



BROOKFIELD AUSTRALIAN OPPORTUNITIES FUND

ARSN 104 341 988

Financial Report 2011

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

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Directory

Brookfield Australian Opportunities Fund

For the year ended 30 June 2011

Responsible Entity

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

Directors of Brookfield Capital Management Limited

F. Allan McDonald
Brian Motteram
Barbara Ward
Russell Proutt
Shane Ross

Company Secretary of Brookfield Capital Management Limited

Neil Olofsson

Registered Office

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

Custodian

JP Morgan Nominees Australia Limited
Level 35, Suncorp Building
253 George Street
Sydney NSW 2000
Telephone: +61 2 9256 5000
Facsimile: +61 2 9256 4111

Stock Exchange

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

Location of Share Registry

Boardroom Pty Limited (formerly Registries (Victoria) Pty Limited)
GPO Box 3993
Sydney NSW 2001
Telephone: +61 1300 737 760
Facsimile: +61 1300 653 459

Auditor

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

Directors' Report

Brookfield Australian Opportunities Fund

For the year ended 30 June 2011

Introduction

The Directors of Brookfield Capital Management Limited (ABN 32 094 936 866) (formerly Brookfield Multiplex Capital Management Limited), the Responsible Entity of Brookfield Australian Opportunities Fund (formerly Multiplex Acumen Property Fund) (ARSN 104 341 988) (Fund), present their report together with the financial statements of the Consolidated Entity, being the Fund and its subsidiaries and the Consolidated Entity's interest in associates, for the year ended 30 June 2011 and the Independent Auditor's Report thereon.

The Fund was constituted on 17 April 2003 and it was registered as a Managed Investment Scheme on 17 April 2003.

Responsible Entity

The Responsible Entity of the Fund is Brookfield Capital Management Limited (BCML) (formerly Brookfield Multiplex Capital Management Limited). BCML became the Responsible Entity on 26 October 2007. The registered office and principal place of business of the Responsible Entity and the Fund is Level 22, 135 King Street, Sydney NSW 2000.

Directors

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

Name	Capacity
F. Allan McDonald (appointed 1 January 2010)	Non-Executive Independent Chairman
Brian Motteram (appointed 21 February 2007)	Non-Executive Independent Director
Barbara Ward (appointed 1 January 2010)	Non-Executive Independent Director
Russell Proutt (appointed 1 January 2010)	Executive Director
Shane Ross (appointed 16 May 2011)	Executive Director
Tim Harris (appointed 17 March 2010 – resigned 16 May 2011)	Executive Director

Information on Directors

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

Allan was appointed the Non-Executive Independent Chairman of Brookfield Capital Management Limited (BCML) on 1 January 2010 and also performs that role for Brookfield Funds Management Limited (BFML). Allan has had extensive experience in the role of Chairman and is presently associated with a number of companies as a consultant and Company Director. BCML is also the Responsible Entity for listed funds Brookfield Prime Property Fund (BPA) and Multiplex European Property Fund (MUE). BFML is the Responsible Entity for listed Multiplex SITES Trust. Allan's other directorships of listed entities are Astro Japan Property Management Limited (Responsible Entity of Astro Japan Property Trust) (appointed February 2005), Billabong International Limited (appointed July 2000), and Brookfield Office Properties Inc. (appointed May 2011). During the past 3 years, Allan has also served as a director of the following listed company: Ross Human Directions Limited (April 2000 – February 2011).

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

Brian has in excess of 40 years of experience working in the area of finance and accounting. He has worked with international accounting firms, in his own private practice, and during the last 19 years in private enterprise in both the mining and property industries. He spent 8 years (from 1996 to 2004) as an executive of a Perth-based property company in the position of Chief Financial Officer and, later, as Financial Director. BCML is also the Responsible Entity for listed funds BPA and MUE. Brian is a fully qualified Chartered Accountant having trained with KPMG and Deloitte.

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

Barbara was appointed as a Non-Executive Independent Director of BCML on 1 January 2010 and also performs that role for BFML. Barbara has gained extensive business and finance experience through her role as Chief Executive Officer of Ansett Worldwide Aviation Services, as General Manager Finance for the TNT Group and as a Senior Ministerial Advisor. BCML is also the Responsible Entity for listed funds BPA and MUE. BFML is the Responsible Entity for listed Multiplex SITES Trust. Barbara is Chairman of Essential Energy and a Director of Qantas Airways Limited (appointed June 2008). During the past 3 years Ms Ward has also served as a Director of Lion Nathan Limited (February 2003 to October 2009) and Allico Finance Group Limited (April 2005 to January 2008).

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

Russell Proutt is the Chief Financial Officer of Brookfield Australia and was appointed as an Executive Director of BCML on 1 January 2010 and also performs that role for BFML and for debt listed companies Brookfield Secured Bonds Series A Issuer Limited and Brookfield Secured Bonds Series B Issuer Limited. BCML is also the Responsible Entity for the listed funds BPA and MUE. Russell joined Brookfield Asset Management Inc, the parent company of BCML, 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.

Directors' Report continued

Brookfield Australian Opportunities Fund

For the year ended 30 June 2011

Information on Directors continued

Shane Ross (BBus), Executive Director

Shane is the Group General Manager of Treasury for Brookfield Australia Investments Limited and was appointed as an Executive Director of BCML on 16 May 2011. BCML is also the Responsible Entity for BPA and MUE. Shane joined the organisation in 2003 following a background in banking and has over 16 years experience in treasury and finance within the property industry.

Information on Company Secretary

Neil Olofsson

Neil has over 15 years international company secretarial experience and has been with the Brookfield Australia Group since 2005.

Directors' interests

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

Director	Brookfield Australian Opportunities Fund units held
F. Allan McDonald	—
Brian Motteram	1,645,516
Barbara Ward	—
Russell Proutt	—
Shane Ross	—

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

Directors' meetings

Director	Board Meetings		Audit Committee Meetings		Board Risk and Compliance Committee Meetings	
	A	B	A	B	A	B
F. Allan McDonald	7	7	2	2	2	2
Brian Motteram	7	7	2	2	2	2
Barbara Ward	7	7	2	2	2	2
Tim Harris	7	7	n/a	n/a	n/a	n/a
Russell Proutt	7	7	n/a	n/a	n/a	n/a
Shane Ross	—	—	n/a	n/a	n/a	n/a

A – Number of meetings attended.

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

Committee meetings

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

Principal activities

The principal activity of the Consolidated Entity is the investment in A-REITs and unlisted property securities in Australia.

Review of operations

The Consolidated Entity has recorded a net loss of \$848,000 for the year ended 30 June 2011 (2010 loss of: \$15,944,000). The reported net loss includes \$5,442,000 (2010: \$12,374,000) in impairment losses on the A-REIT and unlisted property securities portfolios and investment accounted for using the equity method.

Some of the significant events during the year are as follows:

- total revenue and other income of \$13,272,000 (2010: \$8,819,000);
- earnings per unit (EPU) attributable to ordinary unitholders of (0.30) cents (2010: (4.79) cents);
- net assets of \$150,489,000 (2010: \$118,954,000);
- net assets attributable to ordinary unitholders of \$109,516,000 (2010: \$79,708,000) and net tangible assets (NTA) per unit attributable to ordinary unitholders of \$0.13 (2010: \$0.39);
- A-REIT portfolio value of \$31,209,000 (2010: \$27,980,000), including a net revaluation increment to reserves on a number of A-REIT investments of \$1,989,000 and an impairment charge of \$1,230,000;
- At year end the A-Reit portfolio has been all classified as current (previously all non-current) reflecting the capacity of the fund to actively buy and sell the investments along with the liquid nature of these investments; and

Directors' Report continued

Brookfield Australian Opportunities Fund

For the year ended 30 June 2011

Review of operations *continued*

- unlisted security portfolio value of \$119,172,000 (2010: \$130,413,000), including a net revaluation increment to reserves on a number of unlisted investments of \$5,522,000 and an impairment charge of \$3,604,000.

The Consolidated Entity received \$2,698,000 as a return of capital from its investments in the Gordon Property Trust and Gordon Property Investment Trust and a further \$8,069,000 from the Essential HealthCare Trust, as a part of their wind up processes.

The strategy of the Fund for the immediate future is to:

- resolve structural issues, particularly the distribution stopper, with a view to reinstating periodic distributions to unitholders and restoring the Fund's trading price to a value better reflecting its underlying net asset backing. To this end, BCML has reviewed a number of strategies in relation to its investment in the Multiplex Property Income Fund and has sought independent advice to assist with the review. It is expected that the outcome of that review will be communicated to investors in the near future.
- proactively manage the Fund's liquidity, including debt funding, to minimise risk associated with volatility in the market and ensure continuing compliance with financial covenants;
- actively manage the investment portfolio and utilise the Fund's significant holding positions in underlying investments by influencing management and strategic direction to improve values and/or release capital; and
- continue to pursue opportunities in the listed and unlisted sectors and maximise returns on an appropriate risk-adjusted basis.

Beyond these initiatives, the ongoing strategy of the Fund is to grow its capital and asset base through:

- capital management initiatives that seek to add scale to the Fund where existing yield and capital value can be enhanced; and
- ongoing active management of the investment portfolio with a focus on opportunities in the Australian property sector consistent with the Fund's investment policies including potential investment in direct property.

Rights issue

During the year, the Fund completed an underwritten 3 for 1 renounceable pro-rata rights issue of 608,582,790 fully paid new units in the Fund, at an issue price of \$0.05 per new unit (Rights Issue). The Fund used the proceeds of the Rights Issue to repay the balance owing under Tranche B of the Fund's old debt facility, to meet costs associated with the Rights Issue and to provide working capital to the Fund. Brookfield Multiplex Capital Securities Limited (ABN 13 103 736 081) in its capacity as trustee for Brookfield Multiplex PPF Investment No. 2 Trust, a related party of the Responsible Entity, underwrote the Rights Issue.

Debt facility

Following the completion of the Rights Issue and repayment of Tranche B debt, the Fund entered into a new debt facility on the following key financial terms:

- Facility limit of \$37.1 million
- Maturity date of 1 December 2012, subject to the Fund extending the loan in October 2011 from 1 December 2011 to 1 December 2012. This is subject to the following financial covenants being met at the time of the extension:
 - Loan to Value Ratio (LVR) limit of 30% to 1 December 2011 and LVR limit of 20% from 1 December 2011 until maturity; and
 - Interest Cover Ratio (ICR) of greater than 1.25 until 1 December 2011 and ICR of greater than 1.65 from 1 December 2011 until maturity.
- Margin of 2.5% per annum over BBSY.

The Fund was in compliance with all of its covenants during the year

Extension of loan

During the year, the Consolidated Entity extended the term of the loan utilised to acquire the Fund's primary investment in Brookfield Prime Property Fund (BPA (formerly MAFCB)) from 3 November 2010 to 6 June 2011.

The Consolidated Entity borrowed \$4.97 million from an entity in the Brookfield group to acquire units under the MAFCB entitlement offer in November 2009, in which it had a 9.9% stake. The loan was made on commercial terms and conditions and recourse for the loan was limited to the security of the units in BPA subscribed for under the entitlement offer. Interest capitalised during the term of the loan. Prior to year end, a total of \$6,142,000 was repaid by way of cash and BPA units to satisfy the loan.

Directors' Report continued

Brookfield Australian Opportunities Fund

For the year ended 30 June 2011

Investment in unlisted property securities

The Consolidated Entity invests directly in 34 unlisted property securities funds. Due to a lack of liquidity in the underlying investment portfolios, or due to the initial structure of the fund as detailed in their original product disclosure statements and constitutions, 7 have suspended redemptions, 22 have always been closed to redemptions due to the investment structure as outlined in their original constitutions, 3 investments were listed on the Australian Stock Exchange but are now deemed insolvent and 2 have limited liquidity features meaning that the Consolidated Entity, should it want to, has limited ability to realise these investments due to limited or no redemption options available through these structures.

Consistent with 30 June 2010, the Consolidated Entity has valued its investments in each of the underlying unlisted property securities funds based on the net asset value provided as at 30 June 2011, or where this has not been provided, the latest

available net asset value. In circumstances where the latest available net asset value has not been obtained, an assessment of the appropriateness of the value has been made based on knowledge of valuation and transactional movements in the underlying investment's structure as compared to similar portfolios. As the Consolidated Entity is not seeking to sell its assets in the near term, an additional discount would not normally be applied. However, further consideration was then given to each net asset value in the current environment to determine whether an additional discount should be applied by assessing other prevailing market evidence, including transactional evidence and an assessment of the ability of the underlying investments to continue as a going concern. This analysis included application of discounts to unaudited net asset values where certain funds' underlying property investments were all located in Europe.

Controlled entity and priority distribution payment

The Fund owns 100% of the ordinary units of Multiplex Property Income Fund (MPIF). The results of MPIF are consolidated into the results of the Fund's financial report. MPIF, on a stand-alone basis, holds \$2,809,000 in cash at 30 June 2011 and has an investment portfolio of listed and unlisted property securities of \$37,364,000 at the year end date.

MPIF has 52,791,450 income units on issue at the reporting date. Under the terms of the MPIF Product Disclosure Statement, income unitholders have a targeted monthly priority distribution payment (PDP) which is calculated with reference to a margin of 2.5% per annum above the distribution yield on the S&P/ASX 200 Property Trust Index (with a minimum distribution of 7.5% per annum and a maximum of 8.5% per annum).

In circumstances where MPIF does not meet the PDP to its income unitholders, the Fund will be prevented from making distributions to its ordinary unitholders unless the shortfall has been met within 12 months of the end of the month in which the shortfall occurred.

As MPIF distributed less than the PDP for the period July 2010 through June 2011, the Fund will be prevented from making a distribution to its unitholders until the shortfall has been met. This distribution stopper will remain in place until any shortfall in the PDP for the preceding 12 months is, or has been, paid to income unitholders of MPIF. The Fund's Responsible Entity has the discretion as to whether to cover the PDP shortfall. The PDP shortfall at 30 June 2011 was \$2,262,000 (2010: \$2,822,000).

Investment accounted for using the equity method

The Consolidated Entity owns 20.6% of the ordinary units of Multiplex New Zealand Property Fund (MNZPF). In accordance with accounting standards, the Consolidated Entity therefore has significant influence over MNZPF and accounts for its investment under the equity accounting method whereby the Consolidated Entity records its share of profit or loss of MNZPF's operations. Any changes to the results and operations of the underlying investment are presented in the Consolidated Entity's financial report through the share of net profit or loss of investments accounted for using the equity method line item in the Statement of Comprehensive Income and the carrying value of the investment accounted for using the equity method in the Statement of Financial Position. During the year, the Consolidated Entity took part in the liquidity facility offered to unitholders of MNZPF. The Consolidated Entity realised 6.4% of its investment for consideration of \$1,984,000.

In accordance with AASB 136 *Impairment of assets*, an assessment must be made at each reporting date whether there is any indication that an asset is impaired. A review of the equity accounted investment was performed at the reporting date and, due to the continued decline in the value of the MNZPF investment, a further impairment of \$608,000 has been recorded against the equity accounted investment in MNZPF. This conclusion was reached upon assessment of the fair value less cost to sell of the equity accounted investment, to ensure the current carrying value does not exceed the recoverable amount (being the higher of fair value less cost to sell or value in use). The fair value less cost to sell was determined based on the NTA of MNZPF, less estimated costs of disposal.

Corporate governance

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

Directors' Report continued

Brookfield Australian Opportunities Fund

For the year ended 30 June 2011

Corporate governance continued

The Fund was listed on the Australian Securities Exchange on 8 July 2003. The Company, as the Fund's Responsible Entity, has operated within a corporate governance system that the Board and management have developed over time. Corporate governance is an area that keeps evolving and for that reason, our systems, policies and procedures are regularly reviewed and tailored to changing circumstances.

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

Best practice principles

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

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

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

Principle 1: Lay solid foundations for management and oversight

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

Role of the Board

The Board has adopted a board charter that details its functions and responsibilities, a summary of which is available at www.au.brookfield.com.

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

Management responsible for the operation of the Fund are employees of BAM or its associated entity (**Associate**), and are therefore subject to the Associate's performance evaluation.

Principle 2: Structure the Board to add value

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

The Board believes that sound corporate governance is crucial to protecting the interests of investors. The Board has a broad range of relevant financial and other skills, experience, expertise and gender diversification necessary to meet its objectives and is subject to a continuous review of its composition. The Board meets formally at least four times per year and whenever necessary to deal with specific matters needing attention between scheduled meetings. As at 30 June 2011 the Board consists of five Directors.

Profiles of each of the Directors may be found on pages 4 to 5.

Independence

The Chairman of the Board is an independent director. The roles of Chairman and Executive Directors are not exercised by the same individual. This is in line with the ASX best practice principle. Mr Allan McDonald is the Chairman of the Board. The Board also identified non-executive Directors Mr Brian Motteram and Ms Barbara Ward as being independent in accordance with the relationships affecting independent status listed by the ASX Corporate Governance Principles.

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

Directors' Report continued

Brookfield Australian Opportunities Fund

For the year ended 30 June 2011

Principle 2: Structure the Board to add value continued

Independence continued

The Board conducted a self evaluation of its performance and that of individual Directors for the year ended 30 June 2011 by way of a survey of each Director, followed by an analysis and discussion of responses by the Board. As part of the review, consideration was given to the skills and competency of Board members as well as the appropriate mix of skills required for managing the Company and the Fund. An assessment of Board, committee and individual Director performance is intended to occur on an annual basis.

Access to information and advice

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

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

Principle 3: Promote ethical and responsible decision making

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

Code of Business Conduct and Ethics

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

Employees are encouraged to report any breaches of the Code. Access to an "Ethics Hotline" which is managed independently of BAM is provided to facilitate reporting in situations where the person making the report does not feel comfortable doing so through normal channels.

Security Trading Policy

All Directors of the Company and the Associate's employees are subject to restrictions under the law relating to dealing in certain financial products, including securities in a company, if they are in possession of inside information. A Security Trading Policy has been disclosed to the Australian Securities Exchange and is available at www.au.brookfield.com.

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

Principle 4: Safeguard integrity in financial reporting

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

Audit Committee meetings:

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

The duties and responsibilities of the Audit Committee are set out in the Committee Charter, a summary of which appears at www.au.brookfield.com. The Audit Committee has rights of access to management, including the right to seek any explanations or additional information and access to auditors (internal and external), without management present. The audit committee reports to the Board in relation to the financial statements and notes, as well as the external audit report. An external auditor, Deloitte, has been appointed to audit the Fund and the Fund's compliance plan.

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

Directors' Report continued

Brookfield Australian Opportunities Fund

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For the year ended 30 June 2011

Principle 5: Make timely and balanced disclosure

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

Principle 6: Respect the rights of the Fund unitholders

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

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

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

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

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

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

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

Principle 7: Recognise and manage risk

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

The Board has elected to delegate responsibility for the oversight of the Company's risk and compliance program to a Risk and Compliance Committee. The Committee comprises three independent Company Directors. The Committee discharges Part 5C.5 obligations under the Corporations Act in relation to managed investment schemes. It has a charter, a summary of which appears at www.au.brookfield.com.

Brookfield Australia Investments Limited, the Australian Holding Company, has an internal audit function which may review aspects of the Company's business and the Fund.

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

Principle 8: Remunerate fairly and responsibly

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

Independent and non-executive Directors receive fees for serving as Directors. Director fees are not linked to the performance of the Company or the Fund. Executive Directors do not receive payment for undertaking the role of Director. Executive Directors receive remuneration in their capacity as an employee of the Associate.

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

Interests of the Responsible Entity

Management Fees

For the year ended 30 June 2011, the Fund incurred \$731,000 in management fees to the Responsible Entity (2010: \$643,000). \$164,000 of management fees remain payable as at year end (2010: \$1,341,000).

Directors' Report continued

Brookfield Australian Opportunities Fund

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For the year ended 30 June 2011

Interests of the Responsible Entity continued

Related party unitholders

The following interests were held in the Consolidated Entity during the year:

- Brookfield Multiplex Capital Securities Ltd, as trustee for Brookfield Multiplex PPF Investment No.2 trust, holds 328,609,014 units or 40.5% of the Fund (2010: nil);
- Brookfield Multiplex Capital Pty Ltd holds 9,737,640 units or 1.2% of the Fund (2010: 2,434,410 units or 1.2%; and
- Multiplex APF Pty Ltd, as trustee for Multiplex APF Trust, holds 163,751,624 units or 20.2% of the Fund. (2010: 40,937,906 units or 20.2%).

JP Morgan Nominees Australia Limited, as custodian for BCML, as Responsible Entity for the Fund, holds the following investments in related party entities:

- Multiplex European Property Fund – 12,750,050 units or 5.2% (2010: 12,750,050 or 5.2%);
- Multiplex New Zealand Property Fund – 45,016,081 units or 20.6% (2010: 48,067,823 units or 22.0%);
- Brookfield Prime Property Fund (formerly Multiplex Prime Property Fund) – 2,521,890 units or 5.0% of the Fund (2010: 4,993,155 units or 9.9%); and
- Multiplex Development and Opportunity Fund – 9,320,388 units or 5.7% (2010: 9,320,388 units or 5.7%).

Significant changes in the state of affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the Consolidated Entity that occurred during the financial year not otherwise disclosed in this report or in the financial statements.

Events subsequent to the reporting date

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

Likely developments

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

Environmental regulation

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

Distributions

During the current and prior years, no distributions were paid by the Fund to ordinary unitholders. Distributions paid/payable to minority interests are detailed below.

	Cents per unit	Total amount \$'000	Date of payment
MPIF Income units – Income units			
June 2011 distribution	0.3878	205	20 July 2011
May 2011 distribution	0.2652	140	20 June 2011
April 2011 distribution	0.2661	140	20 May 2011
March 2011 distribution	0.4119	217	20 April 2011
February 2011 distribution	0.2652	140	21 March 2011
January 2011 distribution	0.3400	180	21 February 2011
December 2010 distribution	0.6065	320	20 January 2011
November 2010 distribution	0.1991	105	20 December 2010
October 2010 distribution	0.2678	141	22 November 2010
September 2010 distribution	0.6455	341	20 October 2010
August 2010 distribution	0.3119	165	20 September 2010
July 2010 distribution	0.2289	121	20 August 2010
Total distribution to income unitholders for the year ended 30 June 2011	4.1959	2,215	

Directors' Report continued

Brookfield Australian Opportunities Fund

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For the year ended 30 June 2011

Distributions continued

	Cents per unit	Total amount \$'000	Date of payment
MPIF Income units - minority interest			
June 2010 distribution	0.5315	281	19 July 2010
May 2010 distribution	0.3134	165	18 June 2010
April 2010 distribution	0.2238	118	20 May 2010
March 2010 distribution	0.4105	217	20 April 2010
February 2010 distribution	0.3865	204	19 March 2010
January 2010 distribution	0.5767	304	19 February 2010
November 2009 distribution	0.3452	182	21 December 2009
September 2009 distribution	0.3552	188	22 October 2009
Total distribution to income unitholders for the year ended 30 June 2010	3.1428	1,659	

Indemnification and insurance premiums

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

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

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

Non-audit services

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

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

	Consolidated Year ended 30 June 2011 \$	Year ended 30 June 2010 \$
Services other than statutory audit:		
Non-audit services relating to the Consolidated Entity	—	—
Non-audit services relating to the Fund's subsidiary MPIF	—	—
Total fees related to non-audit services	—	—

Remuneration Report

a Remuneration of Directors and Key Management Personnel of the Responsible Entity

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

F. Allan McDonald (appointed 1 January 2010)
 Brian Motteram (appointed 21 February 2007)
 Barbara Ward (appointed 1 January 2010)
 Russell Proutt (appointed 1 January 2010)
 Shane Ross (appointed 16 May 2011)
 Tim Harris (appointed 17 March 2010 – resigned 16 May 2011)

The Responsible Entity is entitled to a management fee which is calculated as a proportion of gross asset value. Details of the fees are shown below.

No compensation is paid directly by the Consolidated Entity to Directors or to any of the KMP of the Responsible Entity. Since the end of the financial year, no Director or KMP of the Responsible Entity has received or become entitled to receive any benefit because of a contract made by the Responsible Entity with a Director or KMP, or with a firm of which the Director or KMP is a member, or with an entity in which the Director or KMP has a substantial interest, except at terms set out in the Fund Constitution.

Directors' Report continued

Brookfield Australian Opportunities Fund

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For the year ended 30 June 2011

Remuneration Report continued

a Remuneration of Directors and Key Management Personnel of the Responsible Entity continued

Loans to Directors and Key Management Personnel of the Responsible Entity

The Consolidated Entity has not made, guaranteed or secured, directly or indirectly, any loans to the Directors and KMP or their personally related entities at any time during the year.

Other Transactions with Directors and Specified Executives of the Responsible Entity

From time to time, Directors and KMP or their personally related entities may buy or sell units in the Fund. These transactions are subject to the same terms and conditions as those entered into by other Fund investors.

No Director or KMP has entered into a contract for services with the Responsible Entity during the year and there were no contracts involving Directors or KMP subsisting at year end.

b Management fees

The management fee incurred by the Consolidated Entity to the Responsible Entity for the year ended 30 June 2011 was \$731,000 (2010: \$643,000).

Rounding of amounts

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

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

The lead auditor's independence declaration is set out on page 14 and forms part of the Directors' Report for the year ended 30 June 2011.

Dated at Sydney this 26th day of August 2011.

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



Russell Proutt

Director

Brookfield Capital Management Limited

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

26 August 2011

Dear Directors

BROOKFIELD AUSTRALIAN OPPORTUNITIES FUND

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

As lead audit partner for the audit of the financial statements of Brookfield Australian Opportunities Fund for the year ended 30 June 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



Helen Hamilton-James
Partner
Chartered Accountants

Statement of Comprehensive Income

Brookfield Australian Opportunities Fund

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For the year ended 30 June 2011

	Note	Consolidated Year ended 30 June 2011 \$'000	Year ended 30 June 2010 \$'000
Revenue and other income			
Distribution income from listed and unlisted property trusts		7,739	6,462
Gain on disposal of listed and unlisted property trusts		4,159	2,086
Interest income		1,374	257
Other income		–	14
Total revenue and other income		13,272	8,819
Expenses			
Share of net loss of investment accounted for using the equity method	6	2,099	3,908
Impairment expense	12	5,442	12,374
Finance costs to external parties		5,165	7,088
Management fees		731	643
Other expenses		683	750
Total expenses		14,120	24,763
Net loss for the year		(848)	(15,944)
Other comprehensive income			
Change in reserves of investment accounted for using the equity method	17	(1,359)	1,424
Change in fair value of available for sale financial assets	17	7,511	9,879
Other comprehensive income/(loss) for the year		6,152	11,303
Total comprehensive income/(loss) for the year		5,304	(4,641)
Net profit/(loss) attributable to:			
Ordinary unitholders		(2,149)	(9,725)
Minority interest – MPIF income unitholders		1,301	(6,219)
Net loss for the year		(848)	(15,944)
Total comprehensive income/(loss) attributable to:			
Ordinary unitholders		1,362	(355)
Minority interest – MPIF income unitholders		3,942	(4,286)
Total comprehensive income/(loss) for the year		5,304	(4,641)
Earnings per unit			
Basic and diluted earnings per ordinary unit (cents)	8	(0.30)	(4.79)

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

Statement of Financial Position

Brookfield Australian Opportunities Fund

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As at 30 June 2011

	Note	Consolidated 2011 \$'000	2010 \$'000
Assets			
Current assets			
Cash and cash equivalents	10	10,573	7,822
Trade and other receivables	11	1,897	2,582
Investments – available for sale	12	31,209	–
Total current assets		43,679	10,404
Non-current assets			
Investments – available for sale	12	119,172	158,393
Investment accounted for using the equity method	6	25,997	32,042
Total non-current assets		145,169	190,435
Total assets		188,848	200,839
Liabilities			
Current liabilities			
Trade and other payables	14	1,054	2,363
Distribution payable		205	281
Interest bearing liabilities	15	–	27,608
Deferred settlement	19	–	10,731
Total current liabilities		1,259	40,983
Non-current liabilities			
Interest bearing liabilities	15	37,100	40,902
Total non-current liabilities		37,100	40,902
Total liabilities		38,359	81,885
Net assets		150,489	118,954
Equity			
Attributable to ordinary unitholders			
Units on issue – ordinary units		231,827	203,381
Reserves		2,378	(1,133)
Undistributed losses		(124,689)	(122,540)
Attributable to MPIF income unitholders			
Minority interest – MPIF income units		52,960	52,960
Reserves		4,574	1,933
Undistributed losses		(16,561)	(15,647)
Total equity		150,489	118,954

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

Statement of Changes in Equity

Brookfield Australian Opportunities Fund

For the year ended 30 June 2011

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	Attributable to unitholders of the Fund				Income units \$'000	Attributable to minority interest			Total equity \$'000
	Ordinary Units \$'000	Undistributed profits/(losses) \$'000	Reserves \$'000	Total \$'000		Undistributed profits/(losses) \$'000	Reserves \$'000	Total \$'000	
Consolidated Entity									
Opening equity – 1 July 2010	203,381	(122,540)	(1,133)	79,708	52,960	(15,647)	1,933	39,246	118,954
Change in reserves of investment accounted for using the equity method	–	–	(1,359)	(1,359)	–	–	–	–	(1,359)
Change in fair value of available for sale financial assets	–	–	4,870	4,870	–	–	2,641	2,641	7,511
Other comprehensive income for the year	–	–	3,511	3,511	–	–	2,641	2,641	6,152
Net loss/(profit) for the year	–	(2,149)	–	(2,149)	–	1,301	–	1,301	(848)
Total comprehensive loss/(income) for the year	–	(2,149)	2,811	1,362	–	1,301	2,641	3,942	5,304
Transactions with unitholders in their capacity as unitholders:									
Units issued	28,446	–	–	28,446	–	–	–	–	28,446
Units redeemed	–	–	–	–	–	–	–	–	–
Distributions paid/payable	–	–	–	–	–	(2,215)	–	(2,215)	(2,215)
Total transactions with unitholders in their capacity as unitholders	28,446	–	–	28,446	–	(2,215)	–	(2,215)	26,231
Closing equity – 30 June 2011	231,827	(124,689)	2,378	109,516	52,960	(16,561)	4,574	40,973	150,489

Statement of Changes in Equity continued

Brookfield Australian Opportunities Fund

For the year ended 30 June 2011

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	Attributable to unitholders of the Fund				Income units \$'000	Attributable to minority interest			
	Ordinary Units \$'000	Undistributed profits/(losses) \$'000	Reserves \$'000	Total \$'000		Undistributed profits/(losses) \$'000	Reserves \$'000	Total \$'000	Total equity \$'000
Consolidated Entity									
Opening equity – 1 July 2009	203,381	(112,815)	(10,503)	80,063	52,960	(7,769)	–	45,191	125,254
Change in reserves of investment accounted for using the equity method	–	–	1,424	1,424	–	–	–	–	1,424
Change in fair value of available for sale financial assets	–	–	7,946	7,946	–	–	1,933	1,933	9,879
Other comprehensive income/(loss) for the year	–	–	9,370	9,370	–	–	1,933	1,933	11,303
Net loss for the year	–	(9,725)	–	(9,725)	–	(6,219)	–	(6,219)	(15,944)
Total comprehensive income/(loss) for the year	–	(9,725)	9,370	(355)	–	(6,219)	1,933	(4,286)	(4,641)
Transactions with unitholders in their capacity as unitholders:									
Units issued	–	–	–	–	–	–	–	–	–
Units redeemed	–	–	–	–	–	–	–	–	–
Distributions paid/payable	–	–	–	–	–	(1,659)	–	(1,659)	(1,659)
Total transactions with unitholders in their capacity as unitholders	–	–	–	–	–	(1,659)	–	(1,659)	(1,659)
Closing equity – 30 June 2010	203,381	(122,540)	(1,133)	79,708	52,960	(15,647)	1,933	39,246	118,954

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

Statement of Cash Flows

Brookfield Australian Opportunities Fund

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For the year ended 30 June 2011

		Consolidated Year ended 30 June 2011 \$'000	Year ended 30 June 2010 \$'000
	Note		
Cash flows from operating activities			
Cash receipts in the course of operations		7,753	7,479
Cash payments in the course of operations		(2,731)	(292)
Interest received		1,385	255
Financing costs paid		(2,645)	(5,710)
Net cash flows from operating activities	20	3,762	1,732
Cash flows from investing activities			
Payments for purchase of available for sale assets		(18,113)	(11,627)
Proceeds from sale of available for sale assets and equity accounted investment		20,625	23,691
Net cash flows from investing activities		2,512	12,064
Cash flows from financing activities			
Proceeds from issue of ordinary units	16	30,429	–
Issue costs		(1,972)	–
Proceeds from interest bearing liabilities		–	4,965
Repayments of interest bearing liabilities		(29,689)	(12,000)
Distributions paid to minority interests		(2,291)	(1,378)
Net cash flows used in financing activities		(3,523)	(8,413)
Net increase in cash and cash equivalents		2,751	5,383
Cash and cash equivalents at beginning of year		7,822	2,439
Cash and cash equivalents at 30 June	10	10,573	7,822

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

Notes to the Financial Statement

Brookfield Australian Opportunities Fund

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For the year ended 30 June 2011

1 Reporting entity

Brookfield Australian Opportunities Fund (Fund) (formerly Multiplex Acumen Property Fund) is an Australian registered managed investment scheme under the *Corporations Act 2001*. Brookfield Capital Management Limited (BCML) (formerly Brookfield Multiplex Capital Management Limited), the Responsible Entity of the Fund, is incorporated and domiciled in Australia. The consolidated financial statements of the Fund as at and for the year ended 30 June 2011 comprise the Fund and its subsidiaries (together referred to as the Consolidated Entity) and the Consolidated Entity's interest in associates.

2 Basis of preparation

a Statement of compliance

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

The financial statements were authorised for issue by the Directors on this 26th day of August 2011.

b Basis of measurement

The consolidated financial statements have been prepared on the basis of historical cost, except for the following:

- equity accounted investment, which is measured using the equity method; and
- available for sale financial assets, which are measured at fair value.

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

The consolidated financial statements are presented in Australian dollars, which is the Fund's functional and presentation currency.

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

c Use of estimates and judgements

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

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

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are provided in investments – available for sale (Note 12) and financial instruments (Note 19).

3 Significant accounting policies

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

a Principles of consolidation

Subsidiaries

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

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

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

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

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

Notes to the Financial Statement continued

Brookfield Australian Opportunities Fund

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For the year ended 30 June 2011

3 Significant accounting policies continued

a Principles of consolidation

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

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

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

Associates

Associates are all entities over which the group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

b Revenue recognition

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

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

Dividends and distributions

Revenue from dividends and distributions is recognised when the right of the Consolidated Entity or the Fund to receive payment is established, which is generally when they have been declared.

Interest revenue

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

Gains or losses on available for sale financial assets

Listed and unlisted investments are classified as being available for sale and are stated at fair value, with any resulting gain or loss recognised directly in equity in the Statement of Financial Position, except for impairment losses, which are recognised directly in the Statement of Comprehensive Income. Where these investments are derecognised, the cumulative gain or loss previously recognised directly in equity in the Statement of Financial Position is recognised in the Statement of Comprehensive Income.

The fair value of listed investments is the quoted bid price at the period end date.

c Expense recognition

Finance costs

Finance costs are recognised as expenses using the effective interest rate method, unless they relate to a qualifying asset, being an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Where a qualifying asset exists, borrowing costs that are directly attributable to the acquisition, construction or production of the qualifying asset is capitalised as part of the cost of that asset.

Finance costs include:

- interest on bank overdrafts and short-term and long-term borrowings, including amounts paid or received on interest rate swaps;
- amortisation of discounts or premiums relating to borrowings;
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings;

Notes to the Financial Statement continued

Brookfield Australian Opportunities Fund

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For the year ended 30 June 2011

3 Significant accounting policies continued

c Expense recognition continued

- finance lease charges; and
- certain exchange differences arising from foreign currency borrowings.

Management fees

A base management fee calculated on the gross value of assets is payable to the Responsible Entity. The fee is payable by the Consolidated Entity quarterly in arrears.

Performance fee

A performance fee of 20% (including GST less any reduced input tax credits) of the outperformance of the Consolidated Entity against the Benchmark return (S&P/ASX A-REIT Accumulation Index) is recognised on an accruals basis. Any previous underperformance must be recovered before a performance fee becomes payable.

Other expenditure

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

d Goods and services tax (GST)

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

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

e Income tax – funds

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

Tax allowances for buildings, plant and equipment are distributed to unitholders in the form of a tax deferred component of the distributions.

f Cash and cash equivalents

For purposes of presentation in 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.

g Trade and other receivables

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

h Available for sale financial assets

Listed and unlisted investments are classified as being available for sale. Available for sale financial assets are initially recognised at fair value plus directly attributable transaction costs. Subsequent to initial recognition they are measured at fair value, with any resulting gain or loss recognised directly in equity. Where there is evidence of impairment in the value of the investment, usually through adverse market conditions, the impairment loss will be recognised directly in the Statement of Comprehensive Income. Where listed and unlisted investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in the Statement of Comprehensive Income.

i Associates

The Consolidated Entity's investments in associates are 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 of the associates. 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 the associates. The consolidated Statement of Comprehensive Income reflects the Consolidated Entity's share of the results of operations of the associates.

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.

Notes to the Financial Statement continued

Brookfield Australian Opportunities Fund

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For the year ended 30 June 2011

3 Significant accounting policies continued

i Associates

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

Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the Consolidated Entity's interest in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Gains and losses are recognised when the contributed assets are consumed or sold by the associate.

j Non-derivative financial instruments

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

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at a fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Consolidated Entity becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Consolidated Entity's contractual rights to the cash flows from the financial assets expire or if the Consolidated Entity transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchase and sales of financial assets are accounted for at trade date, i.e. the date that the Consolidated Entity commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Consolidated Entity's obligations specified in the contract expire or are discharged or cancelled.

Accounting policies for cash and cash equivalents, trade and other receivables, available for sale financial assets, trade and other payables and interest bearing liabilities are discussed elsewhere within the financial statements.

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

k Impairment

Financial assets

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

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

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

All impairment losses are recognised in the Statement of Comprehensive Income. Any cumulative loss in respect of an available for sale financial asset recognised previously in equity is transferred to the Statement of Comprehensive Income.

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

Non financial assets

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

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

l Earnings per unit

The Consolidated Entity presents basic and diluted earnings per unit (EPU) data for all its ordinary unitholders. Basic EPU is calculated by dividing the profit or loss attributable to ordinary unitholders of the Consolidated Entity by the weighted average number of ordinary units outstanding during the period. Diluted EPU is determined by adjusting the profit or loss attributable to ordinary unitholders and the weighted average number of ordinary units outstanding for the effects of all dilutive potential ordinary units.

Notes to the Financial Statement continued

Brookfield Australian Opportunities Fund

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For the year ended 30 June 2011

3 Significant accounting policies continued

m Trade and other payables

Payables are stated at amortised cost using the effective interest rate method and represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial period and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

n Interest bearing liabilities

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

o Distributions

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

p Units on issue

Issued and paid up units are recognised as changes in equity at the fair value of the consideration received by the Consolidated Entity, less any incremental costs directly attributable to the issue of new units.

q Segment reporting

Operating segments are identified on the basis of internal reports about components of the Consolidated Entity that are regularly reviewed by the Chief Operating Decision Maker in order to allocate resources to segments and to assess their performance. Management have identified that this function is performed by the Board of Directors of the Responsible Entity. Further details are provided in segment reporting (Note 5).

r New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2011 but have not been applied in preparing this financial report:

AASB 9 *Financial Instruments*, AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* (effective for annual reporting periods beginning on or after 1 January 2013)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in the profit or loss of the Statement of Comprehensive Income. The Consolidated Entity and Fund have not yet decided when to adopt AASB 9 or the consequential impact of the amendment.

AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* (effective for annual reporting periods beginning on or after 1 January 2011)

AASB 2010-4 amends a number of pronouncements as a result of the International Accounting Standards Board's (IASB's) 2008-2010 cycle of annual improvements. Key amendments include clarification of content of statement of changes in equity, financial instrument disclosures and significant events and transactions in interim reports. The Consolidated Entity and Fund does not expect that any adjustments will be necessary as a result of applying the revised rules.

AASB 2010-5 *Amendments to Australian Accounting Standards* (effective for annual reporting periods beginning on or after 1 January 2011)

AASB 2010-5 makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. The Consolidated Entity and Fund does not expect that any adjustments will be necessary as a result of applying the revised rules.

AASB 2010-6 *Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets* (effective for annual reporting periods beginning on or after 1 July 2011)

AASB 2010-6 makes amendments to AASB 7 *Financial Instruments: Disclosures* to introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect, in particular, entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. The Consolidated Entity and Fund will apply the amendments from 1 July 2011 and have not yet concluded on the consequential impact of the amendment.

Notes to the Financial Statement continued

Brookfield Australian Opportunities Fund

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For the year ended 30 June 2011

4 Parent entity disclosures

	Fund 2011 \$'000	2010 \$'000
Assets		
Current assets	27,535	6,376
Non-current assets	120,634	139,795
Total assets	148,169	146,171
Liabilities		
Current liabilities	1,092	9,604
Non-current liabilities	37,100	55,962
Total liabilities	38,192	65,566
Equity		
Units on issue	231,827	203,381
Reserves	12,757	11,153
Undistributed losses	(134,607)	(133,929)
Total equity	109,977	80,605

	Fund Year ended 30 June 2011 \$'000	Year ended 30 June 2010 \$'000
Net loss for the year	(678)	(10,552)
Other comprehensive income for the year	1,604	11,153
Total comprehensive income for the year	926	601

5 Segment reporting

Management have identified that the Chief Operating Decision Maker function is performed by the Board of Directors of the Responsible Entity (Board). The following segments are identified as reporting segments which are reviewed by the Board to make decisions and assess performance:

Listed property securities

This segment represents the Consolidated Entity's investment in a portfolio of A-REIT securities, including impairment expenses and any gains or losses recognised on listed property securities.

Unlisted property securities

This segment represents the Consolidated Entity's investments in unlisted property securities, including the share of results of operations of the investment in associate (as the associate is an unlisted property security), impairment expenses and any gains or losses recognised on unlisted property securities.

Other

Other represents costs associated with the management of the Consolidated Entity and finance costs associated with the Consolidated Entity's debt, cash and interest bearing liabilities.

The following is an analysis of the Consolidated Entity's revenue and results by reportable operating segment for the year. The revenue reported below represents revenue generated from external customers. There was no intersegment profit or loss during the year.

	Listed property securities \$'000	Unlisted property securities \$'000	Other \$'000	Total \$'000
For the year ended 30 June 2011				
Revenue				
Total revenue and other income	5,044	6,854	1,374	13,272
Share of net loss of investments accounted for using the equity method	—	(2,099)	—	(2,099)
Impairment expense	(1,230)	(4,212)	—	(5,442)
Finance costs to external parties	—	—	(5,165)	(5,165)
Other	—	—	(1,414)	(1,414)
Net profit/(loss) for the year	3,814	543	(5,205)	(848)

Notes to the Financial Statement continued

Brookfield Australian Opportunities Fund

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For the year ended 30 June 2011

5 Segment reporting continued

The revenue reported below represents revenue generated from external customers. There was no intersegment profit or loss during the year.

	Listed property securities \$'000	Unlisted property securities \$'000	Other \$'000	Total \$'000
For the year ended 30 June 2010				
Revenue				
Total revenue and other income	3,617	4,932	270	8,819
Share of net loss of investments accounted for using the equity method	–	(3,908)	–	(3,908)
Impairment expense	(335)	(12,039)	–	(12,374)
Finance costs to external parties	–	–	(7,088)	(7,088)
Other	–	–	(1,393)	(1,393)
Net loss for the year	3,282	(11,015)	(8,211)	(15,944)

The following is an analysis of the Consolidated Entity's assets by reportable operating segment.

	Listed property securities \$'000	Unlisted property securities \$'000	Other \$'000	Total \$'000
30 June 2011				
Total assets	31,820	146,425	10,603	188,848
Total liabilities	–	–	38,359	38,359
Net assets	31,820	146,425	27,756	150,489

	Listed property securities \$'000	Unlisted property securities \$'000	Other \$'000	Total \$'000
30 June 2010				
Total assets	28,603	163,691	8,545	200,839
Total liabilities	10,731	–	71,154	81,885
Net assets	17,872	163,691	(62,609)	118,954

The Consolidated Entity operates in one geographic area.

	Consolidated 2011 \$'000	2010 \$'000
6 Investment accounted for using the equity method		
Multiplex New Zealand Property Fund	28,964	34,561
Impairment	(2,967)	(2,519)
Total investment accounted for using the equity method	25,997	32,042
Share of net loss from investments accounted for using the equity method:		
Multiplex New Zealand Property Fund	(2,099)	(3,908)

Notes to the Financial Statement continued

Brookfield Australian Opportunities Fund

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For the year ended 30 June 2011

6 Investment accounted for using the equity method continued

Summary financial information for equity accounted investees, not adjusted for the percentage ownership held by the Consolidated Entity is detailed below.

	2011 \$'000	2010 \$'000
Current assets	26,477	49,879
Non-current assets	344,206	453,862
Total assets	370,683	503,741
Current liabilities	26,568	52,869
Non-current liabilities	215,617	302,558
Total liabilities	242,185	355,427
	Year ended 30 June 2011 \$'000	Year ended 30 June 2010 \$'000
Revenues	49,125	66,675
Expenses	(68,176)	(98,159)
Income tax benefit/(expense)	8,614	13,757
Net loss after income tax for the year	(10,437)	(17,727)

The Consolidated Entity owns 20.6% of the ordinary units of Multiplex New Zealand Property Fund (MNZPF) (2010: 22.0%). In accordance with accounting standards, the Consolidated Entity therefore has significant influence over MNZPF and accounts for its investment under the equity accounting method whereby the Consolidated Entity records its share of profit or loss of MNZPF's operations. Any changes to the results and operations of the underlying investment are presented in the Consolidated Entity's financial report through the share of net profit or loss of investment accounted for using the equity method line item in the Statement of Comprehensive Income and the carrying value of the investment accounted for using the equity method in the Statement of Financial Position. The investment in MNZPF is accounted for as an available for sale investment in the stand-alone Fund.

In accordance with AASB 136 *Impairment of assets*, an assessment must be made at each reporting date whether there is any indication that an asset is impaired. A review of the equity accounted investment was performed at the reporting date and, due to the continued decline in the value of the MNZPF investment, a further impairment of \$608,000 has been recorded against the equity accounted investment in MNZPF. This conclusion was reached upon assessment of the fair value less cost to sell of the equity accounted investment, to ensure the current carrying value does not exceed the recoverable amount (being the higher of fair value less cost to sell or value in use). The fair value less cost to sell was determined based on the NTA of MNZPF, less estimated costs of disposal. The carrying amount of impairment on equity accounted investments in the Consolidated Entity is detailed below.

	Year ended 30 June 2011 \$'000	Year ended 30 June 2010 \$'000
Impairment of investments in associates		
Carrying amount at the beginning of the year	(2,519)	(9,030)
Impairment recognised	(608)	–
Reversal of impairment	–	5,666
Reduction of impairment balance due to disposal of investments	160	845
Carrying amount at the end of the year	(2,967)	(2,519)

	Consolidated Year ended 30 June 2011 \$	Year ended 30 June 2010 \$
7 Auditors' remuneration		
Auditors of the Fund:		
Audit and review of the financial report	87,840	80,000
Total auditor's remuneration	87,840	80,000

All costs incurred in relation to the Fund's subsidiary, Multiplex Property Income Fund (MPIF), are borne by the Fund. Fees paid to the auditors of the Fund and MPIF in relation to compliance plan audits are borne by the Responsible Entity.

Notes to the Financial Statement continued

Brookfield Australian Opportunities Fund

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For the year ended 30 June 2011

8 Earnings per unit

Classification of securities as ordinary units

All securities have been classified as ordinary units and included in basic EPU, as they have the same entitlement to distributions. There are no dilutive potential ordinary units, therefore diluted EPU is the same as basic EPU.

Earnings per unit

Earnings per unit have been calculated in accordance with the accounting policy per Note 3I.

		Consolidated Year ended 30 June 2011	Year ended 30 June 2010
Net loss attributable to ordinary unitholders	\$'000	(2,149)	(9,725)
Weighted average number of ordinary units used in the calculation of basic and diluted EPU	'000	709,735	202,861
Basic and diluted weighted earnings per ordinary unit	cents	(0.30)	(4.79)

9 Distributions

During the current and prior years no distributions were paid by the Fund to ordinary unitholders.

Distributions paid/payable to minority interests are detailed below:

	Cents per unit	Total amount \$'000	Date of payment
MPIF Income units – Income units			
June 2011 distribution	0.3878	205	20 July 2011
May 2011 distribution	0.2652	140	20 June 2011
April 2011 distribution	0.2661	140	20 May 2011
March 2011 distribution	0.4119	217	20 April 2011
February 2011 distribution	0.2652	140	21 March 2011
January 2011 distribution	0.3400	180	21 February 2011
December 2010 distribution	0.6065	320	20 January 2011
November 2010 distribution	0.1991	105	20 December 2010
October 2010 distribution	0.2678	141	22 November 2010
September 2010 distribution	0.6455	341	20 October 2010
August 2010 distribution	0.3119	165	20 September 2010
July 2010 distribution	0.2289	121	20 August 2010
Total distribution to income unitholders for the year ended 30 June 2011	4.1959	2,215	
MPIF Income units – minority interest			
June 2010 distribution	0.5315	281	19 July 2010
May 2010 distribution	0.3134	165	18 June 2010
April 2010 distribution	0.2238	118	20 May 2010
March 2010 distribution	0.4105	217	20 April 2010
February 2010 distribution	0.3865	204	19 March 2010
January 2010 distribution	0.5767	304	19 February 2010
November 2009 distribution	0.3452	182	21 December 2009
September 2009 distribution	0.3552	188	22 October 2009
Total distribution to income unitholders for the year ended 30 June 2010	3.1428	1,659	

MPIF has 52,791,450 income units on issue at the reporting date. Under the terms of the MPIF Product Disclosure Statement, income unitholders have a targeted monthly priority distribution payment (PDP) which is calculated with reference to a margin of 2.5% per annum above the distribution yield on the S&P/ASX 200 Property Trust Index (with a minimum distribution of 7.5% per annum and a maximum of 8.5% per annum).

In circumstances where MPIF does not meet the PDP to its income unitholders, the Fund will be prevented from making distributions to its unitholders unless the shortfall has been met within 12 months of the end of the month in which the shortfall occurred.

Notes to the Financial Statement continued

Brookfield Australian Opportunities Fund

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For the year ended 30 June 2011

9 Distributions continued

As MPIF distributed less than the PDP for the months July 2010 through June 2011, the Fund will be prevented from making a distribution to its ordinary unitholders until the shortfall has been met. This distribution stopper will remain in place until any shortfall in the PDP for the preceding 12 months is, or has been, paid to Income unitholders of MPIF. The Fund's Responsible Entity has the discretion as to whether to cover the PDP shortfall. The PDP shortfall at 30 June 2011 was \$2,262,000 (2010: \$2,822,000).

	Consolidated 2011 \$'000	2010 \$'000
10 Cash and cash equivalents		
Cash at bank	10,573	5,522
Cash not available for use	–	2,300
Total cash and cash equivalents	10,573	7,822

	Consolidated 2011 \$'000	2010 \$'000
11 Trade and other receivables		
Distributions receivable – listed and unlisted investments	1,867	1,859
Other receivables	30	73
Prepayments	–	650
Total trade and other receivables	1,897	2,582

	Consolidated 2011 \$'000	2010 \$'000
12 Investments – available for sale		
Listed investments		
Listed investments at cost	64,886	65,570
Fair value adjustments	3,165	1,176
Impairment	(36,842)	(38,766)
Total listed investments	31,209	27,980
Unlisted investments		
Unlisted investments at cost	161,894	176,822
Fair value adjustments	14,225	8,703
Impairment	(56,947)	(55,112)
Total unlisted investments	119,172	130,413
Total investments – available for sale	150,381	158,393

Reconciliation of the carrying amount of impairment is set out below:

	Consolidated Year ended 30 June 2011 \$'000	Year ended 30 June 2010 \$'000
Investments – available for sale (listed property trusts)		
Carrying amount as at beginning of the year	(38,766)	(44,866)
Reduction of impairment balance due to disposal of investments	3,154	6,435
Impairment recognised in the year	(1,230)	(335)
Carrying amount at year end	(36,842)	(38,766)
Investments – available for sale (unlisted property trusts)		
Carrying amount as at beginning of the year	(55,112)	(38,992)
Reduction of impairment balance due to disposal of investments	1,769	1,585
Impairment recognised in the year	(3,604)	(17,705)
Carrying amount at year end	(56,947)	(55,112)

Notes to the Financial Statement continued

Brookfield Australian Opportunities Fund

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For the year ended 30 June 2011

12 Investments – available for sale continued

Reconciliation of the impairment expense is set out below:

	Consolidated	
	Year ended 30 June 2011 \$'000	Year ended 30 June 2010 \$'000
Investments – available for sale		
Impairment recognised – listed property trusts	(1,230)	(335)
Impairment recognised – unlisted property trusts	(3,604)	(17,705)
Investment – associate		
Reduction of impairment – investment accounted for using the equity method	–	5,666
Impairment recognised – investment accounted for using the equity method	(608)	–
Net impairment expense recognised in the Statement of Comprehensive Income	(5,442)	(12,374)

Impairment

During the year, the Consolidated Entity recognised an impairment loss in accordance with accounting standards of \$4,834,000 in relation to its available for sale investments (2010: \$18,040,000).

The impairment loss recognised in relation to available for sale investments represents the difference between the cost of the investments and their market value as at 30 June 2011, less any previously recorded impairment losses and reductions to accumulated reserves.

The Responsible Entity has determined there is objective evidence at the date of this report that the value of the Consolidated Entity's listed and unlisted property trust investments are impaired. This determination has arisen due to the significant and prolonged decline in value of listed and unlisted property trusts during the year and market conditions within the property sector generally.

Investments in unlisted property securities

The Consolidated Entity invests directly in 34 unlisted property securities funds. Due to a lack of liquidity in the underlying investment portfolios, or due to the initial structure of the fund as detailed in their original product disclosure statements and constitutions, 7 have suspended redemptions, 22 have always been closed to redemptions due to the investment structure as outlined in their original constitutions, 3 investments were listed on the Australian Stock Exchange but are now deemed insolvent and 2 have limited liquidity features meaning that the Consolidated Entity, should it want to, has limited ability to realise these investments due to limited or no redemption options available through these structures.

Consistent with 30 June 2010, the Consolidated Entity has valued its investments in each of the underlying unlisted property securities funds based on the net asset value provided as at 30 June 2011, or where this has not been provided, the latest available net asset value. In circumstances where the latest available net asset value has not been obtained, an assessment of the appropriateness of the value has been made based on knowledge of valuation and transactional movements in the underlying investment's structure as compared to similar portfolios. As the Consolidated Entity is not seeking to sell its assets in the near term, an additional discount would not normally be applied. However, further consideration was then given to each net asset value in the current environment to determine whether an additional discount should be applied by assessing other prevailing market evidence, including transactional evidence and an assessment of the ability of the underlying investments to continue as a going concern. This analysis included application of discounts to unaudited net asset values where certain funds' underlying property investments were all located in Europe.

Notes to the Financial Statement continued

Brookfield Australian Opportunities Fund

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For the year ended 30 June 2011

12 Investments – available for sale continued

Material investments

Investments by the Consolidated Entity which constitute 5% or more by value of that investment are disclosed below.

	2011 Units	2011 % ownership	2010 Units	2010 % ownership
Unlisted property securities				
APN Champion Retail Fund	13,900,000	25.0	13,900,000	25.0
APN Regional Property Fund	3,571,429	10.9	3,571,429	10.9
APN Poland Retail Fund	7,542,100	19.9	7,542,100	19.9
APN Vienna Retail Fund	6,000,000	13.1	6,000,000	13.1
Austock Childcare Fund	1,000,000	7.4	1,000,000	7.4
Centro MCS 21 – Roseland Holding Trust	4,915,000	33.5	4,915,000	33.5
Centro MCS 22 - Kidman Park Investment Trust	692,192	9.6	692,192	9.6
Charter Hall Diversified Property Fund	4,783,316	6.3	4,783,316	6.3
Gordon Property Investment Trust	–	–	1,363,000	9.3
Investa Diversified Office Fund	27,231,302	16.3	27,231,302	16.3
Investa Fifth Commercial Trust	9,550,000	19.1	9,550,000	19.1
Investa Second Industrial Trust	1,479,154	5.5	1,479,154	5.5
MAB Diversified Property Trust	7,000,000	10.6	7,000,000	10.6
Multiplex Development and Opportunity Fund	9,320,388	5.7	9,320,388	5.7
Pengana Credo European Property Trust	10,400,000	19.9	10,400,000	19.9
P-REIT (formerly Reed Property Trust and RP Trust)	5,515,213	5.6	5,515,213	7.0
Rimcorp Property Trust No. 3	1,500,000	18.5	1,500,000	18.5
St Hilliers Enhanced Property Fund No. 2	2,000,000	10.0	2,000,000	10.0
The Essential HealthCare Trust	8,713,838	12.2	8,713,838	12.2
Australian Unity Diversified Property Fund (formerly Westpac Diversified Property Fund)	11,269,109	5.2	13,905,979	6.6
Listed property securities				
Brookfield Prime Property Fund (formerly Multiplex Prime Property Fund)	2,521,890	5.0	4,993,155	9.9
Multiplex European Property Fund	12,750,050	5.2	12,750,050	5.2

	2011 Ownership %	Fund 2011 \$'000	2010 Ownership %	2010 \$'000
13 Investment in controlled entities				
Multiplex Property Income Fund – ordinary units	100	30,076	100	30,076
Provision for impairment		(30,076)		(30,076)
Carrying amount – Multiplex Property Income Fund		–		–
MPF Investment No.1 Trust	100	8,137	100	–
Carrying amount – MPF Investment No.1 Trust		8,137		–
MPF Investment No.2 Trust	–	–	100	–
Carrying amount – MPF Investment No.2 Trust		–		–
Total investment in controlled entities		–		–

The Fund owns 30,075,871, or 100% of the ordinary units in MPIF which are consolidated into the results of the Fund's consolidated financial statements. Income unitholders are not entitled to any profits from MPIF other than income unit distributions and have no right to influence or control MPIF. MPIF owns 100% of Multiplex Income UPT International Investments Trust (2010: 100%) and 100% of Multiplex Income UPT Domestic Investments Trust (2010: 100%).

A review of the carrying value of the investment in controlled entity at 30 June 2011 indicated that the investment in the ordinary units of MPIF was still impaired. A provision of \$30,075,861 was recorded in 2009 to reflect the value of net assets of the underlying subsidiary attributable to BAO as the ordinary unitholder. The provision remains in the current year.

Notes to the Financial Statement continued

Brookfield Australian Opportunities Fund

For the year ended 30 June 2011

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13 Investment in controlled entities continued

The headline items of the MPIF financial position are detailed below:

	Consolidated 2011 \$'000	2010 \$'000
Assets		
Total current assets	7,975	4,068
Total non-current assets	33,203	35,459
Total assets	41,178	39,527
Liabilities		
Total current liabilities	205	281
Total liabilities	205	281
Net assets	40,973	39,246

	Consolidated 2011 \$'000	2010 \$'000
14 Trade and other payables		
Management fee payable	164	1,341
Accruals and other payables	890	1,022
Total trade and other payables	1,054	2,363

	Consolidated 2011 \$'000	2010 \$'000
15 Interest bearing liabilities		
Current		
Secured bank debt	–	27,608
Non - current		
Secured bank debt	37,100	41,587
Debt Establishment Fees	–	(685)
Total interest bearing liabilities - non-current	37,100	40,902
Total interest bearing liabilities	37,100	68,510

	Expiry Date	Consolidated 2011 \$'000	2010 \$'000
Finance arrangements			
Facilities available			
Bank debt facility	1 December 2011	–	63,787
Bank debt facility	1 December 2012	37,100	–
Non bank debt	6 June 2011	–	5,408
Investment facility	1 June 2013	20,000	–
<i>Less: Facilities utilised</i>		<i>(37,100)</i>	<i>(69,195)</i>
Facilities not utilised		20,000	–

Notes to the Financial Statement continued

Brookfield Australian Opportunities Fund

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For the year ended 30 June 2011

15 Interest bearing liabilities continued

Debt facility

- Following the completion of the Rights Issue and repayment of Tranche B debt, the Fund entered into a new debt facility on the following key financial terms:
- Facility limit of \$37.1 million
- Maturity date of 1 December 2012, subject to the Fund extending the loan in October 2011 from 1 December 2011 to 1 December 2012. This is subject to the following financial covenants being met at the time of the extension:
 - Loan to Value Ratio (LVR) limit of 30% to 1 December 2011 and LVR limit of 20% from 1 December 2011 until maturity; and
 - Interest Cover Ratio (ICR) of greater than 1.25 until 1 December 2011 and ICR of greater than 1.65 from 1 December 2011 until maturity.
- Margin of 2.5% per annum over BBSY.

At 30 June 2011, the Fund was in compliance with both financial covenants on its debt facility.

Investment facility

Following completion of the Rights Issue, a wholly owned subsidiary of Brookfield Asset Management Inc. has provided a new \$20 million Investment Facility to fund investments by the Fund. The Investment Facility will have a maturity date of 1 June 2013, being six months after the maturity date of the New Debt Facility (subject to the conditions under the New Debt Facility). If the New Debt Facility is not extended, the maturity date of the Investment Facility will be 1 June 2012 (or earlier if an event of default occurs). Further details have been provided in the Fund's Rights Issue Offer Booklet issued 28 July 2010. At 30 June 2011 the facility remains undrawn.

Extension of loan

During the year, the Fund extended the term of the loan utilised to acquire the Fund's investment in Brookfield Prime Property Fund (BPA (formerly MAFCB)) from 3 November 2010 to 6 June 2011.

The Consolidated Entity borrowed \$4.97 million from an entity in the Brookfield group to acquire units under the MAFCB entitlement offer in November 2009, in which it had a 9.9% stake. The loan was made on commercial terms and conditions and recourse for the loan was limited to the security of the units in BPA subscribed for under the entitlement offer. Interest capitalised during the term of the loan. Prior to year end, a total of \$6,142,000 was repaid by way of cash and BPA units to satisfy the loan.

	Year ended 30 June 2011 \$'000	Year ended 30 June 2011 Units	Year ended 30 June 2010 \$'000	Year ended 30 June 2010 Units
16 Units on issue				
Ordinary units				
Opening balance	203,381	202,860,930	203,381	202,860,930
Issue of units	30,429	608,582,790	–	–
Unit issue costs	(1,983)	–	–	–
Closing balance – ordinary units	231,827	811,443,720	203,381	202,860,930
Minority interest – income units				
Opening balance	52,960	52,791,450	52,960	52,791,450
Issue of income units	–	–	–	–
Redemption of units	–	–	–	–
Closing balance – minority interest – income units	52,960	52,791,450	52,960	52,791,450

The above ordinary units represent the ordinary units of the Consolidated Entity and the Fund. The minority interest above represents income units issued by MPIF and are only shown in the consolidated financial statements.

In accordance with the Fund's Constitution, each unitholder is entitled to receive distributions as declared from time to time and is entitled to one vote per unit at unitholder meetings. In accordance with the Fund's Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund.

Rights issue

During the year, the Fund completed an underwritten 3 for 1 renounceable pro-rata rights issue of 608,582,790 fully paid new units in the Fund, at an issue price of \$0.05 per new unit (Rights Issue). The Fund used the proceeds of the Rights Issue to repay the balance owing under Tranche B of the Fund's old debt facility, to meet costs associated with the Rights Issue and to provide working capital to the Fund. Brookfield Multiplex Capital Securities Limited (ABN 13 103 736 081) in its capacity as trustee for Brookfield Multiplex PPF Investment No. 2 Trust, a related party of the Responsible Entity, underwrote the Rights Issue. An underwriting fee of \$957,000 was paid by the Fund.

Notes to the Financial Statement continued

Brookfield Australian Opportunities Fund

For the year ended 30 June 2011

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17 Reserves

Reserves

	Consolidated 2011 \$'000	2010 \$'000
Available for sale reserve	17,390	9,879
Foreign currency translation reserve	(10,438)	(9,079)
Total reserves	6,952	800

Available for sale reserve

	Consolidated Year ended 30 June 2011 \$'000	Year ended 30 June 2010 \$'000
Opening balance	9,879	–
Fair value movement in relation to unlisted investments	5,522	8,703
Fair value movement in relation to listed investments	1,989	1,176
Impairment recognised on available for sale assets	–	–
Closing balance	17,390	9,879

Foreign currency translation reserve

	Consolidated Year ended 30 June 2011 \$'000	Year ended 30 June 2010 \$'000
Opening balance	(9,079)	(10,503)
Share of associate's reserves	(1,359)	1,424
Closing balance	(10,438)	(9,079)

18 Undistributed losses

	Consolidated Year ended 30 June 2011 \$'000	Year ended 30 June 2010 \$'000
Opening balance	(138,187)	(120,584)
Net loss	(848)	(15,944)
Distributions to income unitholders	(2,215)	(1,659)
Closing balance	(141,250)	(138,187)

19 Financial instruments

Significant accounting policies

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

Throughout the year, in assessing the size and frequency of any distributions, the capacity of the Fund to accept redemption requests or to accept new applications for units, the Responsible Entity considers all of the risk factors disclosed below. This includes considering the liquid/illiquid nature of any assets or investments made by the Fund.

Notes to the Financial Statement continued

Brookfield Australian Opportunities Fund

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For the year ended 30 June 2011

19 Financial instruments continued

a Capital risk management

The Board's policy is to maintain a strong capital base so as to maintain investor and market confidence and the sustainable future growth of the Consolidated Entity. The Responsible Entity monitors the market unit price of the Consolidated Entity against the Consolidated Entity's net tangible assets (NTA) (attributable to ordinary unitholders), along with earnings per unit invested and distributions paid per unit.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the security afforded by a sound capital position. As per the Consolidated Entity's Product Disclosure Statement, the Responsible Entity seeks to restrict the level of short-term borrowings (up to 12 months in maturity) to 30% of the total tangible assets of the Fund.

On 17 December 2008, the Responsible Entity of the Fund's subsidiary MPIF resolved to temporarily close MPIF to applications and redemptions. On 28 April 2009, the Responsible Entity of MPIF resolved to redeem units to a maximum value of the cash reserves at that time, or \$10,700,000. MPIF remains temporarily closed to applications and redemptions at 30 June 2011. There were no other changes in the Fund's or Consolidated Entity's approach to capital management during the year.

b Financial risk management

Overview

The Consolidated Entity is exposed to financial risks in the course of its operations. These exposures arise at two levels, direct exposures, which arise from the Consolidated Entity's use of financial instruments and indirect exposures, which arise from the Consolidated Entity's equity investments in other funds (Underlying Funds), and can be summarised as follows:

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

The Underlying Funds are exposed to financial risks in the course of their operations, which can impact their profitability. The profitability of the Underlying Funds impacts the returns the Consolidated Entity earns from these investments and the investment values.

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

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

Investment mandate

The Consolidated Entity's investment mandate, as disclosed in its Constitution and Product Disclosure Statement, is to invest in listed and unlisted property trust securities.

Derivative financial instruments

Whilst the Consolidated Entity may utilise derivative financial instruments, it will not enter into or trade derivative financial instruments for speculative purposes. The use of derivatives is governed by the Consolidated Entity's investment policies, which provide written principles on the use of financial derivatives. These principles permit the use of derivatives to mitigate financial risks associated with financial instruments utilised by the Consolidated Entity. At 30 June 2011, the Consolidated Entity is not party to any derivative agreements (2010: nil).

c Credit risk

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

Sources of credit risk and risk management strategies

The Consolidated Entity is exposed to both direct and indirect credit risk in the normal course of its operations. Direct credit risk arises principally from the Consolidated Entity's investment securities (in terms of distributions receivable and capital invested). Other credit risk also arises for the Consolidated Entity from cash and cash equivalents.

Indirect credit risk arises principally from the Consolidated Entity's investments in property trusts and their property tenants and derivative counterparties.

Notes to the Financial Statement continued

Brookfield Australian Opportunities Fund

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For the year ended 30 June 2011

19 Financial instruments continued

c Credit risk continued

Trade and other receivables

The Consolidated Entity's exposure to credit risk is influenced mainly by the individual characteristics of each customer and counterparty. The Consolidated Entity manages and minimises exposure to credit risk by actively reviewing the investment portfolio to ensure committed distributions are paid.

Investments - available for sale

Credit risk arising from investments is mitigated by investing in securities in accordance with the Consolidated Entity's Constitution and Product Disclosure Statement. The Consolidated Entity's investments can be made in the following asset classes within specified ranges:

- unlisted property securities – up to a maximum of 100% of total assets;
- listed property securities – up to a maximum of 50% of total assets;
- direct property – up to a maximum of 20% of total assets and spread across the main property sectors of commercial, retail, industrial and diversified property securities; and
- cash and cash equivalents – up to a maximum of 20% of total assets.

The Consolidated Entity must limit its exposures in the portfolio to the following property sectors and geographic locations:

- individual asset manager – 30% of portfolio;
- individual property security – 20% of direct property portfolio; and
- individual tenants – 30% of direct property portfolio.

Prior to making an investment in an Underlying Fund, the Responsible Entity will assess the Underlying Funds' asset portfolio to ensure the risk investment strategy of the Underlying Fund is consistent with the investment objectives of the Consolidated Entity.

Fair value of financial derivatives

Transactions with derivative counterparties are limited to established financial institutions that meet the Consolidated Entity's minimum credit rating criteria.

The Consolidated Entity's overall strategy of credit risk management remains unchanged from 2010.

Exposure to credit risk

The table below shows the maximum exposure to credit risk at the reporting date. The carrying amounts of these financial assets represent the maximum credit risk exposure at the reporting date.

	Consolidated 2011 \$'000	2010 \$'000
Cash and cash equivalents	10,573	7,822
Trade and other receivables	1,897	2,582
Investments – available for sale	150,381	158,393
Total exposure to credit risk	162,851	168,797

Concentrations of credit risk exposure

The Consolidated Entity does not have any significant concentrations of credit risk at the reporting date.

Collateral obtained/held

Where applicable, the Consolidated Entity obtains collateral from counterparties to minimise the risk of default on their contractual obligations. At the reporting date, the Consolidated Entity did not hold any collateral in respect of its financial assets (2010: nil). During the year ended 30 June 2011, the Consolidated Entity did not call on any collaterals provided (2010: nil).

Notes to the Financial Statement continued

Brookfield Australian Opportunities Fund

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For the year ended 30 June 2011

19 Financial instruments continued

c Credit risk continued

Financial assets past due but not impaired.

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

	Consolidated 2011 \$'000	2010 \$'000
Current	1,897	2,505
Past due 0-30 days	—	—
Past due 31-120 days	—	69
Past due 121 days to one year	—	—
More than one year	—	8
Total trade and other receivables	1,897	2,582

For the Consolidated Entity, amounts recognised above are not deemed to be impaired. There are no significant financial assets that have had their terms renegotiated that would otherwise have rendered the financial assets past due or impaired (2010: nil). During the year ended 30 June 2011, receivables totalling \$8,000 were written off by the Consolidated Entity (2010: nil).

d Liquidity risk

Liquidity risk is the risk the Consolidated Entity will not be able to meet its financial obligations as and when they fall due.

Sources of liquidity risk and risk management strategies

The Consolidated Entity is exposed to direct and indirect liquidity risk in the normal course of its operations.

The main sources of liquidity risk for the Consolidated Entity is refinancing of interest bearing liabilities and unlisted investment securities. The Consolidated Entity's approach to managing liquidity risk is to work to ensure that it has sufficient cash available to meet its liabilities as and when they fall due without incurring unacceptable losses or risking damage to the Consolidated Entity's reputation.

The Consolidated Entity also manages liquidity risk by maintaining adequate banking facilities, through continuous monitoring of forecast and actual cash flows and matching maturity profiles of financial assets and liabilities.

The main source of indirect liquidity risk for the Consolidated Entity is the refinancing of interest bearing liabilities held by the Underlying Funds, as this can directly impact the amount of distributions the Underlying Funds remit to the Consolidated Entity. The Consolidated Entity manages this risk by ensuring the Consolidated Entity only invests in funds with investment strategies consistent with the investment objectives of the Consolidated Entity and monitoring the performance of those funds.

The Consolidated Entity's specific risk management strategies are discussed below.

Interest bearing liabilities

The Consolidated Entity is exposed to liquidity risk (refinancing risk) on its interest bearing loans. The Consolidated Entity manages this risk by ensuring debt maturity dates and loan covenants are regularly monitored and negotiations with counterparties are commenced well in advance of the debt's maturity date.

Unitholders

The Fund is not exposed to liquidity risk associated with unitholder redemptions as its units are traded on the Australian Securities Exchange. The Consolidated Entity is exposed to liquidity risk on the income units issued by MPIF, as these can be redeemed by unitholders. MPIF has been closed to applications and redemptions during the whole of the financial year, therefore no liquidity risk existed for the year.

Investments – available for sale

The Consolidated Entity's listed investments are considered readily realisable as they are listed on the Australian Securities Exchange. The Consolidated Entity's unlisted investments are not considered as liquid as listed investments. The Consolidated Entity manages this risk by ensuring the Consolidated Entity only invests in funds with investment strategies consistent with the investment objectives of the Consolidated Entity and monitoring the performance of those funds.

The Consolidated Entity's liquidity risk is also managed in accordance with its investment strategy, as disclosed in the Product Disclosure Statement.

The Consolidated Entity's overall strategy to liquidity risk management remains unchanged from 2010.

Notes to the Financial Statement continued

Brookfield Australian Opportunities Fund

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For the year ended 30 June 2011

19 Financial instruments continued

d Liquidity risk continued

Defaults and breaches

During the financial year ended 30 June 2011 and 30 June 2010, the Consolidated Entity was not in default or breach of any terms of its loan amounts or covenants.

Maturity analysis of financial liabilities

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

	Carrying amount	Contractual cash flows	Consolidated \$'000			
			0 to 12 months	1 to 2 years	2 to 5 years	Greater than 5 years
2011						
Trade and other payables	1,054	1,054	1,054	–	–	–
Interest bearing liabilities	37,100	41,025	2,760	38,265	–	–
Total financial liabilities	38,154	42,079	3,814	38,265	–	–
2010						
Trade and other payables	2,363	2,363	2,363	–	–	–
Interest bearing liabilities	68,510	71,626	30,777	40,849	–	–
Deferred settlement	10,731	11,170	11,170	–	–	–
Total financial liabilities	81,604	85,159	44,310	40,849	–	–

e Market risk

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

Sources of market risk and risk management strategies

The Consolidated Entity is exposed to both direct and indirect market risk in the normal course of its operations. Direct market risk arises principally from the Consolidated Entity's interest rate risk on interest bearing liabilities and equity price risk on the listed and unlisted property securities investment portfolio. Indirect market risk arises in the form of equity price risk, interest rate risk and foreign currency risk.

The Consolidated Entity will only invest in funds with investment strategies consistent with the investment objectives of the Consolidated Entity and will monitor the performance of those funds.

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Cash and cash equivalents balances will also fluctuate with changes in interest rates due to interest earned. The key source of interest rate risk for the Consolidated Entity is derived from interest bearing liabilities and cash balances.

Notes to the Financial Statement continued

Brookfield Australian Opportunities Fund

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For the year ended 30 June 2011

19 Financial instruments continued

e Market risk continued

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

	Floating rate \$'000	Non- interest bearing \$'000	Total \$'000
Consolidated 2011			
Financial assets			
Cash and cash equivalents	10,573	–	10,573
Trade and other receivables	–	1,897	1,897
Investments – available for sale	–	150,381	150,381
Total financial assets	10,573	152,278	162,851
Financial liabilities			
Trade and other payables	–	1,054	1,054
Interest bearing liabilities	37,100	–	37,100
Total financial liabilities	37,100	1,054	38,154
Consolidated 2010			
Financial assets			
Cash and cash equivalents	7,822	–	7,822
Trade and other receivables	–	2,582	2,582
Investments – available for sale	–	158,393	158,393
Total financial assets	7,822	160,975	168,797
Financial liabilities			
Trade and other payables	–	2,363	2,363
Interest bearing liabilities	69,195	–	69,195
Deferred settlement	–	10,731	10,731
Total financial liabilities	69,195	13,094	82,289

Sensitivity analysis

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

	2011		2011		2010		2010	
	+ 1% Profit and loss \$'000	+ 1% Equity \$'000	- 1% Profit and loss \$'000	- 1% Equity \$'000	+ 1% Profit and loss \$'000	+ 1% Equity \$'000	- 1% Profit and loss \$'000	- 1% Equity \$'000
Consolidated Entity								
Interest on cash	106	106	(106)	(106)	78	78	(78)	(78)
Interest bearing liabilities	(371)	(371)	371	371	(685)	(685)	685	685
Deferred settlement	–	–	–	–	–	(106)	–	108
Total increase/(decrease)	(265)	(265)	265	265	(607)	(713)	607	715

Foreign currency risk

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

During the current year, the Consolidated Entity has not been exposed to direct foreign currency risk (2010: nil). The Consolidated Entity is exposed to indirect foreign currency risk due to its investment in entities that are exposed to foreign currency risk related to their overseas operations. The Consolidated Entity manages this risk by ensuring the Consolidated Entity only invests in funds with investment strategies consistent with the investment objectives of the Consolidated Entity and monitoring the performance of those funds.

Whilst the Consolidated Entity has an indirect risk exposure to foreign currency risk, no sensitivity analysis has been performed as the impact of a reasonably possible change in foreign exchange rates on the Consolidated Entity cannot be reliably measured.

Notes to the Financial Statement continued

Brookfield Australian Opportunities Fund

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For the year ended 30 June 2011

19 Financial instruments continued

f Other market risk

Other market risk is the risk that the total value of investments will fluctuate as a result of changes in market prices. The primary source of other market risk for the Consolidated Entity is associated with its listed and unlisted investment portfolio. The Responsible Entity manages the Consolidated Entity's market risk on a daily basis in accordance with the Consolidated Entity's investment objectives and policies. These are detailed in the Consolidated Entity's Constitution and Product Disclosure Statement.

Sensitivity analysis

A 10% increase in equity prices would have increased/(decreased) profit and loss and equity by the amounts shown below. This analysis assumes that all other variables remain constant.

	2011		2011		2010		2010	
	+ 10% Profit and loss \$'000	+ 10% Equity \$'000	- 10% Profit and loss \$'000	- 10% Equity \$'000	+ 10% Profit and loss \$'000	+ 10% Equity \$'000	- 10% Profit and loss \$'000	- 10% Equity \$'000
Consolidated Entity								
Listed investments	3,121	3,121	(3,121)	(3,121)	2,798	2,798	(2,798)	(2,798)
Unlisted investments	11,917	11,917	(11,917)	(11,917)	13,041	13,041	(13,041)	(13,041)
Total increase/(decrease)	15,038	15,038	15,038	15,038	15,839	15,839	(15,839)	(15,839)

g Fair values

Methods for determining fair values

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

Cash and cash equivalents and trade and other receivables

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

Investments – available for sale

Fair value for listed investments is calculated based on the closing bid price of the security at the reporting date. Fair value for unlisted investments is calculated based on the latest available net asset values. Refer to investments – available for sale (note 12) for further details.

Non-derivative financial liabilities

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

Fair values versus carrying amounts

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

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

The following table presents the Consolidated Entity's assets and liabilities measured and recognised at fair value at 30 June 2011. The carrying amounts of cash and cash equivalents, trade and other receivables, and trade and other payables are assumed to reasonably approximate their fair values due to their short-term nature. Accordingly, fair value disclosures are not provided for such assets and liabilities.

Notes to the Financial Statement continued

Brookfield Australian Opportunities Fund

For the year ended 30 June 2011

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19 Financial instruments continued

g Fair values continued

Consolidated Entity – at 30 June 2011	Level 1 \$'000	Level 3 \$'000	Total \$'000
Assets			
Investments – available for sale			
– Listed investments	31,209	–	31,209
– Unlisted investments	–	119,172	119,172
Total assets – 30 June 2011	31,209	119,172	150,381

Consolidated Entity – at 30 June 2010	Level 1 \$'000	Level 3 \$'000	Total \$'000
Assets			
Investments – available for sale			
– Listed investments	27,980	–	27,980
– Unlisted investments	–	130,413	130,413
Total assets – 30 June 2010	27,980	130,413	158,393

Reconciliation of level 3 fair value measurements:

Consolidated Entity – for the year ended 30 June 2011	Investments available for sale \$'000	Total \$'000
Opening balance – 1 July 2010	130,413	130,413
Losses recognised in the income statement	(3,604)	(3,604)
Gains recognised in other comprehensive income	5,522	5,522
Sales	(14,928)	(14,928)
Issues/(settlements)	–	–
Other	1,769	1,769
Closing balance – 30 June 2011	119,172	119,172

Total losses for the year included in the income statement attributable to losses relating to assets held at the end of year	(3,604)	(3,604)
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Consolidated Entity – for the year ended 30 June 2010	Investments available for sale \$'000	Total \$'000
Adoption of Revised AASB 7	152,113	152,113
Losses recognised in the income statement	(17,705)	(17,705)
Gains recognised in other comprehensive income	8,703	8,703
Sales	(14,283)	(14,283)
Issues/(settlements)	–	–
Other	1,585	1,585
Closing balance - 30 June 2010	130,413	130,413

Total losses for the year included in the income statement attributable to losses relating to assets held at the end of year	(17,705)	(17,705)
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As at 30 June 2011 and 30 June 2010, there were no financial assets or liabilities in level 2. During the current and prior years, there were no financial assets or liabilities which transferred between levels 1, 2 or 3.

Notes to the Financial Statement continued

Brookfield Australian Opportunities Fund

For the year ended 30 June 2011

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20 Reconciliation of cash flows from operating activities

	Consolidated Year ended 30 June 2011 \$'000	Year ended 30 June 2010 \$'000
Net loss for the year	(848)	(15,944)
Adjustments for:		
<i>Items classified as investing activities</i>		
(Gain)/loss on disposal of listed and unlisted property trusts	(4,159)	(2,086)
Other	–	35
<i>Items classified as financing activities</i>		
Interest expense	1,177	–
<i>Other</i>		
Capitalised borrowing costs	(117)	(952)
<i>Non cash items</i>		
Impairment expense	5,442	12,374
Share of net loss of investment accounted for using the equity method	2,099	3,908
Capitalised interest	–	2,029
Amortisation of capitalised borrowing costs	802	301
Operating profit/(loss) before changes in working capital	4,396	(335)
Changes in assets and liabilities during the year:		
Decrease in trade and other receivables	35	969
Increase in trade and other payables	(669)	1,098
Net cash flows from operating activities	3,762	1,732

21 Related parties

Responsible Entity

The Responsible Entity of the Fund is Brookfield Capital Management Limited (formerly Brookfield Multiplex Capital Management Limited).

Key management personnel

The Fund is required to have an incorporated Responsible Entity to manage the activities of the Fund and the Consolidated Entity. The Directors of the Responsible Entity are key management personnel of that entity.

F. Allan McDonald (appointed 1 January 2010)
 Brian Motteram (appointed 21 February 2007)
 Barbara Ward (appointed 1 January 2010)
 Russell Proutt (appointed 1 January 2010)
 Shane Ross (appointed 16 May 2011)
 Tim Harris (appointed 17 March 2010 – resigned 16 May 2011)

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

No compensation is paid to any of the key management personnel of the Responsible Entity directly by the Fund or Consolidated Entity.

Directors' interests

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

Director	Brookfield Australia Opportunities Fund units held
F. Allan McDonald	–
Brian Motteram	1,645,516
Barbara Ward	–
Russell Proutt	–
Shane Ross	–

Notes to the Financial Statement continued

Brookfield Australian Opportunities Fund

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For the year ended 30 June 2011

21 Related parties continued

Responsible Entity's fees and other transactions

In accordance with the Fund Constitution, Brookfield Capital Management Limited (formerly Brookfield Multiplex Capital Management Limited) is entitled to receive:

Management fee

A management fee based on gross value of assets is payable to the Responsible Entity. The fee is payable by the Consolidated Entity quarterly in arrears. The management fee expense for the year ended 30 June 2011 was \$731,000 (2010: \$643,000). As at 30 June 2011, the management fee payable to the Responsible Entity was \$164,000 (2010: \$1,341,000).

Performance Fee

A performance fee is payable if the benchmark is met. No performance fee has been paid this year.

Parent entities

The immediate Australian parent of the Consolidated Entity is Brookfield Holdco (Australia) Pty Limited. The ultimate parent of the Consolidated Entity is Brookfield Asset Management Inc..

Related party unitholders

The following interests were held in the Consolidated Entity during the year:

- Brookfield Multiplex Capital Securities Ltd, as trustee for Brookfield Multiplex PPF Investment No.2 trust, holds 328,609,014 units or 40.5% of the Fund (2010: nil);
- Brookfield Multiplex Capital Pty Ltd holds 9,737,640 units or 1.2% of the Fund (2010: 2,434,410 units or 1.2%; and
- Multiplex APF Pty Ltd, as trustee for Multiplex APF Trust, holds 163,751,624 units or 20.2% of the Fund. (2010: 40,937,906 units or 20.2%).

JP Morgan Nominees Australia Limited, as custodian for BCML, as Responsible Entity for the Fund, holds the following investments in related party entities:

- Multiplex European Property Fund – 12,750,050 units or 5.2% (2010: 12,750,050 or 5.2%);
- Multiplex New Zealand Property Fund – 45,016,081 units or 20.6% (2010: 48,067,823 units or 22.0%);
- Brookfield Prime Property Fund (formerly Multiplex Prime Property Fund) – 2,521,890 units or 5.0% of the Fund (2010: 4,993,155 units or 9.9%); and
- Multiplex Development and Opportunity Fund – 9,320,388 units or 5.7% (2010: 9,320,388 units or 5.7%).

	Consolidated	
	2011 \$'000	2010 \$'000
Transactions with associates		
Distribution income	–	–
Transactions with the Responsible Entity		
Management fees	731	643
Cost reimbursements	236	613
Management fee payable	164	1,341
Cost reimbursements payable	58	1,009
Transactions with related parties of the Responsible Entity		
Distribution income		
- Multiplex Development and Opportunity Fund	–	142
- Brookfield Prime Property Fund (formerly Multiplex Prime Property Fund)	75	–
- Multiplex European Property Fund	319	574
Investments held (at fair value)		
- Multiplex Development and Opportunity Fund	7,705	8,072
- Brookfield Prime Property Fund (formerly Multiplex Prime Property Fund)	8,297	15,924
- Multiplex European Property Fund	2,295	1,721
Distributions receivable		
- Multiplex European Property Fund	80	335
Consideration from disposal of units in Multiplex New Zealand Property Fund	1,984	3,561
Underwriting fee		
- Brookfield Multiplex Capital Securities Ltd ATF Brookfield Multiplex PPF Investment No.2 Trust	957	–

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

Notes to the Financial Statement continued

Brookfield Australian Opportunities Fund

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For the year ended 30 June 2011

21 Related parties continued

During the year, the Consolidated Entity sold units in Multiplex New Zealand Property Fund (MNZPF) on an arm's length transaction through the liquidity facility offered by BCML, the Responsible Entity of both the Consolidated Entity and MNZPF. The Consolidated Entity sold 6.4% of its investment for total consideration of \$1,984,000.

Rights issue

During the year, the Fund completed an underwritten 3 for 1 renounceable pro-rata rights issue of 608,582,790 fully paid new units in the Fund, at an issue price of \$0.05 per new unit (Rights Issue). The Fund used the proceeds of the Rights Issue to repay the balance owing under Tranche B of the Fund's old debt facility, to meet costs associated with the Rights Issue and to provide working capital to the Fund. Brookfield Multiplex Capital Securities Limited (ABN 13 103 736 081) in its capacity as trustee for Brookfield Multiplex PPF Investment No. 2 Trust, a related party of the Responsible Entity, underwrote the Rights Issue. An underwriting fee of \$957,000 was paid by the Fund.

22 Contingent liabilities and assets

No contingent liabilities or assets existed at 30 June 2011 or 30 June 2010.

23 Capital and other commitments

The Consolidated Entity had no capital or other commitments at 30 June 2011 or 30 June 2010.

24 Events subsequent to the reporting date

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

Directors' Declaration

Brookfield Australian Opportunities Fund

For the year ended 30 June 2011

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In the opinion of the Directors of Brookfield Capital Management Limited, the Responsible Entity of Brookfield Australian Opportunities Fund:

- a The consolidated financial statements and notes, set out in pages 15 to 44, are in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the financial position of the Consolidated Entity as at 30 June 2011 and of its performance for the financial year ended on that date; and
 - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
 - iii complying with International Financial Reporting Standards, as stated in note 2 to the financial statements.
- b There are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and the Chief Financial Officer for the financial year ended 30 June 2011.

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

Dated at Sydney this 26th day of August 2011.



Russell Proutt

Director

Brookfield Capital Management Limited

Independent Auditor's Report to the Unitholders of Brookfield Australian Opportunities Fund

Report on the Financial Report

We have audited the accompanying financial report of Brookfield Australian Opportunities Fund ('the Fund'), which comprises the statement of financial position as at 30 June 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 consolidated entity comprising the Fund and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 15 to 45.

Directors' Responsibility for the Financial Report

The directors of the Responsible Entity of the Fund ("the Directors") are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

Auditor's Independence Declaration

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

Opinion

In our opinion:

- (a) the financial report of Brookfield Australian Opportunities Fund is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Fund's financial position as at 30 June 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



Helen Hamilton-James
Partner
Chartered Accountants
Parramatta, 26 August 2011



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