Brookfield

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ABN 15 105 371 917
Level 22, 135 King Street
Sydney NSW 2000

Multiplex SITES Trust
ARSN 111 903 747

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ASX Announcement

24 February 2012

MULTIPLEX SITES TRUST FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

Please find attached the Appendix 4E Financial Report for the year ended 31 December 2011 for Multiplex SITES Trust (ASX: MXUPA).

To ensure that SITES securityholders continue to have up-to-date information regarding the financial position and performance of the Group, a General Purpose Financial Report for the twelve months to 31 December 2011 for Brookfield Australia Investments Group and Brookfield Australia Property Trust is also attached.

Results in Summary – Brookfield Australia Investments Group

- Funds from operations for the period was $242.1 million (previous corresponding period: $202.2 million);
- Net profit attributable to stapled security holders was $275.1 million (previous corresponding period: $62.4 million);
- Profit per stapled security was 0.33 cents for the period, compared to a profit of 0.07 cents for the previous corresponding period;

Full details on the key financial highlights and operating results can be found in the accompanying presentation lodged with the ASX today.

-ends-

Investor enquiries: 1800 570 000

Appendix 4E
Multiplex SITES Trust

For the year ended 31 December 2011

Name of entity:	Multiplex SITES Trust (MXU) ARSN 111 903 747
Details of reporting period	
Current reporting period:	1 January 2011 to 31 December 2011
Prior corresponding period:	1 January 2010 to 31 December 2010

Multiplex SITES Trust (Trust) was registered on 12 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 2011. 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 2011 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

Results for announcement to the market	Year ended 31 December 2011 $'000	Year ended 31 December 2010 $'000
Total revenue and other income	39,465	35,820
Net profit before income tax	39,465	35,820
Net profit attributable to unitholders	39,465	35,820
Net tangible asset backing per unit ($)	100	100
Earnings per unit (cents per unit)	3.95	3.58

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 2011 to 31 March 2011 of 8.86% per annum and paid on 15 April 2011	9,810
Quarterly distribution for the period from 1 April 2011 to 30 June 2011 of 8.79% per annum and paid on 15 July 2011	9,855
Quarterly distribution for the period from 1 July 2011 to 30 September 2011 of 8.88% per annum and paid on 18 October 2011	10,035
Quarterly distribution for the period from 1 October 2011 to 31 December 2011 of 8.63% per annum and paid on 17 January 2012	9,765
Total	**39,465**

On 3 January 2012, the Trust announced to the ASX that the distribution rate for the period from 1 January 2012 to 31 March 2012 is 8.3133% 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 attached Multiplex SITES Trust ASX release dated 24 February 2012. This ASX release forms part of the Appendix 4E.

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 24 February 2012.

Multiplex SITES Trust
Annual financial statements
for the year ended
31 December 2011

Step-up
Income-distributing
Trust-issued
Exchangeable
Securities

Multiplex SITES Trust

ARSN 111 903 747

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Multiplex SITES Trust

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Directory
Multiplex SITES Trust

For the year ended 31 December 2011

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

Directors of Brookfield Funds Management Limited
Mr F Allan McDonald
Ms Barbara K Ward
Mr Russell T Proutt

Registered Office of Brookfield Funds Management Limited
Level 22, 135 King Street
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Telephone: (02) 9322 2000
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Auditor
Deloitte Touche Tohmatsu
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Sydney NSW 2000
Telephone: (02) 9322 7000
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Directors' Report
Multiplex SITES Trust

For the year ended 31 December 2011

Introduction
The Directors of Brookfield Funds Management Limited (ACN: 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 2011 and the Independent Auditor's Report thereon.

Responsible Entity
The Responsible Entity is a wholly owned subsidiary of Brookfield Australia Investments Limited and forms part of the consolidated Brookfield Australia Investments Group (Group). The registered office and principal place of business of the Responsible Entity is Level 22, 135 King Street, Sydney.

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

Name	Capacity
Mr F Allan McDonald (appointed 22 October 2003)	Non-Executive Chairman
Ms Barbara K Ward (appointed 22 October 2003)	Non-Executive Director
Mr Russell T Proutt (appointed 17 March 2010)	Executive Director

Information on Directors

Director	Experience	Special responsibilities
Non-Executive Directors		
F Allan McDonald	Mr McDonald was appointed to the Board on 22 October 2003 and was appointed Non-Executive 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 listed funds Brookfield Prime Property Fund (BPA), Brookfield Australian Opportunities Fund (BAO) and Multiplex European Property Fund (MUE). Mr McDonald's other directorships of listed companies are Astro Japan Property Management Limited (Responsible Entity of Astro Japan Property Trust) (appointed February 2005), Billabong International Limited (appointed July 2000) and Brookfield Office Properties Inc. (appointed May 2011). During the past three years Mr McDonald has also served as a director of Ross Human Directions Limited (April 2000 to February 2011).	Non-Executive Chairman
Barbara K Ward	Ms Ward was appointed as a Non-Executive Director of Brookfield Funds Management Limited 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 Chair of Essential Energy, and a Director of Qantas Airways Limited (appointed June 2008). Ms Ward is also a director of BCML (appointed January 2010), the Responsible Entity for listed funds BPA, BAO, and MUE. During the past three years Ms Ward has also served as a Director of Lion Nathan Limited (February 2003 to October 2009).	Non-Executive Director Chairperson of the Audit Committee and Risk and Compliance Committee

Information on Directors continued

Director	Experience	Special responsibilities
Executive Director		
Russell T Proutt	Mr Proutt is the Chief Financial Officer of Brookfield Australia Pty Limited (Brookfield Australia) and was appointed as an Executive Director of Brookfield Funds Management Limited on 17 March 2010. Mr Proutt joined Brookfield Asset Management, the ultimate parent company of Brookfield Funds Management Limited, in 2006 and has held various senior management positions within Brookfield, including managing the Bridge Lending Fund, mergers and acquisitions involving subsidiaries as well as transactions involving Brookfield's restructuring fund, Tricap Partners. Mr Proutt is also a director of BCML (appointed January 2010), the Responsible Entity for listed funds BPA, BPO and MUE.	Executive Director
Company Secretary		
Neil Olofsson	Neil has over 15 years' international company secretarial experience and has been with the Brookfield Australia group since 2005.	Company Secretary

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	705	–	705

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, is as follows:

	Board meetings		Audit Committee meetings		Risk and Compliance Committee meetings	
Director	Held	Attended	Held	Attended	Held	Attended
Mr F Allan McDonald	6	6	2	2	2	2
Ms Barbara K Ward	6	6	2	2	2	2
Mr Russell T Proutt	6	6	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 2011 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 $39,465,000 for the year ended 31 December 2011 (year ended 31 December 2010: $35,820,000). Total quarterly distributions paid or payable in respect of the year ended 31 December 2011 were $39,465,000 (year ended 31 December 2010: $35,820,000). The carrying value of the Trust's net assets at the end of the year ended 31 December 2011 was $450,000,000 (31 December 2010: $450,000,000).

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

Corporate governance
Brookfield Funds Management Limited (the Company), in its capacity as Responsible Entity for the Multiplex SITES Trust (the Trust), is required under the ASX Listing Rules to prepare a Corporate Governance Statement (the Statement) and include the Statement in its Annual Report.

The Statement discloses the extent to which the Company has followed the ASX Corporate Governance Council’s Corporate Governance Principles and Recommendations with 2010 Amendments (2nd edition), (the ASX Principles) during the reporting period. The ASX Principles are guidelines for businesses which set out eight core principles the Corporate Governance Council believes lie behind good corporate governance. The Company is committed to maintaining high standards of corporate governance. As a wholly owned subsidiary of Brookfield Australia Investments Limited (BAIL), the Company will, wherever possible, make use of the existing governance framework and expertise within the Brookfield Australia Investments Group (the Group) as it applies to the Trust’s operations and will continue to review and update its governance practices and policies from time to time.

The Principles have been adopted by the Company, where appropriate, to ensure stakeholder interests are protected, however, some of the Principles are neither relevant nor practically applicable to the investment structure of the Trust. This Statement outlines the Company’s main governance policies and practices, and the extent of its compliance with the ASX Principles for the reporting period 1 January 2011 to 31 December 2011.

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.

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

- Approval of risk management strategy;
- Approval of financial statements and any significant changes to accounting policies;
- Approval of distribution payments;
- Consideration of recommendations from the Audit Committee and Board Risk and Compliance Committee;
- 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 unit holders and other stakeholders of the Trust.

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

Process for evaluating the performance of senior executives.
The Management team responsible for the operation of the Trust and the Company are employees of the Group and are subject to the Group’s performance evaluation process.

All new employees, including senior executives, attend a formal induction which provides an overall introduction to the various business units within the Group.

Principle 2: Structure the Board to add value

Majority of independent Directors
Throughout the reporting period the Board had a majority of independent directors. The independent status of those directors was determined using the criteria set out in Recommendation 2.1 of the ASX Principles. The table below sets out the details of each of the directors including their independent status and length of tenure.

Name	Position Held	Independent Y/N	Date appointed to the Responsible Entity Board
Mr F. Allan McDonald (BEcon, FCPA, FAIM, FCIS)	Non-Executive chairman	Y	22/10/2003
Ms Barbara K. Ward (BEcon, MPolEcon, MAICD)	Non-Executive Director	Y	22/10/2003
Mr Russell K. Proutt (BComm, CA, CBV)	Executive Director	N	17/03/2010

The Board considers that collectively, the Directors have an appropriate mix 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 may be found on pages 4 to 5.

Chairperson and Independence
The ASX Corporate Governance Council recommends that the Chairperson of the Board be independent.

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

Roles of the Chairman and CEO
The ASX Corporate Governance Council recommends that the roles of the roles of Chairman and Chief Executive Officer be split and not exercised by the same individual.

Allan McDonald, the Chairman, is a non-executive, independent director.

Nomination Committee
The ASX Corporate Governance Council recommends that Boards establish a nomination committee to oversee the selection and appointment of directors. Ultimate responsibility for director selection rests with the full board.

The Company does not have a nomination committee. The nomination and appointment of Directors is undertaken by BAIL in consultation with the Board, This practice is in accordance with the Company's Charter and the Corporations Act.

Evaluation of the performance of the Board, its Committees and individual Directors
The Board is responsible for reviewing and monitoring its performance and the performance of its committees and directors. The Board undertakes an annual self-evaluation of its performance. The evaluation is conducted by way of a survey of each Director, followed by an analysis and discussion of the results. As part of the review, consideration is given to the existing skills and competency of the Directors to ensure there is an appropriate mix of skills for managing the Company and the Trust.

Induction and education
An induction programme for Directors is facilitated by the Company Secretary. The programme provides new directors with an understanding of the financial, strategic, operational and risk management position of the Company, the Trust and the Group.

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

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

The Board and the Company Secretary
All Directors have access to the Company Secretary. The Company Secretary is accountable to the Board on all governance matters and supports the Board by monitoring and maintaining Board policies and procedures, and coordinating the timely completion and dispatch of the Board agenda and briefing material.

The appointment and removal of the Company Secretary is a matter for BAIL in consultation with the Board.

Principle 3: Promote ethical and responsible decision making

The Brookfield Group has a Code of Business Conduct and Ethics (the Code) which sets out the requirements for workplace and human resource practices, risk management and legal compliance.

Code of Business Conduct and Ethics
The Board acknowledges that all employees of the Group and Directors of the Company are subject to the Code and are required to act honestly and with integrity. The Code is designed to ensure that all directors, officers and employees conduct activities with the highest standards of honesty and integrity and in compliance with all legal and regulatory requirements. The Code is aligned to the Group's core values of teamwork, integrity and performance and is fully supported by the Company's Board.
A copy of the Code is available on the Brookfield Australia website at www.au.brookfield.com.

Diversity Policy
The ASX Corporate Governance Council recommends that Companies establish a policy concerning diversity.

The Company is not part of an ASX listed group of companies and does not directly employ staff. As a result, the Company has not developed a policy concerning diversity.

Principle 4: Safeguard integrity in financial reporting
The approach adopted by the Board is consistent with the Principle. The Board requires the Chief Executive Officer and the Chief Financial Officer to provide a written statement that the financial statements of the Trust present a true and fair view, in all material aspects, of the financial position and operational results.

Audit Committee
The Board has established an Audit Committee to oversee the integrity of the financial reporting controls and procedures used by the Company when acting in its capacity as the Responsible Entity.

The Audit Committee is responsible for:
- overseeing financial reporting to ensure balance, transparency and integrity; and
- evaluating and monitoring the effectiveness of the external audit function.

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

		Audit Committee meetings	
Name	Position	Held	Attended
Barbara Ward	Chairperson	2	2
Allan McDonald	Member	2	2

Barbara Ward and Allan McDonald are not substantial shareholders of the Company or the Trust or officers of, or otherwise associated directly with, a substantial shareholder of the Company or the Trust and therefore are deemed independent.

With two members, the Audit Committee does not satisfy all the requirements of ASX Recommendation 4.2 which suggests that an audit committee should have 'at least three members'. The structure of the Audit Committee satisfied the three other requirements of Recommendation 4.2.
The Board considers that during the reporting period the Audit Committee was of sufficient size, independence and technical expertise to discharge its mandate effectively.

For the year ended 31 December 2011

Charter of the Audit Committee
The Audit Committee has adopted a formal Charter which sets out their responsibilities with respect to financial reporting, external audit (including procedures regarding appointment, removal of and term of engagement with the external auditor), and performance evaluation.

A copy of the Audit Committee's Charter is available on the Brookfield Australia website at www.au.brookfield.com.

Principle 5: Make timely and balanced disclosure
The Company is committed to complying with the continuous disclosure obligations contained in the ASX Listing Rules. The Board has adopted a Continuous Disclosure Policy which is designed to ensure that all unit holders have equal and timely access to material information concerning the Trust. The Continuous Disclosure Policy applies to all Directors, managers and employees involved in the operation of the Trust and the Company.

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 Multiplex SITES Trust Holders
The Company's communication strategy is incorporated into the Continuous Disclosure Policy.

The Company is committed to timely and ongoing communication with the Multiplex SITES Trust unit holders. The Annual Report also provides an update to investors on major achievements and the financial results of the Trust.

Up to date information on the Trust, including any continuous disclosure notices given by the Trust, financial and Annual Reports, and distribution information is available on the Brookfield Australia website at www.au.brookfield.com.

Principle 7: Recognise and manage risk

Risk management and compliance framework
An important role of the Company is to effectively manage the risks inherent in its business while supporting the performance and success of the Trust. The Company is committed to ensuring that it has a robust system of risk oversight, management and internal control complies with ASX Principle 7.

The Board has delegated responsibility for the oversight of the Company's compliance program to a Risk and Compliance Committee.

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

		Risk and Committee meetings	
Name	Position	Held	Attended
Barbara Ward	Chairperson	2	2
Allan McDonald	Member	2	2

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

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

In addition to the RMS, Risk Registers are used by management to record and manage potential sources of material business risks that could impact upon the Company or the Trust.

Risk management and internal control system
The Board is ultimately responsible for overseeing and managing risks to the Company or the Trust. Management reports to the Board on risk management and compliance via a Board Risk and Compliance Committee. Financial risks are managed by the Audit Committee. Designated compliance staff assist the Company by ensuing that a robust system of compliance and risk management is in place. The Compliance Manager for the Group is responsible for reviewing and monitoring the efficiency of compliance systems on an ongoing basis. The Group has an internal audit function which may review aspects of the Company business and the Trust as part of its annual program.

A summary of the Company's policies on risk oversight and management is available on the Brookfield Website at www.au.brookfield.com.

Chief Executive Officer and Chief Financial Officer Assurance
The Board has received assurance from the Executive Director and Chief Financial Officer that the sign off of financial statements is based upon a sound system of risk management and that the internal compliance and control systems are operating efficiently in all material respects in relation to financial reporting risks

Principle 8: Remunerate fairly and responsibly
The ASX Corporate Governance Council suggests that Companies should establish a dedicated Remuneration Committee. The Directors receive a fee for service and the Company does not directly employ staff, therefore no remuneration committee has been established.

Independent and non-executive Directors receive fees for serving as Directors. Director's fees are not linked to performance of the Company or the Trust.

Distributions

Distributions paid or declared by the Trust were as follows:	Cents per unit	Total amount $'000	Date of payment
Year ended 31 December 2011			
Distributions for the period ended 31 March 2011	218.00	9,810	15 April 2011
Distributions for the period ended 30 June 2011	219.00	9,855	15 July 2011
Distributions for the period ended 30 September 2011	223.00	10,035	18 October 2011
Distributions for the period ended 31 December 2011	217.00	9,765	17 January 2012
Total distributions	**877.00**	**39,465.00**	
Year ended 31 December 2010			
Distributions for the period ended 31 March 2010	148.00	6,660	19 April 2010
Distributions for the period ended 30 June 2010	207.00	9,315	15 July 2010
Distributions for the period ended 30 September 2010	220.00	9,900	18 October 2010
Distributions for the period ended 31 December 2010	221.00	9,945	18 January 2011
Total distributions	**796.00**	**35,820.00**	

On 3 January 2012, the Trust announced to the ASX that the distribution rate for the period from 1 January 2012 to 31 March 2012 is 8.31% per annum.

Events subsequent to the reporting date
Other than the above, 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.

Indemnification and insurance of officers and auditors

The Company has entered into deeds of access and indemnity with each of its Directors, Company Secretary and other nominated Officers. The terms of the deeds are in accordance with the provisions of the *Corporations Act 2001* and will indemnify these executives (to the extent permitted by law) for up to seven years after serving as an Officer against legal costs incurred in defending civil or criminal proceedings against the executives, except where proceedings result in unfavourable decisions against the executives, and in respect of reasonable legal costs incurred by the executives in good faith in obtaining legal advice in relation to any issue relating to the executives being an officer of the Group.

Under the deeds of access and indemnity, the Company has agreed to indemnify these persons (to the extent permitted by law) against:

- liabilities incurred as a director or officer of the Company or a company in the Group, except for those liabilities incurred in relation to the matters set out in section 199A(2) of the *Corporations Act 2001*; and
- reasonable legal costs incurred in defending an action for a liability or alleged liability as a director or officer, except for costs incurred in relation to the matters set out in section 199A(3) of the *Corporations Act 2001*.

The Company has also agreed to effect, maintain and pay the premium on a directors' and officers' liability insurance policy. This obligation is satisfied by the Company being able to rely upon Brookfield's global directors' and officers' insurance policy, for which it pays a portion of the premium.

As is usual, this policy has certain exclusions and therefore does not insure against liabilities arising out of matters including but not limited to:

- fraudulent, dishonest or criminal acts or omissions and improper personal profit or advantage; and
- Violation of US Securities Act of 1933.
- losses for which coverage under a different kind of insurance Policy is readily available such as, for example, liability insurance, employment practices liability and pollution liability (there can be limited coverage for some of these exposures);
- Claims made by a major shareholder (threshold is ownership of 10% or greater)

The obligation to effect, maintain and pay the premium on a policy continues for a period of seven years after the director or officer has left office to the extent such coverage is available with reasonable terms in the commercial insurance marketplace.

Contract of insurance

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

The Company 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 of a kind referred to in Class Order 98/0100, dated 10 July 1998, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' Report and the financial statements. Amounts in the Directors' Report and the financial statements have been rounded off in accordance with that Class Order to the nearest hundred thousand or thousand dollars, or in certain cases, to the nearest dollar.

Lead auditor's independence declaration under Section 307C of the Corporations Act 2001
The lead auditor's independence declaration is set out on page 13 and forms part of the Directors' Report for the year ended 31 December 2011.

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 24th day of February 2012

F Allan McDonald
Non-Executive Director
Brookfield Funds Management Limited
as Responsible Entity for Multiplex SITES Trust

Russell T Proutt
Executive Director
Brookfield Funds Management Limited
as Responsible Entity for Multiplex SITES Trust

Deloitte.

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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

24 February 2012

Dear Directors

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 2011, 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

A G Collinson
Partner
Chartered Accountants

Statement of Comprehensive Income
Multiplex SITES Trust

For the year ended 31 December 2011

	Year ended 31 Dec 2011 $'000	Year ended 31 Dec 2010 $'000
Share of net profit of associates accounted for using the equity method	39,465	35,820
Net profit for the period from continuing operations	**39,465**	**35,820**
Other comprehensive income for the period	**–**	**–**
Total comprehensive income for the period attributable to SITES unitholders	**39,465**	**35,820**
Earnings per unit		
Basic and diluted earnings per ordinary unit (cents)	**877.00**	**796.00**

The Statement of 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 2011

	Note	31 Dec 2011 $'000	31 Dec 2010 $'000
Non-current assets			
Investments accounted for using the equity method	5	459,765	459,945
Total non-current assets		**459,765**	**459,945**
Total assets		**459,765**	**459,945**
Current liabilities			
Distributions payable	7	9,765	9,945
Total current liabilities		**9,765**	**9,945**
Total liabilities		**9,765**	**9,945**
Net assets		**450,000**	**450,000**
Equity			
Units on issue	8	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 2011

	Note	Units on issue $'000	Accumulated profit/ (losses) $'000	Total equity $'000
Opening equity – 1 January 2011		**450,000**	**–**	**450,000**
Net profit		–	39,465	**39,465**
Other comprehensive income		–	–	**–**
Total comprehensive income for the year		**–**	**39,465**	**39,465**
Distributions to unitholders	7	–	(39,465)	**(39,465)**
Total transactions with unitholders in their capacity as unitholders		**–**	**(39,465)**	**(39,465)**
Closing equity – 31 December 2011		**450,000**	**–**	**450,000**
Opening equity – 1 January 2010		**450,000**	**–**	**450,000**
Net profit		–	35,820	**35,820**
Other comprehensive income		–	–	**–**
Total comprehensive income for the year		**–**	**35,820**	**35,820**
Distributions to unitholders	7	–	(35,820)	**(35,820)**
Total transactions with unitholders in their capacity as unitholders		**–**	**(35,820)**	**(35,820)**
Closing equity – 31 December 2010		**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 2011

	Note	Year ended 31 Dec 2011 $'000	Year ended 31 Dec 2010 $'000
Cash flows from operating activities			
Net cash inflow from operating activities	10	**–**	–
Cash flows from investing activities			
Dividends and distributions received		39,645	31,815
Net cash inflow from investing activities		**39,645**	**31,815**
Cash flows from financing activities			
Distributions paid to Multiplex SITES holders		(39,645)	(31,815)
Net cash outflow from financing activities		**(39,645)**	**(31,815)**
Net increase in cash held		–	–
Cash at the beginning of the financial period		–	–
Cash at the end of the financial period		**–**	**–**

The Statement of Cash Flows should be read in conjunction with the Notes to the financial statements.

1 Reporting entity

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 12 November 2004.

The annual financial statements of the Trust for the year ended 31 December 2011 were authorised for issue in accordance with a resolution of the Directors of the Responsible Entity on 24th February 2012.

2 Basis of preparation

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.

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 of a kind referred to in ASIC Class Order 98/0100 dated 10 July 1998 relating to the “rounding off” of amounts in the annual financial statements. In accordance with that Class Order amounts in the annual financial statements have been rounded off to the nearest thousand dollars or in certain cases, to the nearest dollar, unless stated otherwise.

Due to the classification of distributions payable as current liabilities at 31 December 2011, the Trust is in a net current liability position of $9.8 million. The Trust has non-current assets of $459.8 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.

Estimates

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

3 Significant accounting policies

Associates

The Trust’s investment in its associates is accounted for using the equity method of accounting in the financial statements. The associate is an entity in which the Trust has significant influence, but not control, over the financial and operating policies. Under the equity method, an investment in associates is carried in the Statement of Financial Position at cost plus post-acquisition changes in the Trust’s share of net assets of the associate. After application of the equity method, the Trust determines whether it is necessary to recognise any additional impairment loss with respect to the Trust’s net investment in the associate. The Statement of Comprehensive Income reflects the Trust’s share of the results of operations of the associate.

When the Trust’s share of losses exceeds its interest in an associate, the Trust’s carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Trust has incurred legal or constructive obligations or made payments on behalf of an associate.

Distributions

A provision for distribution is recognised in the Statement of Financial Position if the distribution has been declared prior to balance date. Distributions paid 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.

Units on issue

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

4 Segment reporting

The Trust has adopted AASB 8 *Operating Segments* with effect from 1 January 2009. 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. AASB 8 is a disclosure standard which has no impact on the reported results or financial position of the Trust. 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.

	31 Dec 2011 $'000	31 Dec 2010 $'000
5 Investments accounted for using the equity method		
Non-current		
Units in unlisted associates	459,765	459,945
Total	**459,765**	**459,945**

Details of material interests in associates are as follows:

Name	Principal activities	Voting interest %	Carrying value 31 Dec 2011 $'000	Carrying value 31 Dec 2010 $'000
Multiplex Hybrid Investment Trust	Investment	25	459,765	459,945

	31 Dec 2011 $000	31 Dec 2010 $000
Movement in the carrying value		
Carrying amount at the beginning of the period	459,945	455,940
Profit accounted for using the equity method	39,465	35,820
Distribution received during the period	(39,645)	(31,815)
Carrying amount at the end of the period	**459,765**	**459,945**
Other disclosures		
Associates' revenues and profits		
Revenues and profit of associates	**39,465**	**35,820**
Associates':		
Net profit before tax	39,465	35,820
Income tax expense attributable to net profit	–	–
Total associates' net profit after tax accounted for using the equity method	**39,465**	**35,820**
Associates' assets and liabilities		
Assets	459,765	459,945
Liabilities	(9,765)	(9,945)
Net assets	**450,000**	**450,000**

6 Auditor's remuneration

During the current and prior periods, all amounts paid to the auditor of the Trust, Deloitte Touche Tohmatsu, were borne by the Responsible Entity in its capacity as responsible entity of Multiplex SITES Trust.

	Cents per unit	Total amount $'000	Date of payment
7 Distributions			
Year ended 31 December 2011			
Distributions for the period ended 31 March 2011	218.00	9,810	15 April 2011
Distributions for the period ended 30 June 2011	219.00	9,855	15 July 2011
Distributions for the period ended 30 September 2011	223.00	10,035	18 October 2011
Distributions for the period ended 31 December 2011	217.00	9,765	17 January 2012
Total distributions	**877.00**	**39,465**	
Year ended 31 December 2010			
Distributions for the period ended 31 March 2010	148.00	6,660	19 April 2010
Distributions for the period ended 30 June 2010	207.00	9,315	15 July 2010
Distributions for the period ended 30 September 2010	220.00	9,900	18 October 2010
Distributions for the period ended 31 December 2010	221.00	9,945	18 January 2011
Total distributions	**796.00**	**35,820**	

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.

8 Units on issue	31 Dec 2011 $'000	31 Dec 2011 Units	31 Dec 2010 $'000	31 Dec 2010 Units
Units on issue				
Amounts owing to Multiplex SITES holders	450,000	4,500,000	450,000	4,500,000

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 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. As there is discretion not to pay particular distributions, the guarantee does not ensure that priority distribution payments will be paid in all circumstances.

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).

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.

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.

8 Units on issue continued

Holder redemption

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.

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.

Holder exchange

Holders have no right to request exchange.

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.

9 Financial instruments

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 & Risk Committee. Management also reports to the Board through the Audit & Risk Committee as to the effectiveness of the Company'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.

For the year ended 31 December 2011

10 Reconciliation of cash flows from operating activities	Year ended 31 Dec 2011 $000	Year ended 31 Dec 2010 $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:		
Decrease/(Increase) in assets	180	(4,005)
(Decrease)/Increase in liabilities	(180)	4,005
Net cash inflow from operating activities	**–**	**–**

11 Related parties

Associates

Interests in associates are set out in note 5.

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

	Units held at 31 Dec 2011	Units held at 31 Dec 2010
Mr F Allan McDonald	705	705

Transactions with related parties

Transactions between Multiplex SITES Trust and Multiplex Hybrid Investment Trust

- an investment in Multiplex Hybrid Investment Trust of $450,000,000 (2010: $450,000,000); and
- distributions received of $39,645,000 for the year ended 31 December 2011 (year ended 31 December 2010: $31,815,000).

Responsible Entity

The Responsible Entity of the Trust is Brookfield Funds Management Limited, whose immediate parent company is Brookfield Australia Investments Limited.

12 Contingent liabilities and assets

No contingent liabilities or assets existed at 31 December 2011 (2010: nil).

13 Capital and other commitments

No capital or other commitment existed at 31 December 2011 (2010: nil).

14 Events subsequent to the reporting date

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 2011

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 14 to 22 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 2011 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 note 2 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 24th day of February 2011

F Allan McDonald
Non-Executive Director
Brookfield Funds Management Limited
as Responsible Entity for Multiplex SITES Trust

Russell T Proutt
Executive Director
Brookfield Funds Management Limited
as Responsible Entity for Multiplex SITES Trust

Deloitte.

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

We have audited the accompanying financial report of Multiplex SITES Trust, which comprises the statement of financial position as at 31 December 2011, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 14 to 23.

Directors' Responsibility for the Financial Report

The directors of Brookfield Funds Management Limited, as responsible entity for Multiplex SITES 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 is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Brookfield Funds Management Limited, as responsible entity for Multiplex SITES Trust, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Multiplex SITES Trust is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of Multiplex SITES Trust's financial position as at 31 December 2011 and of its performance for the year ended on that date; and

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

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

DELOITTE TOUCHE TOHMATSU
DELOITTE TOUCHE TOHMATSU

A G Collinson
Partner
Chartered Accountants
Sydney, 24 February 2012

Brookfield Australia Investments Group
Annual financial statements
For the year ended
31 December 2011

Brookfield Australia Investments Group

ABN 96 008 687 063

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Brookfield Australia Investments Group

For the year ended 31 December 2011

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Brookfield Australia Investments Group
For the year ended 31 December 2011

Directors of Brookfield Australia Investments Limited
Mr Richard B Clark
Mr Thomas F Farley
Mr Brian W Kingston
Mr Ross A McDiven
Mr Russell T Proutt

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Auditor
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Directors' Report
Brookfield Australia Investments Group
For the year ended 31 December 2011

Introduction
The Directors of Brookfield Australia Investments Limited (Parent Entity or Company) present their report together with the financial report of the Consolidated Entity (Brookfield Australia Investments Group or Group), being the Company and its controlled entities and Brookfield Australia Property Trust (Trust) and its controlled entities for the year ended 31 December 2011 and the Independent Audit Report thereon. Brookfield Holdco (Australia) Pty Ltd is the ultimate Australian parent entity of the Group.

Group structure
The Group comprises the Company and its controlled entities and the Trust and its controlled entities. Ordinary shares in the Company and ordinary units in the Trust are stapled together so that neither can be dealt without the other. A transfer, issue or reorganisation of an ordinary share or an ordinary unit in one of the component parts is accompanied by a transfer, issue or reorganisation of a share or unit in the other component part.

Directors
The names of the directors of the company during or since the end of the financial year are:

Name	Capacity
Mr Timothy M Harris	Executive Director
Mr Richard B Clark	Non-Independent Non-Executive Director
Mr Thomas F Farley	Non-Independent Non-Executive Director
Mr Ross A McDiven	Executive Director
Mr Brian W Kingston	Executive Director
Mr Russell T Proutt	Executive Director

The above named directors held office during and since the end of the financial year except for:
Mr Timothy M Harris – resigned 18 May 2011
Mr Russell Proutt – appointed 18 May 2011

Principal activities
The principal activities of the Consolidated Entity during the course of the year ended 31 December 2011 include:
- construction services and project management;
- property development;
- property services;
- property related funds management and property syndication; and
- investment in income producing retail, commercial and industrial properties.

The Consolidated Entity principally operates in Australia, New Zealand, United Kingdom and the Middle East.

Review of operations and results
The Group recorded a net profit after tax attributable to stapled security holders of $275.1 million for the year ended 31 December 2011 (2010: net profit of $62.4 million). The Group recorded a net profit after tax of $315.4 million for the year ended 31 December 2011 (2010: profit of $97.3 million).

During the financial year there was an amendment to the total return swap and option agreement with respect to the property finance assets which require the procurement of the optioned properties at fair market value on exercise of the option. As a result of these amendments an increment of $123.4 million was recorded resulting from the changes in the underlying property fair value.

During the year a subsidiary of the Company acquired a UK constructions operation from a related party. The acquisition was based on net tangible assets and was financed through a non-interest bearing loan from a related party. During the year the Group also disposed of their investment in R&M Investments (BVI) Limited. A loss on sale of $0.6 million was recorded on disposition.

During the year a subsidiary of the Company also acquired a Middle Eastern management company from a related party for book value. This acquisition lead to an increase in intangibles held.

On 31 December 2011, the Company recapitalised inter-company payables through the issuance of $410m in preference shares. The shares were issued to the direct parent, Brookfield Australia Pty Ltd and have the same terms as participating preference shares issuances.

Events subsequent to the reporting date
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 Group's operations in future financial years, the results of those operations or the Group's state of affairs in future financial years.

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

Environmental regulation
As an integrated property business, the Group's operations are subject to significant environmental regulation under international, Australian Commonwealth and state legislation. This is particularly the case in relation to the Group's construction, development and property investment activities.

The Group has systems in place to manage its environmental obligations within its construction activities. As a developer and property investor, the Group is also subject to and operates under other environmental regulations.

The Board is not aware of any other significant breaches or non-compliance with environmental issues during the year covered by this report which are likely to give rise to further liability or regulatory proceedings.

Dividends from the Company
There were no dividends paid or declared during the year ended 31 December 2011 (2010: nil).

Distributions from the Trust
During the year ended 31 December 2011, a distribution of $5.8 million in total was paid or payable to unitholders of the Trust (: $5.3 million).

Indemnification and insurance of officers and auditors
During the financial year, the Company paid or agreed to pay a premium in respect of a contract insuring the Directors and all executive officers of the Company and of any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Under the deeds of access and indemnity, the Company has agreed to indemnify these persons (to the extent permitted by law) against:

- liabilities incurred as a director or officer of the Company or a company in the Group, except for those liabilities incurred in relation to the matters set out in section 199A(2) of the *Corporations Act 2001*; and
- reasonable legal costs incurred in defending an action for a liability or alleged liability as a director or officer, except for costs incurred in relation to the matters set out in section 199A(3) of the *Corporations Act 2001*.

The Company has also agreed to effect, maintain and pay the premium on a directors' and officers' liability insurance policy. This obligation is satisfied by the Company being able to rely upon Brookfield's global directors' and officers' insurance policy, for which it pays a portion of the premium.

As is usual, this policy has certain exclusions and therefore does not insure against liabilities arising out of matters including but not limited to:

- fraudulent, dishonest or criminal acts or omissions and improper personal profit or advantage; and
- 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);
- Claims made by a major shareholder (threshold is ownership of 10% or greater).

The obligation to effect, maintain and pay the premium on a policy continues for a period of seven years after the director or officer has left office to the extent such coverage is available with reasonable terms in the commercial insurance marketplace.

Directors' Report continued

Contract of insurance

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

The Company 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.

Non-audit services

All amounts paid to Deloitte Touche Tohmatsu for audit, review and regulatory services are disclosed in note 24. There were no non-audit services fees paid to Deloitte Touche Tohmatsu during the year.

Key management personnel compensation

The aggregate compensation made to Directors and other members of key management personnel of the Company and the Group is set out below:

Number of Directors and key management personnel included with the below is 26 (2010: 11).

	Year ended 31-Dec-11 $	Year ended 31-Dec-10 $
Short-term employee benefits	11,587,355	8,560,217
Post-employment benefits	229,100	209,870
Other long-term benefits	164,660	278,361
Termination benefits	329,598	3,980,356
Share based payment	532,307	2,687,223
	12,843,020	**15,716,027**

Directors' Report continued

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

Auditor's independence declaration under Section 307C of the *Corporations Act 2001*
The lead auditor's independence declaration is set out on page 8 and forms part of the Directors' Report for the year ended 31 December 2011.

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

Dated at Sydney this 24th day of February 2012

Brian Kingston
Executive Director
Brookfield Australia Investments Limited

Russell Proutt
Executive Director
Brookfield Australia Investments Limited

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
Brookfield Australia Investments Limited
Level 22
135 Kent Street
SYDNEY, NSW 2000

24 February 2012

Dear Directors

Brookfield Australia Investments Limited

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 Australia Investments Limited.

As lead audit partner for the audit of the financial statements of Brookfield Australia Investments Group for the financial year ended 31 December 2011, 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

J A Leotta
Partner
Chartered Accountants

Consolidated Statement of Comprehensive Income

Brookfield Australia Investments Group

For the year ended 31 December 2011

	Note	Year ended 31-Dec-11 $m	Year ended 31-Dec-10 $m
Continuing operations			
Revenue	5	3,324.3	2,482.9
Cost of operations	5	(2,826.0)	(2,036.2)
Gross profit		**498.3**	**446.7**
Other income	5	20.7	56.5
Property finance income	10	205.7	15.3
Net gain on revaluation of investment property & derivatives	13	16.9	46.5
Finance costs	5	(172.7)	(218.3)
Other expenses	5	(206.6)	(262.2)
Share of net (loss)/profit of investments accounted for using the equity method		(8.8)	51.4
Profit before income tax		**353.5**	**135.9**
Income tax expense	6	(38.1)	(38.6)
Profit from continuing operations for the period		**315.4**	**97.3**
Profit attributable to:			
Security holders of Brookfield Australia Investments Group		275.1	62.4
Non-controlling interests		40.3	34.9
Net profit for the period		**315.4**	**97.3**
Other comprehensive income (net of tax)			
Currency translation differences		(1.2)	(2.3)
Changes in fair value of available for sale financial assets		1.4	9.7
Effective portion of changes in fair value of cash flow hedges		(34.4)	10.4
Other comprehensive (loss)/income for the period		**(34.2)**	**17.8**
Total comprehensive income for the period		**281.2**	**115.1**
Total comprehensive income attributable to:			
Security holders of Brookfield Australia Investments Group		241.2	80.2
Non-controlling interests	22	40.0	34.9
Total comprehensive income for the period		**281.2**	**115.1**

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

Consolidated Statement of Financial Position
Brookfield Australia Investments Group
For the year ended 31 December 2011

	Note	31-Dec-11 $m	31-Dec-10 $m
Current assets			
Cash and cash equivalents		252.3	147.7
Restricted cash & cash equivalents		120.7	66.0
Trade and other receivables	7	842.1	387.9
Derivative financial instruments	8	0.1	-
Inventories	9	162.9	136.0
Financial assets	10	1,332.6	1,300.0
Other assets		50.4	60.4
Total current assets		**2,761.1**	**2,098.0**
Non-current assets			
Trade and other receivables	7	266.8	229.8
Derivative financial instruments	8	0.2	6.7
Inventories	9	260.6	423.1
Financial assets	10	2,115.2	2,116.0
Investments accounted for using the equity method	12	24.1	282.6
Investment property	13	2,654.7	2,581.3
Property, plant and equipment	14	31.3	33.2
Deferred tax assets	6	25.8	51.2
Intangible assets	15	20.5	17.2
Other assets		40.8	16.6
Total non-current assets		**5,440.0**	**5,757.7**
Total assets		**8,201.1**	**7,855.7**
Current liabilities			
Trade and other payables	16	591.3	612.0
Derivative financial instruments	8	0.5	4.5
Interest bearing loans and borrowings	17	457.6	494.5
Non-interest bearing loans and borrowings		5.6	238.0
Provisions	18	79.8	141.2
Contract work in progress	20	318.3	278.5
Total current liabilities		**1,453.1**	**1,768.7**
Non-current liabilities			
Trade and other payables	16	32.8	13.0
Derivative financial instruments	8	24.9	-
Interest bearing loans and borrowings	17	1,819.3	1,904.4
Deferred tax liabilities	6	23.3	24.1
Provisions	18	50.9	2.2
Total non-current liabilities		**1,951.2**	**1,943.7**
Total liabilities		**3,404.3**	**3,712.4**
Net assets		**4,796.8**	**4,143.3**
Equity			
Contributed equity	21	4,841.0	4,430.9
Reserves	31	(220.2)	(196.7)
Accumulated losses		(418.8)	(688.1)
Total parent interests		**4,202.0**	**3,546.1**
Non-controlling interest	22	594.8	597.2
Total equity		**4,796.8**	**4,143.3**

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

Consolidated Statement of Changes in Equity
Brookfield Australia Investments Group
For the year ended 31 December 2011

	Preference shares (see Note 21) $m	Contributed equity (see Note 21) $m	Accumulated losses $m	Reserves (see Note 31) $m	Total $m	Non-controlling interest $m	Total equity $m
As at 1 January 2011	1,665.0	2,765.9	(688.1)	(196.7)	**3,546.1**	597.2	**4,143.3**
Currency translation differences	-	-	-	(1.2)	**(1.2)**	(1.2)	**(2.4)**
Change in fair value of available for sale financial assets	-	-	-	1.4	**1.4**	0.8	**2.2**
Effective portion of changes in fair value of cash flow hedges	-	-	-	(34.4)	**(34.4)**	0.0	**(34.4)**
Expense recognised directly in equity	-	-	-	(34.2)	**(34.2)**	(0.3)	**(34.5)**
Profit for the year	-	-	275.1	-	**275.1**	40.3	**315.4**
Total comprehensive income	-	-	275.1	(34.2)	**240.9**	40.0	**280.9**
Transactions with equityholders in their capacity as equityholders:	-	-	-	-	**-**	-	**-**
Issue of share capital	410.1	-	-	-	**410.1**	-	**410.1**
Dividends/distributions	-	-	(5.8)	-	**(5.8)**	(42.4)	**(48.2)**
Tax consolidation reserve	-	-	-	10.7	**10.7**	-	**10.7**
Increase in non-controlling interest	-	-	-	-	**-**	-	**-**
Total transactions with equityholders in their capacity as equityholders	410.1	-	(5.8)	10.7	**415.0**	(42.4)	**372.6**
As at 31 December 2011	**2,075.1**	**2,765.9**	**(418.8)**	**(220.2)**	**4,202.0**	**594.8**	**4,796.8**
As at 1 January 2010	1,665.0	2,765.9	(745.2)	(181.0)	**3,504.7**	517.3	**4,022.0**
Currency translation differences	-	-	-	0.5	**0.5**	(2.8)	**(2.3)**
Change in fair value of available for sale financial assets	-	-	-	9.0	**9.0**	0.7	**9.7**
Effective portion of changes in fair value of cash flow hedges	-	-	-	10.1	**10.1**	0.3	**10.4**
Expense recognised directly in equity	-	-	-	19.6	**19.6**	(1.8)	**17.8**
Profit for the year	-	-	62.4	-	**62.4**	34.9	**97.3**
Total comprehensive income	-	-	62.4	19.6	**82.0**	33.1	**115.1**
Transactions with equityholders in their capacity as equityholders:							
Issue of share capital	-	-	-	-	**-**	-	**-**
Dividends/distributions	-	-	(5.3)	-	**(5.3)**	(35.2)	**(40.5)**
Tax consolidation reserve	-	-	-	(35.3)	**(35.3)**	-	**(35.3)**
Increase in non-controlling interest	-	-	-	-	**-**	82.0	**82.0**
Total transactions with equityholders in their capacity as equityholders	-	-	(5.3)	(35.3)	**(40.6)**	46.8	**6.2**
As at 31 December 2010	**1,665.0**	**2,765.9**	**(688.1)**	**(196.7)**	**3,546.1**	**597.2**	**4,143.3**

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

Consolidated Statement of Cash Flows
Brookfield Australia Investments Group
For the year ended 31 December 2011

	Note	Year Ended 31 Dec 2011 $m	Year Ended 31 Dec 2010 $m
Cash flows from operating activities			
Receipts from customers		3,649.0	2,449.9
Payments to suppliers and employees		(3,267.7)	(2,044.4)
		381.3	**405.5**
Property finance income		82.3	-
Distributions received		10.5	33.4
Interest received		10.2	13.0
Finance costs paid		(155.5)	(233.6)
Net cash inflow from operating activities	33	**328.8**	**218.3**
Cash flows from investing activities			
Net payments for property, plant and equipment		(1.8)	(12.2)
Payments from sale of investment properties		(78.9)	-
Payments for investment properties		(99.0)	(118.5)
Net proceeds from sale of investments		64.5	6.6
Cash received from acquisition of subsidiary	27	32.9	4.9
Cash on deconsolidation of subsidiary		-	(25.5)
Net cash outflow from investing activities		**(82.3)**	**(144.7)**
Cash flows from financing activities			
Net repayments of from external borrowings		(135.8)	(384.4)
Net proceeds from loans with related parties		49.3	299.7
Dividends and distributions paid		-	(27.9)
Net cash outflow from financing activities		**(86.5)**	**(112.6)**
Net increase/(decrease) in cash and cash equivalents held		160.0	(39.0)
Cash and cash equivalents at the beginning of the financial period		213.5	265.8
Effects of exchange rate changes on cash		(0.5)	(13.1)
Cash and cash equivalents at the end of the financial period		**373.0**	**213.7**

Issuance of preference shares of $410.1m was a significant non-cash transaction during the period

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

1. Reporting entity

Brookfield Australia Investments Group (Group) is domiciled in Australia. The Group comprises Brookfield Australia Property Trust (Trust) and its controlled entities and Brookfield Australia Investments Limited (Company) and its controlled entities. Brookfield Australia Investments Limited is the parent entity of the Group, with the ultimate Australian parent being Brookfield HoldCo (Australia) Pty Ltd. The ultimate parent of the Group is Brookfield Asset Management Inc.

The Group comprises the Company and its controlled entities and the Trust and its controlled entities. Ordinary shares in the Company and ordinary units in the Trust are stapled together so that neither can be dealt without the other. A transfer, issue or reorganisation of an ordinary share or an ordinary unit in one of the component parts is accompanied by a transfer, issue or reorganisation of a share or unit in the other component part.

2. Basis of preparation

Statement of compliance

The financial report is a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and interpretations and complies with other requirements of the law. Accounting standards include Australian equivalents to International Financial Reporting Standards (IFRS), compliance ensures that the financial statements and notes of the Group comply with International Financial Reporting Standards.

The financial statements (report) were authorised for issue in accordance with a resolution of the directors on 24 February 2012.

Basis of measurement

The 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 available for sale, 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. Inventory is held at the lower of cost or net realisable value and goodwill is held at cost less accumulated impairment.

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

Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements is provided in note 13, investment property, note 10 financial assets, note 15 intangible assets and goodwill and note 18 provisions.

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 capitalisation rates utilised in the 31 December 2011 valuations ranged from 7.00% to 10%. Refer to Note 13 for more detail.

3. Significant accounting policies

The significant policies set out below have been applied consistently to all periods presented in this report.

a Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all controlled entities of the Group as at 31 December 2011 and the results of all controlled entities for the year then ended.

Controlled entities

Controlled entities are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of controlled entities are included in the financial report from the date control commences until the date that control ceases. The accounting policies of controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in controlled entities are carried at their cost of acquisition in the Company report, less any impairment if applicable.

3 Significant accounting policies continued

a Principles of consolidation continued

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 *Business Combinations* are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*, which are recognised and measure at fair value less costs to sell. Any acquisition related costs are accounted for separately from the business combination and recognised as an expense in profit or loss as incurred.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at fair value or at the non-controlling interests' proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

In accordance with the policy election in AASB 3 Business Combinations, Brookfield Asset Management, the ultimate parent company, accounts for common control transactions at historic group net book values at the date of the transaction.

Non-controlling interests

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

Associates

The Group's investments in associates are accounted for using the equity method in the consolidated financial statements. An associate is an entity in which the Group has significant influence, over their financial and operating policies, but not control.

Under the equity method, investments in associates are carried in the consolidated Statement of Financial Position at cost plus post-acquisition changes in the Group's share of net assets, net profits and reserves of the associate. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in an associate. The consolidated Statement of Comprehensive Income reflects the Group's share of the results of operations of an associate, after applying consistent accounting policies to the associate.

When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

Where there has been a change recognised directly in the associate's equity, the Group recognises its share of any changes and discloses this in the consolidated Statement of Changes in Equity.

Joint ventures

Joint ventures are those entities over whose activities the Consolidated Entity has joint control, which is established by contractual agreement.

Jointly controlled entities

Investments in jointly controlled entities, including incorporated partnerships, are accounted for using the equity method. Investments in joint venture entities are carried at the lower of the equity accounted amount and the recoverable amount.

The general purpose financial report of the Consolidated Entity includes the share of the Consolidated Entity's total recognised profits and losses of joint ventures on an equity accounted basis, from the date joint control commenced until the date joint control ceases. Other movements in reserves are recognised directly in consolidated reserves.

Jointly controlled operations and assets

The interest of the Consolidated Entity in unincorporated joint ventures and jointly controlled assets are brought to account in the financial report by recognising the assets it controls and the liabilities that it incurs, and the expenses it incurs and its share of income that it earns from the sale of goods or services by the joint venture.

3 Significant accounting policies continued

a Principles of consolidation continued

Transactions eliminated on consolidation

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

Foreign currency

Functional and presentation currency

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

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 year end of monetary items denominated in foreign currencies, are recognised in the Statement of Comprehensive Income in the period in which they arise.

Translation of foreign operations

The results and financial position of all foreign operations in the Group 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 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 shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the Statement of 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.

b Revenue recognition

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

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. Exchange of goods or services of the same nature and value without any cash consideration are not recognised as revenues.

Revenue is recognised for the major business activities as follows:

Property Finance Income

Property finance assets have a realised and unrealised portion of income attributable. Realised property finance income is the declared distributions of each underlying sub-trust/company that is party to the loan note arrangement; distributions are declared and paid quarterly. Unrealised returns represent the underlying fair value movements within the property value for each of the assets.

Construction contracts

For fixed price contracts, construction contract revenues and expenses are recognised on an individual contract basis using the percentage of completion method. Once the outcome of a construction contract can be estimated reliably, contract revenues and expenses are recognised in the Statement of Comprehensive Income in proportion to the stage of completion of the contract. The stage of completion is measured by reference to actual costs incurred to date as a percentage of estimated total costs for each contract.

3 Significant accounting policies continued

b Revenue recognition continued

Construction contracts continued

Where the outcome of a contract cannot be reliably determined, contract costs are expensed as incurred. Where it is probable that the costs will be recovered, revenue is recognised to the extent of costs incurred. Where it is probable that a loss will arise from a construction contract the excess of total expected costs over revenue is recognised as an expense immediately.

For cost plus contracts, construction contract revenue is recognised by reference to the recoverable costs incurred during the reporting period plus the margin entitled to be charged on those recoverable costs.

For fee generating contracts, construction contract revenue is measured by the proportion that cost incurred to date compared to the estimated total cost of the contract multiplied by the expected total fee to be earned on the contract. Early completion bonuses are recognised only when construction projects are substantially complete.

Contract costs comprise:
- costs that relate directly to the contract;
- costs that are related to construction activities in general and can be allocated to the contract on a reasonable basis (such as insurance, costs of design and technical assistance);
- other costs that are specifically chargeable to a customer in accordance with the terms of a contract; and
- costs expected to be incurred under penalty clauses and rectification provisions are also included.

Project profitability is estimated at a project's inception based on the agreed contract value with the client and the budgeted total costs. Profitability is then reviewed and reassessed on a regular basis.

Unapproved variation revenue is recognised where it is probable that the revenue will be certified by the client and approved.

Claim recoveries against clients are recognised when:
- negotiations have reached an advanced stage such that it is probable that the client will accept the claim; and
- the amount can be measured reliably.

With regard to recognising claim recoveries against third parties, the key requirements that must be met are the same as those listed above for claims against clients. Where the matters are in dispute, the test of probability is normally supported by a legal opinion and/or independent expert's opinion.

Costs are recognised on a commitment basis for trade costs, and a forecast basis for other costs. Unapproved variations from subcontractors are recognised where it is probable that the Group will be liable to incur the costs.

Development projects

Revenue from the sale of development projects is recognised in the Statement of Comprehensive Income only when each of the following conditions has been satisfied:

- the transfer of the significant risks and rewards of ownership from the group to the buyer;
- that there is no continuing managerial involvement by the group to the degree usually associated with ownership, nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that economic benefits associated with the transaction will flow to the Group; and
- the costs incurred and to be incurred in respect of the transaction can be reliably measured.

The conditions are generally satisfied with the entering into of an unconditional contract which transfers legal title in addition to construction being substantially complete.

Sale of interests in developments

The proceeds received in respect of the sale of an economic interest in a development project by way of a development sale agreement with a co-investor are recognised as revenue once all of the above conditions have been satisfied, based on the specific terms and conditions of each agreement.

The transfer of the significant risks and rewards of ownership to the co-investor, and the satisfaction of a number of the other conditions detailed above, typically occurs upon the establishment of the agreement. However, the condition that there be no continuing managerial involvement by the Group to the degree usually associated with ownership, and no effective control over the goods sold, is generally not satisfied until practical completion is achieved, effectively deferring the recognition of the sale proceeds until such time. Any sales proceeds received before practical completion are recognised as deferred income.

Upon practical completion, the Group continues to account for any residual interest in the development project in accordance with the Group's revenue and profit recognition policies.

3 Significant accounting policies continued

b Revenue recognition continued

Equity accounted development projects

Development projects carried out by associates are accounted for using equity accounting principles. The share of associates' profits recognised reflects only the share attributable to the Group under the co-investor agreements.

Controlled development projects

Development projects carried out in controlled entities are consolidated in accordance with the principles of consolidation as a majority of the risks and benefits associated with the developments are retained by the Group. Development profits recognised reflects only the share attributable to the Group under the development agreements.

Property rental revenue

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

In accordance with Interpretation 115 *Operating Leases – Incentives*, lease incentives granted are recognised by the Group 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 Group in the periods in which they are earned.

Fees from funds management

Revenues from the rendering of property funds management, property advisory and facilities management services are recognised upon the delivery of the service to the customer or where there is a signed unconditional contract for sale or purchase of assets.

The periodic funds and facilities management fees are received for management services provided for income producing assets either owned by third parties or the Trust. These fees are recognised as revenues as the management services are provided, and the Group controls the right to be compensated for the services provided. Any fees earned on asset sales or property advisory services are recognised when the Group controls the right to receive the fee.

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 Group to receive payment is established.

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

c 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.

Finance costs

Finance costs are recognised as expensed using the effective interest method. Financing 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.

d Income tax

The Company and the Trust and all wholly-owned Australian controlled entities are members of Brookfield HoldCo (Australia) Pty Ltd (HoldCo Australia) income tax consolidated group.

Upon entry to the Holdco Australia tax consolidated group, the wholly-owned Australian entities of Brookfield Australia Investments Group 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 Holdco Australia head company.

3 Significant accounting policies continued

d Income tax continued

The tax sharing agreement also contains tax funding provisions. Pursuant to the tax funding provisions, the wholly-owned tax paying Australian entities within the Brookfield Australia Investments Group fully compensate the Holdco Australia head company for any current tax payable assumed. The Holdco Australia head company is not required to compensate wholly-owned Australian entities for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to the Holdco Australia head company under the tax consolidation legislation.
The amounts payable under the tax funding provisions are due upon receipt of the tax funding advice from the head entity which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay income tax instalments.

The non-Australian operations and non-wholly owned controlled entities of the Group are subject to tax on their taxable earnings based on local tax law.

Trust income tax – Brookfield Australia Property Trust

Under current income tax legislation, the Trust and its controlled entities are not liable for Australian income tax provided that the taxable income is fully distributed to unitholders each year, and any taxable capital gain derived from the sale of an asset acquired after 19 September 1985 is fully distributed to unitholders.

The Trust fully distributes its taxable income each year, calculated in accordance with the Trust Constitution and applicable legislation, to unitholders who are presently entitled to income under the Constitution. 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 Trust are subject to New Zealand tax on their taxable earnings.

Company income tax – Brookfield Australia Investments Limited

Income tax in the Statement of Comprehensive Income for the periods represented comprises current and deferred tax. Income tax is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the date of the Statement of Financial Position, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The Group comprises taxable and non-taxable entities. A liability for current and deferred taxation and tax expense is only recognised in respect of taxable entities that are subject to income and potential capital gains tax.

Tax consolidation

The Company is a member of Brookfield Holdco (Australia) Pty Ltd (Holdco Australia) income tax consolidated group and its wholly-owned Australian resident subsidiaries have formed a tax consolidated group with effect from 20 December 2007. Holdco Australia is the head entity of the tax consolidated group. Members of the tax consolidated group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly owned subsidiaries on a reasonable basis. In addition the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At the reporting date, the possibility of default is remote. The existence of a tax funding arrangement requires the entities in the tax consolidated group to recognise as payable any amounts called by the head entity, if a formal tax funding advice has not been received by the company all tax sharing movements will flow through the tax consolidation reserve to the point they are settled via cash or other means.

e 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 Australian Tax Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

3 Significant accounting policies continued

e Goods and services tax continued

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

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

f Derivative financial instruments and hedging

Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investing activities. In accordance with its treasury policy, which documents policies and limits approved by the Board of Directors in respect of the use of derivative financial instruments to hedge cash flows subject to interest rate and currency risks of the relevant entity, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as financial assets at fair value through the Statement of Comprehensive Income.

Embedded derivatives are derivative instruments that are embedded in another contract, they will be recognised as a financial asset or liability at fair value through the profit and loss unless the embedded derivative does not significantly modify the cashflow that otherwise would be required by the contract.

Derivative financial instruments are initially recognised at fair value and are subsequently remeasured on a fair value basis. The gain or loss on re-measurement to fair value is recognised immediately in the Statement of Comprehensive Income. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged. Hedges of interest rate risk on the Group's debt are accounted for as cash flow hedges. The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the Statement of Financial Position date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts is their quoted market price at the Statement of Financial Position date, being the present value of the quoted forward price.

Hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group enters into hedges of actual and highly probable forecast transactions (cash flow hedges). The Group documents at inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking hedge transactions. The Group also documents its assessment, both at the inception of the hedge and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of the hedged items.

The effective portion of changes in fair value of cash flow hedges is recognised directly in equity. Movements in the hedging reserve are shown in the Statement of Changes in Equity. The gain or loss relating to any ineffective portion is recognised immediately in the Statement of Comprehensive Income.

Amounts deferred in equity are recycled to the Statement of Comprehensive Income in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a liability, the gains or losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, terminated or exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Statement of Comprehensive Income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Statement of Comprehensive Income.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the Statement of Comprehensive Income.

3 Significant accounting policies continued

g Cash and cash equivalents

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

h Trade and other receivables

Trade debtors and other receivables are stated at their amortised cost less any identified impairment losses. Impairment charges are brought to account as described note 7.

Non-current receivables are measured at amortised cost using the effective interest rate method.

i Inventories

Development projects

Development projects are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Where it is likely the project will be exited prior to completion, fair value is used to determine net realisable value. Cost includes direct materials, direct labour, borrowing costs, other direct variable costs and allocated overheads necessary to bring inventories to their present location and condition.

Costs incurred in the initial phase of development projects are capitalised and are expensed against the associated sales on the same basis as the recognition of sales and profit for development projects, while marketing costs incurred subsequent to the commencement of the development of the project are expensed as incurred. When a development project is completed, subsequent borrowing costs and other holding charges are expensed as incurred.

Construction work in progress on construction contracts is stated at cost plus profit recognised to date calculated in accordance with the percentage of completion method, including retentions payable and receivable, less a provision for foreseeable losses and progress payments received to date.

A contract is not considered complete until the defects liability period has expired and monies withheld have been received. Any expected losses on a contract are recognised immediately in the period the loss becomes foreseeable. That is, when it becomes probable that total contract costs will exceed total contract revenues.

Cost includes all variable and fixed costs directly related to specific construction contracts, those costs related to contract activity in general which can be allocated to specific contracts on a reasonable basis and other costs specifically chargeable under the contract. Costs expected to be incurred under penalty clauses and rectification provisions, and borrowing costs where contracts are classified as qualifying assets are also included.

Contract work in progress

The gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings, are generally presented as an asset. Progress billings not yet paid by customers and retention are included within the trade and other receivables balance.

The gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses), are generally presented as a liability.

Land held for resale

Land held for resale is stated at the lower of cost and net realisable value. Cost includes the cost of acquisition, and development and borrowing costs during development.

j Acquisitions of assets

Items of property, plant and equipment, including leasehold improvements, are initially recorded at cost, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition and, where relevant, the initial estimate of the costs of dismantling and removing the items and restoring the site on which they are located. After initial recognition property, plant and equipment is stated at cost less accumulated depreciation and any impairment losses, if applicable.

The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate individual items of property, plant and equipment.

3 Significant accounting policies continued

j Acquisitions of assets continued

Subsequent costs are included in the carrying amount of the asset or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with these costs will flow to the Group and the amount of these costs can be measured reliably. All repairs and maintenance are charged to the Statement of Comprehensive Income during the period in which they are incurred.

k Depreciation of property, plant and equipment

Depreciation is charged to the Statement of Comprehensive Income on a straight-line basis over the estimated useful life of each part of an item of property, plant and equipment, taking into account estimated residual values. Freehold land is not depreciated.

The cost of leasehold improvements is amortised over the shorter of either the unexpired period of the lease or the estimated useful life of the improvement to the Group.

Assets are depreciated or amortised from the date of acquisition or, in respect of internally constructed assets, from the time that an asset is completed and held ready for use.

The residual values and useful lives of the assets are reviewed, and the depreciation and amortisation rates and methods adjusted if appropriate, on an annual basis. When these changes are made the adjustments are reflected prospectively in current and future periods only.

The depreciation rates used for each class of asset (in both the current year and prior period) are as follows:

Asset class	Rate	Method
Buildings	2.5 – 4 %	Straight-line
Plant and equipment	6 – 33 %	Straight-line
Leasehold improvements	10 – 33 %	Straight-line

l Investments and other financial assets

Financial instruments held by the Group classified as being available for sale are stated at fair value, with any resultant gain or loss recognised directly in equity, except for impairment losses and, in the case of monetary items, foreign exchange gains and losses. Where these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in the Statement of Comprehensive Income. Where these investments are interest bearing, interest calculated using the effective interest method is recognised in the Statement of Comprehensive Income.

The fair value of exchange traded financial instruments is their quoted bid price at the reporting date.

Other investments are carried at the lower of cost and estimated recoverable amount.

Purchases and sales of financial assets that require delivery of assets are recognised on the trade date.

m Property Financial Asset

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 of, and the funds from operations generated from, the underlying properties with consideration to the asset's financing structure and that are subject to the total return swap and option. Refer for note 10 b for further information.

n Leased assets

Lease payments made under operating leases are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the term of the lease.

In accordance with Interpretation 115 *Operating Leases – Incentives* lease incentives received are recognised in the Statement of Comprehensive Income on a straight-line basis as they are an integral part of the total lease expense over the lease term.

o Sale of non-current assets

Non-current assets held for sale at reporting date

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale if the assets meet the requirements of AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*. The assets are measured at the lower of their carrying amount and fair value less costs to sell, except for investment property which is measured at fair value.

3 Significant accounting policies continued

o Sale of non-current assets continued

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell if applicable. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

Non-current assets classified as held for sale are presented separately from the other current assets in the Statement of Financial Position.

In the course of its ordinary activities, other transactions (including the sale of non-current assets such as investments and operating assets) may be undertaken that are incidental to the main revenue generating activities of the Group.

The results of such transactions are presented by netting the sale proceeds on disposal less selling costs and the carrying value of the asset at the date control of the asset passes to the buyer.

p Investment property

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 Group if a similar borrowing were obtained from an independent financier under comparable terms and conditions.

Valuations

Investment properties are stated at their fair value at the Statement of Financial Position date.

The investment properties of the Group 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 Statement of Comprehensive Income in the period in which they arise.

3 Significant accounting policies continued

q Intangible assets and goodwill

Intangible assets acquired separately are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes in these accounting estimates accounted for on a prospective basis.

Goodwill

All business combinations are accounted for by applying the acquisition method. In respect of business acquisitions that have occurred since 1 July 2004, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. In respect of acquisitions prior to this date, goodwill is included on the basis of its deemed cost.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

A discount arising on an acquisition is recognised immediately in the Statement of Comprehensive Income.

Impairment of goodwill and intangibles with indefinite useful life

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill and intangibles with indefinite useful lives are allocated.

r Impairment

If any indication of impairment exists, the carrying amounts of the applicable assets of the Group, other than investment property, inventories, construction contracts and deferred tax assets are reviewed and the asset's recoverable amount is estimated.

For determining impairment of goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is reviewed at least annually.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the Statement of Comprehensive Income.

When a decline in the fair value of an available for sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised in equity is recognised in the Statement of Comprehensive Income. The amount of the cumulative loss that is recognised in the Statement of Comprehensive Income is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in the Statement of Comprehensive Income.

Calculation of recoverable amount

The recoverable amount of loans and receivables carried at amortised cost is calculated as the present value of the estimated future cash flows, discounted at the original effective interest rate (being the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment of receivables is not recognised until objective evidence is available that an impairment event has occurred. Significant receivables are individually assessed for impairment. Receivables that are not assessed as impaired or are not significant are placed into portfolios of assets with similar risk profiles and a collective assessment of impairment is performed.

Calculation of recoverable amount

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss in respect of loans and receivables is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available for sale is reversed through the Statement of Changes in Equity. If the fair value of a debt instrument classified as available for sale increases and the increase can be related to an event occurring after the impairment loss was recognised in the Statement of Comprehensive Income, the impairment loss shall be reversed, with the amount of the reversal recognised in the Statement of Comprehensive Income.

An impairment loss in respect of goodwill is not reversed

3 Significant accounting policies continued

r Impairment continued

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment loss had been recognised.

s Trade and other payables

Payables are stated at amortised cost and represent liabilities for goods and services provided to the Group 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.

t Interest bearing liabilities

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

u Provisions

A provision is recognised if, as a result of a past event, the Group 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.

v Dividends and distributions

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 dividend or distribution declared by the Directors of the Company and the Directors of Brookfield Funds Management Limited as the Responsible Entity of the Trust on or before the end of the reporting period but not distributed or paid at the reporting date.

w Employee benefits

Wages, salaries and annual leave

Liabilities for employee benefits for wages, salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised as current provisions in respect of employees' services provided up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Long-term service benefits

The net obligation of the Group in respect of long-term service benefits other than superannuation is the amount of future benefit that employees have earned in return for their service in current and prior periods.

The obligation for long-term service benefits expected to be settled within 12 months of the reporting date is recognised in the current provision for employee benefits and is measured in accordance with the paragraph above. The obligation for long-term service benefits expected to be settled more than 12 months from the reporting date is recognised in the non-current provision for employee benefits and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

Consideration is given to anticipated future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Post-employment benefits

Obligations for contributions to accumulation superannuation plans are recognised as an expense in the Statement of Comprehensive Income as incurred.

Employee benefit on-costs

Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

3 Significant accounting policies continued

x Contributed equity

Stapled securities and preference shares are classified as equity. Incremental costs directly attributable to the issue of new stapled securities 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.

Minority interest represents the portion of profit or loss and net assets in entities not wholly owned by the Group and are presented separately in the Statement of Comprehensive Income and within equity in the Statement of Financial Position.

y New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application but have not been applied preparing these financial statements:

AASB 9 *Financial Instruments* is effective from annual periods beginning on or after 1 January 2013 introduces new requirements for classifying and measuring financial assets, as follows, debt instruments meeting both a business model test and a cash flow characteristics test are measured at amortised cost and investments in equity instruments can be designated as fair value through other comprehensive income with only dividends being recognised in the Statement of Comprehensive Income. The Group has not yet decided when to adopt AASB 9 or determined the consequential impact of *the amendment.*

AASB 32 *Classification of Rights Issues* address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. To date, the Group has not entered into any arrangements that would fall within the scope of the amendments. However, if the Group does enter into any rights issues within the scope of the amendments in future accounting periods, the amendments to AASB 32 will have an impact on the classification of those rights issues.

IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. To date, the Group has not entered into transactions of this nature. However, if the Group does enter into any such transactions in the future, IFRIC 19 will affect the required accounting. In particular, under IFRIC 19, equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss.

z Comparatives

Where deemed necessary, the comparatives have been reclassified to achieve consistency with the current year.

aa Capital Management

The Company manages its capital to ensure that entities in the Company will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged from 2010.

The capital structure of the Company consists of net debt (borrowings offset by cash and bank balances) and equity of the Group (comprising issued capital, reserves, retained earnings and non-controlling interests).

The Group is not subject to any externally imposed capital requirements.

bb Share based payments

Brookfield's share option plan has been classified as a cash settled share based payment. For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

4. Parent entity disclosures

	Parent	
	31 Dec 2011 $m	31 Dec 2010 $m
Assets		
Current assets	1,952.4	2,235.7
Non-current assets	3,502.3	1,512.4
Total assets	5,454.7	3,748.1
Liabilities		
Current liabilities	1,367.9	1,591.3
Non-current liabilities	78.9	6.2
Total liabilities	1,446.8	1,597.5
Equity		
Contributed Equity	3,399.0	2,989.0
Reserves	(75.4)	(75.4)
Undistributed profits/(losses)	684.2	(763.0)
Total Equity	4,007.8	2,150.6

	31 Dec 2011 $m	31 Dec 2010 $m
Net profit/(loss) for the year	1,447.2	(122.7)
Other comprehensive income/(loss) for the year	-	(1.6)
Total comprehensive income for the year	1,447.2	(124.3)

Guarantees entered into by the parent entity	31 Dec 2011 $m	31 Dec 2010 $m
Guarantees	331.5	349.3
Insurance bonds outstanding	237.4	190.3

Contingent liabilities of the parent entity

	31 Dec 2011 $m	31 Dec 2010 $m
Contingent liabilities	-	-

5. Revenue & expenses

Continuing operations	Year ended 31-Dec-11	Year ended 31 Dec 2010
Revenues	$m	$m
Revenue from the sale of development properties	199.4	165.3
Construction revenue	2,679.3	1,796.9
Property rental revenue	438.6	506.2
Property funds management revenue	7.0	14.5
Total revenues	3,324.3	2,482.9
Other income		
Interest revenue – loans and receivables	9.8	12.8
Gain on acquisition	-	33.1
Sundry revenue	-	10.3
Dividends and distributions received	10.9	0.3
Total other income	20.7	56.5
Costs of operations		
Subcontractor and consumable costs	2,472.6	1,682.7
Movement in development property inventories	190.1	185.4
Rental property rates, taxes and other property outgoings	163.3	168.1
Total cost of operations	2,826.0	2,036.2
Finance costs		
Interest and finance charges	156.5	185.4
Amortisation of borrowing costs	10.0	24.2
Line fees	6.2	8.7
Total finance costs	172.7	218.3
Other expenses		
Employee expenses	101.2	86.0
Depreciation and amortisation expenses	22.9	25.8
Unrealised foreign exchange (gains)/losses	(3.4)	0.7
Realised foreign exchange losses	7.2	0.7
Tender costs expensed	21.6	5.7
Legal and consultancy fees[1]	27.3	79.1
Audit and accounting fees[2]	3.0	1.7
Other impairments	2.0	31.4
Other expenses	24.8	29.9
Total other expenses	206.6	261.0

For further information relating to impairments on residential inventory see note 9.

[1] 2010 includes net settlement of the Wembley class action, gross settlement of $110m.

[2] Amount includes $1.1m audit fees paid to Deloitte see note 24.

6. Income Tax

	31-Dec-11 $m	31-Dec-10 $m
Income tax benefit/(expense)		
Current income tax		
Current income tax (expense)/benefit	(11.9)	11.2
Adjustments in respect of current income tax of previous years	-	24.0
Deferred income tax		
Relating to origination and reversal of temporary differences and tax losses	(26.2)	(73.8)
Income tax expense	(38.1)	(38.6)
Numerical reconciliation of income tax expense to prima facie tax payable		
Accounting profit before income tax from continuing operations	353.5	135.9
Prima facie income tax expense on loss using the domestic corporation tax rate of 30% (2010: 30%)	(106.1)	(40.8)
Tax effect of amounts which are not (deductible)/assessable in calculating taxable income:		
Effect of tax rates in foreign jurisdiction	11.6	4.7
Non-deductible expenses	(0.5)	-
Recognition of deferred tax assets not previously recognised	2.6	-
Non-taxable Trust profit and consolidation adjustments	54.5	47.5
Additional assessable income	(0.2)	(1.8)
Reversal of temporary differences	-	2.5
Write off of previously recognized deferred tax assets	-	(50.7)
Income tax expense	(38.1)	(38.6)

Deferred tax assets and liabilities	Assets 31-Dec-11 $m	Assets 31-Dec-10 $m	Liabilities 31-Dec-11 $m	Liabilities 31-Dec-10 $m	Net 31-Dec-11 $m	Net 31-Dec-10 $m
Consolidated						
Investment property and inventory	45.1	57.4	(76.1)	(73.5)	31.0	(16.1)
Investments	8.5	12.5	(61.2)	(50.1)	52.7	(37.6)
Equity accounted investments	8.5	10.5	(3.0)	(2.1)	(5.5)	8.4
Provisions	74.8	72.2	-	-	(74.8)	72.2
Other liabilities	1.3	0.5	(0.4)	(0.3)	(0.9)	0.2
Net tax assets/(liabilities)	**138.2**	**153.1**	**(140.7)**	**(126.0)**	**2.5**	**27.1**

7. Trade and other receivables

	31-Dec-11 $m	31-Dec-10 $m
Current		
Trade receivables[1]	149.1	160.8
Less: Allowance for doubtful debts	(6.7)	(6.6)
	142.4	154.2
Amounts due from related parties	414.6	-
Retentions receivable	14.7	8.8
Accrued income	246.5	203.9
Other	23.9	21.0
Total current trade and other receivables	842.1	387.9
Non-current		
Amounts due from related parties[2]	229.4	178.8
Accrued income	11.2	12.5
Other	26.2	38.5
Total non-current trade and other receivables	266.8	229.8
Total trade and other receivables	1,108.9	617.7
Movement in allowance for the impairment of receivables		
Balance at beginning of the period	(6.6)	(7.0)
Impairment recognised during the period	(3.4)	-
Receivables written off during the period as uncollectable	3.3	0.4
Unused amounts reversed	-	-
Balance at the end of the period	(6.7)	(6.6)

The creation and release of the allowance for impaired receivables has been included in the other expenses category in the Statement of Comprehensive Income.

[1]Trade receivables are non-interest bearing and generally on 30 day terms. An allowance for impairment is made when there is objective evidence that a trade receivable is impaired. An allowance of $0.6 million (2010: $0.8 million) has been recognised for specific trade receivables.

[2] Amount includes of $179.5 million (2010: $178.8 million) which relates to unsecured interest bearing loans payable to the Group from Brookfield Office Properties Inc. (BPO).

The ageing analysis is as follows:

	31-Dec-11 $m	31-Dec-10 $m
1 – 30 days	51.0	48.9
30 – 60 days	23.3	12.5
60 – 90 days	12.7	13.5
> 90 days	55.4	85.9
	142.4	160.8

8. Derivative financial instruments

	31-Dec-11 $m	31-Dec-10 $m
Current assets		
Interest rate swap contracts	0.1	-
Total current derivative assets	0.1	-
Non-current assets		
Interest rate swap contracts	0.2	6.7
Total non-current derivative assets	0.2	6.7
Total derivative assets	**0.3**	**6.7**
Current liabilities		
Interest rate swap contracts	0.5	4.5
Total current derivative liabilities	0.5	4.5
Non-current liabilities		
Interest rate swap contracts	24.9	-
Total non-current derivative liabilities	24.9	-
Total derivative liabilities	**25.4**	**4.5**

Refer to note 32 for further information regarding derivative financial instruments.

9. Inventories

	31-Dec-11 $m	31-Dec-10 $m
Development projects under construction	230.4	484.7
Development projects completed	180.5	49.1
Total development projects	410.9	533.8
Contract work in progress – amounts due from customers	12.6	25.3
Total inventories	423.5	559.1
Aggregate carrying amount of inventories:		
Current	162.9	136.0
Non-current	260.6	423.1
Total inventories	423.5	559.1

Inventories recognised as an expense for the year ended 31 December 2011 totalled $190.1m (31 December 2010: $185.4m). In accordance with AASB 102, inventories are held at the lower of cost and net realisable value. Throughout the year, an assessment of net realisable value has occurred to determine if a write down in the value of inventories is required. This analysis is performed by comparing the future cash flows to be realised from each project to the related project's current carrying value. Future cash flows were assessed based on estimated sales and costs, including any holding and interest costs. During the current year, no inventory was written down (2010: $4.7m). Write downs in the value of inventory has been recorded and recognised in the Statement of Comprehensive Income as Other expenses.

Notes to the Consolidated Financial Statements continued Brookfield Australia Investments Group

For the year ended 31 December 2011

10. (a) Financial Assets

	31-Dec-11 $m	31-Dec-10 $m
Current		
Available for sale investments	32.6	-
Investment in promissory note[1]	1,300.0	1,300.0
Total current other financial assets	1,332.6	1,300.0
Non-current		
Available for sale investments	126.6	179.5
Other Investments[4]	-	47.5
Property financial assets[2]		
Macquarie Bank Building[3]	148.0	166.6
52 Gouldburn Street	44.3	40.5
235 St Georges Terrace	28.9	22.9
Bishop See Development	14.5	15.2
City Square	361.1	361.1
Brookfield Prime Property Fund	155.0	145.9
King Street Wharf	45.9	43.2
World Square Retail	67.4	56.5
KMPG Tower	63.3	62.3
Darling Park	343.2	336.1
Bourke Place Tower	186.4	175.6
Southern Cross East Tower	459.0	412.5
Southern Cross West Tower	71.6	50.6
Total non-current other financial assets	2,115.2	2,116.0
Total other financial assets	3,447.8	3,416.0

[1] The promissory note is non-interest bearing and repayable on demand. It is subordinate to a syndicated facility that matures in April 2013, between Brookfield (GP) Australia Inc. in its capacity as general partner of Brookfield Finance (Australia).

[2] The property financial assets were designated at fair value through the profit and loss on initial recognition. During the year there was an amendment to the option agreement requiring the procurement of the optioned properties to be at fair value rather than at the price as set out in the original agreement. The change in the procurement pricing mechanism is reflected in the determination of the fair value of the property finance asset at the balance sheet date. During the period, nine of the underlying properties were externally valued. Property financial income is determined from these properties.

[3] Movement relates to capital distributions post asset refinancing.

[4] Other investments were sold in 2011 period to a related party. No gain or loss was recorded in the Statement of Comprehensive Income.

10. (b) Property Finance Assets

	31-Dec-11 $m	30-Dec-10 $m
Property finance income		
Realised property finance income	82.3	-
Fair value gain on property financial asset	123.4	15.3
Total property finance income	**205.7**	**15.3**

11. Dividends and distributions

Dividends from the Company

There were no dividends paid or declared during the year ended 31 December 2011 (2010: nil).

Distributions from the Trust

During the financial year ended 31 December 2011, a distribution of $5.8 million (0.7 cents per unit) was paid or payable to unitholders of the Trust (2010: $5.3 million 0.7 cents per unit). As at 31 December 2011, $5.8m of total distributions remain unpaid.

12. Investments accounted for using the equity method

	31-Dec-11 $m	31-Dec-10 $m
Investment in associates	18.9	280.0
Impairment in investments in associates	(10.8)	(9.4)
	8.1	270.6
Investment in joint venture entities	16.0	12.0
Total investments accounted for using the equity method	24.1	282.6

Investments in associates

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting.

Details of material interests in associates are as follows:

			Equity ownership		Carrying value	
	Principal activities	Country of incorporation	31-Dec-11 %	31-Dec-10 %	31-Dec-11 $m	31-Dec-10 $m
Equity Accounted Investments						
R&M Investments (BVI) Limited[1]	Investment	British Virgin Islands	-	50.0	-	252.0
Multiplex European Property Fund	Property Trust	Australia	25.0	25.0	7.7	16.6
Other interests	Various	Various	Various	Various	0.4	2.0
Total investments in associates					8.1	270.6

The balance date of all associates is 31 December 2011.

[1]At 31 December 2010 the company held a 50% interest in R&M Investment (BVI) Limited and accounted for the investment as an associate. In January 2011 the company transferred the 50% interest to a third party for a loss of $0.6m. No cash flow arose on disposal.

12. Investments accounted for using the equity method continued

	31-Dec-11 $m	31-Dec-10 $m
Share of associates' revenues and profits		
Revenues	13.3	68.9
Total share of associates' net (loss)/profit after tax accounted for using the equity method	(8.8)	56.1
Share of associates' assets and liabilities		
Assets	93.6	774.9
Liabilities	(85.5)	(528.1)
Net assets	8.1	246.8

Investments in joint venture entities

Investments in the below joint venture entities are accounted for in the consolidated financial statements using the equity method of accounting.

Details of material interests in joint venture entities are as follows:

	Principal activities	Country of incorporation	Ownership interest 31-Dec-11 %	Ownership interest 31-Dec-10 %	Carrying value 31-Dec-11 $m	Carrying value 31-Dec-10 $m
Consolidated Investment						
Little Bay South	Development	Australia	50.0	50.0	12.2	9.9
Other interests			50.0	50.0	3.8	2.1
Total investments in joint venture entities					16.0	12.0

	Year ended 31-Dec-11 $m	Year ended 31-Dec-10 $m
Share of joint venture entities revenues, expenses and profit		
Revenues	-	-
Total share of joint venture's net profit/(loss) after tax accounted for using the equity method	-	(0.2)
Share of joint venture entities assets and liabilities		
Assets	19.1	61.0
Liabilities	(6.9)	(21.0)
Net assets	12.2	40.0

Commitments and contingencies

Contingent liabilities and contingent assets exist in respect of guarantees and insurance bonds issued to clients and guarantees received by the joint venture entities from its subcontractors in lieu of cash retentions on building contracts. In addition, insurance performance bonds have also been issued to some clients in support of the joint venture's performance under its bank guarantees and building contracts.

13. Investment property

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

	31-Dec-11 $m	31-Dec-10 $m
Consolidated (directly owned)		
Fujitsu Centre, North Sydney, NSW	91.0	92.7
Jessie Street Centre, Parramatta, NSW	255.0	253.2
Luna Park Car Park, Sydney, NSW	6.6	6.6
Pittwater Place, Sydney, NSW	54.3	59.8
Rosehill, Sydney, NSW	91.0	90.4
Sydney Water Headquarters, Parramata, NSW	154.0	149.0
Dee Why Town Centre, Sydney, NSW	50.9	49
Bathurst St, Sydney, NSW	130.2	123.6
Clarence St, Sydney, NSW	29.9	28.0
Infrastructure House, Canberra, ACT	62.0	67.5
The Foundry, Melbourne, Qld	74.5	88.3
Carole Park, Brisbane, Qld	15.4	15.2
Great Western Super Centre, Keperra , Brisbane, Qld	57.3	53.0
Meeandah, Brisbane, Qld	-	4.2
CBA Building, Brisbane, Qld	191.0	177.7
Peachy Quarry, Brisbane, Qld	11.3	11.3
AMP Place, Brisbane, Qld	185.0	172.2
Hilton Surfers Paradise, QLD	57.1	-
Ernst & Young Building, Perth, WA	70.0	65.0
AIA House, NZ	20.6	20.6
ASB Centre, NZ	85.3	89.3
EDS House, NZ	18.7	20.6
Telecom House, NZ	32.3	30.3
The Hub, NZ	27.5	27.4
Conservation House, NZ	26.0	26.2
The Plaza, NZ	7.8	7.1
Mangere Distribution Centre, NZ	52.8	52.2
University Building, NZ	-	7.6
Uniservices House, NZ	-	13.6
Teltower, Wellington, NZ	10.0	10.5
Valley Mega Centre (Stage1), NZ	-	16.6
Gen-i Tower, NZ	59.8	58.8
Valley Mega Centre (Stage 2), NZ	-	15.2
Wholly owned investment property	1,927.3	1,902.7

13. Investment property continued

	31-Dec-11 $m	31-Dec-10 $m
Consolidated (partial ownership)		
NAB House, Sydney, NSW (25%)	108.5	96.3
IAG House, Sydney, NSW (50%)	188.5	175.2
ANZ Centre, Brisbane, Qld (50%)	61.5	56.2
BankWest Tower, Perth, WA (50%)	145.0	135.3
Carillon & City Arcade, Perth, WA (50%)	58.5	54.8
Claremont Quarter - Retail, Perth, WA, (50%)	161.7	156.7
Bishops See – Stages 3/4, Perth, WA (50%)	3.8	4.1
Total partially owned investment property	727.5	678.6
Straight line receivables	-	-
Total investments in property	2,654.8	2,581.3

Independent valuations

Property investments are stated at fair value. An external valuation company, having an appropriately recognised professional qualification and recent experience in the location and category of the property being valued, values the portfolio whenever it is believed that the fair value of a property differs significantly from its carrying value, based on a material change to the assumptions and market conditions underlying the valuation. In the current financial year, the external valuations were performed by Colliers International, Knight Frank, Savills, JLL, CBRE and LandMark White. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller, in an arm's length transaction after appropriate marketing wherein the parties have each acted knowledgeably, prudently and without compulsion.

Valuations reflect, where appropriate, the type of tenants, future rent reviews and market conditions. A change in any of these factors could have a significant impact on the value of the Company's property investments. The valuations have been undertaken using a discounted cash flow approach and a 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 capitalisation rates utilised in the 31 December 2011 valuations ranged from 7.00% to 10%.

Any gain or loss from a change in fair value is recognised in the Consolidated Statement of Comprehensive Income. All property acquisition costs in respect of properties acquired are capitalised into the value of the property investments at the time of purchase to reflect the total acquisition cost in the 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. As at 31 December 2011, four properties were externally valued.

13. Investment property continued

Reconciliation of the carrying amount of investment properties is set out below:	31-Dec-11 $m	31-Dec-10 $m
Opening Balance – carrying amount	2,581.3	4,061.5
Transfer from inventory	57.1	-
Capital expenditure	70.2	315.5
Acquisitions	-	469.8
Disposals	(57.5)	(163.7)
Transfers to financial assets[1]	-	(2,134.6)
Gain from fair value adjustments to investment properties	5.5	46.5
Impact of foreign exchange rates	(1.9)	(13.7)
Closing Balance – Carrying Amount	2,654.7	2,581.3

[1]Refer to note 29 for further information regarding these assets.

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 financial statements are receivable as follows:

	31-Dec-11 $m	31-Dec-10 $m
Within one year	194.0	327.3
Later than one year but not later than five years	585.3	1,175.9
Later than five years	336.5	1,100.3
	1,115.8	2,603.5

Annual rent receivable by the Consolidated Entity under current leases from tenants is earned from commercial, industrial, 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.

14. Property, plant and equipment

	31-Dec-11 $m	31-Dec-10 $m
Gross carrying value and accumulated depreciation		
At cost	74.6	76.2
Accumulated depreciation	(43.3)	(43.0)
Carrying amount at year end	31.3	33.2
Buildings	0.6	0.6
Leasehold improvements	4.8	1.7
Plant and equipment	25.9	30.9
Total property, plant and equipment	31.3	33.2

14. Property plant and equipment continued

Reconciliation of carrying value	Buildings $m	Leasehold improvements $m	Plant and equipment $m	Total $m
Carrying amount at 1 January 2011	0.6	1.7	30.9	33.2
Additions	-	4.4	13.5	17.9
Disposals	-	-	(8.3)	(8.3)
Depreciation expense	-	(1.3)	(10.2)	(11.5)
Carrying amount at 31 December 2011	0.6	4.8	25.9	31.3
Carrying amount at 1 January 2010	0.6	1.2	37.4	39.2
Additions	-	0.9	10.1	11.0
Disposals	-	-	(5.5)	(5.5)
Depreciation expense	-	(0.4)	(11.1)	(11.5)
Carrying amount at 31 December 2010	0.6	1.7	30.9	33.2

There has been no significant change to the depreciation method employed, estimated useful life or residual value of the property, plant and equipment of the Group.

15. Intangible assets and goodwill

	31-Dec-11 $m	31-Dec-10 $m
Cost	329.3	324.3
Accumulated impairments	(303.4)	(303.4)
Accumulated amortisation	(5.4)	(3.7)
	20.5	17.2

Movement during the year	Goodwill $m	Other intangible assets $m	Total $m
Carrying amount at 1 January 2011	11.8	5.4	17.2
Other acquisitions	-	5.0	5.0
Amortisation	-	(1.7)	(1.7)
Carrying amount at 31 December 2011	11.8	8.7	20.5
Carrying amount at 1 January 2010	12.3	6.5	18.8
Other acquisitions	-	0.5	0.5
Consideration Adjustment	(0.5)	-	(0.5)
Amortisation	-	(1.6)	(1.6)
Carrying amount at 31 December 2010	11.8	5.4	17.2

The carrying value of goodwill at 31 December 2011 is allocated to the cash generating units of funds management ($7.1 million) and the Defence Maintenance Management Pty Ltd (DMM) component of property services management ($5.2 million). During the prior year contingent consideration of $0.5m was reversed as the factors which indicated contingent consideration would have to be paid post acquisition no longer existed and therefore this amount was adjusted against the goodwill recognised on acquisition. At 31 December 2011, an impairment analysis was performed to confirm that the recoverable value is not in excess of the carrying value of goodwill. The recoverable value of the funds management unit was determined based on future cash flows associated with the underlying business as discounted back to present day. No impairment was recognised as at 31 December 2011.

15. Intangible assets and goodwill continued

The carrying value of other intangible assets is allocated to individual components of the property services management business. The intangible assets relate to external customer relationships and management rights. These assets have finite useful lives and are amortised over a straight-line period ranging from four to seven years. The useful lives are based on the expected lives of the underlying customer relationships and/or the contractual agreement to which the management rights are associated.

16. Trade and other payables

	31-Dec-11 $m	31-Dec-10 $m
Current		
Trade payables	139.5	133.7
Other creditors and accruals	443.3	443.0
Amounts due to joint ventures	8.5	35.3
Total current trade and other payables	591.3	612.0
Non-current		
Other creditors and accruals	32.8	13.0
Total non-current trade and other payables	32.8	13.0
Total trade and other payables	624.1	625.0

17. Interest bearing loans and borrowings

	31-Dec-11 $m	31-Dec-10 $m
Carrying amounts		
Current interest bearing loans and borrowings	458.2	496.7
Less: deferred borrowing costs	(0.6)	(2.2)
	457.6	494.5
Non-current interest bearing loans and borrowings	1,828.9	1,917.7
Less: deferred borrowing costs	(9.6)	(13.3)
	1,819.3	1,904.4
Total interest bearing loans and borrowings	2,276.9	2,398.9

Summary of borrowing arrangements

All debt facilities are bilateral and are secured by relevant mortgages and charges directly relating to specific investment properties and inventories. The Group has bank loans denominated in Australian dollars and New Zealand dollars. There were no overdraft facilities in place at 31 December 2011 (2010: nil).

17. Interest bearing loans and borrowings continued

	31-Dec-11 $m	31-Dec-10 $m
Total financing facilities available		
Project facilities	438.3	480.7
Property facilities	1,648.0	2,140.2
Consolidated Property Fund Investment Facilities	233.7	288.7
Other	3.0	2.6
Total facilities available	2,323.0	2,431.5
Facilities utilised at reporting date		
Project facilities	402.4	463.6
Property facilities	1,648.0	2,123.1
Consolidated Property Fund Investment Facilities	233.7	288.7
Other	3.0	2.6
Total facilities utilised at reporting date	2,287.1	2,878.0
Facilities not utilised at reporting date		
Project facilities	35.9	17.1
Property facility	-	-
Total facilities not utilised at reporting date	35.9	17.1

At 31 December 2011 the Group is in compliance with all of their debt covenants

18. Provisions

	31-Dec-11 $m	31-Dec-10 $m
Current		
Employee benefits	28.7	28.1
Rental guarantees	0.8	2.1
Defects and others	50.3	111.0
Total current provisions	79.8	141.2
Non-current		
Employee benefits	8.0	2.1
Rental guarantees	-	0.1
Defects and others	42.9	-
Total non-current provisions	50.9	2.2
Total provisions	130.7	143.4

18. Provisions continued

Movements in provisions	Employee benefits $m	Rental guarantees $m	Defects and other $m	Total $m
Consolidated				
Carrying amount at 1 January 2011	30.2	2.2	111.0	143.4
Additional provisions recognised	70.5	3.5	240.2	314.2
Provisions utilised	(64.0)	(4.9)	(258.0)	(326.9)
Carrying amount at 31 December 2011	36.7	0.8	93.2	130.7

Movements in each class of provision during the financial year are set out below.

19. Employee Benefits

Employee benefits and related on-costs liabilities are included in the following Statement of Financial Position line items

	31-Dec-11 $m	31-Dec-10 $m
Employee benefit and related on-costs liabilities		
Included in payables	40.5	35.4
Provision for employee benefits – current	28.7	28.1
Provision for employment benefits – non-current	8.0	2.1
Total employee benefits	77.2	65.6

Brookfield Australia Investments Group Employees' Superannuation Fund

The Group contributes to defined contributions superannuation funds in Australia and other regions in which it operates. There are no defined benefit plans. All employees are entitled to benefits on retirement, temporary disability, permanent disability or death.

Employees

At 31 December 2011, the Group employed 1,666 employees (including Directors) (2010: 1,373 employees).

20. Contract work in progress

	31-Dec-11	31-Dec-10
	$m	$m
Contract costs incurred to date	10,623.1	4,876.9
Profit recognised to date (less recognised losses)	373.9	378.8
	10,997.0	5,255.7
Less: Progress billings	(11,302.7)	(5,508.9)
Net contract work in progress	(305.7)	(253.2)
Net contract work in progress comprises:		
Amounts due to customers – contract work in progress	(318.3)	(278.5)
Amounts due from customers – inventories	12.6	25.3
	(305.7)	(253.2)
Advances on construction projects in progress included in trade creditors	(52.5)	(85.9)
Retentions on construction projects in progress included in progress billings	235.1	196.1

21. Equity

	31-Dec-11 $m	31-Dec-10 $m
Issued and fully paid up capital		
Stapled securities	2,765.9	2,765.9
Class A Preference shares	2,075.1	1,665.0
Stapled securities	4,841.0	4,430.9

Stapled securities	$m
Balance at 31 December 2010	2,765.9
Balance at 31 December 2011	2,765.9

Stapled securities on issue

There are 837,402,185 stapled securities on issue at 31 December 2011 (2010: 837,402,185) valued at $2,765.9 million (2010: $2,765.9 million). There has been no movement in the number of stapled securities in issue during 2011 (year ended 31 December 2010: nil).

Movements of preference shares

Class A Preference shares	Number of Shares	$m
Balance at 31 December 2010	1,665,000,000	1,665.0
Issue of share capital during the period	410,046,593	410.1
Balance at 31 December 2011	2,075,046,593	2,075.1

Terms and conditions of equity instruments

Stapled securities

The stapled securities include an ordinary share in the Company stapled with units of the Trust, known as Brookfield Australia Investments Group. Stapled security holders have the right to receive dividends and distributions as declared and, in the event of winding up of the Company and Trust, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on stapled securities held. Stapled securities entitle the holder to one vote either in person or by proxy, at a meeting of the Company and/or the Trust.

Class A preference shares

The Class A preference shares issued by the Company entitle preference shareholders to vote in limited circumstances. Class A preference shares are entitled to dividends as declared by the directors of the Company.

22. Non-controlling interest

	31 Dec 2011 $m	31-Dec-10 $m
Balance at beginning of year	597.2	517.3
Share of comprehensive income for the year	40.0	33.1
Dividends/distributions	(42.4)	(35.2)
Increase in non-controlling interest	-	82.0
Total non-controlling interests	594.8	597.2
Interest in:		
Multiplex Hybrid Investment Trust		
Share capital	432.1	432.1
Retained profits	10.0	10.1
	442.1	442.2
Multiplex Property Services Pty Limited		
Share capital	2.5	2.5
Retained (loss)	(1.2)	(0.8)
	1.3	1.7
Multiplex New Zealand Property Fund		
Share capital	77.7	77.7
Retained (loss)	(9.0)	(5.7)
	68.7	72.0
Brookfield Australian Opportunities Fund		
Share capital	80.6	80.6
Retained profits	2.1	0.8
	82.7	81.4
Total non-controlling interests	594.8	597.2

23. Contingent liabilities and assets

Details and estimated maximum amounts of contingent assets and liabilities (for which no amounts are recognised in the financial statements) are as follows:

Bank guarantees and insurance bonds

Contingent liabilities and contingent assets exist in respect of bank guarantees and insurance bonds issued to clients and guarantees received by subsidiaries of the Group from its subcontractors in lieu of cash retentions. The guarantees and bonds issued to clients are secured by indemnities. All of the bank guarantees and bonds are received and issued in the Group's ordinary course of business.

23. Contingent liabilities and assets continued

	31-Dec-11	31-Dec-10
	$m	$m
Bank guarantees and letters of credit outstanding	331.5	349.3
Insurance bonds outstanding	237.4	190.3
	568.9	539.6

During the prior year the Wembley Class action was settled for a gross settlement of $110m and the Motts Litigation was also settled.

Duelguide tax indemnity

In October 2004, the Consolidated Entity, together with its joint venture partner, provided an indemnity to a third party in relation to certain tax-related issues which may arise from the Consolidated Entity's investment in an associated entity. There has been no quantification of any claim and no claims have been made under the indemnity. On that basis, and because the Directors believe no liability is likely, no provision or other liability has been recorded by the Consolidated Entity in the financial statements at 31 December 2011 (2010: nil).

Other

- In the ordinary course of business, the Consolidated Entity provides rental guarantees and income support arrangements to tenants and owners of various residential and commercial buildings, in respect of which the Consolidated Entity is developing or has completed developing. These arrangements require the Company to guarantee the rental income of these properties for certain periods of time. As at the date of this report, the Directors are of the opinion that based on the current sub-lease proposals and forecast sub-lease commitments, together with the allowances made within the development budgets for these property developments, adequate allowance has been made in the financial statements for these potential obligations.
- Contingent liabilities and assets exist as a consequence of the arrangements contained in the Stapling Deed between the Company and BFML, as the responsible entity of the Trust.
- The Company and the Trust are 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 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 Company and the Trust, their controlled entities and associates become involved in litigation pertaining to normal design liability in relation to completed design and construction projects, normal contractor's liability in relation to construction contracts, public liability, workers' compensation, etc., the majority of which falls within the Consolidated Entity's insurance arrangements and/or contractual indemnities with consultants and subcontractors.
- The Company and the Trust, their controlled entities and associates also become involved in contractual disputes in relation to property development activities and property ownership issues. 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 Company have entered into joint venture arrangements under which the subsidiary 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.

24. Auditors' Remuneration

	31 Dec 2011	31 Dec 2010
	$	$
Auditors of the Group – Deloitte Touche Tohmatsu		
Audit and review of financial reports	758,000	1,153,210
Other auditor's services	372,232	360,000
Non-audit services	-	165,000
Total auditor's remuneration	1,130,232	1,678,210

25. Capital and other commitments

	31-Dec-11 $m	31-Dec-10 $m
Capital commitments		
Commitments for the acquisition of plant and equipment contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	18.4	21.6
Later than one year but not later than five years	0.7	-
Later than five years	-	0.7
	19.1	22.3
Lease commitments		
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	5.3	6.5
Later than one year but not later than five years	9.4	20.5
Later than five years	0.8	5.6
	15.5	32.6
Representing:		
Cancellable operating leases	-	-
Non-cancellable operating leases	15.5	32.6
Future finance charges on finance leases	-	-
	15.5	32.6
Operating leases		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	5.3	6.5
Later than one year but not later than five years	9.4	20.5
Later than five years	0.8	5.6
Commitments not recognised in the financial statements	15.5	32.6

26. Related parties

Key management personnel disclosures

The key management personnel compensation included in employee expenses is as follows:

	31-Dec-11 $	31-Dec-10 $
Short-term employee benefits	11,587,355	8,560,217
Post-employment benefits	229,100	209,870
Other long-term benefits	164,660	278,361
Termination benefits	329,598	3,980,356
Share based payment	532,307	2,687,223
	12,843,020	15,716,027

26. Related parties continued

Loans to key management personnel and their related parties

Individuals with advances above $100,000 – nil.

There were no loans made, guaranteed or secured by any entity in the Group to key management personnel and their related parties during the year.

Rights over equity instruments

There were no rights over equity instruments granted or exercised by Key Management Personnel, including their related parties, during the period.

Share options

Following the acquisition of the Group by Brookfield Australia, certain Key Management Personnel and senior executives of the Group were issued with options linked to the share price of the ultimate parent entity, Brookfield Asset Management Inc., by the ultimate parent entity. At 31 December 2011, a charge of $0.5 million (2010: $2.7 million) was incurred by the Group for the cost of these options.

Non-key management personnel disclosures

Ultimate parent

Brookfield HoldCo (Australia) Pty Limited is the ultimate Australian parent entity and is domiciled in Australia. The ultimate parent entity is Brookfield Asset Management Inc.

Transactions within related parties

All transactions between the Trust and the Company have been eliminated in full. Details of dealings with entities within the Group are set out below:

	31 Dec 2011 $m	31 Dec 2010 $m
Income received by the Conslidated Entity from Brookfield Office Properties and its controlled entities		
Property finance income	82.3	-
Intercompany loans		
Aggregate amounts receivable from/(payable to) controlled entities/related parties of the Trust and the Company at the end of the year and end of the previous financial year:		
Brookfield Australia Property Trust	196.9	(625.1)
Promissory note	1,300.0	1,300.0
Brookfield Australia Investments Limited	441.3	769.7

26. Related parties continued

Transactions within the Group

The loans from the Trust to entities within the wholly-owned group are non-interest bearing. Transactions between the Company and its controlled entities (excluding the Trust) with the Trust and its controlled entities are set out below:

	31-Dec-11 $m	31-Dec-10 $m
Provision of services to the Trust and its controlled entities by Brookfield Australia Investments Limited and its controlled entities		
Property management expense	4.1	7.4
Leasing fee paid	1.7	0.5
Rental guarantee received	-	0.4
Construction and development of properties by Brookfield Australia Investments Limited and its controlled entities for the Trust and its controlled entities		
Total amount paid	-	-
Interest received by the Trust and its controlled entities from Brookfield Australia Investments Limited and its controlled entities		
Interest income	0.3	0.7

Brookfield Australia Investments Limited and its controlled entities have unsecured loans payable to the Trust and its controlled entities of $41.8 million (2010: $120.9 million).

Transactions with other related parties

	31-Dec-11 $m	31-Dec-10 $m
Management fees paid to other related parties	(14.3)	(16.7)
Management fees received from controlled entities	4.2	1.6

27. Business Combinations

Controlled entity acquired	Principal activity	Date of acquisition	Proportion of shares acquired	Consideration transferred
			%	$m
31 December 2011				
Brookfield Constructions UK[1]	Constructions	1-Jan-2011	100%	110.6
Brookfield Constructions ME[2]	Constructions	1-Jan-2011	100%	-
31 December 2010				
Multiplex New Zealand Property Fund	Investment properties	31-Aug-10	22.0%	51.8
Brookfield Australian Opportunities Fund	Investment in A-REITs and unlisted property securities	31-Aug-10	40.5%	24.6

[1]On 1 January 2011, the Company acquired 100% of a UK constructions operation from a related party. The acquisition was based on net tangible assets and was financed through a non-interest bearing loan from a related party. The consideration was a $110.6 million non-interest bearing intercompany loan. There was no acquisition-related cost associated with the purchase. The net cash inflow arising on acquisition was $30.3 million.

Assets acquired and liabilities assumed at the date of acquisition

	31 Dec 2011	31 Dec 2010
Current Assets	$m	$m
Cash & cash equivalents	30.3	27.5
Trade receivables[A]	178.7	-
Inventories	1.7	-
Other Current Assets	0.9	-
	211.6	27.5
Non-current assets		
Receivables[A]	2.0	-
Property, plant & equipment	2.1	-
Investments	-	622.0
Deferred Tax Asset	6.0	8.6
Other non-current assets	16.1	-
	26.2	630.6
Current liabilities		
Trade & other payables	52.9	22.4
Interest bearing loans and borrowings	1.0	-
Non-interest bearing loans and borrowings	38.1	-
Provisions	1.5	-
Deferred Tax Liability	-	24.6
Contract work in progress	16.1	-
	109.6	
Non-current liabilities		
Payables	16.4	-
Interest Bearing Loans and Borrowings	1.2	323.7
Derivative Liabilities	-	5.1
	17.6	328.8
Non-Controlling interests in net assets	-	169.1
	110.6	115.9

[A]Trade receivables acquired was with a fair value of $180.7m.

[2]On 1 January 2011 the company also acquired 100% of a Middle Eastern management company from a related party for book value of $38.9m through a share for share transfer. The subsidiary was acquired so as to continue the expansion of the Group's construction activities in the Middle East region.

Total trade receivables were acquired at a fair value of $31.4m. $5.0m of intangibles were acquired in addition to cash of $2.6m.

28. Discontinued operations

There were no discontinued operations during the year ended 31 December 2011.

29. Loss of Control

On 27 September 2010 a subsidiary of Brookfield Asset Management ("BAM"), entered into a total return swap and option (with an initial 5 year term) with a subsidiary of Brookfield Office Properties Inc. ("BPO"). BPO obtained the economic rights and obligations of several properties at a strike price which was calculated based on the fair value of the assets at that date. As a result, a financial asset has been recorded in the Consolidated Entity. The value of this financial asset has been determined with reference to the fair value of the underlying properties with consideration to the asset's financing structure. No material gain or loss was recognised with respect to this transaction. The property financial assets are designated fair value through the profit and loss. Refer to Note 10 for further information on property financial assets.

30. Significant controlled entities

The Company's significant investments in controlled entities are in legal entities that are:

- the key holding and operating entities within the businesses in each of the geographical regions in which the Group has a significant presence; and
- the entities that held licences allowing the Group to carry out certain specified investing activities and management functions.

The significant controlled entities at 31 December 2011 are shown below:

Entity name	Equity Ownership 31 Dec 2011 %	Equity Ownership 31 Dec 2010 %	Country of incorporation
Brookfield Multiplex Constructions Pty Ltd – NSW	100	100	Australia
Brookfield Multiplex Constructions Pty Ltd - Vic	100	100	Australia
Brookfield Multiplex Constructions Pty Ltd – WA	100	100	Australia
Brookfield Multiplex Constructions FSH Contractor Pty Limited	100	100	Australia
Brookfield Foundry Landowning Trust	100	100	Australia
Brookfield Portside Wharf Pty Limited	100	100	Australia
Brookfield 324 Queen Street Landowning Trust	100	100	Australia
Brookfield Rosehill Landowning Trust	100	100	Australia
Brookfield WS Retail Landowning Trust	100	100	Australia
Brookfield W9&10 Stage 1 Landowning Trust	100	100	Australia
Brookfield W9&10 Stage 4 Landowning Trust	100	100	Australia
Brookfield Claremont Pty Limited	100	100	Australia
Brookfield Multiplex Services Pty Ltd	100	100	Australia
Multiplex New Zealand Properties Fund[1]	45	45	Australia
Brookfield Multiplex Capital Holdings Limited	100	100	Australia
Brookfield Australian Opportunities Fund[1]	62	62	Australia
Multiplex MPT CMBS Issuer Pty Ltd[2]	100	100	Australia
Brookfield Constructions UK	100	100	UK
Brookfield Multiplex Plant and Equipment LLC	100	100	United Arab Emirates
Brookfield Constructions Middle East LLC	100	100	United Arab Emirates
NASA Multiplex LLC	100	100	United Arab Emirates

[1]As a result of the Brookfield Australian Opportunities (BAO) rights issue, the Consolidated Entity's ownership of BAO increased by 41% to 61% through both take up of additional units as eligible unitholders and as underwriter. BAO owns 22% of Multiplex New Zealand Property Fund (MNZPF). Accordingly, the Trust's control of the voting rights of MNZPF increased to 44% through direct ownership of MZNPF and consolidation of BAO. The Trust's ownership of MNZPF should be considered from a Group perspective, as the voting would be completed on this basis, granting control of voting power to the Trust even though it holds less than 50% of unit holdings.

30. Significant controlled entities continued

[2]In accordance with the Company's Constitution, Multiplex MPT CMBS Issuer Pty Ltd 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 the company and consolidates 100% of the results.

31. Reserves

	31-Dec-11 $m	31-Dec-10 $m
Reserves		
Foreign currency translation reserve	(83.1)	(81.9)
Available for sale assets reserve	0.8	(0.6)
Cash flow hedge reserve	(25.4)	9.0
Tax consolidation reserve	(112.5)	(123.2)
Total reserves	(220.2)	(196.7)

Changes in Reserves

	Foreign Currency Translation Reserve	Available for sale reserve	Cashflow Hedge Reserve	Tax Consolidation Reserve	Total Reserves
Opening Balance	(81.9)	(0.6)	9.0	(123.2)	(196.7)
Foreign currency translation differences for foreign operatior	(1.2)	-	-	-	(1.2)
Revaluation of marketable listed and unlisted securities	-	1.4	-	-	1.4
Effective portion of changes in fair value of cash flow hedges	-	-	(34.4)	-	(34.4)
Income tax reserve movement for the year	-	-	-	10.7	10.7
Closing Balance	(83.1)	0.8	(25.4)	(112.5)	(220.3)

Note: Above movements in the following reserve balances have no tax impact.

32. Financial instruments

The Group's activities expose it to a variety of financial risks including market risk, credit risk and liquidity risk. The Group'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 Group. The Group uses derivative financial instruments such as foreign exchange contracts and interest rate swaps to manage the interest rate and currency risks arising from the Group's operations and its sources of finance. It is the Group's policy that no trading in financial instruments shall be undertaken nor will the Group enter into transactions that could be construed as speculative.

The Group's principal financial instruments, other than derivatives, comprise receivables, payables, bank loans, cash and short-term deposits.

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

32. Financial Instruments continued

- Group Treasury – responsible for centrally managing the above risks both on a regional and global basis in accordance with the Group, 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 note

The Group'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 subject to the total return swap and option.

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 note 3.

Market risk

Interest rate risk contracts – financial assets

The income and associated operating cash flows of the Group's assets are substantially independent of changes in market interest rates. The Group's loans are primarily provided to investments in joint ventures and associates as a means of funding Development projects. The Group 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 Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations that are often subject to floating interest rates. The Group maintains a practice of hedging up to 100% of its exposure to changes in interest rates for drawn debt where term is certain. The Group has entered into various interest rate swap agreements (in which the Group 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 Group 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 Group's exposure to interest rate risk 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:

		Fixed interest maturing in			
Consolidated - 31 December 2011	Floating interest rate	Less than 1 year	Between 1 – 5 years	Over 5 years	Total
Financial assets	**$m**	**$m**	**$m**	**$m**	**$m**
Cash and cash equivalents	252.3	120.7	-	-	373.0
Receivables	1,108.9	-	-	-	1,108.9
Other financial assets	2,147.8	-	-	-	2,147.8
Total financial assets	**3,509.0**	**120.7**	**-**	**-**	**3,629.7**
Financial liabilities					
Payables	591.3	32.8	-	-	624.1
Interest-bearing liabilities	2,276.9	-	-	-	2,276.9
Effect of interest rate swaps	(1,233.4)	297.4	936.0	**-**	-
Total financial liabilities	**1,634.8**	**330.2**	**936.0**	**-**	**2,901.0**

32. Financial Instruments continued

Consolidated – 31 December 2010	Floating interest rate	Fixed interest maturing in: Less than 1 year	Between 1 – 5 years	Over 5 years	Total
Financial assets					
Cash and cash equivalents	147.7	66.0	-	-	213.7
Receivables	617.7	-	-	-	617.7
Other financial assets	2,116.0	-	-	-	2,116.0
Total financial assets	**2,881.4**	**66.0**	**-**	**-**	**2,947.4**
Financial liabilities					
Payables	612.0	-	-	-	612.0
Interest-bearing liabilities	2,325.4	73.6	-	-	2,399.0
Effect of interest rate swaps	(1,197.7)	232.3	965.4	-	-
Total financial liabilities	**1,739.7**	**305.9**	**965.4**	**-**	**3,011.0**

Intercompany loans are non-interest bearing.

Interest rate sensitivity

The Group's pre-tax sensitivity to a 1% movement in Australian dollars (AUD), Great British Pounds (GBP), United Arab Emirates dirham (AED) and New Zealand dollar (NZD) interest rates in relation to cash and cash equivalents, receivables, derivatives, and interest bearing loans and borrowings, all figures below are presented in AUD:

	31-Dec-11				31-Dec-10			
	Impact on profit		Impact on equity		Impact on profit		Impact on equity	
$'m	+100 bps	-100 bps	+100 bps	-100 bps	+100 bps	-100 bps	+100 bps	-100 bps
Consolidated								
AUD	18.9	(18.9)	18.0	(18.5)	0.9	(0.9)	(20.9)	20.3
AED	0.2	(0.2)	-	-	2.7	(2.7)	-	-
GBP	(0.1)	0.1	-	-	-	-	-	-
NZD	(2.3)	2.3	-	-	(0.9)	0.9	-	-

Set out below is the notional value 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 at 31 December 2011:

Australian dollars	Total $m	Periods in which they mature or, if earlier, reprice: Less than 1 year $m	Between 1 – 5 years $m	Over 5 years $m
31 December 2011				
Interest rate swaps	1,233.3	297.4	936.0	-
Fixed rate borrowings	-	-	-	-
Total	1,233.3	297.4	936.0	-
Weighted average fixed rate	5.10%	4.71%	5.22%	-
31 December 2010				
Interest rate swaps	1,197.7	232.3	965.4	-
Fixed rate borrowings	73.6	73.6	-	-
Total	1,271.3	305.9	965.4	-
Weighted average fixed rate	4.52%	6.94%	4.83%	-

32. Financial instruments 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 Group'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
- investments in foreign operations.

The Group operates internationally and are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United Arab Emirates dirham, Great British pound and New Zealand dollar (2010: United Arab Emirates dirham, Great British pound and New Zealand dollar).

The risk is measured by projecting the net foreign currency flows of each currency to which the Group 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.

Net investment in a foreign operation

The Group 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.

For accounting purposes, net foreign operations and interests in joint ventures and associates 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 interests in joint ventures and associates are then equity accounted to reflect the underlying net assets of the entities with changes reflected in the Statement of Comprehensive Income as a share of after tax profits of equity accounted entities. Refer to accounting policy note 3.

Commodity and equity price risk

The Group's exposure to commodity price risk and equity price risk is minimal.

Credit risk

Credit risk represents the loss that would be recognised if a counterparty failed to perform as contracted. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as exposures to business customers, including outstanding receivables and committed transactions.

The Group manages this risk by:

- establishing credit limits for customers that the Group trades with and managing its exposure to individual entities (it is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures);
- maintaining a tenant base where the majority have high credit ratings;
- 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; and
- obtaining collateral as security (where appropriate).

At the reporting date the Group had no significant concentration of credit risk with any single counterparty or group of counterparties. 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. The Group holds an unsecured, non-interest bearing Promissory Note receivable of $1,300.0 million from a related entity with the Group, Brookfield Australia Pty Limited.

The 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 Statement of Financial Position. The Group hold no significant collateral as security and the credit quality of all financial assets that are either past due or impaired is constantly monitored in order to identify any potential adverse changes in the credit quality.

32. Financial instruments continued

Liquidity and capital risk management

Capital risk management

The objective of the Group and Company 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 primary ways:

- Statement of Financial Position management, which is fundamentally concerned with the capital mix of equity and debt and 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 also protects its equity in assets by taking out insurance cover with credit worthy insurers.
- 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 strategy to maintain its capital strength, the Group is committed to ensuring a modest level of financial gearing. At 31 December 2011, the percentage of interest bearing net debt to total assets is 27.3% (2010: 29.1%).

Liquidity risk

The Group is exposed to liquidity risk, being the risk of encountering difficulties in meeting obligations relating to the Group's financial liabilities. The Group's main liquidity risk is its ability to refinance its current borrowings. The Group 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 Group 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 liquidity of the Group.

As a part of its liquidity risk management, the Group 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 Group 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 liquidity position going forward.

Financing arrangements

It is the Group's Treasury Risk Management Policy that the Group holds a liquidity buffer in the form cash identified as surplus to normal requirements. This provides sufficient time to identify and implement more permanent funding solutions in the event of an unforeseen adverse liquidity event. Minimum liquidity buffer requirements are approved by the Group's ultimate parent and reviewed by Group Treasury on a quarterly basis. Note 17 provides information in relation to the undrawn borrowing facilities at the reporting date.

32. Financial instruments continued

Liquidity risk continued

Maturities of financial liabilities

The tables below analyse the Group's financial liabilities and 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. All derivative assets and liabilities have been included. The table includes both interest and principal cash flows.

Consolidated – 31 December 2011	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	591.3	32.8	-	-	-	-	624.1
Interest bearing loans and borrowings	615.1	1,287.2	343.1	21.7	323.6	-	2,590.7
Non-interest bearing loans and borrowings	-	-	-	-	-	-	-
Total non derivatives	1,206.4	1,320.0	343.1	21.7	323.6	-	3,214.8
Derivatives							
Net settled – interest rate swaps	12.2	10.1	2.0	0.8	0.3	-	25.4
Total derivatives	12.2	10.1	2.0	0.8	0.3	-	25.4

Consolidated – 31 December 2010	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	612.0	13.0	-	-	-	-	625.0
Interest bearing loans and borrowings	668.9	1,265.8	821.6	-	-	-	2,756.3
Non-interest bearing loans and borrowings	238.0	-	-	-	-	-	238.0
Total non derivatives	1,518.9	1,278.8	821.6	-	-	-	3,619.3
Derivatives							
Net settled – interest rate swaps	(1.9)	1.8	2.1	1.2	1.1	-	4.3
Total derivatives	(1.9)	1.8	2.1	1.2	1.1	-	4.3

32. Financial instruments continued

Fair value

A number of the Group'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 terms and maturity of each contract and using market interest rates for similar instruments at the reporting date. The fair value of forward foreign exchange contracts is based on present value of future cash flows, discounted at the market rate of interest at the reporting date.

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 Net Tangible Assets 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 Group and Company approximate carrying value.

The fair value of property financial assets are calculated with reference the fair value of, and the funds from operations generated from, the underlying properties with consideration to the asset's financing structure.

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 on 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.

Fair value measurements recognised in the Statement of Financial Position

The following table provides an analysis of financial instruments 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).

32. Financial instruments continued

Fair value continued

31 December 2011	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets				
Derivative instruments – Interest rate swaps	-	0.3	-	0.3
Investments				
- Listed	32.6	-	-	32.6
- Unlisted	-	-	126.6	126.6
- Property financial assets	-	-	1,988.6	1,988.6
Total financial assets at fair value	32.6	0.3	2,115.2	2,148.1
Financial liabilities				
Derivative instruments – interest rate swaps	-	(25.4)	-	(25.4)
Total financial liabilities at fair value	-	(25.4)	-	(25.4)
Net financial assets at fair value	32.6	(25.1)	2,115.2	2,122.7

31 December 2010	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets				
Derivative instruments – Interest rate swaps	-	6.7	-	6.7
Investments	-	-	-	-
- Listed	28.8	-	-	28.8
- Unlisted	-	-	150.7	150.7
- Property financial assets	-	-	1,889.0	1,889.0
Total financial assets at fair value	28.8	6.7	2,039.7	2,075.2
Financial liabilities				
Derivative instruments – interest rate swaps	-	(4.5)	-	(4.5)
Total financial liabilities at fair value	-	(4.5)	-	(4.5)
Net financial assets at fair value	28.8	2.2	2,039.7	2,070.7

32. Financial instruments continued

Fair value continued

The carrying value of investments and interest bearing loans and borrowings approximates their fair value.
Reconciliation of level 3 fair value measurements:

Consolidated - 31 December 2011	Property financial assets $m	Investment in unlisted securities $m	Total $m
Consolidated			
Opening balance	1,889.0	150.7	2,039.7
Acquisitions/ Dispositions	-	(18.7)	(18.7)
Gains recognised in the income statement	123.4	-	123.4
Other	(23.8)	(5.4)	(29.2)
Closing balance	**1,988.6**	**126.6**	**2,115.2**

Consolidated - 31 December 2010	Property financial assets $m	Investment in unlisted securities $m	Total $m
Consolidated			
Opening balance	-	18.9	18.9
Acquisition though Consolidation[1]	-	131.1	131.1
Transfer to financial assets[2]	1,889.0	-	1,889.0
Losses recognised in the income statement	-	(1.2)	(1.2)
Other	-	1.9	1.9
Closing balance	**1,889.0**	**150.7**	**2,039.7**

[1] As a result of the Consolidated Entity's acquisition of additional units in BAO via a rights issue. Refer to Note 30.
[2] Refer to Note 29 for further information on property financial assets.

33. Reconciliation of cash flows from operating activities

Reconciliation of cash flows from operating activities	31-Dec-11 $m	31-Dec-10 $m
Reconciliation of net profit to net cash (outflow)/inflow from operating activities		
Profit from ordinary activities after income tax	315.4	97.3
Depreciation and amortisation	22.9	25.8
Fair value adjustments on investment properties	(144.4)	(46.5)
Gain on consolidation	-	-
Net gain on revaluation of investment property	4.0	-
Share of profit/(loss) of associates and joint venture entities	11.5	(51.4)
Other impairments	2.0	31.4
Unrealised foreign exchange (losses)/gains	(3.4)	1.4
Tax expense	39.0	38.2
Change in operating assets and liabilities, net of effects from purchase and disposal of subsidiaries:		-
Increase in trade and other debtors	(141.7)	(26.3)
Decrease in inventories	136.7	133.9
Decrease in capitalised borrowing cost	5.4	-
Decrease/(increase) in other assets	4.4	(10.4)
Increase in payables and provisions	54.3	20.0
Increase/(decrease) in contract work in progress	23.7	(18.0)
(Decrease)/increase in deferred tax liabilities	(1.0)	22.9
Net cash inflow from operating activities	328.8	218.3

34. Stapling arrangements

The Stapling Deed between Brookfield Funds Management Limited (BFML), 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 security holders 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.

34. 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

35. Events occurring after the reporting date

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 period that has significantly affected, or may affect, the Consolidated Entity's operations in future financial periods, the results of those operations or the Consolidated Entity's state of affairs in future financial periods.

Directors' Declaration
Brookfield Australia Investments Group
For the year ended 31 December 2011

In the opinion of the Directors of Brookfield Australia Investments Limited:

a the financial statements and notes set out on pages 9 to 59 are in accordance with the *Corporations Act 2001*, including:

  i giving a true and fair view of the financial position of the Company as at 31 December 2011 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 note 2 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 Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors of Brookfield Australia Investments Limited as required by Section 295(5) of the *Corporations Act 2001*.

Dated at Sydney, this 24th day of February 2011

Brian Kingston	**Russel Proutt**
Executive Director	Executive Director
Brookfield Australia Investments Limited	Brookfield Australia Investments Limited

Deloitte.

Deloitte Touche Tohmatsu
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Independent Auditor's Report to the Securityholders of Brookfield Australia Investments Group

We have audited the accompanying financial report of Brookfield Australia Investments Group which comprises the statement of financial position as at 31 December 2011, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the stapled entity comprising Brookfield Australia Investments Limited and its consolidated entities and Brookfield Australia Property Trust and its consolidated entities at the year's end or from time to time during the financial year as set out on pages 9 to 60.

Directors' Responsibility for the Financial Report

The directors of the stapled entity 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 Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

Auditor's Independence Declaration

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

Opinion

In our opinion:

(a) the financial report of Brookfield Australia Investments Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Brookfield Australia Investments Group's financial position as at 31 December 2011 and of its performance for the year ended on that date; and

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

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

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

J A Leotta
Partner
Chartered Accountants
Sydney, 24 February 2012

Brookfield Australia Property Trust and its controlled entities
Annual financial statements
For the year ended
31 December 2011

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 2011

Directory

Brookfield Australia Property Trust and its controlled entities

For the year ended 31 December 2011

Responsible Entity
Brookfield Funds Management Limited
Level 22, 135 King Street,
Sydney NSW 2000
Telephone: +61 (0) 2 9322 2000
Facsimile: +61 (0) 2 9322 2001

Directors of Brookfield Funds Management Limited
Mr F Allan McDonald
Ms Barbara K Ward
Mr Russell T Proutt

Registered Office of Brookfield Funds Management Limited
Level 22, 135 King Street,
Sydney NSW 2000
Telephone: +61 (0) 2 9322 2000
Facsimile: +61 (0) 2 9322 2001

Auditor
Deloitte Touche Tohmatsu
Grosvenor Place, 225 George Street
Sydney NSW 2000
Telephone: + 61 (0) 2 9322 7000
Fax: + 61 (0) 2 9322 7001

Directors' Report
Brookfield Australia Property Trust and its controlled entities
For the year ended 31 December 2011

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 2011 and the Independent Audit Report thereon. Brookfield Australia Investments Limited (BAIL) (the Company), the Trust and their controlled entities are 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 inception of the Trust.

The registered office and principal place of business of the Responsible Entity is as follows:

Registered office	Level 22, 135 King Street, Sydney NSW 2000
Principal place of business	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 ended 31 December 2011:

Name	Capacity
Mr F Allan McDonald (Director since 22 October 2003)	Non-Executive Chairman
Ms Barbara K Ward (Director since 22 October 2003)	Non-Executive Director
Mr Russell T Proutt (Director since 17 March 2010)	Executive Director

Principal activities
The principal activity of the Consolidated Entity during the course of the financial year ended 31 December 2011 was the investment in income producing retail, commercial and industrial properties. The Consolidated Entity principally operates in Australia and New Zealand.

There has been no significant change in the nature of the activities of the Consolidated Entity during the year ended 31 December 2011.

Group structure
Ordinary shares in the Company and ordinary units in the Trust are stapled together so that neither can be dealt without the other. A transfer, issue or reorganisation of an ordinary share or an ordinary unit in one of the component parts is accompanied by a transfer, issue or reorganisation of an ordinary share or ordinary unit in the other component part.

Distributions
During the financial year ended 31 December 2011, a distribution of $5.8 million was paid or payable to unitholders of the Trust (2010: $5.9 million). As at 31 December 2011, $5.8 million of total distributions remained unpaid.

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 2011:

		Consolidated	
		Year ended 31-Dec-11	Year ended 31-Dec-10
Net profit after tax attributable to unitholders	($m)	137.4	118.9
Net profit per unit	(cents)	16.4	14.2
Distribution payable and paid	($m)	5.8	5.9
Distribution per unit	(cents)	0.7	0.7

Review of operations and results continued

Operating results for the financial year continued

The Consolidated Entity reported a net profit attributable to unitholders of $137.4 million for the financial year ended 31 December 2011 (2010: $118.9 million).

On 27 September 2010 a BAM subsidiary entered into a total return swap and option (with an initial 5 year term) with a BPO subsidiary whereby BPO obtained the economic rights and obligations of several properties at a strike price which was calculated based on the fair value of the assets at that date. As a result, a financial asset has been recorded in the Consolidated Entity. The value of this financial asset has been determined with reference to the fair value of the underlying properties. No material gain or loss was recognised with respect to this transaction. The property financial assets are designated fair value through the profit and loss.

During the financial year there was an amendment to the total return swap and option agreement with respect to the property financial assets which require the procurement of the optioned properties at fair market value on exercise of the option. As a result of these amendments, an increment of $79.0 million was recorded due to the changes in the underlying property fair value.

The result included the favourable impact of fair value adjustments (FVAs) relating to the Consolidated Entity's investment properties of $9.5 million (2010: favourable $34.9 million).

Financial condition

Total assets decreased $207.6 million to $5,280.6 million at 31 December 2011 compared to $5,488.2 million at 31 December 2010.

At 31 December 2011 existing debt facilities totalled $1,880.6 million (2010: $1,952.9 million) of which $1,880.6 million was drawn (2010: $1,952.9 million). At 31 December 2011 the Consolidated Entity had available $nil (2010: nil) of undrawn committed borrowing facilities in respect of which all conditions precedent, other than, for example, incurrence of costs or project facilities, had been met.

Total equity (excluding non-controlling interests) increased $97.6 million to $2,661.7 million at 31 December 2011 compared to $2,564.1 million at 31 December 2010.

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 34.7% at 31 December 2011 compared to 34.6% at 31 December 2010.

Events subsequent to the reporting date

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 2011, 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

The Company has entered into deeds of access and indemnity with each of its Directors, Company Secretary and other nominated Officers. The terms of the deeds are in accordance with the provisions of the *Corporations Act 2001* and will indemnify these executives (to the extent permitted by law) for up to seven years after serving as an Officer against legal costs incurred in defending civil or criminal proceedings against the executives, except where proceedings result in unfavourable decisions against the executives, and in respect of reasonable legal costs incurred by the executives in good faith in obtaining legal advice in relation to any issue relating to the executives being an officer of the Responsible Entitiy.

Directors' Report continued
Brookfield Australia Property Trust and its controlled entities
For the year ended 31 December 2011

Indemnification and insurance of officers and auditors continued
Under the deeds of access and indemnity, the Company has agreed to indemnify these persons (to the extent permitted by law) against:
- liabilities incurred as a director or officer of the Company or a company in the Group, except for those liabilities incurred in relation to the matters set out in section 199A(2) of the *Corporations Act 2001*; and
- reasonable legal costs incurred in defending an action for a liability or alleged liability as a director or officer, except for costs incurred in relation to the matters set out in section 199A(3) of the *Corporations Act 2001*.

The Company has also agreed to effect, maintain and pay the premium on a director's and officer's insurance policy.

This policy does not seek to insure against liabilities (other than for legal costs) arising out of:
- conduct involving a wilful breach of duty in relation to the Company or a company in the Group; or
- a contravention of sections 182 or 183 of the *Corporations Act 2001*.

The obligation to effect, maintain and pay the premium on a policy continues for a period of 7 years after the Director or officer has left office.

Contract of insurance
The Company has paid or agreed to pay a premium in respect of a contract insuring the Directors and officers of the Responsible Entity against a liability. The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the Directors' and officers' liabilities, as such disclosure is prohibited under the terms of the contract.

The Responsible Entity 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 Responsible Entity or of any related body corporate against a liability incurred as such an officer or auditor.

Rounding of amounts
The Trust is of a kind referred to in Class Order 98/0100 (10 July 1998), issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' report and the financial report. Amounts in the Directors' report and the financial report have been rounded off in accordance with that Class Order to the nearest million dollars, or in certain cases, to the nearest dollar, 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 2011.

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 24th day of February 2012

F Allan McDonald
Non-Executive Chairman
Brookfield Funds Management Limited

Russell T Proutt
Executive Director
Brookfield Funds Management Limited

Deloitte.

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

24 February 2012

Dear Directors

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 the responsible entity of Brookfield Australia Property Trust.

As lead audit partner for the audit of the financial statements of Brookfield Australia Property Trust for the financial year ended 31 December 2011, 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

J A Leotta
Partner
Chartered Accountants

Consolidated Statement of Comprehensive Income

Brookfield Australia Property Trust and its controlled entities

For the year ended 31 December 2011

	Note	Consolidated Year ended 31 Dec 11 $m	Year ended 31 Dec 10 $m
Revenue	5	235.7	290.7
Property finance income	10	147.6	20.4
Other income	5	10.9	27.0
Net gain on revaluation of investment property		9.5	34.9
Rates, taxes and property outgoings		(61.1)	(68.3)
Finance costs	5	(152.9)	(176.0)
Other expenses		(13.8)	(24.2)
Ineffective portion of changes in fair value of derivatives		11.5	1.3
Share of net (loss)/profit on investments accounted for using the equity method	13	(11.5)	45.4
Net profit for the period before income tax		**175.9**	**151.2**
Income tax benefit	6	1.7	2.3
Net profit for the period		**177.6**	**153.5**
Other comprehensive income			
Currency translation differences	20	(0.8)	5.0
Changes in fair value of available for sale financial assets	20	1.3	10.4
Effective portion of changes in fair value of cash flow hedges	20	(34.5)	21.3
Other comprehensive (loss)/income for the period		**(34.0)**	**36.7**
Total comprehensive income for the period		**143.6**	**190.2**
Profit attributable to:			
Unitholders of the Brookfield Australia Property Trust		137.4	118.9
Non-controlling interest		40.2	34.6
Net profit for the period		**177.6**	**153.5**
Total comprehensive income attributable to:			
Unitholders of the Brookfield Australia Property Trust		103.9	157.9
Non-controlling interest		39.7	32.4
Total comprehensive income for the period		**143.6**	**190.2**

The Consolidated Statement of Comprehensive Income should be read in conjunction with the Notes to the financial statements.

Consolidated Statement of Financial Position

Brookfield Australia Property Trust and its controlled entities

As at 31 December 2011

	Note	Consolidated 31 Dec 11 $m	Consolidated 31 Dec 10 $m
Current assets			
Cash and cash equivalents		62.3	55.6
Trade and other receivables	8	43.5	313.8
Derivative financial instruments	9	0.1	-
Other financial assets	10	1,332.3	1,300.0
Other assets	11	3.6	4.7
Total current assets		**1,441.8**	**1,674.1**
Non-current assets			
Derivative financial instruments	9	0.2	6.7
Other financial assets	10	1,430.5	1,392.0
Interest bearing receivables	12	179.5	178.8
Investments accounted for using the equity method	13	7.7	16.6
Investment property	14	2,220.9	2,220.0
Total non-current assets		**3,838.8**	**3,814.1**
Total assets		**5,280.6**	**5,488.2**
Current liabilities			
Trade and other payables	15	76.0	160.0
Derivative financial instruments	9	0.1	3.9
Interest bearing loans and borrowings	16	219.9	296.4
Non-interest bearing loans and borrowings	17	5.3	188.6
Provisions	18	12.2	12.7
Total current liabilities		**313.5**	**661.6**
Non-current liabilities			
Trade and other payables	15	1.1	0.8
Derivative financial instruments	9	24.9	-
Interest bearing loans and borrowings	16	1,651.2	1,641.1
Deferred tax liability	6	12.3	13.4
Total non-current liabilities		**1,689.5**	**1,655.3**
Total liabilities		**2,003.0**	**2,316.9**
Net assets		**3,277.6**	**3,171.3**
Equity			
Issued equity	19	2,441.8	2,441.8
Reserves	20	(34.7)	(0.7)
Undistributed income	21	254.6	123.0
Total parent interests		**2,661.7**	**2,564.1**
Non-controlling interests	22	615.9	607.2
Total equity		**3,277.6**	**3,171.3**

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

Consolidated Statement of Changes in Unitholder Interests

Brookfield Australia Property Trust and its controlled entities

For the year ended 31 December 2011

	Attributable to Unitholders of the Trust					
	Issued Units (refer to Note 19) $m	Undistributed profits (refer to Note 21) $m	Reserves (refer to Note 20) $m	Total $m	Non-controlling Interests $m	Total Equity $m
Consolidated						
As at 1 January 2011	**2,441.8**	**123.0**	**(0.7)**	**2,564.1**	**607.2**	**3,171.3**
Currency translation differences	-	-	(0.8)	(0.8)	(1.3)	(2.1)
Change in fair value of available for sale financial assets	-	-	1.3	1.3	0.8	2.1
Effective portion of changes in fair value of cash flow hedges	-	-	(34.5)	(34.5)	-	(34.5)
Income and expense recognised directly in equity	-	-	(34.0)	(34.0)	(0.5)	**(34.5)**
Profit for the period	-	137.4	-	137.4	40.2	177.6
Total comprehensive income	**-**	**137.4**	**(34.0)**	**103.4**	**39.7**	**143.1**
Transactions with unitholders in their capacity as unitholders:						
Shares issued	-	-	-	-	11.1	11.1
Distributions for the period	-	(5.8)	-	(5.8)	(42.1)	(47.9)
Total transactions with unitholders in their capacity as unitholders	**-**	**(5.8)**	**-**	**(5.8)**	**(31.0)**	**(36.8)**
As at 31 December 2011	**2,441.8**	**254.6**	**(34.7)**	**2,661.7**	**615.9**	**3,277.6**
As at 1 January 2010	**2,441.8**	**10.0**	**(37.4)**	**2,414.4**	**518.2**	**2,932.6**
Currency translation differences	-	-	5.0	5.0	(3.2)	1.8
Change in fair value of available for sale financial assets	-	-	10.4	10.4	0.7	11.1
Effective portion of changes in fair value of cash flow hedges	-	-	21.3	21.3	0.3	21.6
Income and expense recognised directly in equity	-	-	36.7	36.7	(2.2)	34.5
Profit for the period	-	118.9	-	118.9	34.6	153.5
Total comprehensive income	**-**	**118.9**	**36.7**	**155.6**	**32.4**	**188.0**
Transactions with unitholders in their capacity as unitholders:						
Acquisition of subsidiaries with non-controlling interest	-	-	-	-	169.0	169.0
Deconsolidation of subsidiaries with non-controlling interest	-	-	-	-	(77.2)	(77.2)
Distributions for the period	-	(5.9)	-	(5.9)	(35.2)	(41.1)
Total transactions with unitholders in their capacity as unitholders	**-**	**(5.9)**	**-**	**(5.9)**	**56.6**	**50.7**
As at 31 December 2010	**2,441.8**	**123.0**	**(0.7)**	**2,564.1**	**607.2**	**3,171.3**

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

Consolidated Statement of Cash Flows
Brookfield Australia Property Trust and its controlled entities
For the year ended 31 December 2011

	Note	Consolidated Year ended 31 Dec 11 $m	Year ended 31 Dec 10 $m
Cash flows from operating activities			
Receipts from customers		253.9	277.6
Payments to suppliers		(98.8)	(88.8)
		155.1	**188.8**
Property finance income		68.6	20.4
Distributions received		10.5	33.4
Interest received		1.7	5.3
Finance costs paid		(135.4)	(170.7)
Net cash inflow from operating activities	7	**100.5**	**77.2**
Cash flows from investing activities			
(Payments)/proceeds for/from sale of investments		(78.9)	1.1
Payments for investment properties	14	(50.8)	(71.5)
Proceeds from sale of investment properties	14	57.5	24.8
Net cash inflow on acquisition of subsidiary	29	-	4.9
Net cash outflow on deconsolidation of subsidiaries	31	-	(18.2)
Net cash outflow for investing activities		**(72.2)**	**(58.9)**
Cash flows from financing activities			
Proceeds from borrowings		196.9	888.6
Repayment of borrowings		(269.8)	(924.5)
Loans repaid to related parties		51.3	45.2
Distributions paid to unitholders and non-controlling interests in controlled entities		-	(28.2)
Net cash outflow for financing activities		**(21.6)**	**(18.9)**
Net increase/(decrease) in cash and cash equivalents held		6.7	(0.6)
Cash and cash equivalents at the beginning of the period		55.6	56.2
Cash and cash equivalents at the end of the period		**62.3**	**55.6**

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

1 Reporting entity

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 referred to as the Group in this report.

A Group stapled security consists of one ordinary unit in the Trust and one ordinary share in the Company and 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 2011.

2 Basis of preparation

Statement of compliance

The general-purpose financial report has been prepared in accordance with the Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Interpretations and the Corporations Act 2001. Accounting standards include Australian equivalents to International Financial Reporting Standards (A-IFRS). Compliance with A-IFRS ensures that the financial statements and notes of 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 in accordance with a resolution of the directors on 24 February 2012.

Basis of measurement

The 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 available for sale, 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.

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

Use of estimates and judgements

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

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

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements is provided in Note 14, Investment property, Note 13, Investments accounted for using the equity method and Note 10, Other financial assets.

3 Significant accounting policies

The significant policies set out below have been applied consistently to all periods presented in this report.

a Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all controlled entities of the Consolidated Entity as at 31 December 2011 and the results of all controlled entities for the financial year then ended.

Controlled entities

Controlled entities are entities controlled by the Consolidated Entity. Control exists when the Consolidated Entity has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of controlled entities are included in the financial report from the date control commences until the date that control ceases. The accounting policies of controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Consolidated Entity.

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

Business combinations

Acquisitions of controlled entites and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Consolidated Entity in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 *Business Combinations* are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Consolidated Entity's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Consolidated Entity's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the non-controlling interests' proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Non-controlling interests

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 interest in excess of the non-controlling interest's interest in the controlled entities' equity are allocated against the interests of the Consolidated Entity except to the extent that the non-controlling interest has a binding obligation and is able to make an additional investment to cover the losses.

Associates

The Consolidated Entity's investment in associates is accounted for using the equity method of accounting in the consolidated financial report. An associate is an entity in which the Consolidated Entity has significant influence, but not control, over their financial and operating policies.

Under the equity method, investments in associates are carried in the Consolidated Statement of Financial Position at cost plus post-acquisition changes in the Consolidated Entity's share of net assets, net profits and reserves of the associate. After application of the equity method, the Consolidated Entity determines whether it is necessary to recognise any additional impairment loss with respect to the Consolidated Entity's net investment in an associate. The Statement of Comprehensive Income reflects the Consolidated Entity's share of the results of operations of an associate, after applying consistent accounting policies to the associate.

When the Consolidated Entity's share of losses exceeds its interest in an associate, the Consolidated Entity's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Consolidated Entity has incurred legal or constructive obligations or made payments on behalf of an associate.

Where there has been a change recognised directly in the associate's equity, the Consolidated Entity recognises its share of any changes and discloses this in the consolidated Statement of Changes in Unitholder Interests.

3 Significant accounting policies continued

a Principles of consolidation continued

Joint ventures

Joint ventures are those entities over whose activities the Consolidated Entity has joint control, which is established by contractual agreement.

Jointly controlled entities

Investments in jointly controlled entities, including incorporated partnerships, are accounted for using the equity method. Investments in joint venture entities are carried at the lower of the equity accounted amount and the recoverable amount.

The general purpose financial report of the Consolidated Entity includes the share of the Consolidated Entity's total recognised profits and losses of joint ventures on an equity accounted basis, from the date joint control commenced until the date joint control ceases. Other movements in reserves are recognised directly in consolidated reserves.

Jointly controlled operations and assets

The interest of the Consolidated Entity in unincorporated joint ventures and jointly controlled assets are brought to account in the financial report by recognising the assets it controls and the liabilities that it incurs, and the expenses it incurs and its share of income that it earns from the sale of goods or services by the joint venture.

Transactions eliminated on consolidation

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

b Foreign currency

Functional and presentation currency

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. This financial report is presented in Australian dollars, which is the presentation currency of the Consolidated Entity and the functional currency of the Trust.

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 Statement of 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 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 shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the Statement of 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.

c Revenue recognition

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

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 and after sales within the Consolidated Entity are eliminated. Exchange of goods or services of the same nature and value without any cash consideration are not recognised as revenues.

3 Significant accounting policies continued

c Revenue recognition continued

Revenue is recognised for the major business activities as follows:

Property rental revenue

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

In accordance with Interpretation 115 *Operating Leases – Incentives*, lease incentives granted are recognised by the Consolidated Entity 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.

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.

Property Finance Income

Property financial assets have a realised and unrealised portion of income attributable. Realised property finance income is the declared distributions of each underlying sub-trust/company that is party to the loan note arrangement, distributions are declared and paid quarterly. Unrealised returns represent the underlying fair value movements within the property value for each of the assets.

d 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.

Finance costs

Finance costs are recognised as expensed using the effective interest method. Financing 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.

e Trust income tax – Brookfield Australia Property Trust

On 1 January 2008, Brookfield Australia Property Trust and its resident Australian wholly owned controlled entities joined the Australian tax consolidated group of Brookfield Holdco (Australia) Pty Limited.

On entry to the Brookfield Holdco (Australia) Pty Limited Australian tax consolidated group, Brookfield Australia Property Trust and its resident Australian wholly owned controlled 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 Brookfield Holdco (Australia) Pty Limited.

The tax sharing agreement also contains tax funding provisions. Pursuant to the tax funding provisions, Brookfield Australia Property Trust and its wholly owned Australian controlled entities are not required to compensate Brookfield Holdco (Australia) Pty Limited on the basis that all taxable income is distributed by Brookfield Australia Property Trust.

Under current income tax legislation, the Trust and its controlled 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.

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.

3 Significant accounting policies continued

e Trust income tax – Brookfield Australia Property Trust continued

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.

f 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 Statement of Financial Position.

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

g Derivative financial instruments

The Consolidated Entity uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investing activities. In accordance with its treasury policy, which documents policies and limits approved by the Board of Directors in respect of the use of derivative financial instruments to hedge cash flows subject to interest rate and currency risks of the relevant entity, the Consolidated Entity does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as financial assets at fair value through profit or loss.

Derivative financial instruments are initially recognised at fair value and are subsequently remeasured on a fair value basis. The gain or loss on re-measurement to fair value is recognised immediately in the Statement of Comprehensive Income. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

The fair value of interest rate swaps is the estimated amount that the Consolidated Entity would receive or pay to terminate the swap at the statement of financial position date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts is their quoted market price at the Statement of Financial Position date, being the present value of the quoted forward price.

Embedded derivatives are derivative instruments that are embedded in another contract, they will be recognised as a financial asset or liability at fair value through the profit and loss unless the embedded derivative does not significantly modify the cashflow that otherwise would be required by the contract.

Hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Consolidated Entity enters into hedges of actual and highly probable forecast transactions (cash flow hedges).

The Consolidated Entity documents at inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking hedge transactions. The Consolidated Entity also documents its assessment, both at the inception of the hedge and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of the hedged items.

The effective portion of changes in fair value of cash flow hedges is recognised directly in equity. Movements in the hedging reserve are shown in the Statement of Changes in Unitholder Interests. The gain or loss relating to any ineffective portion is recognised immediately in the Statement of Comprehensive Income.

Amounts deferred in equity are recycled to the Statement of Comprehensive Income in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a liability, the gains or losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, terminated or exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Statement of Comprehensive Income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Statement of Comprehensive Income.

3 Significant accounting policies continued

g Derivative financial instruments continued

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the Statement of Comprehensive Income.

Financial guarantee contracts

For financial guarantee contract liabilities, the fair value at initial recognition is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payment that would be required without the guarantee. Where guarantees in relation to loans of controlled entities or associates are provided for no compensation, the fair values are accounted for as part of the cost of the investment.

h Cash and cash equivalents

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

i Trade and other receivables

Trade debtors and other receivables are stated at their amortised cost less any identified impairment losses. Impairment charges are brought to account as described in Note 3q.

Non-current receivables are measured at amortised cost using the effective interest rate method.

j Investments and other financial assets

Financial instruments held by the Consolidated Entity classified as being available for sale are stated at fair value, with any resultant gain or loss recognised directly in equity, except for impairment losses and, in the case of monetary items, foreign exchange gains and losses. Where these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in the Statement of Comprehensive Income. Where these investments are interest bearing, interest calculated using the effective interest method is recognised in the Statement of Comprehensive Income.

The fair value of exchange traded financial instruments is their quoted bid price at the reporting date.

Other investments are carried at the lower of cost and estimated recoverable amount.

Purchases and sales of financial assets that require delivery of assets are recognised on the trade date.

k Property Financial Asset

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 of, and the funds from operations generated from, the underlying properties with consideration to the asset's financing structure that are subject to the total return swap and option. Refer to note 10 for further information.

l Leased assets

Lease payments made under operating leases are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the term of the lease.

In accordance with Interpretation 115 *Operating Leases – Incentives* lease incentives received are recognised in the Statement of Comprehensive Income on a straight-line basis as they are an integral part of the total lease expense over the lease term.

m Sale of non-current assets

Non-current assets held for sale at reporting date

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale if the assets meet the requirements of AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*. The assets are measured at the lower of their carrying amount and fair value less costs to sell, except for investment property which is measured at fair value.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell if applicable. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

Non-current assets classified as held for sale are presented separately from the other current assets in the Statement of Financial Position.

In the course of its ordinary activities, other transactions (including the sale of non-current assets such as investments and operating assets) may be undertaken that are incidental to the main revenue generating activities of the Consolidated Entity.

The results of such transactions are presented by netting the sale proceeds on disposal less selling costs and the carrying value of the asset at the date control of the asset passes to the buyer.

3 Significant accounting policies continued

n Investment property

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.

o Valuations

Investment properties are stated at their fair value at the Statement of Financial Position 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 Statement of Comprehensive Income in the period in which they arise.

p Intangible assets and goodwill

All business combinations are accounted for by applying the purchase method. In respect of business acquisitions that have occurred since 1 July 2004, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. In respect of acquisitions prior to this date, goodwill is included on the basis of its deemed cost.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

A discount arising on an acquisition is recognised immediately in the Statement of Comprehensive Income.

3 Significant accounting policies continued

q Impairment

If any indication of impairment exists, the carrying amounts of the applicable assets of the Consolidated Entity, other than investment property, inventories, construction contracts and deferred tax assets are reviewed and the asset's recoverable amount is estimated.

For determining impairment of goodwill and intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is reviewed annually.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the Statement of Comprehensive Income.

When a decline in the fair value of an available for sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised in equity is recognised in the Statement of Comprehensive income. The amount of the cumulative loss that is recognised in the Statement of Comprehensive Income is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in the Statement of Comprehensive Income.

r Calculation of recoverable amount

The recoverable amount of loans and receivables carried at amortised cost is calculated as the present value of the estimated future cash flows, discounted at the original effective interest rate (being the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment of receivables is not recognised until objective evidence is available that an impairment event has occurred. Significant receivables are individually assessed for impairment. Receivables that are not assessed as impaired or are not significant are placed into portfolios of assets with similar risk profiles and a collective assessment of impairment is performed.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

s Reversals of impairment

An impairment loss in respect of loans and receivables is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available for sale is reversed through the Statement of Changes in Equity. If the fair value of a debt instrument classified as available for sale increases and the increase can be related to an event occurring after the impairment loss was recognised in the Statement of Comprehensive Income, the impairment loss shall be reversed, with the amount of the reversal recognised in the Statement of Comprehensive Income.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment loss had been recognised.

t Trade and other payables

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.

u Interest bearing liabilities

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

v 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.

3 Significant accounting policies continued

w Distributions

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 Brookfield Funds Management Limited as the Responsible Entity of the Trust on or before the end of the reporting period but not distributed or paid at the reporting date.

x Issued equity

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.

Non-controlling interests 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 Statement of Comprehensive Income and within equity in the Statement of Financial Position.

y New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 31 December 2011 but have not been applied preparing these financial statements:

AASB 9 *Financial Instruments* is effective from annual periods beginning on or after 1 January 2013 introduces new requirements for classifying and measuring financial assets, as follows, debt instruments meeting both a business model test and a cash flow characteristics test are measured at amortised cost and investments in equity instruments can be designated as fair value through other comprehensive income with only dividends being recognised in the Statement of Comprehensive Income. The Group has not yet decided when to adopt AASB 9 or determined the consequential impact of the amendment.

AASB 124 *Related Party Disclosures* modifies the definition of a related party and simplifies some disclosures for government related entities. As the Consolidated Entity is not a government related entity these disclosure are not expected to have an impact and therefore the Consolidated Entity have not opted for early adoption. The changes may however effect counterparties of the Consolidated Entity which previously did not fall within the scope of a related party. The Consolidated Entity has not yet decided when to adopt the AASB 24 changes or determined the consequential impact of the amendment.

AASB 32 *Classification of Rights Issues* addresses the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. To date, the Consolidated Entity has not entered into any arrangements that would fall within the scope of the amendments. However, if the Consolidated Entity does enter into any rights issues within the scope of the amendments in future accounting periods, the amendments to AASB 32 will have an impact on the classification of those rights issues.

IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. To date, the Consolidated Entity has not entered into transactions of this nature. However, if the Consolidated Entity does enter into any such transactions in the future, IFRIC 19 will affect the required accounting. In particular, under IFRIC 19, equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss.

z Comparatives

Where deemed necessary, the comparatives have been reclassified to achieve consistency with the current financial year.

	Trust 31 Dec 2011 $m	31 Dec 2010 $m
4 Parent entity disclosures		
Assets		
Current assets	2,193.0	2,081.6
Non-current assets	3,258.5	3,204.6
Total assets	**5,451.5**	**5,286.2**
Liabilities		
Current liabilities	2,887.2	2,747.8
Non-current liabilities	11.6	11.7
Total liabilities	**2,898.8**	**2,759.5**
Equity		
Units on issue	2,441.8	2,441.8
Reserves	0.8	0.8
Undistributed income	110.1	84.1
Total Equity	**2,552.7**	**2,526.7**
Net (loss)/profit for the financial year	**(37.4)**	**106.4**
Other comprehensive income for the financial year	-	**7.2**
Total comprehensive (loss)/income for the financial year	**(37.4)**	**113.6**

	Year ended 31 Dec 2011 $m	Year ended 31 Dec 2010 $m
5 Revenue and expenses		
Revenues		
Property rental revenue	195.8	241.3
Recoverable outgoings	38.2	44.0
Interest revenue – loans and receivables	1.7	5.4
Total revenues	**235.7**	**290.7**
Other income		
Gain on acquisition of subsidiaries	-	25.0
Distributions	10.9	2.0
Total other income	**10.9**	**27.0**
Finance costs		
Interest and finance charges – external parties	(137.0)	(146.1)
Amortisation of borrowing costs	(9.8)	(21.5)
Other	(6.1)	(8.4)
Total finance costs	**(152.9)**	**(176.0)**

	Year ended 31 Dec 2011 $m	Year ended 31 Dec 2010 $m
6 Income Tax		
Income tax benefit		
Deferred income tax		
Relating to origination and reversal of temporary differences and tax losses	1.7	2.3
Income tax benefit	**1.7**	**2.3**
Numerical reconciliation of income tax expense to prima facie tax payable		
Accounting profit/(loss) before income tax from continuing operations	**175.9**	**151.2**
Prima facie income tax (expense)/benefit on profit/(loss) using the domestic corporation tax rate of 30% (2010: 30%)	**(52.8)**	**(45.4)**
Tax effect of amounts which are not (deductible)/assessable in calculating taxable income:		
Non-taxable Trust profit and consolidation adjustments	54.5	47.7
Income tax benefit	**1.7**	**2.3**

Deferred tax assets and liabilities	Assets 31 Dec 2011 $m	Assets 31 Dec 2010 $m	Liabilities 31 Dec 2011 $m	Liabilities 31 Dec 2010 $m	Net 31 Dec 2011 $m	Net 31 Dec 2010 $m
Consolidated						
Investment property	-	-	(12.3)	(13.4)	(12.3)	(13.4)
Net tax assets/(liabilities)	**-**	**-**	**(12.3)**	**(13.4)**	**(12.3)**	**(13.4)**

	31 Dec 2011 $m	31 Dec 2010 $m
7 Reconciliation of net profit to net cash flows from operating activities		
Net profit for the financial year	**177.6**	**153.5**
Amortisation	10.3	6.3
Fair value adjustments	(100.0)	(36.2)
Share of loss/(profit) of associates	11.5	(45.4)
Gain on consolidation	-	(25.0)
Other impairments	-	7.3
Change in operating assets and liabilities, net of effects from purchase and disposal of controlled entities:		
Decrease/(increase) in trade debtors	1.3	(0.8)
Decrease in capitalised borrowing cost	5.4	1.0
(Decrease)/increase in provisions	(0.5)	4.9
Increase in trade and other payables	2.3	8.6
Decrease in deferred tax liabilities	(1.0)	(2.3)
(Increase)/decrease in other assets	(7.5)	2.0
Decrease in prepayments	1.1	3.3
Net cash inflow from operating activities	**100.5**	**77.2**

Significant non-cash transactions

Refer to Note 31 for details of a significant non-cash transaction that occurred during the comparative financial year.

	31 Dec 2011 $m	31 Dec 2010 $m
8 Trade and other receivables		
Current		
Trade receivables[1]	2.3	3.5
Less: Allowance for doubtful debts	(0.6)	(0.8)
	1.7	**2.7**
Amounts due from Brookfield Holdco (Australia) Pty Limited and its controlled entities[2]	22.4	297.4
Amounts due from associates[3]	0.3	2.0
Other debtors[4]	19.1	11.7
Total current trade and other receivables	**43.5**	**313.8**

[1] Trade receivables are non-interest bearing and generally on 30 day terms. An allowance for impairment is made when there is objective evidence that a trade receivable is impaired. An allowance of $0.6 million (2010: $0.8 million) has been recognised for specific trade receivables.
[2] Amounts classified as current receivables relating to amounts due from Brookfield Holdco (Australia) Pty Limited and its controlled entities are unsecured and are repayable when called.
[3] Represents distributions receivable from associates. No interest is charged and the amounts are due within the normal receivable terms.
[4] These amounts generally arise from transactions outside the usual operating activities of the Consolidated Entity. Interest may be charged at commercial rates where the terms of repayment exceed six months. Collateral is not normally obtained.

As of 31 December 2011, trade receivables of $0.3 million (2010: $0.7 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of defaults and the amounts are still considered recoverable. The ageing analysis is as follows:

	31 Dec 2011 $m	31 Dec 2010 $m
1 – 30 days	1.4	2.0
30 – 60 days	0.1	0.1
60 – 90 days	0.1	-
> 90 days	0.1	0.6
	1.7	**2.7**

There are no receivables that have had renegotiated terms that would otherwise have been past due or impaired.

Movements in provision for the impairment of receivables are as follows:

	31 Dec 2011 $m	31 Dec 2010 $m
Balance at beginning of the financial year	(0.8)	(2.2)
Provision recognised during the year	(0.2)	(1.0)
Other[1]	-	2.2
Receivables written off during the year as uncollectable	0.4	0.2
Balance at end of the financial year	**(0.6)**	**(0.8)**

[1] Other movement relates to the transaction which took place whereby subsidiaries of BAM transferred control of several properties to subsidiaries of BPO. Refer to Note 31 for further information.

The creation and release of the provision for impaired receivables has been included in the Rates, taxes and property outgoings category in the Statement of Comprehensive Income.

	31 Dec 2011 $m	31 Dec 2010 $m
9 Derivative financial instruments		
Current assets		
Interest rate swap contracts	0.1	-
Total current derivative assets	**0.1**	**-**
Non-current assets		
Interest rate swap contracts	0.2	6.7
Total non-current derivative assets	**0.2**	**6.7**
Total derivative assets	**0.3**	**6.7**
Current liabilities		
Interest rate swap contracts	0.1	3.9
Total current derivative liabilities	**0.1**	**3.9**
Non-current liabilities		
Interest rate swap contracts	24.9	-
Total non-current derivative liabilities	**24.9**	**-**
Total derivative liabilities	**25.0**	**3.9**

Refer to Note 30 for further information regarding derivative financial instruments.

	31 Dec 2011 $m	31 Dec 2010 $m
10 Other financial assets		
Current		
Investment in Promissory Note[1]	1,300.0	1,300.0
Available for sale investments	32.3	-
Total other financial assets - current	**1,332.3**	**1,300.0**
Non current		
Available for sale investments	110.3	159.9
Property financial assets[2]		
Brookfield Prime Property Fund[3]	155.0	145.9
King Street Wharf Retail[3]	45.9	43.2
World Square Retail & Carpark[3]	67.4	56.5
KPMG Tower[3]	63.3	62.3
Darling Park Complex[3]	343.2	336.1
Bourke Place Trust[3]	186.4	175.6
Southern Cross East Tower[3]	459.0	412.5
Total other financial assets – non current	**1,430.5**	**1,392.0**

[1]The promissory note is non-interest bearing and repayable on demand. It is subordinate to a syndicated facility that matures in April 2013 between Brookfield (GP) Australia Inc in its capacity as general partner of Brookfield Finance (Australia) LP.

[2] The property financial assets were designated at fair value through the profit and loss on initial recognition. During the financial year there was an amendment to the option agreement requiring the procurement of the optioned properties to be at fair value rather than at the price as set out in the original agreement. The change in the procurement pricing mechanism is reflected in the determination of the fair value of the property finance asset at the balance sheet date. During the period, 9 of the underlying properties were externally valued. For further information regarding property financial assets refer to Note 31.

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

	31 Dec 2011 $m	31 Dec 2010 $m
Property finance income		
Realised property finance income	68.6	20.4
Fair value gain on property financial assets	79.0	-
Total property finance income for the period	**147.6**	**20.4**

	31 Dec 2011 $m	31 Dec 2010 $m
11 Other assets		
Current		
Prepayments	3.6	4.7
Total other assets	**3.6**	**4.7**

	31 Dec 2011 $m	31 Dec 2010 $m
12 Interest bearing receivables		
Non-current		
Interest bearing receivables from related parties	179.5	178.8
Total interest bearing receivables	**179.5**	**178.8**

	31 Dec 2011 $m	31 Dec 2010 $m
13 Investments accounted for using the equity method		
Investment in associates	17.0	26.0
Less: Impairment of investments in associates	(9.3)	(9.4)
Total investments accounted for using the equity method	**7.7**	**16.6**

Investments in associates

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Details of material interests in associates are as follows:

	Principal activities	Country of incorporation	Equity ownership 31 Dec 2011 %	Equity ownership 31 Dec 2010 %	Carrying value 31 Dec 2011 $m	Carrying value 31 Dec 2010 $m
Consolidated Investment						
Multiplex European Property Fund	Property Investment	Australia	25	25	7.7	16.6
Total investments in associates					**7.7**	**16.6**

	Year ended 31 Dec 2011 $m	Year ended 31 Dec 2010 $m
Share of associates' revenues and profits		
Total revenue	13.3	52.8
Total share of associates' net profit after tax accounted for using the equity method	**(11.5)**	**23.7**
Share of associates' assets and liabilities		
Assets	93.6	121.5
Liabilities	(85.9)	(104.3)
Net assets	**7.7**	**17.2**

13 Investments accounted for using the equity method continued

Investments in joint venture entities

Investments in joint venture entities are accounted for in the consolidated financial statements using the equity method of accounting. Details of material interests in joint venture entities are as follows:

	Principal activities	Country of incorporation	Ownership interest 31 Dec 2011 %	Ownership interest 31 Dec 2010 %	Carrying value 31 Dec 2011 $m	Carrying value 31 Dec 2010 $m
Consolidated Investment						
Darling Park Trust[1]	Property Investment	Australia	n/a	n/a	-	-
Total investments in joint venture entities					**-**	**-**

[1] Refer to Note 31 for information regarding derecognition of this asset.

	Consolidated Year ended 31 Dec 2011 $m	Consolidated Year ended 31 Dec 2010 $m
Share of joint venture entities' revenues and profit		
Revenues	-	20.0
Total share of joint venture's net profit after tax accounted for using the equity method	**-**	**21.7**
Share of joint venture entities' assets and liabilities		
Assets	-	-
Liabilities	-	-
Net assets	**-**	**-**

Commitments and contingencies

Contingent liabilities and contingent assets exist in respect of guarantees and insurance bonds issued to clients and guarantees received by the joint venture entities from its subcontractors in lieu of cash retentions on building contracts. In addition, insurance performance bonds have also been issued to some clients in support of the joint venture's performance under its bank guarantees and building contracts.

14 Investment property

Independent valuations

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

	Carrying value 31 Dec 2011 $m	Carrying value 31 Dec 2010 $m
Consolidated (wholly owned)		
Fujitsu Centre, North Sydney, NSW	91.0	92.7
Jessie Street Centre, Parramatta, NSW	255.0	253.2
Luna Park Car Park, Sydney, NSW	6.6	6.6
Pittwater Place, Sydney, NSW	54.3	59.8
Rosehill, Sydney, NSW	91.0	90.4
Sydney Water Headquarters, Parramatta, NSW	154.0	149.0
Infrastructure House, Canberra, ACT	62.0	67.5
The Foundry, Melbourne, VIC	74.5	88.3
Carole Park, Brisbane, QLD	15.4	15.2
Great Western Super Centre, Brisbane, QLD	57.3	53.0
Meeandah, Brisbane, QLD	-	4.2
CBA Building, Brisbane, QLD	191.0	177.7
Peachy QuarryLand, Brisbane, QLD	11.3	11.3
AMP Place, Brisbane, QLD	185.0	172.2
Ernst & Young Building, Perth WA	70.0	65.0
AIA House, Takapuna, New Zealand	20.6	20.6

14 Investment property continued

Independent valuations continued

	Carrying value 31 Dec 2011 $m	31 Dec 2010 $m
Consolidated (wholly owned) continued		
ASB Centre, Auckland, New Zealand	85.3	89.3
EDS House, Wellington, New Zealand	18.7	20.6
Telecom House, Auckalnd, New Zealand	32.3	30.3
The Hub, Whakatane, New Zealand	27.4	27.4
Conservation House, Wellington, New Zealand	26.0	26.2
The Plaza, Auckland, New Zealand	7.7	7.1
Distribution Centre, Mangere, New Zealand	52.8	52.2
University Building, Auckland, New Zealand	-	7.6
Uniservices House, Auckland, New Zealand	-	13.6
Teltower, Wellington, New Zealand	10.0	10.5
Valley Mega Centre, New Plymouth – Stage 1, New Zealand	-	16.6
Gen-i Tower, Auckland, New Zealand	59.7	58.9
Valley Mega Centre, New Plymouth – Stage 2, New Zealand	-	15.2
Total wholly owned investment property	**1,658.9**	**1,702.2**
Consolidated (partial ownership)		
NAB House, Sydney, NSW, (25%)[1]	108.5	96.3
IAG House, Sydney, NSW, (50%)[1]	188.5	175.2
ANZ Centre, Brisbane, QLD (50%)	61.5	56.2
Carillion & City Arcades, Perth,WA (50%)	58.5	54.8
BankWest Tower, Perth, WA (50%)	145.0	135.3
Total partially owned investment property	**562.0**	**517.8**
Total investment property	**2,220.9**	**2,220.0**

[1] On 27 September 2010 subsidiaries of BAM entered into a transaction whereby BPO acquired an option over these assets.

Property valuations

Property investments are investments in properties which are held either to earn rental income or for capital appreciation or both. Property investments are stated at fair value. An external valuation company, having an appropriately recognised professional qualification and recent experience in the location and category of the property being valued, values the portfolio whenever it is believed that the fair value of a property differs significantly from its carrying value, based on a material change to the assumptions and market conditions underlying the valuation. In the current financial year, the external valuations were performed by Colliers International, Knight Frank, Savills, JLL and CBRE. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller, in an arm's length transaction after appropriate marketing wherein the parties have each acted knowledgeably, prudently and without compulsion. During the current financial year twelve properties were externally valued. At 31 December 2011, external valuations were performed for two of the properties within the portfolio. All other properties were valued using internal valuations.

Valuations reflect, where appropriate, the type of tenants, future rent reviews and market conditions. A change in any of these factors could have a significant impact on the value of the Consolidated Entity's property investments. The valuations have been undertaken using a discounted cash flow approach and a 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 capitalisation rates utilised in the 31 December 2011 valuations ranged from 7.50% to 9.75%.

Any gain or loss from a change in fair value is recognised in the Statement of Comprehensive Income. All property acquisition costs in respect of properties acquired are capitalised into the value of the property investments at the time of purchase to reflect the total acquisition cost in the Statement of Financial Position. Additions and other expenditure on property investments which are capital in nature are capitalised as incurred. 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.

14 Investment property continued

Property valuations continued

Reconciliation of the carrying amount of investment properties is set out below:	31 Dec 2011 $m	31 Dec 2010 $m
Carrying amount as at beginning of financial year	2,220.0	2,780.3
Capital expenditure	50.8	47.4
Additions	–	469.8
Disposals	(57.5)	(24.7)
Transfer to property financial assets[1]	–	(1,074.0)
Net gain from fair value adjustments to investment properties	11.7	49.2
Change due to impact of straight-lining of rental income	(2.2)	(14.3)
Impact of foreign exchange rates	(1.9)	(13.7)
Carrying amount at end of financial year	**2,220.9**	**2,220.0**

[1]Refer to Note 31 for further information regarding derecognition of these assets that occurred during the comparative period.

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 financial statements are receivable as follows:

	31 Dec 2011 $m	31 Dec 2010 $m
Within one year	172.4	173.1
Later than one year but not later than five years	516.3	558.4
Later than five years	290.4	354.7
	979.1	**1,086.2**

Annual rent receivable by the Consolidated Entity under current leases from tenants is earned from commercial, industrial, 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.

	31 Dec 2011 $m	31 Dec 2010 $m
15 Trade and other payables		
Current		
Trade payables	0.4	1.6
Other creditors and accruals	75.6	158.4
Total current trade and other payables	**76.0**	**160.0**
Non-current		
Other creditors and accruals	1.1	0.8
Total non-current trade and other payables	**1.1**	**0.8**
Total trade and other payables	**77.1**	**160.8**

	31 Dec 2011 $m	31 Dec 2010 $m
16 Interest bearing loans and borrowings		
Carrying amounts		
Current interest bearing loans and borrowings	220.4	298.5
Less: deferred borrowing costs	(0.5)	(2.1)
Total current interest bearing loans and borrowings	**219.9**	**296.4**
Non-current interest bearing loans and borrowings	1,660.2	1,654.4
Less: deferred borrowing costs	(9.0)	(13.3)
Total non-current interest bearing loans and borrowings	**1,651.2**	**1,641.1**
Total interest bearing loans and borrowings	**1,871.1**	**1,937.5**

16 Interest bearing loans and borrowings continued

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 and New Zealand dollars. Interest on bank loans is charged at the prevailing market rate. There were no overdraft facilities in place at 31 December 2011 (2010: nil).

	31 Dec 2011 $m	31 Dec 2010 $m
Total financing facilities available		
Property facilities	1,646.9	1,659.5
Multiplex New Zealand Property Fund facility	198.7	250.7
Brookfield Australian Opportunities Fund facility	35.0	42.7
Total facilities available	**1,880.6**	**1,952.9**
Facilities utilised at reporting date		
Property facilities	1,646.9	1,659.5
Multiplex New Zealand Property Fund facility	198.7	250.7
Brookfield Australian Opportunities Fund facility	35.0	42.7
Total facilities utilised at reporting date	**1,880.6**	**1,952.9**
Facilities not utilised at reporting date		
Property facilities	-	-
Multiplex New Zealand Property Fund facility	-	-
Brookfield Australian Opportunities Fund facility	-	-
Total facilities not utilised at reporting date	**-**	**-**

At 31 December 2011, the Consolidated Entity is in compliance with all of its debt covenants.

	31 Dec 2011 $m	31 Dec 2010 $m
17 Non-interest bearing loans and borrowings		
Current		
Unsecured		
Amounts due to Brookfield Australia Investments Limited and controlled entities	2.4	184.0
Amounts due to other related parties	2.9	4.6
Total current non-interest bearing loans and borrowings	**5.3**	**188.6**

	31 Dec 2011 $m	31 Dec 2010 $m
18 Provisions		
Current		
Other provisions	12.2	12.7
Total provisions	**12.2**	**12.7**

Movements in provisions

Movements in each class of provision during the financial year are set out below:

	31 Dec 2011 $m	31 Dec 2010 $m
Carrying amount at beginning of the financial year	12.7	7.8
Provisions utilised	(0.6)	(6.9)
Provisions recognised	0.1	11.8
Carrying amount at end of the financial year	**12.2**	**12.7**

	31 Dec 2011 $m	31 Dec 2010 $m
19 Issued units		
	2,441.8	**2,441.8**

Units issued and fully paid up capital

There are 837,402,185 units on issue at 31 December 2011 (2010: 837,402,185). There has been no movement in the number of units on issue during 2011 (2010: nil).

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 Brookfield Australia Property 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.

	31 Dec 2011 $m	31 Dec 2010 $m
20 Reserves		
Reserves		
Foreign currency translation reserve	(12.1)	(11.3)
Available-for-sale assets reserve	2.4	1.1
Cash flow hedge reserve	(25.0)	9.5
Total reserves	**(34.7)**	**(0.7)**

Movements in reserves:		
Foreign currency translation reserve		
Balance at the beginning of the financial year	(11.3)	(16.3)
Net exchange difference on net investment in foreign operations	(0.8)	5.0
Balance at the end of the financial year	**(12.1)**	**(11.3)**
Available-for-sale assets reserve		
Balance at the beginning of the financial year	1.1	(9.3)
Change in fair value of available-for-sale financial assets	1.3	10.4
Balance at the end of the financial year	**2.4**	**1.1**
Cash flow hedge reserve		
Balance at the beginning of the financial year	9.5	(11.8)
Change in fair value of interest rate swaps	(34.5)	21.3
Balance at the end of the financial year	**(25.0)**	**9.5**
Total reserves		
Balance at the beginning of the financial year	(0.7)	(37.4)
Movement in reserves	(34.0)	36.7
Balance at the end of the financial year	**(34.7)**	**(0.7)**

Nature and purpose of reserves

Foreign currency translation reserve

The foreign currency translation reserve records the foreign currency differences arising from the translation of foreign operations, the translation of transactions that hedge the Consolidated Entity's net investment in a foreign operation, the translation of foreign currency monetary items forming part of the net investment in foreign operations and the Consolidated Entity's share of the foreign currency transaction reserves forming part of the Consolidated Entity's investment in associates. Refer to significant accounting policy Note 3b.

Available-for-sale assets reserve

This reserve records fair value changes on available-for-sale investments.

Cash flow hedge reserve

This reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

	31 Dec 2011 $m	31 Dec 2010 $m
21 Undistributed income		
Undistributed profits at the beginning of the financial year	123.0	10.0
Net profit attributable to unitholders	137.4	118.9
Distributions recognised during the financial year	(5.8)	(5.9)
Undistributed income at the end of the financial year	**254.6**	**123.0**

	31 Dec 2011 $m	31 Dec 2010 $m
22 Non-controlling interests		
Interest in:		
Multiplex Hybrid Investment Trust		
Issued equity	432.1	432.1
Undistributed income	9.8	9.9
	441.9	**442.0**
Multiplex New Zealand Property Fund		
Issued equity	89.2	89.3
Undistributed income	(10.2)	(6.6)
	79.0	**82.7**
Brookfield Australian Opportunities Fund		
Issued equity	81.8	81.8
Undistributed income	2.1	0.7
	83.9	**82.5**
Multiplex MPT CMBS Investment Trust		
Issued equity	11.1	-
	11.1	**-**
Total non-controlling interests	**615.9**	**607.2**

23 Distributions

Distributions from the Trust

During the financial year ended 31 December 2011, a distribution of $5.8 million (0.7 cents per unit) was paid or payable to unitholders of the Trust (2010: $5.9 million) (0.7 cents per unit). As at 31 December 2011, $5.8 million of total distributions remained unpaid.

24 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 the Company.

25 Contingent liabilities and contingent assets

Details and estimated maximum amounts of contingent assets and liabilities (for which no amounts are recognised in the financial statements) are as follows:

- Contingent liabilities and contingent assets exist as a consequence of the arrangements contained in the Stapling Deed between the Company and Brookfield Funds Management Limited, as the Responsible Entity of the Brookfield Australia Property Trust. The Stapling Deed is described further in Note 32.
- 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, the Consolidated Entity, its controlled entities and associates may become involved in litigation, the majority of which falls within the Trust'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.

	Consolidated 31 Dec 2011 $m	Consolidated 31 Dec 2010 $m	Trust 31 Dec 2011 $m	Trust 31 Dec 2010 $m
26 Capital and other commitments				
Capital commitments				
Commitments for the acquisition of plant and equipment contracted for at the reporting date but not recognised as liabilities are as follows:				
Within one year	17.9	13.3	-	-
After one year but not more than five years	0.7	0.8	-	-
Total capital and other commitments	**18.6**	**14.1**	-	-

27 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 the Company (ABN 96 008 687 063). Accordingly transactions with entities related to the Company are disclosed below. Brookfield Funds Management Limited also acts as the Manager of the Trust.

Transactions with related parties have taken place at arms length and in the ordinary course of business.

Fees payable to the Responsible Entity

Under the terms of the Trust Constitution and subject to the Corporations Act, 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 (2010: $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.

Directors' loans

No loans were made by the Trust to the key management personnel and/or their related parties.

Transactions with related parties

(a) Transactions with the Consolidated Entity and the Group

All transactions between the Trust and its controlled entities have been eliminated in full. Details of dealings with entities within the Group are set out below:

	Year ended 31 Dec 2011 $m	Year ended 31 Dec 2010 $m
Provision of services to the Consolidated Entity by Brookfield Australia Investments Limited and its controlled entities		
Property management expense	3.8	7.6
Leasing fee	0.1	0.2

27 Related party disclosure continued

Transactions with related parties continued

(b) Transactions with the Consolidated Entity and other related parties

	Year ended 31 Dec 2011 $m	Year ended 31 Dec 2010 $m
Income received by the Conslidated Entity from Brookfield Office Properties Inc. and its controlled entities		
Property finance income	68.6	20.4
Interest income [1]	14.8	3.8
Total income	**83.4**	**24.2**

[1] Interest income is shown net of interest expense oncharged to BPO in the Statement of Comprehensive income

Brookfield Australia Property Trust has an investment of $1,300.0 million representing an unsecured, non-interest bearing Promissory Note receivable from Brookfield Australia Pty Limited.

Brookfield Australia Pty Limited and Brookfield Holdco (Australia) Pty Limited have unsecured loans payable to the Consolidated Entity of $22.4 milion (2010: $297.4 million).

Entities controlled by BPO had unsecured interest bearing loans payable to the Trust of $179.5 million (2010: $178.8 million).

During the financial year, interest received and receivable from Brookfield Australia Pty Limited and Brookfield Holdco (Australia) Pty Limited was $nil (2010: $nil).

Distributions paid or payable to Brookfield Australia Pty Limited during the current financial period was $5.8 million (2010: $5.9 million). As at 31 December 2011, $5.8 million of total distributions remained unpaid.

Refer to Note 31 for information on the derecognition of property as a result of the BPO transaction.

28 Significant controlled entities

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 2011, the significant controlled entities are shown below:

Entity name	31 Dec 2011	31 Dec 2010	Country of incorporation
Brookfield Foundry Landowning Trust	100%	100%	Australia
Brookfield 240 Queen Street Landowning Trust	100%	100%	Australia
Brookfield 324 Queen Street Landowning Trust	100%	100%	Australia
Brookfield Rosehill Landowning Trust	100%	100%	Australia
Brookfield City Arcade Landowning Trust	100%	100%	Australia
Brookfield DT 100 Landowning Trust	100%	100%	Australia
Brookfield PCEC Office Landowning Trust	100%	100%	Australia
Brookfield Pittwater Place Landowning Trust	100%	100%	Australia
Brookfield Stage 3A Landowning Trust	100%	100%	Australia
Multiplex New Zealand Property Fund[1]	44%	44%	Australia
Brookfield Australian Opportunities Fund	61%	61%	Australia
Brookfield Onyx Property Trust	100%	100%	Australia
Multiplex MPT CMBS Issuer Pty Ltd[2]	50%	50%	Australia

[1] As a result of the Brookfield Australian Opportunities ("BAO") rights issue, the Consolidated Entity's ownership of BAO increased by 41% to 61% through both take up of additional units as eligible unitholders and as underwriter. BAO owns 22% of Multiplex New Zealand Property Fund ("MNZPF"). Accordingly, the Trust's control of the voting rights of MNZPF increased to 44% through direct ownership of MZNPF and consolidation of BAO. The Trust's ownership of MNZPF should be considered from a Group perspective, as the voting would be completed on this basis, granting control of voting power to the Trust even though it holds less than 50% of unit holdings.

[2] In accordance with the Company's Constitution, Multiplex MPT CMBS Issuer Pty Ltd 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 BAPT, has control over the financing and operating policies of the company and consolidates 100% of the results.

29 Business combinations

Controlled entity acquired

There were no controlled entity acquisitions during the financial year ended 31 December 2011.

31 December 2010	Principal activity	Date of acquisition	Proportion of shares acquired %	Consideration transferred $m
Multiplex New Zealand Property Fund (MNZPF)	Investment properties	31-Aug-10	22.0%	51.8
Brookfield Australian Opportunities Fund (BAO)	Investment in A-REITs and unlisted property securities	31-Aug-10	40.5%	24.6

Assets acquired and liabilities assumed at the date of acquisition	Year ended 31 Dec 2011 Total $m	Year ended 31 Dec 2010 Total $m
Current assets		
Cash and cash equivalents	-	27.5
Trade and other receivables	-	2.7
Deferred tax asset	-	8.6
Non-current assets		
Investments	-	622.0
Current liabilities		
Trade and other payables	-	(22.4)
Deferred tax liability	-	(24.6)
Non-current liabilities		
Interest bearing loans and borrowings	-	(323.7)
Derivative liabilities	-	(5.1)
Non-controlling interests in net assets	**-**	**(169.1)**
Assets acquired and liabilities assumed at the date of acquisition	**-**	**115.9**

Bargain purchase arising on acquisition	Year ended 31 Dec 2011 $m Total	Year ended 31 Dec 2010 $m Total
Consideration transferred	-	76.4
Less: fair value of identifiable net assets acquired	-	(115.9)
Bargain purchase on aquisition	-	**(39.5)**

Net cash outflow on acquisition of controlled entities	Year ended 31 Dec 2011 $m Total	Year ended 31 Dec 2010 $m Total
Consideration paid in cash	-	22.6
Less: cash and cash equivalent balances acquired	-	(27.5)
Net cash outflow on acquisition of controlled entities	-	**(4.9)**

30 Financial instruments

The Consolidated Entity's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit 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 Note 30.

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 Note 3 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 up to 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 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:

30 Financial instruments continued

Market risk continued

	Floating interest 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 2011					
Financial assets					
Cash and cash equivalents	44.4	17.9	-	-	62.3
Receivables	179.5	-	-	-	179.5
Other financial assets	1,430.5	-	-	-	1,430.5
Total financial assets	**1,654.4**	**17.9**	-	-	**1,672.3**
Financial liabilities					
Payables	-	-	-	-	-
Interest-bearing liabilities	1,871.1	-	-	-	1,871.1
Effect of interest rate swaps	(1,157.5)	221.5	936.0	-	-
Total financial liabilities	**713.6**	**221.5**	**936.0**	-	**1,871.1**
Consolidated – 31 December 2010					
Financial assets					
Cash and cash equivalents	37.8	17.8	-	-	55.6
Receivables	178.8	-	-	-	178.8
Other financial assets	1,392.0	-	-	-	1,392.0
Total financial assets	**1,608.6**	**17.8**	-	-	**1,626.4**
Financial liabilities					
Payables	-	-	-	-	-
Interest-bearing liabilities	1,937.5	-	-	-	1,937.5
Effect of interest rate swaps	(1,087.8)	150.8	937.0	-	-
Total financial liabilities	**849.7**	**150.8**	**937.0**	-	**1,937.5**

Interest rate sensitivity

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

	31 Dec 2011				31 Dec 2010			
	Impact on Profit		Impact on Equity		Impact on Profit		Impact on Equity	
$m (pre-tax)	+100 bps	-100 bps	+100 bps	-100 bps	+100 bps	-100 bps	+100 bps	-100 bps
Consolidated								
Australian Dollar	(11.4)	11.4	17.8	(18.3)	(8.9)	8.9	7.9	(7.9)
New Zealand Dollar	(2.3)	2.3	-	-	(0.9)	0.9	-	-

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 2011	$m	$m	$m	$m	$m	$m	$m
Australian Dollars							
Interest rate swaps	1,157.5	221.5	736.0	-	100.0	100.0	-
Total	**1,157.5**	**221.5**	**736.0**	**-**	**100.0**	**100.0**	-
Weighted average fixed rate	**5.09%**	**4.56%**	**5.21%**	**-**	**5.04%**	**5.47%**	-

30 Financial instruments continued

Market risk continued

Interest rate sensitivity continued

31 December 2010	Total	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years
		Periods in which they mature or, if earlier, reprice					
Australian Dollars	$m	$m	$m	$m	$m	$m	$m
Interest rate swaps	1,087.8	105.8	539.6	297.4	-	100.0	-
Total	**1,087.8**	**150.8**	**539.6**	**297.4**	**-**	**100.0**	-
Weighted average fixed rate	**5.45%**	**6.77%**	**5.24%**	**5.30%**	**-**	**5.04%**	-

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
- investments in foreign operations.

The Consolidated Entity operates in New Zealand and is exposed to foreign exchange risk arising from the New Zealand dollar.

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 investment property 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. Refer to accounting policy Note 3.

The Group's exposure to foreign currency risk at the reporting date was as follows:

	31 Dec 2011 NZD $m	31 Dec 2010 NZD $m
Consolidated		
Financial assets		
Cash and cash equivalents	25.1	22.0
Receivables	2.4	1.6
Total financial assets	**27.5**	**23.6**
Financial liabilities		
Payables	37.6	11.9
Interest-bearing loans and borrowings	260.2	248.6
Total financial liabilities	**297.8**	**260.5**

30 Financial instruments continued

Market risk continued

Foreign currency sensitivity

The following sensitivity is based on the foreign currency exposures in existence at the reporting date. At 31 December 2011, had the Australian dollar moved, as illustrated below, with all other variables held constant, pre tax profit and other comprehensive income would have been affected as follows:

	Consolidated 31 Dec 2011				Consolidated 31 Dec 2010			
	Impact on profit		Impact on equity		Impact on profit		Impact on equity	
	+5%	-5%	+5%	-5%	+5%	-5%	+5%	-5%
NZD	-	-	9.8	(10.8)	-	-	11.8	(11.8)

Commodity and equity price risk

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

Credit risk

Credit risk represents the loss that would be recognised if a counterparty failed to perform as contracted. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as exposures to business customers, including outstanding receivables and committed transactions.

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 Board.
- 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; 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. 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. The Trust holds an unsecured, non-interest bearing Promissory Note receivable of $1,300.0 million from a related entity with the Group, Brookfield Australia Pty Limited.

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 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 or impaired is constantly monitored in order to identify any potential adverse changes in the credit quality.

Liquidity and capital risk management

Capital risk management

The Consolidated Entity's objective when managing capital and 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 also protects its equity in assets by taking out insurance cover with credit worthy insurers.
- 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 to total assets. At 31 December 2011, the percentage of interest bearing net debt to total assets is 36% (2010: 35%).

30 Financial instruments continued

Liquidity and capital risk management continued

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.

	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
Consolidated – 31 December 2011							
Non-derivatives							
Payables	76.0	1.1	-	-	-	-	77.1
Non-interest bearing loans and borrowings	5.3	-	-	-	-	-	5.3
Interest bearing loans and borrowings	354.7	1,246.3	302.3	14.1	211.5	-	2,128.9
Total non derivatives	**436.0**	**1,246.3**	**302.3**	**14.1**	**211.5**	**-**	**2,211.3**
Derivatives							
Net settled – interest rate swaps	11.8	10.1	2.0	0.8	0.4	-	25.1
Total derivatives	**11.8**	**10.1**	**2.0**	**0.8**	**0.4**	**-**	**25.1**
Consolidated – 31 December 2010							
Non-derivatives							
Payables	160.0	0.8	-	-	-	-	160.8
Non-interest bearing loans and borrowings	188.6	-	-	-	-	-	188.6
Interest bearing loans and borrowings	450.6	1,025.4	774.4	-	-	-	2,250.4
Total non derivatives	**799.2**	**1,026.2**	**774.4**	**-**	**-**	**-**	**2,599.8**
Derivatives							
Net settled – interest rate swaps	3.9	(0.4)	(3.1)	-	(3.1)	-	(2.7)
Total derivatives	**3.9**	**(0.4)**	**(3.1)**	**-**	**(3.1)**	**-**	**(2.7)**

30 Financial instruments 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 terms and maturity of each contract and using market interest rates for similar instruments at the reporting date.

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.

The fair value of property financial assets are calculated with reference the fair value of, and the funds from operations generated from, the underlying properties with consideration to the asset's financing structure.

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 on 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 financial instruments 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).

31 December 2011	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Consolidated				
Financial assets				
Derivative instruments – interest rate swaps	-	0.3	-	0.3
Investments				
- Listed	32.3	-	-	32.3
- Unlisted	-	-	110.3	110.3
- Property financial assets[1]	-	-	1,320.2	1,320.5
Total financial assets	**32.3**	**0.3**	**1,430.5**	**1,463.4**
Financial liabilities				
Derivative instruments – interest rate swaps	-	(25.0)	-	(25.0)
Total financial liabilities	-	**(25.0)**	-	**(25.0)**
Total net financial assets	**32.3**	**(24.7)**	**1,430.5**	**1,438.1**

[1] Refer to Note 31 for further information on property financial assets.

30 Financial instruments continued

Fair value continued

31 December 2010	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Derivative instruments – interest rate swaps	-	6.7	-	6.7
Investments				
- Listed	28.8	-	-	28.8
- Unlisted	-	-	131.1	131.1
- Property financial assets[1]	-	-	1,232.1	1,232.1
Total financial assets	**28.8**	**6.7**	**1,363.2**	**1,398.7**
Financial liabilities				
Derivative instruments – interest rate swaps	-	(3.9)	-	(3.9)
Total financial liabilities	-	**(3.9)**	-	**(3.9)**
Total net financial assets/(liabilities)	**28.8**	**2.8**	**1,363.2**	**1,394.8**

The carrying value of investments and interest bearing loans and borrowings approximates their fair value.

Reconciliation of level 3 fair value measurements:

31 December 2011	Property financial assets $m	Investment in unlisted securities $m	Total $m
Consolidated			
Opening balance	1,232.1	131.1	1,363.2
Acquisitions / Dispositions	-	(18.7)	(18.7)
Gains recognised in the income statement	79.0	-	79.0
Other	9.1	(2.1)	7.0
Closing balance	**1,320.2**	**110.3**	**1,430.5**

31 December 2010	Property financial assets $m	Investment in unlisted securities $m	Total $m
Consolidated			
Opening balance	-	-	-
Acquisitions through consolidation[1]	-	130.4	130.4
Transfer to financial assets[2]	1,232.1	-	1,232.1
Losses recognised in the income statement	-	(1.2)	(1.2)
Other	-	1.9	1.9
Closing balance	**1,232.1**	**131.1**	**1,363.2**

[1] As a result of the Consolidated Entity's acquisition of additional units in BAO via a rights issue. Refer to Note 29.

[2] Refer to Note 31 for further information on property financial assets.

31 Loss of control

On 27 September 2010 a subsidiary of Brookfield Australia Property Trust's ("BAPT") Parent Entity, Brookfield Asset Management ("BAM"), entered into a total return swap and option (with an initial 5 year term) with a subsidiary of Brookfield Office Properties Inc. ("BPO"). BPO obtained the economic rights and obligations of several properties at a strike price which was calculated based on the fair value of the assets at that date. As a result, a financial asset has been recorded in the Consolidated Entity. The value of this financial asset has been determined with reference to the fair value of the underlying properties with consideration to the asset's financing structure. No material gain or loss was recognised with respect to this transaction. The property financial assets are designated fair value through the profit and loss. Refer to Note 10 for further information on property financial assets.

32 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.

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.

33 Events occurring after the reporting date

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 period that has significantly affected, or may affect, the Consolidated Entity's operations in future financial periods, the results of those operations or the Consolidated Entity's state of affairs in future financial periods.

Directors' Declaration

Brookfield Australia Property Trust and its controlled entities

For the year ended 31 December 2011

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 42 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 2011 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 in note 2 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 at Sydney, this 24th day of February 2012.

F Allan McDonald
Non-Executive Chairman
Brookfield Funds Management Limited

Russell T Proutt
Executive Director
Brookfield Funds Management Limited

Deloitte.

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

We have audited the accompanying financial report of Brookfield Australia Property Trust, which comprises the statement of financial position as at 31 December 2011, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 8 to 43.

Directors' Responsibility for the Financial Report

The directors of Brookfield Funds Management Limited as responsible entity of Brookfield Australia Property 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 is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Brookfield Funds Management Limited, as the responsible entity for, Brookfield Australia Property Trust, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Brookfield Australia Property Trust is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of Brookfield Australia Property Trust 's financial position as at 31 December 2011 and of its performance for the year ended on that date; and

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

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

J A Leotta
Partner
Chartered Accountants
Sydney, 24 February 2012