Appendix 4E
Multiplex SITES Trust

For the year ended 31 December 2018

Name of entity	Multiplex SITES Trust (MXU) ARSN 111 903 747
Details of reporting period	
Current reporting period	1 January 2018 to 31 December 2018
Prior corresponding period	1 January 2017 to 31 December 2017

Multiplex SITES Trust (Trust) was registered on 25 November 2004 and commenced operations upon listing for trading on the Australian Securities Exchange (ASX) on 20 January 2005.

This Appendix 4E should be read in conjunction with the Financial Report for the year ended 31 December 2018 and any ASX announcements issued since. It is also recommended that this Appendix 4E be considered together with any public announcements made by the Trust during the year ended 31 December 2018 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

Results for announcement to the market	Year ended 31 December 2018 $'000	Year ended 31 December 2017 $'000
Total revenue and other income	26,325	25,335
Net profit before income tax	26,325	25,335
Net profit attributable to unitholders	26,325	25,335
Net tangible asset backing per unit ($)	100	100
Earnings per unit (cents per unit)	585.00	563.00

Distributions

Multiplex SITES unitholders

Distributions to Multiplex SITES unitholders paid or declared by the Trust during the current period were as follows:

	$'000
Quarterly distribution for the period from 1 January 2018 to 31 March 2018 of 5.69% per annum and paid on 17 April 2018	6,300
Quarterly distribution for the period from 1 April 2018 to 30 June 2018 of 5.935% per annum and paid on 16 July 2018	6,615
Quarterly distribution for the period from 1 July 2018 to 30 September 2018 of 6.0% per annum and paid on 16 October 2018	6,795
Quarterly distribution for the period from 1 October 2018 to 31 December 2018 of 5.8361% per annum and paid on 15 January 2019	6,615
Total	**26,325**

On 2 January 2019, the Trust announced to the ASX that the distribution rate for the period from 1 January 2019 to 31 March 2019 is 5.9825% per annum.

This preliminary final report is given to the ASX in accordance with Listing Rule 4.2A.

Commentary and analysis of the result for the current period can be found in the forthcoming Multiplex SITES Trust ASX release.

The Trust has a formally constituted Audit Committee and Board Risk & Compliance Committee of the Board of Directors of the Responsible Entity. The release of this report was approved by resolution of the Board of Directors of the Responsible Entity on 26th February 2019.

Multiplex SITES Trust
Financial Statements
for the year ended
31 December 2018

Step-up
Income-distributing
Trust-issued
Exchangeable
Securities

Multiplex SITES Trust

ARSN 111 903 747

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Multiplex SITES Trust

For the year ended 31 December 2018

Directory
Multiplex SITES Trust

For the year ended 31 December 2018

Responsible Entity
Brookfield Funds Management Limited
Level 22, 135 King Street
Sydney NSW 2000
Telephone: (02) 9158 5100
Facsimile: (02) 9322 2001

Directors of Brookfield Funds Management Limited
Mr F. Allan McDonald
Ms Barbara K Ward
Mr Shane A Ross

Company Secretary of Brookfield Funds Management Limited
Ms Men (Mandy) Chiang
Mr Neil Olofsson (resigned 9 February 2018)

Registered Office of Brookfield Funds Management Limited
Level 22, 135 King Street
Sydney NSW 2000
Telephone: +61 2 9158 5100
Facsimile: +61 2 9322 2001

Stock Exchange
The Trust is listed on the Australian Securities Exchange (ASX Code: MXU).

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

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

Directors' Report
Multiplex SITES Trust

For the year ended 31 December 2018

Introduction
The Directors of Brookfield Funds Management Limited (ABN:15 105 371 917), the Responsible Entity of Multiplex SITES Trust (Trust) present their report together with the financial statements of the Trust for the year ended 31 December 2018 and the Independent Auditor's Report thereon.

Responsible Entity
The Responsible Entity of the Trust is Brookfield Funds Management Limited (BFML). 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 year:

Name	Capacity
Mr F. Allan McDonald	Non-Executive Independent Chairman
Ms Barbara K Ward	Non-Executive Independent Director
Mr Shane A Ross	Executive Director

Information on Directors

F. Allan McDonald (BEcon, FCPA, FAIM, FGIA), Non-Executive Independent Chairman
Mr McDonald was appointed to the Board on 22 October 2003 and was appointed Non-Executive Independent Chairman of Brookfield Funds Management Limited (BFML) in May 2005. Mr McDonald has had extensive experience in the role of Chairman and is presently associated with a number of companies as a consultant and Company Director. Mr McDonald is also a director of Brookfield Capital Management Limited (BCML) (appointed January 2010), the Responsible Entity for Brookfield Prime Property Fund (BPA, delisted on 4 July 2017) and Multiplex European Property Fund (MUE, delisted on 17 September 2015). Mr McDonald is a director of Astro Japan Property Management Limited (Responsible Entity of Astro Japan Property Trust, delisted on 10 October 2017) in liquidation (appointed February 2005).

Mr McDonald has also served as a director of Brookfield Office Properties Inc. (May 2011 to June 2014).

Barbara K Ward, AM (BEcon, MPolEcon, MAICD), Non-Executive Independent Director and Chairperson of Audit Committee and Board Risk and Compliance Committee
Ms Ward was appointed as a Non-Executive Independent Director of BFML on 22 October 2003. Ms Ward 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. Ms Ward is a Director of Qantas Airways Limited (appointed June 2008) and Caltex Australia Limited (appointed 1 April 2015). Ms Ward has also served as a director of Sydney Children's Hospital Foundation (November 2012 to February 2018). Ms Ward is also a director of BCML (appointed January 2010), the Responsible Entity for BPA (delisted on 3 July 2017) and MUE (delisted on 17 September 2015).

Shane Ross (BBus), Executive Director/Alternate Director
Shane is the Chief Financial Officer for Brookfield Australia Investments Limited and was appointed as an Executive Director of BFML on 6 May 2015. BFML is the responsible Entity for the listed Multiplex SITES Trust. Shane joined the organisation in 2003 following a background in banking and has over 22 years experience in treasury and finance within the property industry.

Men (Mandy) Chiang, Company Secretary
Ms Chiang was appointed Company Secretary of BFML on 15 November 2016. Ms Chiang has over 20 years of company secretarial experience including having previously worked at Brookfield Australia Group for over 9.5 years.

Directors' and executives' equity interests

	Multiplex SITES held at the start of the period	Changes during the period	Multiplex SITES held at the end of the period
Mr F. Allan McDonald	1,335	-	1,335

The number of Directors' meetings (including meetings of committees of Directors) for the Responsible Entity during the year, and the number of meetings attended by each of the Directors, are as follows:

	Board meetings		Audit Committee meetings		Risk and Compliance Committee meetings	
Director	Held	Attended	Held	Attended	Held	Attended
Mr F. Allan McDonald	4	4	2	2	3	3
Ms Barbara K Ward	4	4	2	2	3	3
Mr Shane A Ross	4	4	N/A	N/A	N/A	N/A

Principal activities

The Trust is a registered managed investment scheme domiciled in Australia and the Step-up Income-distributing Trust-issued Exchangeable securities (Multiplex SITES) are listed on the Australian Securities Exchange.

The investment activities of the Trust continue to be in accordance with the policies outlined in the original Product Disclosure Statement for the Trust dated 29 November 2004. During the year ended 31 December 2018 the Trust's sole activity was holding units in Multiplex Hybrid Investment Trust and the payment of distributions to unitholders.

The Trust did not have any employees during the year.

Review of operations

The Trust earned a net profit attributable to unitholders of $26,325,000 for the year ended 31 December 2018 (2017: $25,335,000). Total quarterly distributions paid or payable in respect of the year ended 31 December 2018 were $26,325,000 (2017: $25,335,000). The carrying value of the Trust's net assets at the end of the year ended 31 December 2018 was $450,000,000 (2017: $450,000,000).

The Trust's only activity is an investment in units in Multiplex Hybrid Investment Trust.

Corporate governance

This corporate governance statement (Statement) is required to disclose the extent to which the third edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Principles) are followed by the Multiplex SITES Trust (Trust). The ASX Principles are guidelines for businesses which set out eight core principles the ASX Corporate Governance Council believes lie behind good corporate governance.

The Statement has been approved by the board of Brookfield Funds Management Limited (BFML), in its capacity as responsible entity of the Trust (Board). The Statement is current as at 26 February 2019.

It is noted that some of the ASX Principles do not apply to the Trust because it is an externally managed listed entity (as defined by the ASX Principles) and those ASX principles are referenced as 'not applicable' below.

Principle 1: Lay solid foundations for management and oversight

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

Managing the Affairs of the Trust

Management is responsible for the operations of the Trust and their performance is overseen by the Board. The role of the Board and its committees is set out in a charter (Board Charter) and this reserves the following powers for the Board:

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

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

In addition, the Board is responsible for:

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

Election and Re-election of Directors

Recommendation 1.2 of the ASX Principles is not applicable to the Trust, however, the character, experience, education, skillsets, interests and associations of potential new directors are always considered. In addition, appropriate checks as to the suitability of a candidate for appointment to the Board are conducted.

Recommendation 1.3 of the ASX Principles is not applicable to the Trust, however, all directors have an appointment letter or employment agreement setting out the terms of their appointment.

Company Secretary

Recommendation 1.4 of the ASX Principles is not applicable to the Trust, however, the Directors have direct access to the Company Secretary. In addition, the Company Secretary:

- is accountable to the Board on all governance matters;
- supports the Board by monitoring and maintaining Board policies and procedures; and
- coordinates the timely completion and dispatch of the Board meeting agendas and briefing material.

Diversity Policy

Recommendation 1.5 of the ASX Principles is not applicable to the Trust, however, BFML does not employ staff and so does not have a diversity policy. However, Brookfield Australia has a Diversity Consultative Committee and a specific Brookfield Women's Advisory Committee that sets objectives and policies in relation to improving the number of women employed across the whole organisation.

Board Evaluation

Recommendation 1.6 of the ASX Principles is not applicable to the Trust, however, the Board undertakes an annual self-evaluation of its performance. The evaluation is conducted by way of a survey completed by each of the Directors, followed by an analysis and discussion of the results. As part of the review, consideration is given to the existing skills and competency of the Directors, to ensure there is an appropriate mix of skills for managing BFML and overseeing the affairs of the Trust.

Process for Evaluating the Performance of Senior Executives
Recommendation 1.7 of the ASX Principles is not applicable to the Trust, however, Management, responsible for the operation of the Trust are subject to a performance evaluation process, including setting KPIs and evaluating performance against these KPIs at various points throughout the year. In addition, all new employees of Brookfield Australia, including senior executives, attend a formal induction which provides an overall introduction to the various business units within the organisation.

Principle 2: Structure the Board to Add Value
Nomination Committee
Recommendation 2.1 of the ASX Principles is not applicable to the Trust.

Board Skills Matrix
Recommendation 2.2 of the ASX Principles is not applicable to the Trust, however, the Board considers that collectively it has an appropriate matrix of skills, experience and expertise which allow it to meet the Trust's objectives. The composition of the Board is subject to continuous review. Profiles of each of the Directors can be found in the 'Information on Directors' section of this report.

Independence and Length of Service of Directors
The table below sets out the details of each of the Directors including their independent status and length of tenure. The interests of the Directors can be found in the 'Information on Directors' section of this report.

Name	Position held	Independent (Yes/No)	Date appointed to the Board
F. Allan McDonald	Non-Executive Independent Chairman	Yes	22 October 2003
Barbara Ward	Non-Executive Independent Director	Yes	22 October 2003
Shane Ross	Executive Director	No	6 May 2015

The independence status of the Directors was determined using the criteria set out in Recommendation 2.3 of the ASX Principles.

Recommendation 2.4 of the ASX Principles is not applicable to the Trust, however, the Board follows this recommendation and has a majority of independent directors.

Recommendation 2.5 of the ASX Principles is not applicable to the Trust, however, the Board's Chairman is independent and his role is separate from the role of Chief Executive Officer of Brookfield Australia.

Induction and Education of Directors
Recommendation 2.6 of the ASX Principles is not applicable to the Trust, however, an induction programme for new Directors would be facilitated by the Company Secretary. This programme would provide Directors with an understanding of the financial, strategic, operational and risk management position of BFML and the Trust.

Principle 3: Act Ethically and Responsibly
Code of Business Conduct and Ethics
Brookfield Australia has a Code of Business Conduct and Ethics (Code) which sets out the requirements for workplace and human resource practices, risk management and legal compliance. The Board acknowledges that the Directors are subject to the Code.

The Code is designed to ensure that all directors, officers and employees within the organisation conduct activities with the highest standards of honesty and integrity and in compliance with all legal and regulatory requirements. The Code is aligned to Brookfield Australia's core values of teamwork, integrity and performance and is fully supported by the Board.

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

Principle 4: Safeguard Integrity in Corporate Reporting

Audit Committee

The Board has established an Audit Committee to oversee the integrity of the financial reporting controls and procedures used by BFML, when acting in its capacity as the responsible entity of the Trust.

The Audit Committee is responsible for:

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

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

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

As noted in the commentary to ASX Principle 2, all members of the Audit Committee are independent directors. Profiles of the Audit Committee members can be found in the 'Information on Directors' section of this report.

With only two members, the Audit Committee does not follow ASX Recommendation 4.1 which requires it to have three members. However, given this is committee of the Board and the Board only has three directors, this is considered by the Board to be a sufficient size.

Audit Committee Charter

The Audit Committee has adopted a formal charter, which sets out its responsibilities with respect:

- to financial reporting;
- external audit (including procedures regarding appointment, removal of and term of engagement with the external auditor); and
- performance evaluation.

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

CEO and CFO Certification of Financial Statements

The Board has received declarations from the Executive Director and Vice President, Finance of BFML that the financial statements of the Trust, in all material respects: present a true and fair view of the financial position and operational results of the Trust. The declarations also confirm the statements are based upon a sound system of risk management and internal compliance and control systems are operating efficiently in relation to financial reporting risks.

External Auditors Available at AGM

Recommendation 4.3 of the ASX Principles is not applicable to the Trust.

Principle 5: Make Timely and Balanced Disclosure

Disclosure Policy

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

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

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

Principle 6: Respect the Rights of the Trust's Unitholders

Information on Website

Up-to-date information on the Trust and BFML, as responsible entity of the Trust, including any continuous disclosure notices given by the Trust, financial reports, governance and distribution information, is available on the Brookfield Australia website at www.au.brookfield.com.

Investor Relations Program

BFML, in its capacity as responsible entity of the Trust, is committed to timely and ongoing communication with the Trust's unitholders.

BFML's communication strategy is incorporated into the Continuous Disclosure Policy. The annual report also provides an update to unitholders on major achievements and the financial results of the Trust.

Facilitate Participation at Meetings of Unitholders

Recommendation 6.3 of the ASX Principles is not applicable to the Trust.

Facilitate Electronic Communication

The Trust's unitholders are provided the option to receive electronic communications from and send communication to BFML, in its capacity as responsible entity of the Trust, and the Trust's share registry.

Principle 7: Recognise and Manage Risk

Risk and Compliance Committee

The Board is ultimately responsible for overseeing the management of risks relating to BFML's and the Trust's operations and has established a Risk and Compliance Committee to assist with this mandate. The Board has assigned accountability and responsibility for the management of risk to Management and reports to the Board on in relation to this via the Risk and Compliance Committee. Financial risks are managed by the Audit Committee.

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

Name	Position	Number of Meetings in Year	Attendance
Barbara Ward	Chairman	3	3
F. Allan McDonald	Member	3	3

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

Risk Management Strategy and Risk Registers

The Board has adopted a risk management strategy (RMS). The RMS describes the key elements of the risk management framework that relate to the delivery of financial services by BFML, as an Australian Financial Services Licensee. The RMS is reviewed on an annual basis. Pursuant to the RMS, risk registers are maintained to manage risks that could impact upon BFML, as the responsible entity of the Trust.

Compliance and Internal Audit

Designated compliance staff assist BMFL, as responsible entity of the Trust, with reviewing and monitoring the efficiency of compliance systems on an ongoing basis. Brookfield Australia also has an internal audit function (independent of Management) which may review aspects of BFML's and the Trust's activities as part of its annual program.

Sustainability Risks

Environmental stewardship is a major component of Brookfield Australia's strategic business plan. Sustainability is a high priority to the organisation and is treated as a key business objective, along with revenue growth and risk management. Decisions made at Brookfield Australia take into account fiscal and environmental responsibilities.

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

Principle 8: Remunerate Fairly and Responsibly

Remuneration

Recommendations 8.1, 8.2 and 8.3 of the ASX Principles are not applicable to the Trust.
Pursuant to the Trust's product disclosure statement and constitution, BFML, as responsible entity of the Trust is entitled to, but not mandated to claim a management fee. No such fee was claimed during the reporting period.

Distributions

Distributions paid or declared by the Trust were as follows:

	Cents per unit	Total amount $'000	Date of payment
Year ended 31 December 2018			
Distributions for the period ended 31 March 2018	140.00	6,300	17 April 2018
Distributions for the period ended 30 June 2018	147.00	6,615	16 July 2018
Distributions for the period ended 30 September 2018	151.00	6,795	16 October 2018
Distributions for the period ended 31 December 2018	147.00	6,615	15 January 2019
Total distributions	585.00	26,325	
Year ended 31 December 2017			
Distributions for the period ended 31 March 2017	140.00	6,300	19 April 2017
Distributions for the period ended 30 June 2017	141.00	6,345	17 July 2017
Distributions for the period ended 30 September 2017	141.00	6,345	17 October 2017
Distributions for the period ended 31 December 2017	141.00	6,345	16 January 2018
Total distributions	563.00	25,335	

On 2 January 2019, the Trust announced to the ASX that the distribution rate for the period from 1 January 2019 to 31 March 2019 is 5.9825% per annum.

Events subsequent to the reporting date

In 2010 and 2013, Brookfield Holdings (Australia) Ltd. (BHAL) entered into a total return swap and option with BOPA Holdings Ltd. (BPO) and Brookfield BPY Holdings (Australia) ULC which included options over certain assets in the Brookfield Australia Property Trust (BAPT) portfolio. BHAL indirectly owns all of the units in BAPT and is obligated to procure that its subsidiaries enter into transactions to facilitate the transfer of assets pursuant to these arrangements.

Subsequent to 31 December 2018, the options were exercised and, in accordance with directions from BHAL, BAPT has entered into conditional sale agreements to dispose of the optioned properties (being nearly all of its remaining office property portfolio) (Portfolio Sale).

The Portfolio Sale is conditional on numerous matters including regulatory approvals and requisite financier and co-owner consents. Completion of the Portfolio Sale is expected to occur during the 2019 financial year.

Other than the payment of the 31 December 2018 distribution on 15 January 2019 and to the knowledge of the Directors, there has been no matter or circumstance that has arisen since the end of the year that has significantly affected, or may affect, the Trust's operations in future financial periods, the results of those operations or the Trust's state of affairs in future financial periods.

For the year ended 31 December 2018

Indemnification and insurance of officers and auditors
Under deeds of access and indemnity, Brookfield Australia Investments Limited or Brookfield Australia Pty Ltd has agreed to indemnify the Directors and Company Secretary of BFML, to the extent permitted by law, against:

- liabilities incurred as Director or Company Secretary of BFML, except for those liabilities incurred in relation to the matters set out in section 199A(2) of the Corporations Act 2001; and
- reasonable legal costs incurred in defending an action for a liability as Director or Company Secretary of BFML, except for costs incurred in relation to matters set out in section 199A(3) of the Corporations Act 2001 (the "Indemnity").

The Indemnity is satisfied by maintenance of a global directors' and officers' insurance policy, which policy prohibits certain disclosures in relation to the nature of the liability covered and the amount of the premium, however, it can be disclosed that the policy does not insure against liabilities arising out of matters including, but not limited to:

- fraudulent, dishonest or criminal acts or omissions and improper personal profit or advantage;
- violation of US Securities Act of 1993;
- losses for which coverage under a different kind of insurance policy is readily available such as, liability insurance, employment practices liability and pollution liability (there can be limited coverage for some of these exposures); and
- claims made by a major shareholder (threshold is ownership of 10% or greater).

The obligation to effect, maintain and pay the premium of the global directors' and officers' insurance policy continues for a period of seven years after the Director or Company Secretary of BFML has left office, to the extent such coverage is available with reasonable terms in the commercial insurance marketplace.

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

Rounding of amounts
The Trust is an entity of the kind referred to in Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the Directors' Report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

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

The lead auditor's independence declaration is set out on page 12 and forms part of the Directors' Report for the year ended 31 December 2018.

Signed in accordance with a resolution of the Directors, made pursuant to Section 298(2) of the *Corporations Act 2001*, on behalf of the Directors of Brookfield Funds Management Limited.

Dated at Sydney this 26th day of February 2019

Shane A Ross
Executive Director
Brookfield Funds Management Limited
as Responsible Entity for Multiplex SITES Trust

Deloitte.

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

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The Board of Directors
Brookfield Funds Management Limited
(as Responsible Entity for Multiplex SITES Trust)
Level 22, 135 King Street
SYDNEY, NSW 2000

26 February 2019

Dear Board Members

Multiplex SITES Trust

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 Funds Management Limited as responsible entity for Multiplex SITES Trust.

As lead audit partner for the audit of the financial statements of Multiplex SITES Trust for the financial year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours faithfully,

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

A. Coleman.

Andrew J Coleman
Partner
Chartered Accountant

Statement of Profit or Loss and Other Comprehensive Income

Multiplex SITES Trust

For the year ended 31 December 2018

	Year ended 31 Dec 2018 $'000	Year ended 31 Dec 2017 $'000
Share of net profit of associates accounted for using the equity method	26,325	25,335
Net profit for the period from continuing operations	**26,325**	**25,335**
Other comprehensive income for the period	-	-
Total comprehensive income for the period attributable to SITES unitholders	**26,325**	**25,335**
Earnings per unit		
Basic and diluted earnings per ordinary unit (cents)	585.00	563.00

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

Statement of Financial Position

Multiplex SITES Trust

As at 31 December 2018

	Note	31 Dec 2018 $'000	31 Dec 2017 $'000
Non-current assets			
Investments accounted for using the equity method	3	456,615	456,345
Total non-current assets		**456,615**	**456,345**
Total assets		**456,615**	**456,345**
Current liabilities			
Distributions payable	4	6,615	6,345
Total current liabilities		**6,615**	**6,345**
Total liabilities		**6,615**	**6,345**
Net assets		**450,000**	**450,000**
Equity			
Units on issue	5	450,000	450,000
Total equity		**450,000**	**450,000**

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

Statement of Changes in Equity
Multiplex SITES Trust

For the year ended 31 December 2018

	Note	Units on issue $'000	Accumulated profit/ (losses) $'000	Total equity $'000
Opening equity – 1 January 2018		450,000	-	450,000
Net profit		-	26,325	26,325
Other comprehensive income		-	-	-
Total comprehensive income		-	26,325	26,325
Distributions to unitholders	1	-	(26,325)	(26,325)
Total transactions with unitholders in their capacity as unitholders		**-**	**(26,325)**	**(26,325)**
Closing equity – 31 December 2018		**450,000**	**-**	**450,000**

`	Note	Units on issue $'000	Accumulated profit/ (losses) $'000	Total equity $'000
Opening equity – 1 January 2017		450,000	-	450,000
Net profit		-	25,335	25,335
Other comprehensive income		-	-	-
Total comprehensive income		-	25,335	25,335
Distributions to unitholders	1	-	(25,335)	(25,335)
Total transactions with unitholders in their capacity as unitholders		**-**	**(25,335)**	**(25,335)**
Closing equity – 31 December 2017		**450,000**	**-**	**450,000**

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

Statement of Cash Flows
Multiplex SITES Trust

For the year ended 31 December 2018

	Note	Year ended 31-Dec 2018 $	Year ended 31-Dec 2017 $
Cash flows from operating activities			
Net cash inflows from operating activities	2	**-**	**-**
Cashflows from investing activities			
Dividends and distributions received		**26,055**	25,335
Net cash inflows from investing activities		**26,055**	**25,335**
Cash flows from financing activities			
Distributions paid to Multiplex SITES holders		(26,055)	(25,335)
Net cash outflows from financing activities		**(26,055)**	**(25,335)**
Net increase/(decrease) in cash and cash equivalents		-	-
Cash and cash equivalents at beginning of financial period		-	-
Cash and cash equivalents at end of financial period		**-**	**-**

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

General information
Multiplex SITES Trust (Trust) is a unit trust domiciled in Australia and is an Australian registered managed investment scheme under the *Corporations Act 2001*. Brookfield Funds Management Limited, the Responsible Entity of the Trust, is incorporated and domiciled in Australia. The units of the Trust have been listed on the Australian Securities Exchange (ASX) and are guaranteed on a subordinated and unsecured basis by Brookfield Australia Investments Limited and Brookfield Funds Management Limited (Guarantors). The Trust was registered on 25 November 2004.

The annual financial statements of the Trust for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the Directors of the Responsible Entity on 26 February 2019.

Statement of compliance
The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards. Accounting standards include Australian equivalents to International Financial Reporting Standards (IFRS). Compliance with Australian equivalents to IFRS ensures that the financial statements and notes of the Trust comply with IFRS.

Basis of preparation
The financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report is presented in Australian dollars. The Trust is a entity of the kind referred to in Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the Directors' Report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

Due to the classification of distributions payable as current liabilities at 31 December 2018, the Trust is in a net current liability position of $6.6 million. The Trust has non-current assets of $456.6 million and a net asset position of $450 million. In accordance with AASB 101, an entity shall prepare financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. The accounts of the Trust have been prepared on a going concern basis as the net current asset deficiency is due to the classification of distributions payable as current liabilities. There are agreements in place that ensure the receipt of distributions by the Trust occur at the same time as the payment of their distributions to unitholders, and hence the classification of the distributions payable as current do not impact the ability of the Trust to continue as a going concern. On the 15th of January 2019 SITES received the 31 December 2018 distribution declared by Multiplex Hybrid Investment Trust (MHIT) and paid its 31 December 2018 distribution payable.

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 expense. Actual results may differ from those 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 investments accounted for using the equity method (Note 3).

The accounting policies and methods of computation adopted in the preparation of the full year financial report are consistent with those adopted in the Trust's 2018 annual report for the financial year ended 31 December 2018.

Application of new and revised Australian Accounting Standards
The Trust has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for an accounting period that begins on or after 1 January 2018. The adoption of these new accounting standards, including AASB 15 and AASB 9 did not have any material impact.

New standards and interpretations not yet adopted
At the date of authorisation of the financial statements, the following IASB Standards and IFRIC Interpretations were also in issue but not yet effective, although Australian equivalent Standards and Interpretations have not yet been issued.

i. AASB 2008-1 *Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle*: effective 1 January 2019;

When these standards are first adopted for the year ending 31 December 2018, there will be no material impact on the transactions and balances recognised in the financial statements.

Segment reporting

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Trust that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. The Trust operates in a single segment, being an investment in Multiplex Hybrid Investment Trust in Australia. All items of the Statement of Comprehensive Income and Statement of Financial Position are derived from this single segment. The chief operating decision maker of the Trust, the Board of Directors of the Responsible Entity, reviews and assesses performance using information displayed as set out in these statements.

Performance for the year

1 Distributions

Accounting Policy

A payable for distribution is recognised in the Statement of Financial Position if the distribution has been declared prior to balance date. Distributions paid are included in cash flows from financing activities and distributions received are included in cash flows from investing activities in the Statement of Cash Flows.

Distributions are payable at the discretion of the Responsible Entity at the three month bank bill rate on the issue date plus a margin of 3.90%. The rate is determined on the first business day of each quarter.

	Cents per unit	Total amount $'000	Date of payment
Year ended 31 December 2018			
Distributions for the period ended 31 March 2018	140.00	6,300	17 April 2018
Distributions for the period ended 30 June 2018	147.00	6,615	16 July 2018
Distributions for the period ended 30 September 2018	151.00	6,795	16 October 2018
Distributions for the period ended 31 December 2018	147.00	6,615	15 January 2019
Total distributions	585.00	26,325	
Year ended 31 December 2017			
Distributions for the period ended 31 March 2017	140.00	6,300	19 April 2017
Distributions for the period ended 30 June 2017	141.00	6,345	17 July 2017
Distributions for the period ended 30 September 2017	141.00	6,345	17 October 2017
Distributions for the period ended 31 December 2017	141.00	6,345	16 January 2018
Total distributions	563.00	25,335	

2 Investments accounted for using the equity method

Accounting Policy

An associate is an entity over which the Trust has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with AASB 5. Under the equity method, an investment in an associate is initially recognised in the statement of financial position at cost and adjusted thereafter to recognise the Trust's share of the profit or loss and other comprehensive income of the associate. When the Trust's share of losses of an associate exceeds the Trust's interest in that associate (which includes any long-term interests that, in substance, form part of the Trust's net investment in the associate), the Trust discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Trust has incurred legal or constructive obligations or made payments on behalf of the associate.

The Trust discontinues the use of the equity method from the date when the investment ceases to be an associate or when the investment is classified as held for sale. When the Trust retains an interest in the former associate and the retained interest is a financial asset, the Trust measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with AASB 139.

The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Trust accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Trust reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

	31-Dec-18 $'000	31-Dec-17 $'000
Non-current		
Units in unlisted associates	456,615	456,345
	456,615	**456,345**

SITES has assessed that no impairment to its investment in MHIT is required for the current period (2017:Nil).

Relationship with Multiplex Hybrid Investment Trust

Multiplex SITES Trust has an investment (100% of the Class A units and 25% of the voting rights) in Multiplex Hybrid Investment Trust (MHIT) of $450,000,000 (2017: $450,000,000), and are entitled to quarterly distributions on this investment. Distributions paid or payable to Multiplex SITES Trust (the Class A unitholder) totalled $26,325,000 for the year ended 31 December 2018 (2017: $25,335,000). The activities of MHIT and its relationship with the Trust is strategic to the operations of the Trust. The registered office and principal place of business of the trustee of MHIT is Level 22, 135 King Street, Sydney.

2 Investments accounted for using the equity method continued

Details of material interests in associates are as follows:

Name	Principle activities	Voting interest %	Carrying value 31-Dec-18 $'000	Carrying value 31-Dec-17 $'000
Multiplex Hybrid Investment Trust	Investment	25	456,615	456,345

	31-Dec-18 $'000	31-Dec-17 $'000
Movement in the carrying value		
Carrying amount at the beginning of the period	456,345	456,345
Profit accounted for using the equity method	26,325	25,335
Distribution paid during the period	(26,055)	(25,335)
Carrying amount at the end of the period	**456,615**	**456,345**
Other disclosures		
Associates' revenues and profits		
Revenues and profit of associates	26,325	25,329
Associates' profit and other comprehensive income		
Profit or loss from continuing operations	26,325	25,329
Income tax expense attributable to net profit	-	-
Other comprehensive income	-	-
Total comprehensive income	26,325	25,329
Total associates' net profit after tax accounted for using the equity method	**26,325**	**25,329**

	31-Dec-18 $'000	31-Dec-17 $'000
Associates' assets and liabilities		
Current assets	6,615	6,345
Non-current assets	450,000	450,000
Total Assets	**456,615**	**456,345**
Current liabilities	6,615	6,345
Non-current liabilities	-	-
Total Liabilities	**6,615**	**6,345**
Net Assets	**450,000**	**450,000**

Liquidity and working capital

3 Cash flow information

	Year ended 31-Dec-18 $'000	Year ended 31-Dec-17 $'000
Reconciliation of net (loss) to net cash (outflow)/inflow from operating activities		
Profit/(Losses) from ordinary activities after income tax	-	-
Change in operating assets and liabilities:	-	-
(Increase) in assets	(270)	-
Increase in liabilities	270	-
Net cash inflow from operating activities	**-**	**-**

4 Trade and other payables

	31-Dec-18 $'000	31-Dec-17 $'000
Current		
Distributions payable	6,615	6,345
	6,615	**6,345**

Other Notes

5 Units on issue

Accounting Policy

Issued and paid up units are recognised at face value, being the consideration of $100 received by the Trust for each unit on issue.

	31-Dec-18 $'000	31-Dec-17 Units	31-Dec-18 $'000	31-Dec-16 Units
Units on issue				
Amounts owing to Multiplex SITES holders	450,000	4,500,000	450,000	4,500,000

a. Terms and conditions

Multiplex SITES is a fully paid unit issued by the Trust and is entitled to income that is derived by the Trust.

Multiplex SITES rank in priority to other units in the Trust, but behind creditors of the Trust.

The Responsible Entity, in its capacity as responsible entity of Brookfield Australia Property Trust and Brookfield Australia Investments Limited (guarantors), guarantee the face value and unpaid distribution amount on redemption (being not more than the distribution payments for the four preceding but unpaid distributions). In addition, while the Responsible Entity of the Trust is a member of Brookfield Australia Investments Group, the Responsible Entity in its capacity as responsible entity of Brookfield Australia Property Trust and Brookfield Australia Investments Limited guarantee any distributions which have been declared payable by the Trust.

Under the guarantee, Multiplex SITES rank in priority to units in Brookfield Australia Property Trust and shares in Brookfield Australia Investments Limited but are subordinated to senior creditors of Brookfield Australia Property Trust and Brookfield Australia Investments Limited.

Multiplex SITES have an unsecured and subordinated guarantee of the face value and unpaid distribution amount (not being more than the distribution payments for the four preceding but unpaid distributions).

b. Assets pledged as security

The guarantee, which ranks in priority to units in Brookfield Australia Property Trust and shares in Brookfield Australia Investments Limited, is subordinated to senior creditors of Brookfield Australia Property Trust and Brookfield Australia Investments Limited and ranks equally with other creditors of Brookfield Australia Property Trust and Brookfield Australia Investments Limited who are not senior creditors.

c. Holder redemption

Holders have the right to initiate redemption of Multiplex SITES, by issue of a holder realisation notice, in the following limited circumstances:

- where a priority distribution payment to Multiplex SITES Trust is not paid in full; or
- the occurrence of a winding-up event, with respect to either of the Guarantors, Multiplex SITES Trust (for as long as the responsible entity of Multiplex SITES Trust is a member of Brookfield Australia Investments Group) or Multiplex Hybrid Investment Trust (MHIT) (for as long as the trustee of MHIT is a member of Brookfield Australia Investments Group).

The request for redemption is effective and will be implemented if made by holders who cumulatively hold 5% or more of Multiplex SITES on issue.

Upon redemption, holders will receive the aggregate of $100 plus the unpaid distribution amount, not being more than the distribution payments for the four preceding but unpaid distributions.

5 Units on issue continued

d. Issuer redemption

Subject to approval of the Responsible Entity and Brookfield Australia Investments Limited, the Trust may initiate redemption of all or some of the Multiplex SITES for cash, by sending a realisation notice to holders, in the following circumstances:

- the step-up date or the last day of each distribution period after the step-up date;
- an increased costs event;
- an accounting event;
- where the responsible entity of the Trust is no longer a member of Brookfield Australia Investments Limited;
- a change of control event; or
- there are less than $50 million of Multiplex SITES remaining on issue.

e. Holder exchange

Holders have no right to request exchange.

f. Issuer exchange

Brookfield Australia Investments Group was delisted on 20 December 2007. For so long as Brookfield Australia Investments Group is not listed, the Responsible Entity will not be entitled to exercise its option to exchange Multiplex SITES for Brookfield Australia Investments Group stapled securities.

6 Financial risk management

Financial risk management

The Trust 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 Trust's financial performance.

The Board regularly reviews procedures in respect of compliance with the maintenance of statutory, legal, ethical and environmental obligations through the Audit Committee and Risk and Compliance Committee. Management also reports to the Board through the Audit & Risk Committee as to the effectiveness of the Trust's management of its material business risks. As risks are primarily concerned with compliance rather than an operational nature, the existing risk management approach will continue to be enforced.

7 Remuneration of auditors

During the current and prior periods, all amounts paid to the auditor of the Trust, Deloitte Touche Tohmatsu, were borne by Brookfield Property Australia Pty Ltd (a Related Party).

8 Contingent liabilities and assets

No contingent liabilities or assets existed 31 December 2018 (31 December 2017: nil).

9 Capital and other commitments

No capital or other commitment existed at 31 December 2018 (31 December 2017: nil).

10 Related parties

Associates

Interests in associates are set out in note 3.

Key management personnel

No compensation is paid by the Trust or the Responsible Entity to Directors or directly to any of the key management personnel of the Responsible Entity. Compensation is paid by entities within the Brookfield Australia Investments Group.

The number of Multiplex SITES units held by key management personnel of the Responsible Entity, including their personally related entities, is set out below:

	Units held at 31-Dec-18	Units held at 31-Dec-17
Mr F. Allan McDonald	1,335	1,335

Transactions with related parties

Transactions between Mulitplex SITES Trust and Multiplex Hybrid Investment Trust

- An investment in Multiplex Hybrid Investment Trust of $450,000,000 (2017: $450,000,000); and
- Distributions received/receivable of $26,325,000 for the year ended 31 December 2018 (year ended 31 December 2017: $25,335,000)

Responsible Entity

The Responsible Entity of the Trust is Brookfield Funds Management Limited, whose immediate parent company is Brookfield Australia Investments Limited. The ultimate Australian parent of the Responsible Entity is Brookfield Holdings (Australia) Pty Ltd, with the ultimate parent being Brookfield Asset Management Inc.

11 Events subsequent to the reporting date

In 2010 and 2013, Brookfield Holdings (Australia) Ltd. (BHAL) entered into a total return swap and option with BOPA Holdings Ltd. (BPO) and Brookfield BPY Holdings (Australia) ULC which included options over certain assets in the Brookfield Australia Property Trust (BAPT) portfolio. BHAL indirectly owns all of the units in BAPT and is obligated to procure that its subsidiaries enter into transactions to facilitate the transfer of assets pursuant to these arrangements.

Subsequent to 31 December 2018, the options were exercised and, in accordance with directions from BHAL, BAPT has entered into conditional sale agreements to dispose of the optioned properties (being nearly all of its remaining office property portfolio) (Portfolio Sale).

The Portfolio Sale is conditional on numerous matters including regulatory approvals and requisite financier and co-owner consents. Completion of the Portfolio Sale is expected to occur during the 2019 financial year.

Other than matters previously disclosed in this report and to the knowledge of the Directors, there has been no matter or circumstance that has arisen since the end of the year that has significantly affected, or may affect, the Trust's operations in future financial periods, the results of those operations or the Trust's state of affairs in future financial periods.

Directors' Declaration

Multiplex SITES Trust

For the year ended 31 December 2018

In the opinion of the Directors of Brookfield Funds Management Limited, the Responsible Entity of Multiplex SITES Trust:

a. The Financial Statements and notes set out on pages 13 to 24 are in accordance with the *Corporations Act 2001*, including:
   - i giving a true and fair view of the financial position of the Trust as at 31 December 2018 and of its performance for the year ended on that date; and
   - ii the attached financial statements are in compliance with International Financial Reporting Standards, as stated in the notes to the financial statements; and
   - iii complying with Accounting Standards and the *Corporations Act 2001* in Australia and the Corporations Regulations 2001;

b. There are reasonable grounds to believe that the Trust 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*.

Signed in accordance with a resolution of the Directors of Brookfield Funds Management Limited as required by Section 295A of the *Corporations Act 2001*.

Dated at Sydney this 26th day of February 2019

Shane A Ross
Executive Director
Brookfield Funds Management Limited
as Responsible Entity for Multiplex SITES Trust

Deloitte Touche Tohmatsu
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Independent Auditor's Report to the unitholders of Multiplex SITES Trust

Opinion

We have audited the financial report of Multiplex SITES Trust (the "Trust") which comprises the statement of financial position as at 31 December 2018, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Trust is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Trust's financial position as at 31 December 2018 and of its financial performance for the year then ended; and

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Trust in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the "Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Brookfield Funds Management Limited (the "Responsible Entity")**,** would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Recoverability of the investment in Multiplex Hybrid Investment Trust ('MHIT') As at 31 December 2018 the investment in MHIT is valued at $456,615,000 which is disclosed in Note 3 'Investments accounted for using the equity method'. The only relevant activity of the Trust is to invest in MHIT and the only source of revenue arises from distributions from the investment, as such the Directors assess impairment at each reporting date by evaluating conditions specific to the Trust and to MHIT that may lead to impairment of its investment. Where an impairment trigger exists, the recoverable amount of the investment is determined and compared to its carrying amount.	Our procedures included, but were not limited to: • Identifying events in the external environment or in MHIT's operations and activities that could trigger an impairment of the investment in MHIT; • Evaluating management's processes and controls in respect of assessing indicators of impairment at the reporting date; and We also assessed the appropriateness of the disclosures in Note 3 to the financial statements.

Other Information

The directors of the Responsible Entity (the "Directors") are responsible for the other information. The other information comprises the information included in the Trust's Annual Report for the year ended 31 December 2018, but does not include the financial report and our auditor's reports thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Trust to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Trust or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Trust's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Trust to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Trust's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte Touche Tohmatsu.

DELOITTE TOUCHE TOHMATSU

A. Coleman.

Andrew J Coleman
Partner
Chartered Accountants
Sydney, 26 February 2019

Brookfield Australia Property Trust and its controlled entities
Annual report for the financial year ended
31 December 2018

Brookfield Australia Property Trust

ARSN 106 643 387

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Brookfield Australia Property Trust and its controlled entities

For the year ended 31 December 2018

Directory

Brookfield Australia Property Trust and its controlled entities

For the year ended 31 December 2018

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Telephone: +61 (0) 2 9158 5100
Facsimile: +61 (0) 2 9322 2001

Directors of Brookfield Funds Management Limited
Mr F Allan McDonald
Ms Barbara K Ward
Mr Shane A Ross

Registered Office of Brookfield Funds Management Limited
Level 22, 135 King Street
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Auditor
Deloitte Touche Tohmatsu
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Telephone: + 61 (0) 2 9322 7000
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Directors' Report
Brookfield Australia Property Trust and its controlled entities
For the year ended 31 December 2018

Introduction
The Directors of Brookfield Funds Management Limited (BFML), the Responsible Entity of Brookfield Australia Property Trust (the Trust), present their report together with the financial report of the Consolidated Entity, being the Trust and its controlled entities, for the financial year ended 31 December 2018 and the Independent Auditor's Report thereon.

Brookfield Australia Investments Limited (the Company), the Trust and their controlled entities are collectively referred to as Brookfield Australia Investments Group (the Group) in this report.

Responsible Entity
The Responsible Entity of the Trust is Brookfield Funds Management Limited, which has been the Responsible Entity since the inception of the Trust.

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 a time during or since the end of the year ended 31 December 2018:

Name	Capacity
Mr F Allan McDonald (Director since 22 October 2003)	Non-Executive Independent Chairman
Ms Barbara K Ward (Director since 22 October 2003)	Non-Executive Independent Director
Mr Shane A Ross (Director since 06 May 2015)	Executive Director

Principal activities
The principal activity of the Consolidated Entity during the course of the financial year ended 31 December 2018 was the investment in income producing retail, commercial and industrial properties. The Consolidated Entity principally operates in Australia.

There has been no significant change in the nature of the activities of the Consolidated Entity during the year ended 31 December 2018.

Group structure
A Group stapled security consists of one ordinary unit in the Trust and one ordinary share in the Company. The stapled securities cannot be traded or dealt with separately. A transfer, issue or reorganisation of an ordinary share or a unit in one of the component parts is accompanied by a transfer, issue or reorganisation of an ordinary share or unit in the other component part.

Distributions
During the financial year, a distribution of $534.4 million was declared to unitholders of the Trust (2017: $176.9 million).

During the financial year, the Trust did not return capital or issue new units. In 2017, the Trust returned $124.7 million of capital on a pro rata basis to unitholders and issued 28,855,104 new units at $2.23 per unit totalling $64.3 million. As at 31 December 2018 and 31 December 2017 there were 866,257,289 units on issue.

Review of operations and results
Operating results for the financial year
Set out below are the key financial results for the year ended 31 December 2018:

		Consolidated	
		Year ended 31-Dec-18	Year ended 31-Dec-17
Net profit attributable to unitholders of the Trust	($m)	282.9	360.3
Net profit per unit	(cents)	32.7	41.6
Distribution payable and paid to unitholders of the Trust	($m)	534.4	176.9
Distribution per unit	(cents)	61.7	20.4

Review of operations and results continued

Operating results for the financial year continued

The Consolidated Entity reported a total comprehensive income attributable to unitholders of $282.9 million for the financial year ended 31 December 2018 (2017: $360.3 million).

- On 31 July 2018, Brookfield Place Tower 2 was transferred from the Company to the Trust for $201.0m.
- On 31 July 2018, Brookfield Place Tower 1 and 2 debt of $880.0m was recognised within the Trust.
- On 31 July 2018, 50% of Jessie Street was sold to Brookfield Premier Real Estate Partners Australia ('BPREP A') for $184.0m. Debt of $90.0m was repaid on the Jessie Street Debt facility.
- On 29 August 2018, the Trust's 50% share of 235 St Georges Terrace was sold to BPREP A for $73.8m. Debt of $45.6m was repaid.
- On 20 September 2018, 52 Goulburn Street was sold for $171.5m to BPREP A. Debt of $65.0m was repaid and $10.6m was reallocated to Southern Cross West.
- On 27 September 2018, the Trust acquired 50% of 362 Little Collins Street for $7.4m.
- The Trust declared a YTD distribution to Brookfield Australia Pty Ltd ('BAPL') of $534.4m.
- On the 1st November 2018,12 Shelley Street and 108 St Georges Terrace were transferred from Brookfield Prime Property Fund ('BPPF') to the Trust.
- On 21 December 2018, 10 Shelley Street and 21 Sussex Street were sold for gross proceeds of $534.0m and net proceeds of $283.7m after settlement adjustments, selling costs and repayment of debt of $220.0m.
- On 21 December 2018, 12 Shelley Street was sold for gross proceeds of $270.0m, net proceeds of $152.0m after settlement adjustments, selling costs and repayment of debt of $82.0m.

Financial condition

Total assets increased by $691.9 million to $5,567.9 million at 31 December 2018 compared to $4,876.0 million at 31 December 2017.

Total liabilities increased by $943.4 million to $3,391.1 million at 31 December 2018 compared to $2,447.7 million at 31 December 2017.

Total equity (excluding non-controlling interests) decreased by $251.5 million to $1,736.3 million at 31 December 2018 compared to $1,987.8 million at 31 December 2017.

At 31 December 2018, existing debt facilities totalled $2,233.7 million (2017: $1,681.4 million) of which $2,177.0 million was drawn (2017: $1,624.0 million).

The Consolidated Entity's net debt gearing ratio (calculated as total interest bearing liabilities less cash assets, divided by total assets less cash assets) was 35.6% at 31 December 2018 compared to 33.1% at 31 December 2017.

Going Concern

The financial statements have been prepared on a going concern basis, notwithstanding the net current asset deficiency of the Consolidated Entity at the reporting date. The ability of the Consolidated Entity to continue as a going concern is dependent upon the continuing financial support of various related parties. The Directors have received a letter of loan subordination from Brookfield Australia Investments Limited confirming their intentions to not require repayment of loans owed by the Consolidated Entity of $498.97 million to enable the Consolidated Entity to continue as a going concern and meet its financial obligations as and when they fall due, for at least 12 months from the date of signing of the Consolidated Entity's financial statements for the year ended 31 December 2018.

Events subsequent to the reporting date

In 2010 and 2013, Brookfield Holdings (Australia) Ltd. (BHAL) entered into a total return swap and option with BOPA Holdings Ltd. (BPO) and Brookfield BPY Holdings (Australia) ULC which included options over certain assets in the Trust portfolio. BHAL indirectly owns all of the units in the Trust and is obligated to procure that its subsidiaries enter into transactions to facilitate the transfer of assets pursuant to these arrangements.

Subsequent to 31 December 2018, the options were exercised and, in accordance with directions from BHAL, the Trust has entered into conditional sale agreements to dispose of the optioned properties (being nearly all of its remaining office property portfolio) (Portfolio Sale).

The Portfolio Sale is conditional on numerous matters including regulatory approvals and requisite financier and co-owner consents. Completion of the Portfolio Sale is expected to occur during the 2019 financial year.

Events subsequent to the reporting date continued
Other than as disclosed in this report and to the knowledge of the Directors, there has been no matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may affect, the Consolidated Entity's operations in future financial years, the results of those operations or the Consolidated Entity's state of affairs in future financial years.

Likely developments and expected results of operations
It is envisaged that the Consolidated Entity will continue to operate in its current form.

Environmental regulation
The Trust has systems in place to manage its environmental obligations.

Register of unitholders
The register of unitholders has, during the financial year ended 31 December 2018, been properly drawn up and maintained so as to give a true account of the unitholders of the Trust.

Indemnification and insurance of officers and auditors
Under deeds of access and indemnity, Brookfield Australia Investments Limited or Brookfield Australia Pty Ltd has agreed to indemnify the Directors and Secretary of BFML, to the extent permitted by law, against:

- liabilities incurred as Director or Secretary of BFML, except for those liabilities incurred in relation to the matters set out in section 199A(2) of the Corporations Act 2001; and
- reasonable legal costs incurred in defending an action for a liability as Director or Secretary of BFML, except for costs incurred in relation to matters set out in section 199A(3) of the Corporations Act 2001,

  (the "Indemnity").

A global directors' and officers' insurance policy is maintained in relation to the Indemnity, which policy prohibits certain disclosures in relation to the nature of the liability covered and the amount of the premium, however, it can be disclosed that the policy does not insure against liabilities arising out of matters including, but not limited to:

- fraudulent, dishonest or criminal acts or omissions and improper personal profit or advantage;
- violation of US Securities Act of 1993;
- losses for which coverage under a different kind of insurance policy is readily available such as, liability insurance, employment practices liability and pollution liability (there can be limited coverage for some of these exposures); and
- claims made by a major shareholder (threshold is ownership of 10% or greater).

The obligation to effect, maintain and pay the premium of the global directors' and officers' insurance policy continues for a period of seven years after the Director or Company Secretary of BFML has left office, to the extent such coverage is available with reasonable terms in the commercial insurance marketplace.

Rounding of amounts
The Trust is of a kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors' report and the financial statements are rounded off to the nearest hundred thousand dollars, unless otherwise indicated.

Auditor's independence declaration under Section 307C of the *Corporations Act 2001*
The lead auditor's independence declaration is set out on page 7 and forms part of the Directors' Report for the financial year ended 31 December 2018.

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

Dated at Sydney this 26th day of February 2018.

Shane A Ross
Executive Director
Brookfield Funds Management Limited

Deloitte Touche Tohmatsu
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The Board of Directors of
Brookfield Funds Management Limited
as the Responsible Entity for Brookfield Australia
Property Trust
Level 22, 135 King Street
SYDNEY, NSW 2000

26 February 2019

Dear Directors

Auditor's Independence Declaration to Brookfield Australia Property Trust

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 Funds Management Limited as responsible entity for Brookfield Australia Property Trust.

As lead audit partner for the audit of the financial report of Brookfield Australia Property Trust for the financial year ended 31 December 2018, 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 sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Glen Mitchell
Lead Partner
Chartered Accountant

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Brookfield Australia Property Trust and its controlled entities

For the year ended 31 December 2018

	Note	Consolidated Year ended 31-Dec-18 $m	Year ended 31-Dec-17 $m
Continuing operations			
Revenue	1	96.7	67.8
Cost of operations	1	(52.8)	(15.8)
Gross profit		**43.9**	**52.0**
Property finance income	6	274.1	318.2
Other income	1	70.0	43.2
Net gain on revaluation of investment property and derivatives		12.3	42.9
Finance costs	1	(89.4)	(67.5)
Other expenses	1	(1.7)	(3.2)
Profit before income tax		**309.2**	**385.6**
Income tax expense	2	-	-
Profit from continuing operations for the year		**309.2**	**385.6**
Profit attributable to:			
Unitholders of Brookfield Australia Property Trust		282.9	360.3
Non-controlling interests		26.3	25.3
Profit for the year		**309.2**	**385.6**
Other comprehensive income, net of income tax			
Net fair value gain on hedging instruments entered into for cash flow hedges		-	0.3
Other comprehensive income for the year, net of income tax		**-**	**0.3**
Total comprehensive income for the year		**309.2**	**385.9**
Total comprehensive income attributable to:			
Unitholders of Brookfield Australia Property Trust		282.9	360.6
Non-controlling interests		26.3	25.3
Total comprehensive income for the year		**309.2**	**385.9**

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

Consolidated Statement of Financial Position

Brookfield Australia Property Trust and its controlled entities

As at 31 December 2018

	Note	Consolidated 31-Dec-18 $m	Consolidated 31-Dec-17 $m
Current assets			
Cash and bank balances	7	306.6	11.4
Trade and other receivables	9	272.0	448.2
Interest bearing receivables	10	1,158.3	-
Other financial assets	6	239.8	-
Other assets		2.0	2.4
Total current assets		**1,978.7**	**462.0**
Non-current assets			
Interest bearing receivables	10	584.3	1,057.5
Derivative financial instruments	16	-	0.1
Other financial assets	6	2,652.4	2,462.3
Investment property	5	352.5	894.1
Total non-current assets		**3,589.2**	**4,414.0**
Total assets		**5,567.9**	**4,876.0**
Current liabilities			
Trade and other payables	11	30.9	30.0
Deferred revenue	11	34.9	-
Derivative financial instruments	16	0.6	-
Interest bearing loans and borrowings	12	1,158.3	-
Non-interest bearing loans and borrowings	13	1,140.7	790.7
Total current liabilities		**2,365.4**	**820.7**
Non-current liabilities			
Trade and other payables	11	5.6	3.0
Derivative financial instruments	16	1.4	-
Interest bearing loans and borrowings	12	1,018.7	1,624.0
Total non-current liabilities		**1,025.7**	**1,627.0**
Total liabilities		**3,391.1**	**2,447.7**
Net assets		**2,176.8**	**2,428.3**
Equity			
Contributed equity	14	1,047.1	1,047.1
Undistributed income	4	689.2	940.7
Total parent interests		**1,736.3**	**1,987.8**
Non-controlling interest	19	440.5	440.5
Total equity		**2,176.8**	**2,428.3**

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

Consolidated Statement of Changes in Unitholder Interests

Brookfield Australia Property Trust and its controlled entities

For the year ended 31 December 2018

	Attributable to Equityholders of the Parent					
	Contributed Equity (Note 14) $m	Undistributed Income (Note 4) $m	Cash flow Hedge Reserve $m	Total $m	Non-controlling interest $m	Total equity $m
As at 1 January 2018	1,047.1	940.7	-	1,987.8	440.5	2,428.3
Other Comprehensive income for the financial year	-	-	-	-	-	-
Profit for the financial year	-	282.9	-	282.9	26.3	309.2
Total comprehensive income	-	282.9	-	282.9	26.3	309.2
Transactions with equityholders in their capacity as equityholders:						
Dividends/distributions	-	(534.4)	-	(534.4)	(26.3)	(560.7)
Total transactions with equityholders in their capacity as equityholders	-	(534.4)		(534.4)	(26.3)	(560.7)
As at 31 December 2018	**1,047.1**	**689.2**	**-**	**1,736.3**	**440.5**	**2,176.8**
As at 1 January 2017	1,107.5	757.3	(0.3)	1,864.5	440.5	2,305.0
Other Comprehensive income for the year	-	-	0.3	0.3	-	0.3
Profit for the financial period	-	360.3	-	360.3	25.3	385.6
Total comprehensive income	-	360.3	0.3	360.6	25.3	385.9
Transactions with equityholders in their capacity as equityholders:						
Return of share capital	(124.7)	-	-	(124.7)	-	(124.7)
Issuance of share capital	64.3	-		64.3	-	64.3
Dividends/distributions	-	(176.9)	-	(176.9)	(25.3)	(202.2)
Total transactions with equityholders in their capacity as equityholders	(60.4)	(176.9)		(237.3)	(25.3)	(262.6)
As at 31 December 2017	**1,047.1**	**940.7**	**-**	**1,987.8**	**440.5**	**2,428.3**

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

Consolidated Statement of Cash Flows

Brookfield Australia Property Trust and its controlled entities

For the year ended 31 December 2018

	Note	Consolidated Year ended 31-Dec-18 $m	Year ended 31-Dec-17 $m
Cash flows from operating activities			
Receipts from customers		114.3	74.7
Payments to suppliers and employees		(60.6)	(15.6)
Property finance income	6	161.6	142.9
Interest received	1	68.0	44.3
Finance costs paid	1	(88.0)	(66.2)
Net cash inflow from operating activities	8	**195.3**	**180.1**
Cash flows from investing activities			
Net proceeds from sale/(investment) of property financial assets		366.1	(101.1)
Proceeds from sale of investment properties		184.0	40.0
Net payments for investment property capital expenditure		(40.3)	(21.7)
Investment in investment property		(7.4)	
Other		(1.9)	3.3
Net cash inflow/(outflow) from investing activities		**500.5**	**(79.5)**
Cash flows from financing activities			
Net (drawdown)/repayment of borrowings		(504.6)	236.2
Net payments/(repayments) to related parties		309.6	(78.1)
Issuance of capital		-	64.3
Return of capital		-	(124.7)
Distributions paid/declared to unitholders		(179.3)	(176.9)
Payments to other minority equityholders		(26.3)	(25.3)
Net cash (outflow) from financing activities		**(400.6)**	**(104.5)**
Net increase/(decrease) in cash and cash equivalents held		295.2	(3.9)
Cash and cash equivalents at the beginning of the financial year		11.4	15.3
Effects of exchange rate changes on cash		-	-
Cash and cash equivalents at the end of the financial year		**306.6**	**11.4**

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

General Information

Brookfield Australia Property Trust (the Trust) is an Australian registered managed investment scheme under the *Corporations Act 2001*. Brookfield Funds Management Limited, the Responsible Entity of the Trust, is incorporated and domiciled in Australia.

Brookfield Australia Investments Limited (the Company), the Trust and their controlled entities are collectively referred to as Brookfield Australia Investments Group (the Group) in this report.

BHCA1 Pty Ltd (BHCA1) is the ultimate Australian parent of the Group. Brookfield Asset Management Inc. (BAM) is the ultimate parent of the Group and is domiciled in Canada.

A Group stapled security consists of one ordinary unit in the Trust and one ordinary share in the Company. The stapled securities cannot be traded or dealt with separately. A transfer, issue or reorganisation of an ordinary share or a unit in one of the component parts is accompanied by a transfer, issue or reorganisation of an ordinary share or unit in the other component part.

This financial report comprises the results and operations of the Trust and its controlled entities (the Consolidated Entity) for the financial year ended 31 December 2018.

Statement of compliance

These consolidated financial statements are general purpose financial statements which have been prepared in accordance with the *Corporations Act 2001*, Accounting Standards and Interpretations, and comply with other requirements of the law.

The financial statements comprise the Consolidated Financial Statements of the Consolidated Entity. For the purposes of preparing the Consolidated Financial Statements, the Consolidated Entity is a for-profit entity.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the Consolidated Financial Statements and notes of the Trust and the Consolidated Entity comply with International Financial Reporting Standards (IFRS).

Unless otherwise stated, the principal accounting policies adopted in the preparation of the financial report are consistent with those applied to all periods presented.

The financial statements were authorised for issue by the Directors on this 26th day of February 2019.

Basis of preparation

The consolidated financial statements incorporate the assets and liabilities of all controlled entities of the Consolidated Entity as at 31 December 2018 and the results of all controlled entities for the financial year then ended.

The financial report has been prepared on the historical cost basis except for the following assets and liabilities that are stated at fair value:

- derivative financial instruments,
- financial instruments classified as property financial assets, and
- investment property.

Any non-current assets which are held for sale are stated at the lower of carrying amount and fair value less costs to sell, except investment property.

Items included in the financial statements of each of the entities of the Consolidated Entity are measured using their functional currency, being the currency of the primary economic environment in which the entity operates. These financial statements are presented in Australian dollars, which is the presentation currency of the Consolidated Entity and the functional currency of the Trust.

Significant accounting policies

Significant accounting policies that summarise the measurement basis used and are relevant to an understanding of the consolidated financial statements are provided throughout the notes to the consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency using the relevant exchange rates prevailing at the date of the transaction. At the end of each reporting period monetary items denominated in foreign currencies are translated into the functional currency using the relevant exchange rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year end of monetary items denominated in foreign currencies are recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income in the period in which they arise.

Translation of foreign operations

The results and financial position of all foreign operations in the Consolidated Entity that have a functional currency that is different from the presentation currency are translated into the presentation currency as follows:
- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of profit or loss and other comprehensive income are translated at an average rate for the period that approximates the rates at the dates of the transactions; and
- all resulting exchange differences are recognised as a separate component of equity.

Net investment in foreign operations

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to the Consolidated Statement of Changes in Unitholder Interests. When a foreign operation is sold, such exchange differences are recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income as part of the gain or loss on sale.
Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Application of new and revised Australian Accounting Standards

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for an accounting period that begins on or after 1 January 2018.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group include:

(i) AASB 15

AASB 15 Revenue from Contracts with Customers establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 Revenue, and AASB 111 Construction Contracts.

AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018. The trust has adopted the modified retrospective approach which means that any cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 with no restatement of comparatives.

The core principle of AASB 15 is that an entity recognises revenue related to the transfer of promised goods or services when control of the goods or service passes to the customer. It requires the identification of discrete performance obligations within a transaction and allocating an associated transaction price to these obligations.

The Trust currently recognises revenue from property rental revenue, development revenue and asset management fees. Property rental revenues are out of the scope of AASB 15.

The Trust has determined that there are no material adjustments required in the opening balance of retained earnings based on the adoption of AASB 15 and the comparative period will not be restated however additional qualitative disclosure have been added into Note 1 Revenue and Expenses.

(ii) AASB 9

The objective of this Standard is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. This standard has replaced AASB 139 Financial Instruments: Recognition and Measurement ("AASB 139") upon adoption.

The Group has adopted AASB 9 Financial Instruments from 1 January 2018. In accordance with the transition provisions of AASB 9, the Group has adopted the modified retrospective transition approach.

Key changes from the previous standard were assessed within the following streams:

Application of new and revised Australian Accounting Standards continued

a. Classification of financial assets

On 1 January 2018, the Group assessed which business models apply to the financial instruments held and have classified them into the appropriate AASB 9 categories. The main effects resulting from this reclassification are shown in the table below.

On adoption of AASB 9, the Group classified financial assets and liabilities as either amortised cost or fair value, depending on the business model for those assets and on the asset's contractual cash flow characteristics. There were no changes in the measurement of the Group's financial instruments.

There was no impact on the statement of comprehensive income or the statement of changes in equity on adoption of AASB 9 in relation to classification and measurement of financial assets and financial liabilities.

The following table summarises the impact on the classification and measurement of the Group's financial instruments at 1 January 2018:

Presented in statement of financial position	Financial asset	AASB 139	AASB 9	Reported $'000	Restated $'000
Cash and bank balances	Bank deposits	Loans and receivables	Amortised cost	No change	No change
Derivative financial instruments	Derivatives	Fair value through profit or loss	Fair value through profit or loss	No change	No change
Trade and other receivables/ payables	Loans and receivables	Loans and receivables	Amortised cost	No change	No change
Interest bearing receivables/ payables	Interest bearing receivables/ payables	Loans and receivables	Amortised cost	No change	No change
Other financial assets	Property financial assets	Fair value through profit or loss	Fair value through profit or loss	No change	No change

b. Measuring impairment of financial assets

AASB 9 introduced a new expected credit loss ("ECL") impairment model which applies to debt instruments measured at amortised cost or at fair value through other comprehensive income, lease receivables, contract assets and written loan commitments and financial guarantee contracts.

The Group has adopted an ECL position across the Group's applicable financial assets. The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group used judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. The main effects resulting from application of the ECL is as follows:

(i) Cash and bank balances: Subject to ECL requirements of AASB 9, however no impairment loss identified.

(ii) Trade and other receivables (including related party loans and receivables): Current policies in place effectively capture the expected credit losses from tenants and other trade counterparties under the ECL impairment model. No material change identified as a result of AASB 9.

(iii) Interest bearing receivables (Debt investments carried at amortised cost): A review has been undertaken to assess intercompany receivable balances under the ECL. Increased intercompany loan documentation and new processes for identifying, reviewing and assessing impairment risk under the new ECL requirements have been implemented. No material change identified.

The Group has applied the exception under AASB 9 to not restate comparatives as the credit loss allowance under AASB 139 and AASB 9 did not result in material changes in the amounts previously recognised.

c. Hedging Relationships

AASB 9 includes a new general hedge accounting model which better aligns hedge accounting with the Group's risk management policies and includes greater qualitative considerations. The Group's balance of derivative financial instruments is low and the impact of AASB 9 on hedging relationships is not material.

d. Modification of financial liabilities

Under AASB 9, modification gains or losses which may arise on modification date must be recognised immediately in the statement of profit or loss. An adjustment is required for any borrowings previously modified which still exists on adoption date where the modification gain or loss was deferred. As at adoption date, no such modification deferrals exists within the Group. Previous external borrowing arrangements have been extinguished rather than modified which has no impact on transition to AASB 9.

New standards and interpretations not yet adopted

At the date of authorisation of the financial statements, the Group has not applied the following new and revised Australian Accounting Standards, Interpretations and amendments that have been issued but are not yet effective:

i. AASB 16 *Leases*: effective 1 January 2019;

AASB 16 Leases replaces existing guidance, including AASB 117 *Leases* and IFRIC 4 *Determining whether an Arrangement contains a Lease*. AASB 16 is effective for annual reporting periods beginning on or after 1 January 2019. The revised lease standard sets out a comprehensive model for identifying lease arrangements and subsequent measurement.

Under the new standard, the lessee is required to recognise all right-of-use assets and corresponding lease liabilities on the balance sheet, with the exception of short term and low value leases. The right-of-use asset reflects the lease liability, direct costs and any adjustments for lease incentives or restoration. The lease liability is the net present value of future lease payments for the lease term, which incorporates any options reasonably expected to be exercised. The contracted cash flows are separated into principal repayments and interest components, using the effective interest rate method. Depreciation expense on the right-of-use asset and interest expense on the lease liability will now be recognised instead of a rental expense.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

The Group has reviewed the Group's leasing arrangements over the last year in light of the new lease accounting rules in AASB 16. The Group does not have any non-cancellable operating lease commitments or any finance leases where the Group is a lessee. Hence, the directors do not expect that the applicable of AASB 16 will have a material impact on the amounts recognised in the consolidated financial statements. However, some additional disclosure may be required.

ii. AASB 2008-1 *Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle*: effective 1 January 2019;

In addition, at the date of authorisation of the financial statements the following IASB Standards and IFRIC Interpretations were on issue but not yet effective, but for which Australian equivalent Standards and Interpretations have not yet been issued.

iii. Amendments to References to the Conceptual Framework in IFRS Standards: effective 1 January 2020.

Use of estimates and judgements

The preparation of these consolidated 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 Note 5 Investment properties and Note 6 Other financial assets.

Rounding

The Consolidated Entity is an entity of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Report) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporate Instrument amounts in the Directors' Report and the financial statements are rounded to the nearest hundred thousand dollars, unless otherwise indicated.

Performance for the year

1. Revenue and expenses

Accounting policy

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, rebates and discounts.

Property rental revenue

Property rental income relates to revenue earned from office and retail tenants of commercial properties. It is recognised on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income and are amortised on a straight-line basis and deducted from rental income over the term of the lease.

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

Property rental revenue is recognised from lease agreements with office and retail tenants and does not fall within the scope of AASB 15. However, recovery revenue may be viewed as a non-lease component, i.e. unrelated to tenant's rights to use leased assets. A non-lease component is subject to AASB 15. Management has assessed that the application of AASB 15 to recovery revenue does not have a material impact to the Consolidated Entity.

Development revenue

During the year ended 31 December 2018, the Trust earned development revenue of $44.7m on the 405 Bourke Street development asset which is 50% held by a subsidiary of the Trust (the "Developer") and 50% held by a third party (the "Investor").

In December 2017, following the Developer securing an Agreement for Lease with a lessee for the asset once completed, 50% of the development asset was sold to the Investor. As a part of the Investor Development Agreement (the "Agreement") between the Developer and the Investor, an option was granted for the Investor to sell back the asset to the Developer if any of the following conditions arise:

1. The Agreement for Lease is invalidly terminated due to the Developer breaching or repudiating its obligations under the lease agreement or if an insolvency event occurs in relation to the Developer; or

2. The date of practical completion has not been reached within 24 months after the Practical Completion Date defined in the Agreement for Lease, estimated and intended by management to occur in 2021.

If the Investor exercises this right, the Developer must within 30 days buy back the asset from the Investor at a price equal to the aggregate amount paid by the Investor from time to time under the Agreement, the Contract of Sale for the land, the due diligence costs on the transaction and any coupon that has accrued on the fund initially provided by the Investor under the Agreement.

As at 31 December 2018, management has assessed the likelihood of this event occurring to be remote.

Development revenue is based on an agreed margin for development and is recognised over the development period on a percentage of completion basis using costs incurred as a percentage of forecasted total development costs.

Brookfield is considered to be acting as the principal in this arrangement and therefore records gross revenue and costs in the statement of profit or loss and other comprehensive income.

Asset management revenue

Asset management revenue relates to management of the Southern Cross West Tower and the Southern Cross East Tower properties.

Asset management revenues are recognized on an accrual basis in the period when services are provided.

Interest revenue

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

Dividends and distributions

Income from dividends and distributions is recognised when the right of the Consolidated Entity to receive payment is established. The Trust receives dividends and distributions out of post-acquisition profits from its controlled entities.

Dividends and distributions received from associates, where the equity method of accounting is used, reduce the carrying amount of the investment of the Consolidated Entity in that associate and are not recognised as revenue.

Expenses

Expenses including rates, taxes and other property outgoings are brought to account on an accruals basis, and any related payables are carried at amortised cost.

1. Revenue and expenses continued

Finance costs

Finance costs are recognised as expensed using the effective interest method. Finance costs are recognised as expenses in the period in which they are incurred, except where they are included in the costs of inventories or investment properties under development. Where borrowings are specific to particular inventory assets or investment properties under development, the rate at which borrowing costs are capitalised is determined by reference to the actual borrowing costs incurred.

Financing 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.

Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the respective taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

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

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

1. Revenue and expenses continued

Revenue and expenses recognised during the year is set out below:

	Consolidated	
	Year ended 31-Dec-18 $m	Year ended 31-Dec-17 $m
Continuing operations		
Revenues		
Property rental revenue	50.0	66.3
Development revenue	44.7	-
Asset Management Fee	2.0	1.5
Total revenues	**96.7**	**67.8**
Other income		
Interest revenue – loans and receivables	68.0	44.3
Loan forgiveness income	3.8	-
Cost on sale of assets	(1.8)	(1.1)
Total other income	**70.0**	**43.2**
Costs of operations		
Rental property rates, taxes and other property outgoings	(52.8)	(15.8)
Total cost of operations	**(52.8)**	**(15.8)**
Finance costs		
Interest and finance charges	(88.0)	(66.2)
Amortisation of borrowing costs	(1.4)	(1.3)
Total finance costs	**(89.4)**	**(67.5)**
Other expenses		
Other expenses	(1.7)	(3.2)
Total other expenses	**(1.7)**	**(3.2)**

2. Taxation

Accounting policy

Trust income tax

The Trust fully distributes its taxable income each financial year, calculated in accordance with the Trust Constitution and applicable legislation, to unitholders who are presently entitled to income under the Constitution. Realised capital losses and tax losses are not distributed to unitholders but are carried forward in the Trust to be offset against any future realised capital gains and taxable income of the Trust subject to Australian income tax legislation.

Tax allowances for building and plant and equipment depreciation may be distributed to unitholders in the form of a tax deferred component of distributions.

The New Zealand operations of the Consolidated Entity are subject to New Zealand tax on their taxable earnings.

	Consolidated	
	31-Dec-18	31-Dec-17
	$m	$m
Income tax		
Relating to origination and reversal of temporary differences and tax losses	-	-
Income tax expense	-	-
Numerical reconciliation of income tax expense to prima facie tax payable		
Accounting profit before income tax from continuing operations	309.2	385.6
Prima facie income tax benefit/(expense) on loss using the domestic corporation tax rate of 30%	(92.8)	(115.7)
Tax effect of amounts which are not (deductible)/assessable in calculating taxable income:		
Non-taxable Trust profit and consolidation adjustments	92.8	115.7
Income tax expense	-	-

The Trust and its resident Australian wholly owned entities are members of the BHCA1 Pty Ltd (a related party) Australian Tax consolidation group. On entry to the Australian tax consolidated group, the Trust's resident Australian wholly owned entities entered into a tax sharing agreement which, in the opinion of the Directors, limits the joint and several liability of the wholly owned entities in the case of default by the head of the tax consolidated group.

The tax sharing agreement also contains tax funding provisions. Pursuant to the tax funding provisions, the Trust's resident Australian wholly owned entities are not required to compensate the head of the tax consolidated group on the basis that all taxable income is distributed by the Trust. Under current income tax legislation, the Trust and its resident Australian wholly owned entities are not liable for Australian income tax provided that the taxable income is fully distributed to unitholders each financial year, and any taxable capital gain derived from the sale of an asset acquired after 19 September 1985 is fully distributed to unitholders.

3. Distributions

Accounting policy

The Trust seeks to fully distribute its taxable income to its unitholders. Distributions may also include capital gains arising from the disposal of investments and tax deferred income. Unrealised gains and losses on investments that are recognised as income (for example, fair value adjustments relating to investment properties) are usually retained and are generally not assessable or distributed until realised. Capital losses are not distributed to unitholders but are retained to be offset against any future realised capital gains.

A liability is recognised for the amount of any distribution declared by the Directors of the Responsible Entity on or before the end of the reporting period but not distributed or paid at the reporting date.

During the financial year ended 31 December 2018, a distribution of $534.4 million (61.7 cents per unit) was declared to unitholders of the Trust (2017: $176.9 million; 20.4 cents per unit).

4. Undistributed income

	Consolidated	
	31-Dec-18	31-Dec-17
	$m	$m
Undistributed income at the beginning of the financial year	940.7	757.3
Net profit attributable to unitholders	282.9	360.3
Distributions recognised during the financial year	(534.4)	(176.9)
Undistributed income at the end of the financial year	689.2	940.7

Investments

5. Investment properties

Accounting policy

Investment property is property held to earn long-term rental yields and/or for capital appreciation.

Land and buildings are considered to have the function of an investment and are therefore regarded as a composite asset, the overall value of which is influenced by many factors, the most prominent being income yield, rather than diminution in the value of the building component due to the passing of time. Accordingly, the buildings and all components thereof, including integral plant and equipment, are not depreciated.

Investment properties acquired are initially recorded at their cost of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. Investment properties are subsequently carried at fair value based on the principles outlined below.

The costs of assets constructed/redeveloped internally include the costs of materials, direct labour, directly attributable overheads, financing costs 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.

Investment properties in the table below indicate the directly owned and partially owned investments held to either earn a rental income or for capital appreciation or for both.

	Consolidated	
	31-Dec-18	31-Dec-17
	$m	$m
Consolidated (wholly owned)		
Jessie Street, Parramatta, NSW[1]	-	363.0
Ernst & Young Building, Perth, WA	94.0	91.5
Luna Park Car Park, Sydney, NSW	6.6	6.6
Wholly owned investment properties	100.6	461.1
Consolidated (partial ownership)		
388 George Street, Sydney, NSW (50%)[1]	-	225.0
108 St Georges Terrace, Perth, WA (50%)	163.1	161.2
405 Bourke Street, Melbourne, VIC (50%)	81.8	46.8
362 Little Collins Street, Melbourne, VIC (50%)	7.0	-
Total partially owned investment properties	251.9	433.0
Total investment property	352.5	894.1

[1] Jessie Street and 388 George Street are recognised as Property Financial Assets from 31 July 2018 and 6 August 2018 respectively.

5. Investment properties continued

Investment property valuations

Investment properties are stated at their fair value at the reporting date.

The investment properties of the Consolidated Entity are internally valued at every reporting date and independently valued every three years 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. These valuations are considered by the Directors when determining fair value.

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 uncommitted future capital expenditure that will improve or enhance the property. The valuation does not reflect the related future benefits from this future expenditure.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal.

Any gains or losses arising from a change in the fair value of investment property are recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income in the period in which they arise.

External valuations are performed for;

1. Compliance Purposes in line with the Valuation Policy;
2. Finance Purposes; and
3. As otherwise directed by the valuation committee.

An external valuation company is appointed, having an appropriately recognised professional qualification and recent experience in the location and category of the property being valued. In the current financial year, external valuations were performed by Savills, CBRE and Jones Lang Lasalle. External values are based on market values, being the estimated amount for which an investment property could be exchanged on the date of valuation between a willing buyer and a willing seller, in an arm's length transaction after appropriate marketing wherein the parties have each acted knowledgeably, prudently and without compulsion. During the current financial year five investment properties were externally valued.

All other investment properties were valued using internal valuations which reflect future net cash flows and market conditions. A change in any of these factors could have a significant impact on the value of the Consolidated Entity's investment properties. Internal valuations have been undertaken using a discounted cash flow approach and are supported by the capitalisation method. The key assumptions adopted under these methods include assessment of the capitalisation rate, discount rate, terminal yield, current passing/market rent and forecast net annual cash flows receivable from properties. The terminal capitalisation rates utilised in the 31 December 2018 valuations ranged from 4.25% to 7.00% (2017: 5.75% to 7.00%).

Any gain or loss from a change in fair value is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. All property acquisition costs in respect of properties acquired are capitalised into the value of the property investments at the time of purchase to reflect the total acquisition cost in the Consolidated Statement of Financial Position. Additions and other expenditure on property investments which are capital in nature are capitalised as incurred. Where independent valuations are undertaken prior to the reporting date, the assumptions on which the valuation is based are reviewed in light of the prevailing market conditions at the reporting date to ensure that any material change is reflected in the valuation.

5. Investment properties continued

Reconciliation of the carrying amount of investment property

	Consolidated 31-Dec-18	31-Dec-17 $m
Reconciliation of the carrying amount of investment properties is set out below:		
Carrying amount at beginning of the financial year	894.1	871.9
Capital expenditure	40.3	21.7
Acquisitions[1]	7.4	-
Disposals[2]	(184.0)	(40.0)
Transferred to property financial assets[3]	(419.0)	-
Net gain from fair value adjustments to investment properties	14.5	44.8
Change due to impact of straight-lining of rental income and other	(0.8)	(4.3)
Carrying amount at the end of the financial year	**352.5**	**894.1**

[1] Acquisition of 362 Littlie Collins Street.
[2] Disposal relates to 50% sale of Jessie Street.
[3] 50% of Jessie Street and 388 George Street are recognised as Property Financial Assets from 31 July 2018 and 6 August 2018 respectively.

Leasing arrangements

Completed investment properties are leased to tenants under long-term operating leases with rentals payable monthly. Minimum lease receivables under non-cancellable operating leases of investment properties not recognised in the Consolidated Statement of Financial Position are receivable as follows:

	Consolidated 31-Dec-18 $m	31-Dec-17 $m
Within one year	21.2	57.7
Later than one year but not later than five years	78.2	145.9
Later than five years	22.9	41.3
Total	**122.3**	**244.9**

Annual rent receivable by the Consolidated Entity under current leases from tenants is earned from commercial, retail and car park assets. Rent reviews are generally performed based on either market rent on an annual basis or fixed percentage increase in accordance with the lease agreements.

6. Other financial assets

Accounting policy

Property financial assets are designated at fair value through profit and loss. The fair value of property financial assets are determined with reference to the fair value and financing structures of, as well as the funds from operations generated from, the underlying investment properties that are subject to the total return swap and option.

	Consolidated 31-Dec-18 $m	31-Dec-17 $m
Other financial assets		
Current		
P-note receivable from BPREP Aus Holdco	239.8	-
Non-current		
Property financial assets	2,652.4	2,462.3
Total other financial assets	**2,892.2**	**2,462.3**

6. Other financial assets continued

On 27 September 2010, Brookfield Holdings (Australia) Limited (BHAL) entered into a total return swap and option with BOPA Holdings Ltd (Canada) (BPO), a subsidiary of BAM, over the shares of several of the legal subsidiaries of the Consolidated Entity whereby BPO obtained the economic rights and obligations of those entities at a strike price which was calculated on the fair value of the net assets at that date.

On 15 April 2013, BHAL entered into a total return swap and option with Brookfield BPY Holdings (Australia) ULC, a subsidiary of BAM, over the shares of several of the legal subsidiaries of the Consolidated Entity whereby BPY obtained the economic rights and obligations of those entities at a strike price which was calculated on the fair value of the net assets at that date. As a result, financial assets have been recorded in the Consolidated Entity and classified as property financial assets.

Property financial assets have a realised and unrealised portion of income attributable. Realised property finance income is the declared dividends or distributions of each underlying legal subsidiaries that are party to the total return swap and option arrangement. Dividends and distributions are declared and paid quarterly. Unrealised returns represent the fair value movements on the property financial assets, including PFA closing adjustments upon disposal of the underlying properties.

	Consolidated	
	31-Dec-18	31-Dec-17
	$m	$m
Property financial assets[1]		
Non-current		
Brookfield Prime Property Fund (BPPF)[2]	259.5	416.7
10 Shelley Street[8]	-	222.0
Darling Park[3]	566.4	507.3
Southern Cross East Tower[3]	491.0	469.0
BAO Trust	0.4	2.4
Multiplex European Property Fund	1.2	2.0
Multiplex New Zealand Property Fund (MNZPF)[4]	-	1.1
240 Queen Street[3]	110.7	98.0
52 Goulburn Street[5]	-	72.8
235 St Georges Terrace[5]	-	24.8
Southern Cross West Tower[3]	130.5	119.7
Brookfield Place Perth Tower 1[3]	550.0	526.5
Brookfield Place Perth Tower 2[6,3]	213.0	-
388 George Street[7,3]	142.8	-
Jessie Street[7,3]	128.0	-
108 St Georges Terrace[2,3]	58.9	-
12 Shelley Street[2]	-	-
Total non-current financial assets	**2,652.4**	**2,462.3**
Total financial assets	**2,652.4**	**2,462.3**

[1] Properties from which property finance income is determined.

[2] The following transactions occurred in BPPF in the financial year:
- 108 St Georges Terrace was transferred from BPPF to the Trust on 1 November 2018.
- 12 Shelley Street was transferred from BPPF to the Trust on 1 November 2018 and subsequently sold.
- 680 George Street/ 50 Goulburn Street sold to BPREP A on 29 August 2018.

[3] During the financial year, nine of the properties were externally valued.

[4] MNZPF was wound up in 2018.

[5] 235 St Georges Terrace and 52 Goulburn Street were sold on 29 August 2018 and 20 September 2018 respectively.

[6] Brookfield Place Tower 2 was transferred into the Trust from the Company on 31 July 2018.

[7] Due to loan deed amendments, 388 George Street and Jessie Street are now held as PFA's rather than as investment property.

[8] 10 Shelley Street was sold on 21 December 2018.

6. Other financial assets continued

	Consolidated	
	31-Dec-18	31-Dec-17
	$m	$m
Property financial income		
Realised property finance income	161.6	142.9
Fair value gain on property financial asset	112.5	175.3
Total property finance income	274.1	318.2

Liquidity and Working Capital

7. Cash and cash equivalents

Accounting policy

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 on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

	Consolidated	
	31-Dec-18	31-Dec-17
	$m	$m
Current		
Cash at bank	21.7	11.4
Restricted cash	284.9	-
Total current cash and cash equivalents	306.6	11.4

8. Cash flow information

Reconciliation of net profit to net cash flows from operating activities

	Consolidated	
	31-Dec-18	31-Dec-17
	$m	$m
Reconciliation of net profit to net cash inflow from operating activities		
Profit from ordinary activities after income tax	309.2	385.6
Depreciation and amortisation	6.1	7.1
Fair value adjustments on investment properties and derivatives	(12.3)	(42.9)
Fair value adjustments on other financial assets	(112.5)	(175.3)
Other income	(2.0)	1.1
Amortisation of capitalised borrowing costs	1.4	1.3
Straight lining of rental income	1.1	(1.2)
Other non-cash	3.3	2.2
Change in operating assets and liabilities, net of effects from purchase and disposal of subsidiaries		
(Increase) in trade receivables	(2.9)	(4.7)
(Increase)/decrease in other assets	0.4	(1.7)
Increase in trade and other payables	3.5	8.6
Net cash inflow from operating activities	195.3	180.1

8. Cash flow information continued

Reconciliation of non cash investing & financing activities

	Consolidated	
	31-Dec-18	31-Dec-17
	$m	$m
Non cash investing and financing activities		
Acquisition of property financial assets from related party	248.1	-
Transfer of investment property (to) related party	(419.0)	-

Reconciliation of cash flows from financing activities to borrowings

			Non -cash			
	31-Dec-17	Cashflow	Transfer from Company to Trust on acquisition of PFA	Finance on behalf of related parties[1]	Other	31-Dec-18
	$m	$m	$m	$m	$m	$m
Interest bearing loans and borrowings	1,624.0	(504.6)	221.4	835.8	0.4	2,177.0

[1] Includes Brookfield Place Tower 1, 12 Shelley Street and 108 St Georges Terrace with back to back receivable raised with related parties.

9. Trade and other receivables

Accounting policy

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The consolidated entity holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

	Consolidated	
	31-Dec-18	31-Dec-17
	$m	$m
Current		
Trade receivables[1]	12.8	9.9
Less: Allowance for doubtful debts	-	-
	12.8	9.9
Amounts due from related parties[2]	259.2	438.3
Total current trade and other receivables	**272.0**	**448.2**

[1] Trade receivables are non-interest bearing and generally on 30 day terms.

[2] Amounts classified as current receivables relating to amounts due from related parties are unsecured and are repayable when called.

An allowance for impairment is made when there is objective evidence that a trade receivable or related parties receivable is impaired under the expected credit loss model. Details about the group's impairment policies and the calculation of the loss allowance are provided in Note 16 (iii). The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

10. Interest bearing receivables

Accounting policy

Interest bearing receivables are recognised initially at fair value less any attributable transaction costs. Subsequent to initial recognition, interest bearing receivables are stated at amortised cost with any difference between cost and redemption value being recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income over the period of the borrowings on an effective interest basis.

	Consolidated	
	31-Dec-18	31-Dec-17
	$m	$m
Current		
Interest bearing receivables from related parties	1,158.3	-
Total current interest bearing receivables from related parties	1,158.3	-
Non-current		
Interest bearing receivables from related parties	584.3	1,057.5
Total non-current interest bearing receivables from related parties	584.3	1,057.5
Total interest bearing receivables from related parties	1,742.6	1,057.5

11. Trade and other payables and Deferred revenue

Accounting policy

Payables are stated at amortised cost 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.

Current		
Deferred revenue	34.9	-
Total current deferred revenue	34.9	-
Current		
Trade payables	-	0.1
Other creditors and accruals	30.9	29.9
Total current trade and other payables	30.9	30.0
Non-current		
Other creditors and accruals	5.6	3.0
Total non-current trade and other payables	5.6	3.0

The average credit period on trade payables is two months. No interest is charged on the trade payables from the first 60 days from the date of the invoice. The Consolidated Entity has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

12. Interest bearing loans and borrowings

Accounting policy

Interest bearing liabilities are recognised initially at fair value less any attributable transaction costs. Subsequent to initial recognition, interest bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income over the period of the borrowings on an effective interest basis.

	Consolidated 31-Dec-18 $m	31-Dec-17 $m
Carrying amounts		
Current interest bearing loans and borrowings	1,162.1	-
Less: deferred borrowing costs	(3.8)	-
	1,158.3	-
Non-current interest bearing loans and borrowings	1,022.6	1,628.1
Less: deferred borrowing costs	(3.9)	(4.1)
	1,018.7	1,624.0
Total interest bearing loans and borrowings	2,177.0	1,624.0

Summary of borrowing arrangements

All debt facilities are bilateral and are secured by relevant mortgages and charges directly relating to specific investment properties. The Consolidated Entity has bank loans denominated in Australian dollars. Interest on bank loans is charged at the prevailing market rate. There were no overdraft facilities in place at 31 December 2018 (2017: $NIL).

At 31 December 2018, the Consolidated Entity is in compliance with all of its debt covenants.

	Consolidated 31-Dec-18 $m	31-Dec-17 $m
Total financing facilities available		
Property facilities	2,001.6	1,449.3
Corporate facilities - related party	232.1	232.1
Total facilities available	2,233.7	1,681.4
Facilities utilised at reporting date		
Property facilities	1,944.9	1,391.9
Corporate facilities - related party	232.1	232.1
Total facilities utilised at end of the financial year	2,177.0	1,624.0
Facilities not utilised at reporting date		
Property facilities	49.0	53.3
Total facilities not utilised at end of the financial year	49.0	53.3

13. Non-interest bearing loans and borrowings

	Consolidated	
	31-Dec-18	31-Dec-17
	$m	$m
Current		
Unsecured		
Amounts due to related parties	1,140.7	790.7
Total current non-interest bearing loans and borrowings	1,140.7	790.7

14. Contributed equity

Accounting policy

Units are classified as equity. Incremental costs directly attributable to the issue of new units are shown in equity as a deduction, net of tax, from the proceeds. Other instruments that were classified as equity instruments in accordance with AASB 132 Financial Instruments: Disclosure and Presentation are disclosed as other equity securities within contributed equity.

	Consolidated	
	31-Dec-18	31-Dec-17
	$m	$m
Issued and fully paid up units		
Units issued	1,047.1	1,047.1

Units issued and fully paid up units

During the financial year, the Trust did not return capital or issue new units. In 2017, the Trust returned $124.7 million of capital on a pro rata basis to unitholders and issued 28,855,104 new units at $2.23 per unit totalling $64.3 million. As at 31 December 2018 and 31 December 2017 there were 866,257,289 units on issue.

Terms and conditions of units in the Trust

Ordinary units in the Trust are stapled with ordinary shares in the Company and are collectively known as Brookfield Australia Investments Group. Ordinary units in the Trust entitles holders to participate in distributions as declared and, in the event of winding up the Trust, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on units held. Each unit entitles the holder to one vote either in person or by proxy, at a meeting of the Trust.

15. Commitments

	Consolidated	
	31-Dec-18	31-Dec-17
	$m	$m
Commitments contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	205.7	4.9
Later than one year but not later than five years	394.3	-
Later than five years	-	-
Total commitments	600.0	4.9

16. Financial instruments and fair value disclosures

Financial risk management

The Consolidated Entity's activities expose it to a variety of financial risks: market risk (including interest rate risk, currency risk and price risk), credit risk, capital risk and liquidity risk. The Consolidated Entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Consolidated Entity. The Consolidated Entity uses derivative financial instruments such as interest rate swaps to manage the interest rate risks arising from the Consolidated Entity's sources of finance. It is the Consolidated Entity's policy that no trading in financial instruments shall be undertaken nor will the Consolidated Entity enter into transactions that could be construed as speculative.

The Consolidated Entity's principal financial instruments, other than derivatives, comprise receivables, property financial assets, bank loans, cash and short-term deposits.

The main purpose of these financial instruments is to provide investments and funds for the Consolidated Entity's operations. The Consolidated Entity has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Consolidated Entity's financial instruments are cash flow interest rate risk, liquidity risk and credit risk. These financial risks are the responsibility of the following groups and policies in the context outlined below:

- Group Treasury – responsible for centrally managing the above risks both on a regional and global basis in accordance with the Group Policy, which contains the written principles for management of the above risks. Transactions relating to debt funding, bonding facilities or exposures to other material financial risks should be signed off by Group Treasury.
- Signing Authorities and Delegation Policy (SADP) – this policy aims to regulate the risk and expenditure approval framework for the Group by setting approval levels for all expenditures and represents the minimum required approvals that have been delegated to the employees of the Group.
- Credit risk is actively managed as detailed within the 'credit risk' section of this note.

The Consolidated Entity's investments held as property financial assets are exposed to market risk from changes in fair value of investment properties, as they are designated at fair value through profit and loss and the asset value is determined with reference to the underlying properties with consideration to the asset's financing structure.

Details of the significant accounting policies and methods, including the criteria for recognition, the basis for measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in notes to the financial statements.

Market risk

Interest rate risk contracts – financial assets

The income and associated operating cash flows of the Consolidated Entity's assets are substantially independent of changes in market interest rates. The Consolidated Entity's loans are primarily provided to related parties. The Consolidated Entity does not undertake any specific hedging of loan receivables except to monitor the loan outstanding to strategies in the underlying investment portfolio and the cash flow at risk as a result of interest rate fluctuations on scheduled interest rate resets for the next reporting period.

Interest rate risk contracts – financial liabilities

The Consolidated Entity's exposure to the risk of changes in market interest rates relates primarily to the Consolidated Entity's debt obligations that are often subject to floating interest rates. The Consolidated Entity maintains a practice of hedging between 38% and 100% of its exposure to changes in interest rates for drawn debt where term is certain. The Consolidated Entity has entered into various interest rate swap agreements (in which the Consolidated Entity agrees to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed-upon notional principal amount) used primarily to convert certain variable interest rate borrowings to fixed rates. The swaps are entered into with the objective of hedging the risk of interest rate fluctuations in respect of underlying borrowings.

The Consolidated Entity seeks to minimise interest within approved risk profiles whilst ensuring that an appropriate level of flexibility exists to accommodate potential changes in funding requirements. Interest rate exposure is analysed and measured by the effect of interest rate movements on the total portfolio of current and forecast debt (comprising estimated drawdown schedules), and interest rate hedging transactions.

The Consolidated Entity's exposure to interest rate risk on non-derivative assets and liabilities, including the effect of interest rate swaps that hedge a portion of these balances, at the reporting date and the periods in which they mature or, if earlier, reprice, for classes of financial assets and financial liabilities is set out below.

16. Financial instruments and fair value disclosures continued

	Floating rate $m	Fixed interest maturing in: Less than 1 year $m	Between 1 – 5 years $m	Over 5 years $m	Total $m
Consolidated - 31 December 2018					
Financial assets					
Cash and bank balances	306.6	-	-	-	306.6
Interest-bearing receivables	1,742.6	-	-	-	1,742.6
Total financial assets	**2,049.2**	**-**	**-**	**-**	**2,049.2**
Financial liabilities					
Interest-bearing liabilities	2,087.0	-	90.0	-	2,177.0
Total financial liabilities	**2,087.0**	**-**	**90.0**	**-**	**2,177.0**
Consolidated – 31 December 2017					
Financial assets					
Cash and bank balances	11.4	-	-	-	11.4
Receivables	1,057.5	-	-	-	1,057.5
Total financial assets	**1,068.9**	**-**	**-**	**-**	**1,068.9**
Financial liabilities					
Interest-bearing liabilities	1,444.0	-	-	180.0	1,624.0
Total financial liabilities	**1,444.0**	**-**	**-**	**180.0**	**1,624.0**

Interest rate sensitivity

The Consolidated Entity's sensitivity to a 1% movement in interest rate expressed in Australian dollars (AUD) in relation to cash and cash equivalents, receivables, derivatives, and interest bearing loans and borrowings:

	31 Dec 2018				31 Dec 2017			
	Impact on Profit		Impact on Equity		Impact on Profit		Impact on Equity	
	+100 bps	-100 bps	+100 bps	-100 bps	+100 bps	-100 bps	+100 bps	-100 bps
Consolidated								
AUD$m	1.8	(6.5)	-	-	0.5	(1.1)	-	-

16. Financial instruments and fair value disclosures continued

Set out below is the notional principal of interest rate swaps and the outstanding principal of fixed rate loans in their local currency, and the weighted average interest rate of those contracts in each currency:

		Periods in which they mature or, if earlier, reprice					
	Total	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years
31 December 2018	$m	$m	$m	$m	$m	$m	$m
AUD							
Interest rate swaps	100.0	-	-	-	-	-	100.0
Total	100.0	-	-	-	-	-	100.0
Weighted average fixed rate	**2.56%**	**-**	**-**	**-**	**-**	**-**	**2.56%**
31 December 2017							
AUD							
Interest rate swaps	100.0	-	-	-	-	-	100.0
Total	100.0	-	-	-	-	-	100.0
Weighted average fixed rate	**2.56%**	**-**	**-**	**-**	**-**	**-**	**2.56%**

16. Financial instruments and fair value disclosures continued

Foreign currency risk

Foreign exchange risk refers to the risk that the value of a financial commitment, recognised asset or liability will fluctuate due to changes in foreign currency rates. The Consolidated Entity's foreign exchange risk arises primarily from:

- borrowings denominated in foreign currencies;
- firm commitments of highly probable forecast transactions for receipts and payments settled in foreign currencies or with prices dependent on foreign currencies; and
- investment in foreign operations.

The Consolidated Entity operates in New Zealand and is exposed to foreign exchange risk arising from the New Zealand Dollar (NZD).

The risk is measured by projecting the net foreign currency flows of each currency to which the Consolidated Entity has an exposure for a minimum period of two years. Beyond two years, exposures will be recognised on a case by case basis by analysing the cash flows attached to the projects.

Foreign exchange transaction exposure arises from the transfer of funds from one currency to another as a result of working capital funding requirements, purchase or sale of property, payment of fees, return of profits or equity and intercompany loans.

Foreign exchange transactional risk

The Consolidated Entity's foreign exchange transaction exposure arises from the operations held in New Zealand relating to property financial assets.

Net investment in a foreign operation

The Consolidated Entity manages its foreign currency risk for its assets and liabilities denominated in foreign currency by borrowing in the same functional currency of its investment to form a natural economic hedge against any foreign currency fluctuations as well as using forward exchange contracts where funds were borrowed in the local currency.

For accounting purposes, net foreign operations are revalued at the end of each reporting period with the fair value movement reflected in equity as a movement in the foreign currency translation reserve. The Consolidated Entity's exposure to foreign currency risk at the reporting date was as follows:

	31-Dec-18 NZD $m	31-Dec-17 NZD $m
Consolidated		
Financial assets		
Other financial assets	-	1.2
Total financial assets	**-**	**1.2**

Price risk

The Consolidated Entity's exposure to price risk is minimal.

Credit risk

Credit risk arises from cash and cash equivalents and contractual cash flows of debt investments carried at amortised cost and as well as credit exposures to customers, including outstanding receivables.

(i) Risk management

The Consolidated Entity manages this risk by:

- establishing credit limits for customers that the Consolidated Entity trades with and managing its exposure to individual entities (it is the Consolidated Entity's policy that all customers who wish to trade on credit terms are subject to credit verification procedures).
- transacting with multiple derivative counterparties that have a long term credit rating of at least an "A" from S&P, or as otherwise approved by the Directors;
- providing loans as an investment into joint ventures, associates and third parties where it is comfortable with the underlying property exposure within that entity;
- regularly monitoring loans and receivables balances on an ongoing basis, including tenant related receivables; and
- obtaining collateral as security (where appropriate).

At the reporting date, the Consolidated Entity had no significant concentration of credit risk outside of the Group with any single counterparty or group of counterparties other than with related parties. In accordance with the policies determined by the Board of Directors, credit risk is spread among a number of counterparties. The counterparties to derivative financial instruments consist of a number of prime financial institutions.

16. Financial instruments and fair value disclosures continued

Credit risk continued

(ii) Security

For some trade and other receivables the Consolidated Entity may obtain security in the form of guarantees, deeds of undertaking or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement.

(iii) Impairment of financial assets

The Consolidated Entity has two types of financial assets that are subject to the expected credit loss model:

- Trade and other receivables; and
- Interest bearing receivables (Debt investments carried at amortised cost).

While cash and cash equivalents are also subject to the impairment requirements of AASB 9, no impairment loss was identified.

Trade and other receivables

The group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance as at 31 December 2018 and 1 January 2018 (on adoption of AASB 9) was determined as follows for both trade receivables and contract assets:

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment. The group considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or late payments (more than 30 days overdue).

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

Interest bearing receivables (Debt investments carried at amortised cost)

All of the entity's debt investments at amortised cost are considered to have low credit risk. Management consider 'low credit risk' to be an investment grade credit rating with at least one major rating agency. Other instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

The Consolidated Entity's maximum exposure to credit risk at the reporting date, in relation to each recognised financial asset, is the carrying value of the asset recognised in the Consolidated Statement of Financial Position. The Consolidated Entity and the Trust hold no significant collateral as security and the credit quality of all financial assets that are neither past due nor impaired is constantly monitored in order to identify any potential adverse changes in the credit quality.

16. Financial instruments and fair value disclosures continued

Capital risk

The Consolidated Entity's objective when managing capital risk is to optimise the cost of capital having regard to the markets in which it operates.

Capital management is monitored in four main ways:

- statement of financial position management – fundamentally concerned with the capital mix of equity and debt maintaining appropriate levels of gearing;
- protection of the Consolidated Entity's foreign denominated financial assets and liabilities is achieved by borrowing in the same functional currency as the investments to form a natural economic hedge against foreign currency fluctuations or by using forward foreign exchange contracts where funds are borrowed in a different currency;
- the Consolidated Entity protects its equity in assets by taking out insurance cover with credit worthy insurers; and
- income statement management – principally concerned with supporting the delivery of financial targets by protecting the Consolidated Entity's exposure to net foreign income and interest rate volatility through the use of forward foreign exchange contracts and interest rate swaps.

As part of the Consolidated Entity's strategy to maintain its capital strength, the Consolidated Entity is committed to ensuring a maximum of 50% of interest bearing net debt (total interest bearing liabilities less cash assets) to total assets (less cash assets). At 31 December 2018, the percentage of interest bearing net debt to total assets is 35.6% (2017: 33.1%).

Liquidity risk

The Consolidated Entity is exposed to liquidity risk, being the risk of encountering difficulties in meeting obligations relating to the Consolidated Entity's financial liabilities. The Consolidated Entity's main liquidity risk is its ability to refinance its current borrowings. The Consolidated Entity is exposed to refinancing risks arising from the availability of finance as well as the interest rates and credit margins at which financing is available. The Consolidated Entity manages this risk by spreading maturities of borrowings and interest rate swaps, using interest rate derivatives to hedge known and forecast positions and reviewing potential transactions to understand the impact on the Consolidated Entity's liquidity.

As part of its liquidity risk management, the Consolidated Entity is also required to obtain sufficient cash resources to maintain operations, meet its financial obligations and liabilities in a timely manner and provide funds for capital expenditure and investment opportunities as they arise.

The Consolidated Entity measures liquidity risk by comparing net projected debt levels for the next two years against total committed facilities. Projected net debt levels take into account: existing debt; operating cash flows including interest payments; committed and forecast project/investment capital expenditure; and dividend, tax and distribution payments. The level of cash and undrawn but committed facilities projected over time is used to indicate the Consolidated Entity's liquidity position going forward.

Maturities of financial liabilities

The tables below analyse the Consolidated Entity's and the Trust's financial liabilities, net and gross settled derivative financial instruments into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. For interest rate swaps the cash flows have been estimated using current interest rates applicable at the reporting date. The table includes both interest and principal cash flows.

16. Financial instruments and fair value disclosures continued

Maturities of financial liabilities continued

Consolidated – 31 December 2018	Less than 1 year $m	Between 1 – 2 years $m	Between 2 – 3 years $m	Between 3 – 4 years $m	Between 4 – 5 years $m	Over 5 years $m	Total $m
Non-derivatives							
Payables/ Deferred revenue	65.8	5.6	-	-	-	-	71.4
Interest bearing loans and borrowings	1,158.3	-	661.6	267.6	89.5	-	2,177.0
Non-interest bearing loans and borrowings	1,140.7	-	-	-	-	-	1,140.7
Total non derivatives	**2,364.8**	**5.6**	**661.6**	**267.6**	**89.5**	**-**	**3,389.1**
Derivatives							
Net settled – interest rate swaps[1]	0.6	1.4	-	-	-	-	2.0
Total derivatives	**0.6**	**1.4**	**-**	**-**	**-**	**-**	**2.0**
Consolidated – 31 December 2017							
Non-derivatives							
Payables	30.0	-	-	-	-	-	30.0
Interest bearing loans and borrowings	-	883.8	-	561.3	-	178.9	1,624.0
Non-interest bearing loans and borrowings	790.7	-	-	-	-	-	790.7
Total non derivatives	**820.7**	**883.8**	**-**	**561.3**	**-**	**178.9**	**2,444.7**
Derivatives							
Net settled – interest rate swaps[1]	(0.1)	-	-	-	-	-	(0.1)
Total derivatives	**(0.1)**	**-**	**-**	**-**	**-**	**-**	**(0.1)**

[1] This includes both interest rate swap assets and liabilities.

16. Financial instruments and fair value disclosures continued

Fair value

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

Trade and other receivables

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

Derivatives

The fair value of interest rate swaps is estimated by discounting future cash flows based on the forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties and the Consolidated Entity.

Other investments

The fair value of quoted investments in A-REITs are based on current bid prices. The fair value of investments in unlisted property trust securities are based on the latest published NTA of the Trust.

The fair value of loans and other financial assets have been calculated using market interest rates, where applicable.

Fair values of financial assets and liabilities in the Consolidated Entity and Trust approximate carrying value.

16. Financial instruments and fair value disclosures continued

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of all financial assets and financial liabilities are determined as follows:

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices (includes listed investments); and
- the fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

The following table provides an analysis of assets and liabilities that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable.

- level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities;
- level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There have been no transfers between levels during the year. The carrying value of investments and interest bearing loans and borrowings approximates their fair value.

	Level 1	Level 2	Level 3	Total
Consolidated - 31 December 2018	$m	$m	$m	$m
Financial and non - financial assets				
Derivative instruments – interest rate swaps	-	-	-	-
Investments				
- Property financial assets	-	-	2,652.4	2,652.4
- Investment property	-	-	352.5	352.5
Total financial and non - financial assets	**-**	**-**	**3,004.9**	**3,004.9**
Financial liabilities				
Derivative instruments – interest rate swaps	-	(2.0)	-	(2.0)
Total financial liabilities	**-**	(2.0)	**-**	(2.0)
Total net financial and non - financial assets/(liabilities)	**-**	**(2.0)**	**3,004.9**	**3,002.9**
Consolidated – 31 December 2017				
Financial and non - financial assets				
Derivative instruments – interest rate swaps	-	0.1	-	0.1
Investments				
- Property financial assets	-	-	2,462.3	2,462.3
- Investment property	-	-	894.1	894.1
Total financial and non - financial assets	**-**	**0.1**	**3,356.4**	**3,356.5**
Financial liabilities				
Derivative instruments – interest rate swaps	-	-	-	-
Total financial liabilities	**-**	**-**	**-**	**-**
Total net financial and non - financial assets/(liabilities)	**-**	**0.1**	**3,356.4**	**3,356.5**

Property financial assets are financial assets recognised at fair value through profit and loss. The fair value of the property financial assets is determined with reference to the fair value of, and the funds from operations generated from, the underlying investment properties, less any external debt related to that property. External debt is held at amortised cost and is refinanced at regular intervals at market rates. The carrying value of the external debt is equivalent to its fair value. The underlying properties are valued in accordance with the methodology described in the investment property note as per Note 5. Management performs a discounted cash flow calculation on each investment property to determine its fair value each quarter, and the unobservable inputs deemed to be significant in these calculations are the discount rates and terminal capitalisation rates used in determining the fair value of the underlying properties. The discount rates and terminal capitalisation rates utilised in the 31 December 2018 valuations of the underlying properties of the property financial assets ranged from 6.50% to 7.50% and 5.38% to 6.93% respectively.

16. Financial instruments and fair value disclosures continued

Valuation techniques and assumptions applied for the purposes of measuring fair value continued

For valuation methodology of investment property, refer to Note 5. The discount rates and terminal capitalisation rates utilised in the 31 December 2018 valuations of investment properties ranged from 6.50% to 7.50% and 4.25% to 7.00% respectively.

An investment property and property financial asset sensitivity assessment has been performed by considering the movement in the fair value of the underlying properties if the discount rate and terminal capitalisation rate were to increase or decrease by 25bps.

A 25bps increase in the discount rate is estimated to cause a 1.76% decrease in the investment property value, while a 25bps decrease in the discount rate is estimated to cause a 1.18% increase in the investment property value. A 25bps increase in the terminal capitalisation rate is estimated to cause a 2.21% decrease in the investment property value, while a 25bps decrease in the terminal capitalisation rate is estimated to cause a 1.74% increase in the investment property value.

A 25bps increase in the discount rate is estimated to cause 1.82% decrease in property financial asset value, while a 25bps decrease in the discount rate is estimated to cause a 1.78% increase in the property financial asset value. A 25bps increase in the terminal capitalisation rate is estimated to cause a 2.81% decrease in the property financial asset value, while a 25bps decrease in the terminal capitalisation rate is estimated to cause a 2.96% increase in the property financial asset value.

The finance department of the Trust includes a team that perform the fair value assessment of property financial assets required for financial reporting purposes. This team reports to the chief financial officer (CFO), the valuation committee and the Directors. Discussions of valuation processes and results are held between the CFO and the valuation committee at least once every six months, in line with the Trust's half-yearly reporting dates.

Reconciliation of level 3 fair value measurements

Consolidated - 31 December 2018	Property financial assets $m	Investment property $m	Total $m
Opening balance	2,462.3	894.1	3,356.4
Capital expenditure	-	40.3	40.3
Disposals and transfers to PFA's[1]	(752.7)	(603.0)	(1,355.7)
Acquisitions / investment	634.6	7.4	642.0
Fair value gain	306.3	14.5	320.8
Other	1.9	(0.8)	1.1
Closing balance	**2,652.4**	**352.5**	**3,004.9**

[1] $419.0m of investment properties were transferred to PFA's during the year.

Consolidated – 31 December 2017	Property financial assets $m	Investment property $m	Total $m
Opening balance	2,328.1	871.9	3,200.0
Capital expenditure	-	21.7	21.7
Disposals	-	(40.0)	(40.0)
Acquisitions / investment	101.1	-	101.1
Change due to impact of straight-lining of rental income and other	-	(4.3)	(4.3)
Fair value gain	175.3	44.8	220.1
Capital return	(3.3)	-	(3.3)
Debt repayment	(138.9)	-	(138.9)
Closing balance	**2,462.3**	**894.1**	**3,356.4**

Group Structure

17. Parent entity disclosures

The individual financial statements for the parent entity show the following aggregate amounts:

	Parent	
	31-Dec-18	31-Dec-17
	$m	$m
Assets		
Current assets	1,484.8	2,251.2
Non-current assets	2,480.1	2,064.3
Total assets	3,964.9	4,315.5
Liabilities		
Current liabilities	1,689.5	1,560.6
Non-current liabilities	453.5	685.2
Total liabilities	2,143.0	2,245.8
Equity		
Units on issue	1,047.1	1,047.1
Undistributed income	774.8	1,022.5
Total Equity	1,821.9	2,069.6

	31-Dec-18	31-Dec-17
	$m	$m
Net profit for the financial year	216.5	1,128.5
Total Comprehensive income for the financial year	216.5	1,128.5

18. Significant controlled entities

Accounting policy

Controlled entities are entities controlled by the Trust. Control exists when the Trust has power over an entity and is exposed, or has rights, to variable returns from its involvement with the entity, and has the ability to use its power to affect its returns. All three of these criteria must be met for the Trust to have control over an entity.

Investments in controlled entities are carried at their cost of acquisition in the Trust's financial statements, less impairment, if applicable.

Intra-group balances, and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the financial statements of the Consolidated Entity.

The Trust's significant investments in controlled entities are in legal entities that are the key holding and operating entities within the business segments and the geographical segments in which the Consolidated Entity has a significant presence. At 31 December 2018, the significant controlled entities are shown below:

Entity name	31-Dec-18 %	31-Dec-17 %	Country of incorporation
Brookfield Foundry Landowning Trust	100.0	100.0	Australia
Brookfield City Arcade Landowning Trust	-	100.0	Australia
Brookfield PCEC Office Landowning Trust	100.0	100.0	Australia
Brookfield Onyx Property Trust	100.0	100.0	Australia
Multiplex MPT CMBS Issuer Pty Ltd[1]	50.0	50.0	Australia
Brookfield 108 Landowning Trust	100.0	100.0	Australia
Brookfield 201 Sussex Street Landowning Trust	100.0	100.0	Australia
Brookfield 2-12 Macquarie Street Landowning Trust[2]	-	100.0	Australia
Brookfield 388 Landowning Trust[3]	-	100.0	Australia
362 Little Collins Street	100.0	-	Australia

[1] In accordance with Multiplex MPT CMBS Issuer Pty Ltd's Constitution, shares issued are 50% Class A shares and 50% Class B shares. Class B shares are specified to have no right to vote on any resolution of the company. The Class A shareholder, being a wholly owned subsidiary of the Trust, has control over the financing and operating policies of Multiplex MPT CMBS Issuer Pty Ltd and consolidates 100% of the results.

[2] Due to a change in recognition, Jessie Street (held within the Brookfield 2-12 Macquarie Street Landowning Trust) and 388 George Street (held within the Brookfield 388 Landowning Trust) are now held as a PFA rather than consolidated as an investment property.

19. Non-controlling interest

Accounting policy

Non-controlling interest represents the portion of profit or loss and net assets in entities not wholly owned by the Consolidated Entity and are presented separately in the Consolidated Statement of Profit or Loss and Other Comprehensive Income and within equity in the Consolidated Statement of Financial Position.

Non-controlling interests in the net assets (excluding goodwill) of consolidated controlled entities are identified separately from the Consolidated Entity's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination. Losses applicable to the non-controlling interests in excess of the non-controlling interests' interest in the controlled entities' equity are allocated against the interests of the Consolidated Entity except to the extent that the non-controlling interests have a binding obligation and are able to make an additional investment to cover the losses.

	Consolidated	
	31-Dec-18	31-Dec-17
	$m	$m
Interest in:		
Multiplex Hybrid Investment Trust		
Issued equity	430.7	430.7
	430.7	430.7
Multiplex MPT CMBS Investment Trust		
Issued equity	9.8	9.8
	9.8	9.8
Total non-controlling interests	440.5	440.5

20. Related party disclosure

The Responsible Entity of the Trust is Brookfield Funds Management Limited (ACN 105 371 917) whose immediate and ultimate parent entity is Brookfield Australia Investments Limited (ABN 96 008 687 063). Accordingly transactions with entities related to Brookfield Australia Investments Limited are disclosed below. Brookfield Funds Management Limited also acts as the Manager of the Trust.

Transactions with related parties have taken place in the ordinary course of business.

Fees payable to the Responsible Entity

Under the terms of the Trust Constitution and subject to *Corporations Act 2001*, the Responsible Entity is entitled to be:

- paid an application fee by the applicant of 2% in respect of each application for units in the Trust;
- paid a management fee by the Trust equal to the Responsible Entity's reasonable estimate of its costs in providing its services as the Responsible Entity;
- paid an acquisition fee by the Trust of 1.5% of the acquisition price of properties acquired by the Trust; and
- reimbursed by the Trust for all expenses incurred in relation to the performance of its duties.

The Responsible Entity has waived its fees as the Trust and its controlled entities form part of the Group. During the financial year, the Responsible Entity did not charge the Trust any fees (2017: nil).

Key management personnel

The Trust does not employ key management personnel in its own right. However it is required to have an incorporated Responsible Entity to manage the activities of the Consolidated Entity.

Key management personnel compensation

Key management personnel are paid by the parent of the Responsible Entity for services provided to the Group.

Related party investments held by the trust

During or since the end of the financial year, none of the key management personnel held units in the Trust, either directly, indirectly, or beneficially.

Balances with related parties

Please refer to the accompanying notes to the financial statements regarding disclosures of related parties.

Transactions with related parties

All transactions between the Trust and its controlled entities have been eliminated in full.

20. Related party disclosure continued

a) Transactions with the Consolidated Entity and the Group

	Consolidated	
	Year ended 31-Dec-18 $m	Year ended 31-Dec-17 $m
Provision of services to the Consolidated Entity by Brookfield Properties Australia Pty Limited and its controlled entities		
Property management expense	2.1	2.6
Leasing fee	0.2	0.1

b) Transactions with the Consolidated Entity and other related parties

	Consolidated	
	Year ended 31-Dec-18 $m	Year ended 31-Dec-17 $m
Income received by the Conslidated Entity from Brookfield Office Properties and its controlled entities		
Property finance income	161.6	142.9
Total income	161.6	142.9

Entities controlled by BOPA Holdings Ltd. (BPO) had unsecured non-interest bearing loans payable to the Trust of $32.5 million (2017: $457.9 million).

Entities controlled by Brookfield BPY Holdings (Australia) ULC had unsecured non-interest bearing loans payable to the Trust of $44.1 million (2017: $114.9 million).

As at 31 December 2018, Brookfield Australia Pty Ltd held 866,257,289 units in the Trust (2017: 866,257,289).

As at 31 December 2018, amounts receivable from Brookfield Australia Pty Ltd totalled $232.1 million (2017: $232.1 million).

As at 31 December 2018, amounts receivable from Brookfield Australia Investments Limited totalled $109.5 million (2017: $252.6 million).

Distributions declared to Brookfield Australia Pty Ltd during the current financial year was $534.4 million (2017: $176.9 million).

For total related party balances refer to notes 9, 10, 12 and 13.

Other Notes

21. Auditor's remuneration

The auditor of the Consolidated Entity is Deloitte Touche Tohmatsu. During the financial year, all amounts paid to the auditor of the Consolidated Entity were borne by a 100% subsidiary of the Company.

22. Contingent liabilities and contingent assets

Contingent liabilities and contingent assets exist as a consequence of the arrangements contained in the Stapling Deed between the Company and the Responsible Entity of the Trust. The Stapling Deed is described further in Note 25.

The Trust is called upon to give, in the ordinary course of business, guarantees and indemnities in respect of the performance of controlled entities, associates and related parties of their contractual and financial obligations. The value of these guarantees and indemnities is indeterminate in amount. Any known losses have been brought to account.

In the ordinary course of business, the Group and its associates may become involved in litigation, the majority of which falls within the Group's insurance arrangements. Whilst the outcomes of these proceedings are uncertain, contingent liabilities exist in respect of amounts not specifically provided for, which, based on legal advice, should not be material either individually or in the aggregate.

Controlled entities of the Consolidated Entity have entered into joint venture arrangements under which the controlled entity may be jointly and severally liable for the liabilities of the joint venture arrangement. The assets of each partnership or joint venture vehicle are anticipated to be sufficient to meet any such liabilities.

23. Provisions

A provision is recognised if, as a result of a past event, the Consolidated Entity has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

24. Joint ventures and jointly controlled operations

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement.

Investments in joint ventures have been accounted for using the equity method. Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expense incurred jointly). Each joint operation accounts for the assets and liabilities as well as revenue and expenses, relating to its interest in the joint operation in accordance with the applicable Accounting Standards.

25. Stapling arrangements

The Stapling Deed between Brookfield Funds Management Limited, as the Responsible Entity of the Trust, and the Company is dated 8 October 2003. It sets out the terms of the relationship between the Responsible Entity and the Company in respect of the units in the ordinary Trust and the ordinary shares in the Company that comprise the Securities. The aspects of that relationship include the following:

- stapling: the units and shares will remain stapled unless special resolutions of stapled securityholders approve unstapling or unless stapling becomes unlawful or prohibited by the Listing Rules;
- co-operation and consultation: the Responsible Entity and the Company agree to share accounting and other information, and to co-operate in operating the Trust and Company in providing information to investors, valuing assets, preparing financial reports, holding meetings, issuing securities and making distributions;
- dealings in securities: units and shares may only be issued or transferred as part of securities;
- acquisitions, disposals and borrowings: these require consultation procedures between the Responsible Entity and the Company to be followed;
- sale of assets: the Company agrees to notify the Responsible Entity of any assets that it intends to sell which are within the investment criteria of the Trust and will reasonably consider any proposals put to it by the Responsible Entity to purchase these assets;
- allocation of issue price: the Responsible Entity and the Company must agree what proportion of the issue price of a security is allocated to each of the Trust and Company. Generally, this is by reference to the respective market values of the units and the shares (as determined by agreement between the Responsible Entity and the Company);
- financial benefits: the Trust and the Company must provide to the other or its controlled entities upon request any financial benefit which is requested;
- registers: these are to be kept jointly;
- duties: when carrying out their duties, the Responsible Entity and the Company may consider the interests of holders of securities as a whole, not only the interests of the members of the Trust and Company separately; and
- dispute resolution: if there are disagreements about stapling issues, the Responsible Entity and the Company must use their best efforts to resolve them and negotiate in good faith before instituting proceedings.

25. Stapling arrangements continued
The stapled security structure will cease to operate on the first to occur of:

- either of the Company or the Trust resolving by special resolution in general meeting and in accordance with its Constitution to terminate the stapling provisions; or
- the winding up of either the Company or the Trust.

26. Going concern
The financial statements have been prepared on a going concern basis, notwithstanding the net current asset deficiency of the Consolidated Entity at the reporting date. The ability of the Consolidated Entity to continue as a going concern is dependent upon the continuing financial support of various related parties. The Directors have received a letter of loan subordination from Brookfield Australia Investments Limited confirming their intentions to not require repayment of loans owed by the Consolidated Entity of $498.97 million to enable the Consolidated Entity to continue as a going concern and meet its financial obligations as and when they fall due, for at least 12 months from the date of signing of the Consolidated Entity's financial statements for the year ended 31 December 2018.

27. Events occurring after the reporting date
In 2010 and 2013, Brookfield Holdings (Australia) Ltd. (BHAL) entered into a total return swap and option with BOPA Holdings Ltd. (BPO) and Brookfield BPY Holdings (Australia) ULC which included options over certain assets in the Trust portfolio. BHAL indirectly owns all of the units in the Trust and is obligated to procure that its subsidiaries enter into transactions to facilitate the transfer of assets pursuant to these arrangements.

Subsequent to 31 December 2018, the options were exercised and, in accordance with directions from BHAL, the Trust has entered into conditional sale agreements to dispose of the optioned properties (being nearly all of its remaining office property portfolio) (Portfolio Sale).

The Portfolio Sale is conditional on numerous matters including regulatory approvals and requisite financier and co-owner consents. Completion of the Portfolio Sale is expected to occur during the 2019 financial year.

Other than as disclosed in this report and to the knowledge of the Directors, there has been no matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may affect, the Consolidated Entity's operations in future financial years, the results of those operations or the Consolidated Entity's state of affairs in future financial years.

In the opinion of the directors of Brookfield Funds Management Limited, the Responsible Entity of Brookfield Australia Property Trust:

a the financial statements and notes set out on pages 8 to 46 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 31 December 2018 and its performance for the financial year ended on that date; and

   ii the attached financial statements are in compliance with International Financial Reporting Standards, as stated within the notes to the financial statements; and

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

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

Signed in accordance with a resolution of the Directors made pursuant to section 295A of the *Corporations Act 2001*.

Dated this 26th day of February 2018.

Shane Ross
Executive Director
Brookfield Funds Management Limited

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Independent Auditor's Report to the Unitholders of Brookfield Australia Property Trust

Opinion

We have audited the financial report of Brookfield Australia Property Trust (the "Trust"), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in unitholder interests for the year then ended, and notes to the financial statements, comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising Brookfield Australia Property Trust and the entities it controlled at the year's end or from time to time during the financial year.

In our opinion, the accompanying financial report of the Trust is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Trust's financial position as at 31 December 2018 and of its financial performance for the year then ended; and

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Trust in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of Brookfield Funds Management Limited as the responsible entity of the Trust, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Other Information

The directors are responsible for the other information. The other information comprises the Director's Report included in the Trust's financial report for the year ended 31 December 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The Directors of Brookfield Funds Management Limited, as the responsible entity of the Trust, are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Trust to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Trust's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Trust to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Trust's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Glen Mitchell
Partner
Chartered Accountants
Sydney, 26 February 2019