utilised to hedge net income earned in Europe which is repatriated to Australia to pay distributions to unitholders (which are paid in Australian dollars); and
- a controlled entity of the Consolidated Entity is party to a foreign exchange rate hedge in the form of a cross currency interest rate swap with physical exchange of principal front end and back end with an interest rate swap component to hedge capital.



## 21 Financial instruments continued

### e Market risk continued

Sources of risk and risk management strategies continued

Details of the forward foreign exchange contracts are shown below:

Type of contract	Expiry date	Underlying exposure	Fixed rate	Notional amount of contracts outstanding 30 June 2010 €'000	Fair value of forward foreign exchange asset 30 June 2010 \$'000	Fair value of forward foreign exchange liability 30 June 2009 \$'000
Forward foreign exchange	Quarterly until 15 April 2014	Euro	0.5476	17,204	4,892	(359)

Details of the cross currency interest rate swap instruments are shown below:

Type of contract	Expiry date	Underlying exposure	Fixed rate %	Notional amount of contracts outstanding 30 June 2010 '000	Fair value of cross currency interest rate swap asset 30 June 2010 \$'000	Fair value of cross currency interest rate swap liability 30 June 2009 \$'000
Principal investment	15 April 2014	AUD	5.98	\$187,297	192,156	256,089
Principal borrow	15 April 2014	Euro	3.83	€110,925	(175,891)	(269,567)
<b>Net fair value</b>					<b>16,265</b>	<b>(13,478)</b>

The unrealised effect of movements of the \$/euro exchange rates on the Consolidated Entity are recorded in the foreign currency translation reserve.

The following table shows the direct foreign currency exposures of the Consolidated Entity at the reporting date, based on notional amounts, as reported in Australian dollars.

	Consolidated 2010 \$'000	2009 \$'000
<i>Australia (Australian dollar-denominated)</i>		
Gross assets	24,792	4,444
Gross liabilities	(929)	1,109
<i>Europe (euro-denominated)</i>		
Gross assets	297,210	505,983
Gross liabilities	(259,390)	445,880

The following euro exchange rates were applied to transactions during the period:	2010 reporting date spot rate	Year ended 30 June 2010 average rate	2009 reporting date spot rate	Year ended 30 June 2009 average rate
1 Australian dollar	0.7050	0.6359	0.5751	0.5416

### Sensitivity analysis

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

	2010 + 1% Profit and loss \$'000	2010 + 1% Equity \$'000	2010 - 1% Profit and loss \$'000	2010 - 1% Equity \$'000	2009 + 1% Profit and loss \$'000	2009 + 1% Equity \$'000	2009 - 1% Profit and loss \$'000	2009 - 1% Equity \$'000
<b>Consolidated</b>	10,604	8,049	(11,197)	(8,373)	9,734	6,872	(36,874)	(33,711)

### 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.

# Notes to the Financial Statements

For the year ended 30 June 2010

## 21 Financial instruments continued

### f Fair values continued

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.

Investments – available for sale

Fair value for listed investments is calculated based on the closing bid price of the security at the reporting date. Fair value for unlisted investments is calculated based on the latest available net asset values. Refer to Note 11 for further details.

Derivatives

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

Non-derivative financial liabilities

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

Fair values versus carrying amounts

As of 1 July 2009, the Consolidated Entity has adopted the amendments to AASB 7 *Financial Instruments: Disclosures*, which requires disclosure of 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 following table presents the Consolidated Entity's assets and liabilities measured and recognised at fair value at 30 June 2010. 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, comparative information has not been provided in the tables below, as permitted by the transitional provisions of the new rules.

Consolidated Entity – at 30 June 2010	Level 2 \$'000	Total \$'000
<b>Assets</b>		
Financial derivatives at fair value through profit or loss	21,157	21,157
<b>Total assets</b>	<b>21,157</b>	<b>21,157</b>
<b>Liabilities</b>		
Financial derivatives at fair value through profit or loss	25,211	25,211
<b>Total liabilities</b>	<b>25,211</b>	<b>25,211</b>

As at 30 June 2010, there were no financial assets or liabilities in levels 1 or 3. During the year, there were no financial assets or liabilities which transferred between levels 1, 2 or 3.

## 22 Reconciliation of cash flows from operating activities

	Consolidated Year ended 30 June 2010 \$'000	Year ended 30 June 2009 \$'000
<b>Profit/(loss) for the year</b>	<b>40,120</b>	<b>(148,964)</b>
Adjustments for:		
<i>Items classified as investing activities</i>		
Gain on close out of derivatives	(5,406)	–
<i>Non-cash items</i>		
Loss from investment property valuations	15,303	115,061
(Gain)/loss from revaluation of financial derivatives	(28,310)	58,799
Income tax expense	(4,447)	624
Amortisation	619	242
Other	1,529	(1,351)
<b>Operating profit before changes in working capital</b>	<b>19,408</b>	<b>24,411</b>
Changes in assets and liabilities during the period:		
Increase in trade and other receivables	(160)	(386)
Decrease in trade and other payables	(1,145)	(4,409)
<b>Net cash flows from operating activities</b>	<b>18,103</b>	<b>19,616</b>

Cash at bank balances earns interest at floating rates based on daily bank deposit rates.

## 23 Related parties

### Key management personnel

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

F. Allan McDonald (appointed 1 January 2010)  
 Brian Motteram (appointed 21 February 2007)  
 Barbara Ward (appointed 1 January 2010)  
 Tim Harris (appointed 17 March 2010)  
 Russell Proutt (appointed 1 January 2010)  
 Peter Morris (appointed 14 April 2004 – resigned 1 January 2010)  
 Robert McCuaig (appointed 31 March 2004 – resigned 1 January 2010)  
 Mark Wilson (appointed 27 August 2008 – resigned 1 January 2010)  
 Brian Kingston (appointed 27 August 2008 – resigned 17 March 2010)

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

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

### Directors' interests

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

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

### Responsible Entity's fees and other transactions

In accordance with the Fund Constitution, Brookfield Multiplex 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 A-REIT 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 2010 was nil (2009: nil). As at 30 June 2010, the performance fee payable to the Responsible Entity was nil (2009: nil).

#### Management fee

A base management fee is calculated on the gross value of assets, less fair value of derivatives and 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 2010 was \$1,859,000 (2009: \$2,797,000). As at 30 June 2010, the management fee payable to the Responsible Entity was \$411,000 (2009: \$524,000).

#### 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 Multiplex Property Trust (22.36% ownership) and Multiplex Acumen Property Fund (5.73% ownership) from inception to 26 June 2007. On 27 June 2007, the Fund allotted units to unitholders under the Fund's Product Disclosure Statement (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. Brookfield Multiplex Funds Management Limited, as custodian for Multiplex German Investment Trust, retained its 49,750,100 units. ANZ Nominees Limited, as custodian for Brookfield Multiplex Capital Management Limited, as Responsible Entity for Multiplex Acumen Property Fund, retained its 12,750,050 units. These are related parties by virtue of their Responsible Entities being part of the Brookfield Multiplex Group.

# Notes to the Financial Statements

For the year ended 30 June 2010

## 23 Related parties continued

### Responsible Entity's fees and other transactions continued

Related party unitholders

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

- Brookfield Multiplex Funds Management Limited, as custodian for Multiplex German Investment Trust, owned 100% by Brookfield Multiplex Property Trust, holds 49,750,100 units or 20.15% of the Fund as at 30 June 2010 (2009: 49,750,100 units or 20.15%).
- ANZ Nominees Limited, as custodian for Brookfield Multiplex Capital Management Limited, as Responsible Entity for Multiplex Acumen Property Fund, holds 12,750,050 units or 5.16% of the Fund as at 30 June 2010 (2009: 12,750,050 units or 5.16%).

	Consolidated 2010 \$'000	2009 \$'000
<b>Transactions with the Responsible Entity</b>		
Management fees	1,859	2,797
Establishment fees	–	–
Cost reimbursements	249	133
Management fee payable	411	524
Cost reimbursements payable	250	55
<b>Transactions with Brookfield Multiplex Limited and its controlled entities (excluding the Responsible Entity)</b>		
Distribution to Brookfield Multiplex Property Trust	2,239	2,177
Distribution payable to Brookfield Multiplex Property Trust	1,306	311
<b>Transactions with other related parties</b>		
Distribution to Multiplex Acumen Property Fund	574	558
Distribution payable to Multiplex Acumen Property Fund	335	80

Transactions with related parties are conducted on normal commercial terms and conditions. Distributions paid by the Consolidated Entity to related party unitholders are made on the same terms and conditions applicable to all unitholders.

## 24 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 30 June 2010 (30 June 2009: nil).

## 25 Capital and other commitments

There were no capital or other commitments at 30 June 2010 (30 June 2009: nil).

## 26 Events subsequent to the reporting date

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

# Directors' Declaration

For the year ended 30 June 2010

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

- a The consolidated financial statements and notes, set out in pages 27 to 54, 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 2010 and of its performance for the financial year ended on that date;
  - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
  - iii complying with International Financial Reporting Standards, as stated in Note 2 to the financial statements.
- b There are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and the Chief Financial Officer for the financial year ended 30 June 2010.

Signed in accordance with a resolution of the Directors of Brookfield Multiplex Capital Management Limited pursuant to Section 295(5) of the *Corporations Act 2001*.

Dated at Sydney this 25th day of August 2010.



**Russell Proutt**

Director

Brookfield Multiplex Capital Management Limited

# Independent Auditor's Report

For the year ended 30 June 2010

## Deloitte.

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

Grosvenor Place  
225 George Street  
Sydney NSW 2000  
PO Box N250 Grosvenor Place  
Sydney NSW 1220 Australia

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

We have audited the accompanying financial report of Multiplex European Property Fund ("the Fund"), which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the Fund and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 27 to 55.

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

The directors of Brookfield Multiplex Capital Management Limited ("the directors") are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the consolidated financial statements and notes, complies 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. These Auditing 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 and fair presentation of the financial report 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.

Member of  
**Deloitte Touche Tohmatsu**

Liability limited by a scheme approved under Professional Standards Legislation.



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

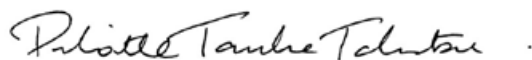
*Auditor's Independence Declaration*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

*Auditor's 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 consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.



DELOITTE TOUCHE TOHMATSU



Helen Hamilton-James  
Partner  
Chartered Accountants  
Sydney, 25 August 2010

# 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 25 August 2010.

## 1. SUBSTANTIAL HOLDERS

COMPANY NAME	NO OF UNITS	% OF UNITS ON ISSUE
Multiplex German Investment Pty Limited	49,750,100	20.15
ANZ Nominees Limited	13,080,050	5.30

## 2. DISTRIBUTION OF ORDINARY UNITS

Analysis of numbers of unitholders by size of holding:

	UNITS	UNITHOLDERS
1–1,000	17,048	25
1,001–5,000	1,901,072	412
5,001–10,000	7,823,376	818
10,001–100,000	81,671,065	2,218
100,001 and over	155,537,589	244

There were 76 holders with less than a marketable parcel of units.

## 3. UNITHOLDERS

*Twenty largest quoted unitholders.*

The twenty largest holders of ordinary units are listed below:

NAME	ORDINARY UNITS	
	NUMBER HELD	% OF ORDINARY UNITS
Multiplex German Investment Pty Limited	49,750,100	20.15
ANZ Nominees Limited	13,080,050	5.30
RBC Dexia Investor Services Australia Nominees Pty Limited	11,043,503	4.47
Antares Capital Partners Pty Ltd	6,539,500	2.65
ABN AMRO Clearing Sydney Nominees Pty Ltd	5,312,562	2.15
Cogent Nominees Pty Limited	3,369,418	1.36
Mr Peter Chappel and Mrs Wendy Elizabeth Chappel	2,850,000	1.15
Bond Street Custodians Limited	2,750,000	1.11
WA Construction Industry Redundancy Fund Ltd	1,300,000	0.53
Hillmorton Custodians Pty Ltd	1,031,000	0.42
Mr Colin Bambrick and Mrs Lorelei Bambrick	1,000,000	0.40
Carringbush Pty Ltd	1,000,000	0.40
Rundal Holdings Pty Ltd	965,000	0.39
Mr Sean Corbett	945,076	0.38
HSBC Custody Nominees Limited	836,000	0.34
Australian Executor Trustees Limited	829,370	0.34
Trafalgar Custodians Pty Ltd	813,442	0.33
Mr James William Welch and Mrs June Welch	811,829	0.33
Mr Ian David Mclean	769,830	0.31
Aventeos Investments Limited	744,696	0.30

#### 4. VOTING RIGHTS

##### Entitlement to vote

The following is an extract from Section 16.23 of the Constitution of Multiplex European Property Fund:

- (a) Subject to any rights or restrictions for the time being attached to any Class or Classes of Units and to this constitution:
  - (i) on a show of hands, each Member present in person and each other person present as a proxy, attorney or representative of a Member has one vote; and
  - (ii) on a poll, each Member present in person has one vote for each one dollar of the value of the Units held by the Member and each person present as proxy, attorney or representative of a Member has one vote for each one dollar of the value of the Units held by the Member that the person represents.
- (b) A Member is not entitled to vote at a general meeting in respect of Units which are the subject of a current Restriction Agreement for so long as any breach of that agreement subsists.

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# Corporate Directory

## RESPONSIBLE ENTITY

Brookfield Capital Management Limited  
Level 22  
135 King Street  
Sydney NSW 2000  
Telephone: (02) 9322 2000  
Facsimile: (02) 9322 0001

## DIRECTORS

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

## COMPANY SECRETARY

Neil Olofsson

## REGISTERED OFFICE

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

## CUSTODIAN

ANZ Nominees Limited  
Level 25  
530 Collins Street  
Melbourne VIC 3000  
Telephone: 1800 177 254

## STOCK EXCHANGE

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

## AUDITOR

Deloitte Touche Tohmatsu  
Grosvenor Place  
225 George Street  
Sydney NSW 2000  
Telephone: (02) 9322 7000  
Facsimile: (02) 9322 7001





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