Multiplex New Zealand Property Fund
Financial report
For the year ended
30 June 2011

Multiplex New Zealand Property Fund

ARSN 110 281 055

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Responsible Entity
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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
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Custodian
Brookfield Funds Management Limited (formerly Brookfield Multiplex Funds Management Limited)
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Telephone: +61 2 9322 2000
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Location of Share Registry
Boardroom Pty Limited (formerly Registries (Victoria) Pty Limited)
GPO Box 3993
Sydney NSW 2001
Telephone: +61 1300 737 760
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Auditor
Deloitte Touche Tohmatsu
The Barrington
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Parramatta NSW 2150
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Directors' Report
Multiplex New Zealand Property 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 Multiplex New Zealand Property Fund (ARSN 110 281 055) (Fund), present their report together with the financial statements of the Consolidated Entity, being the Fund and its subsidiaries, for the year ended 30 June 2011 and the Independent Auditor's Report thereon. The Fund was constituted on 28 July 2004.

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

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

Name	Capacity
F. Allan McDonald (appointed 1 January 2010)	Non-Executive Independent Chairman
Brian Motteram (appointed 21 February 2007)	Non-Executive Independent Director
Barbara Ward (appointed 1 January 2010)	Non-Executive Independent Director
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), Brookfield Australian Opportunity Fund (BAO) 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, BAO 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, BAO 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 Allco 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, BAO 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.

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, BAO 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	Multiplex New Zealand Property Fund units held
F. Allan McDonald	26,000
Brian Motteram	–
Barbara Ward	–
Russell Proutt	–
Shane Ross	–

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

Directors' meetings

	Board Meetings		Audit Committee Meetings		Board Risk and Compliance Committee Meetings	
Director	A	B	A	B	A	B
F. Allan McDonald	6	6	2	2	2	2
Brian Motteram	6	6	2	2	2	2
Barbara Ward	6	6	2	2	2	2
Tim Harris	6	6	n/a	n/a	n/a	n/a
Russell Proutt	6	6	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 properties in New Zealand.

Review of operations

The Consolidated Entity has recorded a net loss after tax before distributions to unitholders of $10,437,000 for the year ended 30 June 2011 (2010: $17,727,000). The reported net loss includes $25,347,000 of unrealised losses on revaluations of investment properties (2010: $44,247,000) and $4,481,000 net gain on financial derivatives (2010: $5,798,000 gain in 2010).

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

- total revenue and other income of $49,125,000 (2010:$66,675,000);
- distributions to unitholders of nil (2010: nil);
- net assets attributable to unitholders of $128,498,000 (2010: $148,314,000) and net tangible asset (NTA) per unit of $0.59 (2010: $0.68);
- the current weighted average lease term to expiry is approximately 4.84 years (2010: 4.92 years) and the portfolio occupancy rate is 90% (2010: 99%);
- the sale of the 180 Molesworth Street investment property was settled on 13 August 2010 for gross proceeds of NZ$38,200,000;

Review of operations continued

- the sale of the ANZ Business Centre investment property was settled on 21 December 2010 for gross proceeds of NZ$18,500,000;
- the sale of the Valley Centre, New Plymonth – Stage 1 and Stage 2 investment properties were settled on 3 February 2011 for gross proceeds of NZ$22,750,000 and NZ$19,000,000 respectively; and
- the sale of 70 Symonds Street, Auckland investment property was settled on 8 March 2011 for gross proceeds of NZ$18,546,000.

The strategy of the Fund remains securing the value of the Fund's properties through active management of the major lease expiries arising in the portfolio together with ongoing review of the options open to maximize unit holder value approaching the review of unit holder's investment in the Fund in May 2012.

Repayment of debt

During the year, following asset sales, the remaining NZ$35,673,000 of Tranche B debt was repaid. The Fund entered into a new facility with its financiers for a total of NZ$288,509,000. Key terms of this facility include the repayment of the debt by 30 August 2012. A revision of the covenants to reflect the following LVR requirements:

- 65% on commencement;
- 60% by 30 June 2011; and
- 55% by 30 June 2012.

Interest cover (ratio of Earnings Before Interest and Taxes (EBIT) to Total Interest Expense) covenant requirement:

(i) for the preceding 6 month period to 30 March 2012:
  a. is at least 1.3 if at that time no Compliance Certificate has been received by the facility agent certifying that the ratio of EBIT to Total Interest Expense is at least 1.4 and that the forecast ICR is at least 1.4; or
  b. is at least 1.4 if at that time a Compliance Certificate has been received by the Facility Agent certifying that the ratio of EBIT to Total Interest Expense is at least 1.4;

(ii) for each preceding 6 month period from 31 March 2012 to 29 June 2012, is at least 1.4; and

(iii) for each preceding 6 month period from 30 June 2012, is at least 1.5.

A lease covenant of not less than 3 years weighted average lease expiry (WALE). A separate gearing covenant of total liabilities to total assets (excluding deferred management fees) of no greater than 75% on commencement; 70% by 30 June 2011 and 65% by 30 June 2012. Net sale proceeds are to be applied against the debt and all distributions are subject to LVR requirements of below 55%.

Exit mechanism

BCML has resolved to extend the period to provide investors with the option to sell or withdraw from the Fund. The Fund's constitution requires investors to be provided with a notice at least three months prior to the expiry of the period ending 1 September 2011 (being 1 June 2011) giving them the option to sell or withdraw from the Fund. Alternatively, BCML may extend the period by up to 12 months. BCML has considered the current circumstances facing the Fund in New Zealand and is of the view that it is appropriate to extend the period to 30 August 2012. This date coincides with the expiry of the Fund's debt facility.

As a result, investors will be provided with a notice before 30 May 2012 asking them to advise whether or not they want to continue to own their units for a further period specified by BCML (which will be no more than seven years) or whether they want to sell or withdraw from the Fund. This process is set out in the Fund constitution and in the PDS. Subsequent to investors advising of their choice BCML will determine the appropriate strategy to meet these requirements. This strategy will be determined in light of the number of investors who wish to exit from the Fund and will require a consideration of the interests of all investors in the Fund. As properties may be required to be disposed to facilitate the exit of investors the amount to be received and timing of receipt may be subject to market conditions at the time.

Interests of the Responsible Entity

Fee payments

The Consolidated Entity incurred the following fees to the Responsible Entity during the financial year:

- Management fees incurred by the Fund during the year were $2,839,000 (2010: $3,740,000);
- Leasing fees incurred by the Consolidated Entity during the year was $nil (2010: $260,000); and
- Property sale fees incurred by the Consolidated Entity during the year were nil (2010: nil).

Interests of the Responsible Entity continued

Investments held

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

- JP Morgan Nominees Australia Limited as custodian for Brookfield Capital Management Limited (formerly Brookfield Multiplex Capital Management Limited) as responsible entity for Brookfield Australia Opportunities Fund (formerly
- Multiplex Acumen Property Fund) holds 43,890,675 units or 20.1% of the Fund at year end (2010: 46,866,127 units or 21.5% of the Fund).
- Brookfield Funds Management Limited (formerly Brookfield Multiplex Funds Management Limited) as custodian for Brookfield Australia Property Trust (formerly Brookfield Multiplex Property Trust) holds 47,461,298 units or 21.8% of the Fund at year end (2010: 47,461,298 units or 21.8% of the Fund).
- Perpetual Trust Limited as custodian for Multiplex Tasman Property Fund holds 4,560,502 units or 2.1% of the Fund at year end (2010: 4,629,041 units or 2.1% of the Fund).
- JP Morgan Nominees Australia Limited as custodian for Brookfield Capital Management Limited (formerly Brookfield Multiplex Capital Management Limited) as responsible entity for Multiplex Property Income Fund holds 1,125,402 units or 0.5% of the Fund at year end (2010: 1,201,696 units or 0.6% of the Fund).
- Brookfield Capital Management Limited (formerly Brookfield Multiplex Capital Management Limited) holds 17,266,146 units or 7.9% of the Fund at year end (2010: 13,017,856 units or 6.0% of the Fund).
- Multiplex APF Pty Ltd, as trustee for Multiplex APF Trust, holds 3,712,913 units or 1.7% of the Fund at year end (2010: 3,712,913 units or 1.7% of the Fund).
- Brookfield Multiplex Capital Pty Ltd holds 220,793 units or 0.1% of the Fund at year end (2010: 220,793 units or 0.1% of the Fund).

Significant changes in the state of affairs

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

Events subsequent to the reporting date

The investment property University Building was sold on 19 July 2011 for gross consideration of NZ$9,600,000. Net proceeds from the sale were used to repay debt.

Other than the above, 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 inquiries made, the Responsible Entity is not aware of any significant breaches or non-compliance issues during the year covered by this report.

Distributions

The Consolidated Entity did not pay any distributions for the current year ended 30 June 2011 and the prior year ended 30 June 2010. Under the new debt facility, the Consolidated Entity is restricted from making distributions to investors until the LVR is less than 55% (assuming all other covenants are satisfied). Excess cash flow from operations and current cash reserves are required to secure re-leasing of properties as vacancies arise and to meet ongoing capital expenditure requirements.

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.

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

Lead auditor's independence declaration under Section 307C of the Corporations Act 2001
The lead auditor's independence declaration is set out on page 9 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

Deloitte Touche Tohmatsu
ABN: 74 490 121 060

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

26 August 2011

Dear Directors

MULTIPLEX NEW ZEALAND PROPERTY FUND

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

As lead audit partner for the audit of the financial statements of Multiplex New Zealand Property 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

DELOITTE TOUCHE TOHMATSU

Helen Hamilton-James
Partner
Chartered Accountants

Statement of Comprehensive Income
Multiplex New Zealand Property Fund
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			
Property rental income		44,066	60,689
Interest income		578	188
Net gain on revaluation of financial derivatives	5	4,481	5,798
Total revenue and other income		**49,125**	**66,675**
Expenses			
Property expenses		10,894	13,433
Loss on sale of investment properties		3,165	3,311
Finance costs to external parties		25,766	33,241
Net loss on revaluation of investment properties	11	25,347	44,247
Management fees		2,839	3,740
Other expenses		165	187
Total expenses		**68,176**	**98,159**
Loss before income tax		**(19,051)**	**(31,484)**
Income tax benefit	7	8,614	13,757
Net loss after income tax for the year		**(10,437)**	**(17,727)**
Other comprehensive income			
Changes in foreign currency translation reserve		(9,379)	2,036
Other comprehensive(loss)/income for the year		**(9,379)**	**2,036**
Total comprehensive loss for the year		**(19,816)**	**(15,691)**
Net loss attributable to ordinary unitholders		**(10,437)**	**(17,727)**
Total comprehensive loss attributable to unitholders		**(19,816)**	**(15,691)**

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

Statement of Financial Position

Multiplex New Zealand Property Fund

As at 30 June 2011

	Note	Consolidated 2011 $'000	2010 $'000
Assets			
Current assets			
Cash and cash equivalents	9	19,096	17,420
Trade and other receivables	10	974	1,780
Held for sale investment properties	11	6,407	30,679
Total current assets		**26,477**	**49,879**
Non-current assets			
Investment properties	11	344,206	453,862
Total non-current assets		**344,206**	**453,862**
Total assets		**370,683**	**503,741**
Liabilities			
Current liabilities			
Trade and other payables	13	25,508	23,916
Fair value of financial derivatives		1,060	–
Interest bearing liabilities	14	–	28,953
Total current liabilities		**26,568**	**52,869**
Non-current liabilities			
Fair value of financial derivatives		–	5,541
Interest bearing liabilities	14	207,801	280,588
Deferred tax liability	7	7,816	16,429
Total non-current liabilities		**215,617**	**302,558**
Total liabilities		**242,185**	**355,427**
Net assets		**128,498**	**148,314**
Equity			
Units on issue	15	203,396	203,396
Reserves	16	(50,566)	(41,187)
Undistributed (losses)/income	17	(24,332)	(13,895)
Total equity		**128,498**	**148,314**

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

Statement of Changes in Equity
Multiplex New Zealand Property Fund
For the year ended 30 June 2011

Consolidated entity	Ordinary units $'000	Attributable to unitholders of the Fund Undistributed profits/(losses) $'000	Reserves $'000	Total $'000
Opening equity – 1 July 2010	**203,396**	**(13,895)**	**(41,187)**	**148,314**
Changes in foreign currency translation reserve	–	–	(9,379)	**(9,379)**
Other comprehensive loss for the year	**–**	**–**	**(9,379)**	**(9,379)**
Net loss for the year	–	(10,437)	–	**(10,437))**
Total comprehensive loss for the year	**–**	**(10,437)**	**(9,379)**	**(19,816)**
Transactions with unitholders in their capacity as unitholders:				
Distributions paid/payable	–	–	–	–
Total transactions with unitholders in their capacity as unitholders	**–**	**–**	**–**	**–**
Closing equity – 30 June 2011	**203,396**	**(24,332)**	**(50,566)**	**128,498**

Consolidated entity	Ordinary units $'000	Attributable to unitholders of the Fund Undistributed profits/(losses) $'000	Reserves $'000	Total $'000
Opening equity – 1 July 2009	**203,396**	**3,832**	**(43,223)**	**164,005**
Changes in foreign currency translation reserve	–	–	2,036	**2,036**
Other comprehensive income for the year	**–**	**–**	**2,036**	**2,036**
Net loss for the year	–	(17,727)	–	**(17,727)**
Total comprehensive income/(loss) for the year	**–**	**(17,727)**	**2,036**	**(15,691)**
Transactions with unitholders in their capacity as unitholders:				
Distributions paid/payable	–	–	–	–
Total transactions with unitholders in their capacity as unitholders	**–**	**–**	**–**	**–**
Closing equity – 30 June 2010	**203,396**	**(13,895)**	**(41,187)**	**148,314**

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

Statement of Cash Flows
Multiplex New Zealand Property Fund
For the year ended 30 June 2011

	Note	Consolidated Year ended 30 June 2011 $'000	Year ended 30 June 2010 $'000
Cash flows from operating activities			
Cash receipts in the course of operations		58,547	69,100
Cash payments in the course of operations		(26,481)	(22,204)
Interest received		547	181
Financing costs paid		(25,291)	(33,701)
Net cash flows from operating activities	19	**7,322**	**13,376**
Cash flows from investing activities			
Proceeds from sale of investment properties		89,592	43,062
Payments for purchase of, and additions to, investment properties		(6,017)	(5,695)
Net cash flows from investing activities		**83,575**	**37,367**
Cash flows from financing activities			
Repayments of interest bearing liabilities		(88,365)	(39,393)
Debt establishment costs paid		(1,206)	(5,180)
Net cash flows used in financing activities		**(89,571)**	**(44,573)**
Net increase in cash and cash equivalents		1,326	6,170
Impact of foreign exchange		350	125
Cash and cash equivalents at beginning of year		17,420	11,125
Cash and cash equivalents at 30 June		**19,096**	**17,420**

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

1 Reporting entity

Multiplex New Zealand Property Fund (Fund) is an Australian registered managed investment scheme under the *Corporations Act 2001*. Brookfield Capital Management Limited (BCML) (formerly Brookfield Multiplex Capital Management Limited), the Responsible Entity of the Fund, is incorporated and domiciled in Australia. The consolidated 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).

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 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:

- derivative financial instruments which are measured at fair value; and
- investment property which is measured at fair value.

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

The consolidated financial statements are presented in Australian dollars, which is the Fund's presentation currency. The Fund's functional currency is Australian dollars. However, the Consolidated Entity is predominantly comprised of operations that are located in New Zealand. The functional currency of the controlled entity that holds these operations is the New Zealand dollar.

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

c Use of estimates and judgements

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

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

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements is provided in investment properties (Note 11) and financial instruments (Note 18).

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

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. The assets and liabilities of foreign controlled entities are translated into Australian dollars at rates of exchange current at the balance date, while their income and expenditure are translated at the exchange rate at the date of the transactions.

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.

3 Significant accounting policies continued

a Principles of consolidation continued

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

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

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

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

b Foreign and cross currency transactions

Foreign and cross currency transactions of the Consolidated Entity are converted to Australian dollars at the rate of exchange prevailing at the date of the transaction or at hedge rates where applicable. Amounts receivable or payable by entities within the Consolidated Entity that are outstanding as at the balance date and are denominated in foreign currencies are converted to Australian dollars using rates of exchange at the end of the period. All resulting exchange differences arising on settlement are brought to account in the Statement of Comprehensive Income.

Foreign currency differences are recognised directly in equity in the foreign currency translation reserve (FCTR).

c Revenue recognition

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

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Consolidated Entity and the revenue can be reliably measured.

The following specific criteria for the major business activities must also be met before revenue is recognised. Where amounts do not meet these recognition criteria, they are deferred and recognised in the period in which the recognition criteria are met.

Property rental revenue

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

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

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

Dividends and distributions

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

Interest revenue

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

d Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreements so as to reflect the risks and benefits incidental to ownership.

3 Significant accounting policies continued

d Leases continued

Operating leases

The minimum rental revenues of operating leases, where the leasor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as income on a straight-line basis over the lease term, which is considered to best represent the time pattern in which benefits derived from the leased asset are diminished.

Leasing fees

Leasing fees in relation to the initial leasing of the property after a redevelopment are capitalised and amortised over the period to which the lease relates.

Costs that are directly associated with negotiating and executing the ongoing renewal of tenant lease agreements (including commissions, legal fees and costs of preparing and processing documentation for new leases) are also capitalised and amortised over the lease term in proportion to the rental revenue recognised in each financial year.

Leasing incentives

Lease incentives which may take the form of up-front payments, contributions to certain lease costs, relocation costs and fit-outs and improvements are recognised as a reduction of rental income over the lease term.

e Expense recognition

Finance costs

Finance costs are recognised as expenses using the effective interest rate method, unless they relate to a qualifying asset.

Finance costs include:

- interest on bank overdrafts and short-term and long-term borrowings, including amounts paid or received on interest rate swaps;
- amortisation of discounts or premiums relating to borrowings;
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings;
- finance lease charges; and
- certain exchange differences arising from foreign currency borrowings.

Management fees

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

Performance fee

A performance fee of 2% of the gross value of assets to the extent the net asset value exceeds the capital subscribed (less any capital returns other than amounts returned as a distribution of operating cash flow) is payable to the Responsible Entity. An additional fee of 2% of the gross value of assets is payable provided unitholders have achieved a 50% premium on capital subscribed (less capital returns).

The performance fee is calculated each time there is a rollover of the Consolidated Entity or on sale of the Consolidated Entity's assets prior to termination of the Consolidated Entity. If a performance fee is payable, then it will be paid by the Fund within two months after it is calculated.

Other expenditure

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

f 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) or the New Zealand Inland Revenue (IRD). 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 or the IRD 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 or the IRD are classified as operating cash flows.

g 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 tax law, to unitholders who are presently entitled to income under the Constitution.

3 Significant accounting policies continued

g Income tax – refunds continued

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

The wholly-owned sub-trust of the Fund which owns properties in New Zealand is liable to pay tax under New Zealand tax legislation at the current corporate rate of 30% (for 30June 2012 will be 28%).

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

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

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

h Cash and cash equivalents

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

i Trade and other receivables

Trade debtors and other receivables are stated at their amortised cost 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.

j Investment property

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

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

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

Where the contracts of purchase include a deferred payment arrangement, amounts payable are recorded at their present value, discounted at the rate applicable to the Consolidated Entity if a similar borrowing were obtained from an independent financier under comparable terms and conditions.

Valuations

Investment property is stated at fair value at the reporting date.

The investment properties of the Consolidated Entity are internally valued at each reporting date. The Consolidated Entity's policy is to obtain external valuations when internal valuations performed indicate the property value has changed by more than 5%, or whenever it is believed that the fair value of a property differs significantly from its carrying value, based on a material change to the assumptions and market conditions underlying the valuation. An external valuation is obtained at least every 3 years. All external valuations are adopted as the fair value of the investment property at the relevant reporting date. When internal valuations indicate a change from the carrying value between 2% and 5% the internal valuation will be adopted.

The fair value of investment property is the price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction, and is determined:

- without any deduction for transaction costs the entity may incur on sale or other disposal;
- reflecting market conditions at the reporting date;
- reflecting rental income from current leases and reasonable and supportable assumptions that represent what knowledgeable, willing parties would assume about rental income from future leases in the light of current conditions. It also reflects, on a similar basis, any cash outflows that could be expected in respect of the property;
- assuming simultaneous exchange and completion of the contract for sale without any variation in price that might be made in an arm's length transaction between knowledgeable, willing parties if exchange and completion are not simultaneous;

3 Significant accounting policies continued

j Investment property continued

- ensuring that there is no double-counting of assets or liabilities that are recognised as separate assets or liabilities; and
- without inclusion of future capital expenditure that will improve or enhance the property. The valuation does not reflect the related future benefits from this future expenditure.

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

k Derivative financial instruments

The Consolidated Entity uses derivative financial instruments to hedge its exposure to interest rate risk arising from operational, financing and investment activities. The Consolidated Entity does not hold or issue derivative financial instruments for trading purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value, with the changes in fair value during the period recognised in the Statement of Comprehensive Income.

l Non-derivative financial instruments

Non-derivative financial instruments comprise investments in trade and other receivables, cash and cash equivalents, interest bearing liabilities 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, 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.

m Impairment

Financial assets

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

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

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

All impairment losses are recognised in the Statement of Comprehensive Income. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in the Statement of Comprehensive Income.

Non-financial assets

The carrying amount of the Consolidated Entity's non-financial assets, other than investment property and deferred tax assets is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists then the asset's recoverable amount is estimated.

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

3 Significant accounting policies continued

n 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.

o 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 date.

p Distributions

A provision for distribution is recognised in the Statement of Financial Position if the distribution has been declared prior to year end. 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.

q 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.

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 these financial statements:

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.

AASB 2010-8 *Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets* (effective for annual reporting periods beginning on or after 1 January 2012)
In December 2010, the AASB amended AASB 112 *Income Taxes* to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model. AASB 112 requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying amount of the relevant assets or liabilities, that is, through use or through sale. The amendment introduces a rebuttable presumption that investment property which is measured at fair value

3 Significant accounting policies continued

r New standards and interpretations not yet adopted continued

is recovered entirely by sale. The Consolidated Entity and Fund does not expect that any adjustments will be necessary as a result of applying the revised rules.

4 Parent entity disclosures

	Fund 2011 $'000	Fund 2010 $'000
Assets		
Current assets	84,285	22,722
Non-current assets	121,485	150,718
Total assets	**205,770**	**173,440**
Liabilities		
Current liabilities	77,272	12,597
Non-current liabilities	–	–
Total liabilities	**77,272**	**12,597**
Equity		
Units on issue	203,396	203,396
Reserves	–	–
Undistributed losses	(74,898)	(42,553)
Total equity	**128,498**	**160,843**

	Fund Year ended 30 June 2011 $'000	Fund Year ended 30 June 2010 $'000
Net loss for the year	(32,345)	(220)
Other comprehensive income/(loss) for the year	–	–
Total comprehensive loss for the year	**(32,345)**	**(220)**

5 Net unrealised gain/(losses) on revaluation of financial derivatives

	Consolidated Year ended 30 June 2011 $'000	Consolidated Year ended 30 June 2010 $'000
Interest rate swaps	4,481	5,798
Net unrealised gain/(loss) on revaluation of financial derivatives	**4,481**	**5,798**

	Consolidated Year ended 30 June 2011 $'000	Consolidated Year ended 30 June 2010 $'000
6 Auditor's remuneration		
Auditors of the Fund:		
Audit and review of the financial report	56,590	55,000
Total auditor's remuneration	**56,590**	**55,000**

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

	Consolidated Year ended 30 June 2011 $'000	Consolidated Year ended 30 June 2010 $'000
7 Income tax		
Major components of income tax expense		
Current income tax	(3,055)	(1,604)
Utilisation of previously recognised tax losses	3,055	1,604
Total current income tax	**–**	**–**
Deferred income tax		
Relating to origination and reversal of temporary differences	(7,294)	(7,789)
Benefit arising from previously unrecognised tax losses	(1,320)	(5,968)
Total deferred income tax	**(8,614)**	**(13,757)**
Total income tax (benefit)/expense reported in the Statement of Comprehensive Income	**(8,614)**	**(13,757)**
Income tax (benefit)/expense		
Numerical reconciliation between tax expense and pre-tax net profit		
Loss for the year after tax	(10,437)	(17,727)
Total income tax (benefit)/expense	(8,614)	(13,757)
Loss before income tax	**(19,051)**	**(31,484)**
(Profit)/loss attributable to the Australian Fund and not subject to taxation[1]	1,923	3,923
Loss before income tax attributable to Brookfield Albert Street Landowning Trust (BASLT)	**(17,128)**	**(27,561)**
Prima facie income tax benefit on profit using the BASLT tax rate of 30% (2010: 30%)	(5,138)	(8,268)
Recognition of previously unrecognised tax losses	(1,320)	(5,968)
Timing differences in respect of properties	(3,695)	2,736
Permanent differences on sale of properties	1,577	2,603
Non-assessable income related to settlement of foreign exchange derivatives	–	–
Change in timing differences due to change in tax rate	(532)	(1,142)
Other[2]	494	(3,718)
Total income tax (benefit)/expense reported in the Statement of Comprehensive Income	**(8,614)**	**(13,757)**

1 Under current income tax legislation, the Fund is not liable for Australian income tax provided that the taxable income is fully distributed to unitholders each year. The Fund fully distributes its taxable income each year, calculated in accordance with the Trust Constitution and applicable legislation to unitholders who are presently entitled to income under the Constitution.
2 Other includes other non-deductible and non-assessable items and the impact of foreign exchange.

	Consolidated 2011 $'000	Consolidated 2010 $'000
Tax assets and liabilities		
Deferred tax assets	11,449	8,894
Deferred tax liability	(19,265)	(25,323)

7 Income tax continued

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Consolidated						
Timing differences on investment properties	–	–	(19,265)	(25,323)	(19,265)	(25,323)
Derivative fair value adjustments	297	1,551	–	–	297	1,551
Tax losses	11,052	7,295	–	–	11,052	7,295
Other	100	48	–	–	100	48
Total	**11,449**	**8,894**	**(19,265)**	**(25,323)**	**(7,816)**	**(16,429)**

Deferred tax assets are stated at the rate of 28% (2010 30%) as a result of the change in tax rate applicable from 1 July 2011. There are no tax amounts recognised directly in equity for the current or prior year.

8 Distributions

The Consolidated Entity did not pay any distributions for the current year ended 30 June 2011 and the prior year ended 30 June 2010. Under the new debt facility, the Consolidated Entity is restricted from making distributions to investors until the LVR is less than 55% (assuming all other covenants are satisfied). Excess cash flow from operations and current cash reserves are required to secure re-leasing of properties as vacancies arise and to meet ongoing capital expenditure requirements.

	Consolidated 2011 $'000	2010 $'000
9 Cash and cash equivalents		
Cash at bank	14,078	17,420
Cash not available for use[1]	5,018	–
Total cash and cash equivalents	**19,096**	**17,420**

[1]For covenant purposes, NZ$6,500,000 is held in a locked cash account with the lender. This cash will be available to the Fund on repayment of the loan or when management have determined there is sufficient headroom in the covenant requirements. At such time, a notice will be served to the lenders to release the cash back to the main cash pool.

	Consolidated 2011 $'000	2010 $'000
10 Trade and other receivables		
Trade receivables	–	554
Prepayments and accrued income	299	409
Other receivables	675	817
Total trade and other receivables	**974**	**1,780**

11 Investment properties

The Consolidated Entity holds the following properties at the reporting date:

			Consolidated[3]	
Description	**Latest external valuation date**	**Latest external valuation[1] $'000**	**2011 book value[2] $'000**	**2010 book value[2] $'000**
Retail				
The Hub – Whakatane	June 2011	27,793	27,793	29,624
Valley Mega Centre - Stage 1	–	–	–	19,235
Valley Mega Centre - Stage 2	–	–	–	16,030
Total retail		**27,793**	**27,793**	**64,889**
Office				
The AIA Building	June 2011	20,227	20,227	22,401
Gen-i Tower	June 2011	60,218	60,218	64,118
University Building	June 2011	6,948	6,407	8,279
8 Hereford street (formerly Telecom House)	June 2011	32,348	32,348	34,494
Uniservices House	–	–	–	14,853
The Plaza	June 2011	7,913	7,913	7,873
ASB Bank Centre	June 2011	86,466	86,466	97,395
ANZ Business Centre	–	–	–	18,262
EDS House	June 2011	18,837	18,837	22,725
143 Willis Street	June 2011	10,268	10,268	11,769
Conservation House	June 2011	26,480	26,480	29,016
NZ Police - 180 Molesworth	–	–	–	30,679
Total office		**269,705**	**269,164**	**361,864**
Industrial				
Mangere Distribution Centre	June 2011	53,656	53,656	57,788
Total industrial		**53,656**	**53,656**	**57,788**
Total investment properties		**351,154**	**350,613**	**484,541**

1 Last valuation in NZ$ is converted at the 30 June 2011 exchange rate A$1 = NZ$1.2953 (2010: A$1 = NZ$1.2321).
2 Book value represents the last valuation, except in the case of University Building, which is carried as held for sale. The June 2011 book value in NZ$ is converted at the 30 June 2011 exchange rate A$1 = NZ$1.2953 (2010: A$1 = NZD1.2321). The value of cost including additions at 30 June 2011 is NZ$492,864,771 (2010: NZ$627,090,000). The value of the properties at 30 June 2011 is NZ$454,149,000 (2010: NZ$597,000,000).
3 There are no investment properties held by the Fund.

Independent valuations

The investment properties of the Consolidated Entity are internally valued at each reporting date. The Consolidated Entity's policy is to obtain external valuations when internal valuations performed indicate the property value has changed by more than 5%, or whenever it is believed that the fair value of a property differs significantly from its carrying value, based on a material change to the assumptions and market conditions underlying the valuation. An external valuation is obtained at least every 3 years.

At 30 June 2011, the entire property portfolio was valued by independent valuers Colliers International. At 30 June 2011, all valuations have been undertaken using a discounted cash flow (DCF) approach and a capitalisation method. The capitalisation rates utilised in the 30 June 2011 independent valuations range from 8.35% to 10.00%.

11 Investment properties continued

Investment properties held for sale

University Building, which was previously included in investment properties, has been classified as current asset held for sale with a carrying value of NZ$8,299,000 at 30 June 2011. The sale of this asset was settled on 19 July 2011.

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

	Consolidated Year ended 30 June 2011 $'000	Consolidated Year ended 30 June 2010 $'000
Investment properties		
Carrying amount at beginning of year	484,541	564,733
Sale of investment property	(91,707)	(45,545)
Capital expenditure	6,462	3,808
Net loss from fair value adjustments to investment properties	(25,347)	(44,247)
Rent straight-lining	142	586
Foreign currency translation exchange adjustment	(23,478)	5,206
Carrying amount at year end	**350,613**	**484,541**

Foreign currency translation exchange adjustments arise due to changes in opening and closing foreign exchange rates. NZ$ balances at 30 June 2011 have been translated at a rate of A$1 = NZ$1.2953. NZ$ balances at 30 June 2010 have been translated at a rate of A$1 = NZ$1.2321.

Leasing arrangements

Completed investment properties are leased to tenants under long-term operating leases with rentals receivable monthly. Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:

	Consolidated 2011 $'000	Consolidated 2010 $'000
Within one year	25,529	37,882
Later than one year but not later than five years	66,165	99,769
Later than five years	49,226	71,184
Total minimum lease payments	**140,920**	**208,835**

Minimum lease payments in NZ$ has been converted at the 30 June 2011 exchange rate of A$1 = NZ$1.2953 (2010: A$1 = NZ$1.2321)

Annual rent receivable by the Consolidated Entity under current leases from tenants is from commercial, industrial, retail and car park assets held. The average lease term is 4.84 years (2010: 4.92 years) and rent reviews are generally performed on a three yearly basis and are based on market rent.

	Ownership %	Fund 2011 $'000	Fund 2010 $'000
12 Investment in controlled entities			
Investment in Brookfield Albert Street Investment Trust	99	207,993	207,993
Provision for impairment		(86,695)	(57,462)
Investment in Brookfield Albert Street Landowning Trust	1	259	259
Provision for impairment		(72)	(72)
Investment in Multiplex Tasman Holding Trust	100	–	–
Provision for impairment		–	–
Total investments in controlled entities		**121,485**	**150,718**

A review of the carrying value of the investments in controlled entities at 30 June 2011 indicated that further impairment to the investment in Brookfield Albert Street Investment Trust (BASIT) (formerly Multiplex Albert Street Investment Trust) is required. $29,233,000 of further provisions were therefore recorded in the current year (2010: nil) to reflect the value of the investment at a value equivalent to the net assets attributable to the underlying subsidiary investments. No further provision for impairment was required against Brookfield Albert Street Landowning Trust (BASLT)(Formerly Brookfield Multiplex Albert Street Landowning Trust). The Fund ultimately owns 100% of BASLT through its ownership in the other two controlled entities.

	Consolidated 2011 $'000	2010 $'000
13 Trade and other payables		
Trade payables	355	533
Interest payable	1,989	5,225
Management fee payable	14,653	11,814
Other payables and accruals	8,511	6,344
Total trade and other payables	**25,508**	**23,916**

	Consolidated 2011 $'000	2010 $'000
14 Interest bearing liabilities		
Current		
Secured bank debt	–	28,953
Debt establishment fees	–	–
Total current interest bearing liabilities	–	**28,953**
Non-current		
Secured bank debt	208,667	284,068
Debt establishment fees	(866)	(3,480)
Total non-current interest bearing liabilities	**207,801**	**280,588**

	Expiry Date	Consolidated 2011 $'000	2010 $'000
Finance arrangements			
Bank debt facility	30 August 2012	208,667	–
Bank debt facility	30 August 2011	–	284,068
Bank debt facility	31 October 2010	–	28,953
Less: Facilities utilised		(208,667)	(313,021)
Facilities not utilised		**–**	**–**

Repayment of debt
During the year, following asset sales, the remaining NZ$35,673,000 of Tranche B debt was repaid.

During the year, the Fund entered into a new facility with its financiers for a total of NZ$288,509,000. Key terms of this facility include the repayment of the debt by 30 August 2012. A revision of the covenants to reflect the following LVR requirements:
- 65% on commencement;
- 60% by 30 June 2011; and
- 55% by 30 June 2012.

Interest cover (ratio of Earnings Before Interest and Tax (EBIT) to Total Interest Expense) covenant requirement:
(iv) for the preceding 6 month period to 30 March 2012:
  a. is at least 1.3 if at that time no Compliance Certificate has been received by the facility agent certifying that the ratio of EBIT to Total Interest Expense is at least 1.4 and that the forecast ICR is at least 1.4; or
  b. is at least 1.4 if at that time a Compliance Certificate has been received by the Facility Agent certifying that the ratio of EBIT to Total Interest Expense is at least 1.4;
(v) for each preceding 6 month period from 31 March 2012 to 29 June 2012, is at least 1.4; and
(vi) for each preceding 6 month period from 30 June 2012, is at least 1.5.

A lease covenant of not less than 3 years Weighted Average Lease Expiry (WALE). A separate gearing covenant of total liabilities to total assets (excluding deferred management fees) of no greater than 75% on commencement; 70% by 30 June 2011 and 65% by 30 June 2012. Net sale proceeds are to be applied against the debt and all distributions are subject to LVR requirements of below 55%.

14 Interest bearing liabilities continued

At 30 June 2011 the Consolidated Entity was in compliance with its debt covenants.

At 30 June 2011 the weighted average interest rate in respect of the amounts drawn under the facilities, including margin, was 5.97% (2010: 6.66%). The amount does not include the effect of swaps. The effect after swaps is an interest rate of 8.42% (2010: 8.40%).

The Consolidated Entity has entered into an interest rate swap agreement to partially hedge the interest rate risk on the floating rate interest bearing liabilities detailed above. Fair value movements of the interest rate swap asset are recognised in the Statement of Comprehensive Income. The Fund does not hold interest rate swap derivatives. The Consolidated Entity's holdings in interest rate swap derivatives are detailed below:

Consolidated
2011

Expiry date	Underlying instrument	Fixed rate %	Notional amount of contracts outstanding NZ$'000	Fair value (liabilities) NZ$'000	Fair value (liabilities) A$'000
31 August 2011	Floating to fixed	6.765	198,567	(1,372)	(1,060)
Total interest rate swap derivatives			**198,567**	**(1,372)**	**(1,060)**

Consolidated
2010

Expiry date	Underlying instrument	Fixed rate %	Notional amount of contracts outstanding NZ$'000	Fair value (liabilities) NZ$'000	Fair value (liabilities) A$'000
31 August 2011	Floating to fixed	6.765	198,567	(6,826)	(5,541)
Total interest rate swap derivatives			**198,567**	**(6,826)**	**(5,541)**

	Year ended 30 June 2011 $'000	Year ended 30 June 2011 Units	Year ended 30 June 2010 $'000	Year ended 30 June 2010 Units
15 Units on issue				
Ordinary units				
Opening balance	203,396	218,056,451	203,396	218,056,451
Closing balance	**203,396**	**218,056,451**	**203,396**	**218,056,451**

In accordance with the Fund's constitution, each unitholder is entitled to receive distributions as declared from time to time and are entitled to one vote 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.

16 Reserves

Foreign currency translation reserve

	Consolidated Year ended 30 June 2011 $'000	Consolidated Year ended 30 June 2010 $'000
Opening balance	(41,187)	(43,223)
Movement in reserves due to changes in foreign exchange rates	(9,379)	2,036
Closing balance	**(50,566)**	**(41,187)**

17 Undistributed losses

	Consolidated	
	Year ended 30 June 2011 $'000	Year ended 30 June 2010 $'000
Opening balance	(13,895)	3,832
Net loss	(10,437)	(17,727)
Closing balance	**(24,332)**	**(13,895)**

18 Financial instruments

Significant accounting policies

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

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

a Capital risk management

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

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

b Financial risk management

Overview

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

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

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 Board Risk and 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 Board Risk and Compliance Committee of the Responsible Entity quarterly.

Investment mandate

The Consolidated Entity's investment mandate, as disclosed in its Constitution and Product Disclosure Statement (PDS), is to invest in property assets across New Zealand.

Derivative financial instruments

Whilst the Consolidated Entity utilises derivative financial instruments, it does not enter into or trade derivative financial instruments for speculative purposes. The use of derivatives is governed by the Consolidated Entity's investment policies, which provide written principles on the use of financial derivatives. These principles permit the use of derivatives to mitigate financial risks associated with financial instruments utilised by the Consolidated Entity. At 30 June 2011 and 30 June 2010, the Consolidated Entity is party to an interest rate swap agreement to hedge the interest rate risk on floating rate interest bearing liabilities. Refer to interest bearing liabilities (Note 14) for further details.

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.

18 Financial instruments continued

c Credit risk continued

Trade and other receivables

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

- obtaining guarantees from tenants of the Consolidated Entity's direct properties (where appropriate);
- managing and minimising exposures to individual tenants (where appropriate);
- monitoring receivables balances on an ongoing basis; and
- obtaining other collateral as security (where appropriate).

Fair value of financial derivatives

Transactions with derivative counterparties are limited to established financial institutions. The Consolidated Entity also utilises the International Swaps and Derivatives Association's (ISDA's) agreements with derivative counterparties where possible to limit the credit risk exposure of such transactions by allowing settlement of derivative transaction on a net rather than gross basis.

The Consolidated Entity's overall strategy of credit risk management remains unchanged from 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	19,096	17,420
Trade and other receivables	974	1,780
Total exposure to credit risk	**20,070**	**19,200**

Concentrations of credit risk exposure

Commonwealth Bank of Australia (CBA) and ANZ National Bank Limited (ANZ) are counterparties to the term debt facility,cash held on deposit and interest rate swap agreements. Therefore the Consolidated Entity has a concentration of credit risk with these parties. In assessing this risk, the Consolidated Entity has taken into account CBA's and ANZ's financial positions, market share and reputation, previous experience with these types of transactions, and independent ratings for various covered and uncovered securities. In considering all these factors, the Consolidated Entity does not consider there to be a significant risk of default by the counterparties as at the balance date.

Collateral obtained/held

Where applicable, the Consolidated Entity obtains collateral from counterparties to minimise the risk of default on its contractual obligations. The majority of tenants of the Consolidated Entity's property assets have provided bank guarantees in favour of the direct property-owning entities within the Consolidated Entity. At the current and prior reporting dates, the Consolidated Entity did not hold any other collateral in respect of its financial assets (2010: nil).

During the year ended 30 June 2011, the Consolidated Entity did not call on any collateral provided (2010: nil).

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	930	1,707
Past due 0-30 days	9	38
Past due 31-120 days	35	35
Past due 121 days to one year	–	–
More than one year	–	–
Total trade and other receivables	**974**	**1,780**

18 Financial instruments continued

c Credit risk continued

Financial assets past due but not impaired continued

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, $340,000 bad debt impairment was recognised by the Consolidated Entity (2009: $119,170).

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 main sources of liquidity risk for the Consolidated Entity is related to the refinancing of interest bearing liabilities and redemptions paid to unitholders. The Consolidated Entity's approach to managing liquidity risk is to ensure that it has sufficient cash available to meet its liabilities as and when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Consolidated Entity's reputation.

Interest bearing liabilities

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

Unitholders

The Fund is not exposed to liquidity risk associated with unitholder redemptions in the short term as its units are not eligible for redemption until the first review date which has been extended to 1 September 2012.

The Consolidated Entity's liquidity risk is managed in accordance with the Consolidated Entity's investment strategy as detailed in the PDS. The Consolidated Entity invests in direct property. As a result, the investments are not liquid in nature. However, the Consolidated Entity's operations are structured to allow for sufficient rental income to enable the Consolidated Entity to meet its debts as and when they are due. The Consolidated Entity also manages liquidity risk by maintaining adequate banking facilities, through continuous monitoring of forecast and actual cash flows and matching maturity profiles of financial assets and liabilities.

Defaults and breaches

During the financial years 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. At half year ended 31 December 2010, one of the covenant tests under the previous debt facility, being the requirement to have a LVR of less than 60%, was waived until 28 February 2011, with the revised requirement being an LVR of 65% at 31 December 2010. Refer to interest bearing liabilities (Note 14) for further details regarding covenants associated with the new facility.

Maturity analysis of financial liabilities

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

	Consolidated $'000					
	Carrying amount	Contractual cash flows	0 to 12 months	1 to 2 years	2 to 5 years	Greater than 5 years
2011						
Trade and other payables	23,519	23,519	23,519	–	–	–
Interest bearing liabilities	207,801	207,801	–	207,801	–	–
Interest payable on debt	1,989	11,271	9,638	1,633	–	–
Effect of interest rate swap	1,060	823	823	–	–	–
Net interest payable on debt	3,049	12,094	10,461	1,633	–	–
Total financial liabilities	**234,369**	**243,414**	**33,980**	**209,434**	–	–
2010						
Trade and other payables	18,691	18,691	18,691	–	–	–
Interest bearing liabilities	309,541	313,021	28,953	284,068	–	–
Interest payable on debt	5,225	22,271	19,192	3,079	–	–
Effect of interest rate swap	5,541	7,701	6,583	1,118	–	–
Net interest payable on debt	10,766	29,972	25,775	4,197	–	–
Total financial liabilities	**338,998**	**361,684**	**73,419**	**288,265**	–	–

18 Financial instruments continued

e Market risk

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

Sources of market risk and risk management strategies

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

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Cash and cash equivalent balances will also fluctuate with changes in interest rates due to interest earned. The key source of interest rate risk for the Consolidated Entity is derived from interest bearing liabilities. The Consolidated Entity manages this exposure by entering into interest rate swap agreements to fix the interest rate charged on its interest bearing liabilities, as detailed in interest bearing liabilities (Note 14).

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

	Floating rate $'000	Fixed rate $'000	Non-interest bearing $'000	Total $'000
Consolidated 2011				
Financial assets				
Cash and cash equivalents	5,586	13,510	–	19,096
Trade and other receivables	–	–	974	974
Total financial assets	**5,586**	**13,510**	**974**	**20,070**
Financial liabilities				
Trade and other payables	–	–	25,508	25,508
Financial derivatives	–	1,060	–	1,060
Interest bearing liabilities	207,801	–	–	207,801
Total financial liabilities	**207,801**	**1,060**	**25,508**	**234,369**
Consolidated 2010				
Financial assets				
Cash and cash equivalents	17,420	–	–	17,420
Financial derivatives	5,541	–	–	5,541
Trade and other receivables	–	–	1,780	1,780
Total financial assets	**22,961**	**–**	**1,780**	**24,741**
Financial liabilities				
Trade and other payables	–	–	23,916	23,916
Interest bearing liabilities	313,021	–	–	313,021
Total financial liabilities	**313,021**	**–**	**23,916**	**336,937**

Sensitivity analysis

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

	2011 + 1% Profit and loss $'000	+ 1% Equity $'000	2011 - 1% Profit and loss $'000	- 1% Equity $'000	2010 + 1% Profit and loss $'000	+ 1% Equity $'000	2010 - 1% Profit and loss $'000	- 1% Equity $'000
Consolidated Entity								
Interest on cash	191	191	(191)	(191)	174	174	(174)	(174)
Interest bearing liabilities	2,087	2,087	(2,087)	(2,087)	(3,130)	(3,130)	3,130	3,130
Interest on swaps	1,533	1,533	(1,533)	(1,533)	1,612	1,612	(1,612)	(1,612)
Fair value of derivatives	198	198	(198)	(198)	1,780	1,780	(1,810)	(1,810)
Total increase/(decrease)	**4,009**	**4,009**	**(4,009)**	**(4,009)**	**436**	**436**	**(466)**	**(466)**

18 Financial instruments continued

e Market risk continued

Foreign currency risk

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

Sources of risk and risk management strategies

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

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

- for assets which earn income in a foreign currency, borrowings are sourced in the same currency as the asset, which creates a natural hedge; and
- forward exchange contracts may be utilised to hedge net income earned in New Zealand which is repatriated to Australia to pay distributions to unitholders (which are paid in Australian Dollars).

The Consolidated Entity held no forward foreign exchange contracts at 30 June 2011 (2010: nil).

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

	Consolidated 2011 $'000	2010 $'000
Australia (Australian Dollar-denominated)		
Gross assets	37	38
Gross liabilities	15,540	12,597
New Zealand (New Zealand Dollar-denominated)		
Gross assets	480,098	620,610
Gross liabilities	293,691	422,397

The following exchange rates were applied to transactions occurring during the year.

	Australian Dollar 2011 Reporting date spot rate	2010 Reporting date spot rate	2011 Average rate	2010 Average rate
1 New Zealand Dollar	1.2953	1.2321	1.3048	1.2554

Sensitivity analysis

At year end a 5% strengthening/(weakening) of the Australian dollar against the New Zealand dollar would have increased/(decreased) profit and loss and net assets available to unitholders by amounts shown below. This analysis assumes all other variables remain constant.

	2011 + 5% Profit and loss $'000	+ 5% Equity $'000	2011 - 5% Profit and loss $'000	- 5% Equity $'000	2010 + 5% Profit and loss $'000	+ 5% Equity $'000	2010 - 5% Profit and loss $'000	- 5% Equity $'000
Consolidated Entity	(422)	(7,274)	466	8,040	(632)	(8,292)	698	9,165

f Fair values

Methods for determining fair values

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

18 Financial instruments continued

f Fair values continued

Cash and cash equivalents and trade and other receivables

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

Derivatives

The fair value of interest rate swaps is estimated by discounting future cash flows based on the terms and maturity of each contract and using market interest rates for similar instruments at the reporting date.

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:

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

The following table presents the Consolidated Entity's assets and liabilities measured and recognised at fair value at 30 June 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.

Consolidated Entity – at 30 June 2011	Level 2 $'000	Total $'000
Liabilities		
Financial derivatives at fair value through profit or loss	1,060	1,060
Total liabilities	**1,060**	**1,060**

Consolidated Entity – at 30 June 2010	Level 2 $'000	Total $'000
Liabilities		
Financial derivatives at fair value through profit or loss	5,541	5,541
Total liabilities	**5,541**	**5,541**

As at 30 June 2011 and 30 June 2010, there were no financial assets or liabilities in levels 1 and 3. During the current and prior years, there were no financial assets or liabilities which transferred between levels 1, 2 or 3.

19 Reconciliation of cash flows from operating activities	Consolidated Year ended 30 June 2011 $'000	Consolidated Year ended 30 June 2010 $'000
Net loss for the year	**(10,437)**	**(17,727)**
Adjustments for:		
Non-cash items		
Net loss on revaluation of investment properties	25,347	44,247
Loss on sale of investment properties	3,165	3,311
Net (gain)/loss on revaluation of financial derivatives	(4,481)	(5,798)
Amortisation of debt establishment fees	3,606	2,638
Income tax	(8,614)	(13,757)
Other	(880)	(567)
Operating profit before changes in working capital	**7,706**	**12,347**
Changes in assets and liabilities during the year:		
Decrease in trade and other receivables	806	1,001
(Decrease)/Increase in trade and other payables	(1,190)	28
Net cash flows from operating activities	**7,322**	**13,376**

20 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)
Tim Harris (appointed 17 March 2010 – resigned 16 May 2011)
Russell Proutt (appointed 1 January 2010)
Shane Ross (appointed 16 May 2011)

Responsible Entity fees

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

Allan McDonald, a Director of the Responsible Entity, holds 26,000 units in the Fund. No other Directors have interests in the unit capital of the Fund at the date of this report. No options are held by/have been issued to any Directors.

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:

Performance fee

The performance fee is calculated in accordance with the constitution, which requires a fee to be paid equivalent of up to 2.0% of the gross value of the assets of the Fund, to the extent that the net assets exceed the capital subscribed, as at the end of the first period (September 2011). The performance fee expense for the year ended 30 June 2011 was nil (2010: nil). As at 30 June 2010, the performance fee payable to the Responsible Entity was nil (2010: nil).

Management fee

A management fee based on the gross value of assets is payable to the Responsible Entity, less a fee of NZ$6,500 per month payable to Multiplex Tasman Management New Zealand Limited. The fee is payable by the Fund monthly in arrears. The management fee expense for the year ended 30 June 2011 was $2,839,000 (2010: $3,740,000). As at 30 June 2011, the management fee payable to the Responsible Entity was $14,653,000 (2010: $11,814,000).

Establishment fee

An establishment fee up to 5% of the gross value of assets acquired which compensates the Manager from the risks and expenses associated with raising equity acquiring assets and establishing the Fund is payable to the Responsible Entity. From this fee, the Manager will pay commissions in relation to subscriptions. This fee is payable by the Fund on the completion or purchase of assets. No establishment fees have been incurred or paid to the Responsible Entity in 2011 or 2010.

Expense reimbursements

The Responsible Entity is reimbursed by the Consolidated Entity for all expenses incurred on behalf of the Consolidated Entity.

Leasing fees

Leasing fees are payable to the Responsible Entity for an amount not more than 8.5% of the gross proceeds for the first year of the new or extended term of a lease of premises that form part of the property. The leasing fees incurred by the Consolidated Entity in the year ended 30 June 2011 were nil (2010: $260,000). As at 30 June 2011, the leasing fees payable to the Responsible Entity are $456,000 (2010: $479,000).

20 Related parties continued

Responsible Entity's fees and other transactions continued

Property sales fees

Property sales fees are payable to the Responsible Entity at a rate of 2% of the gross sales price, only to the extent this fee will not cause the net sales proceeds to fall below the purchase price plus all acquisition costs for the asset sold. An additional fee of 2% is payable to the extent the net sales proceeds represent more than a 50% premium on the purchase price plus acquisition costs. The property sales fees incurred by the Consolidated Entity in the year ended 30 June 2011 was nil (2010: nil). As at 30 June 2011, the property sales fees payable to the Responsible Entity are $1,647,000 (2010: $1,732,000).

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:

- JP Morgan Nominees Australia Limited as custodian for Brookfield Capital Management Limited (formerly Brookfield Multiplex Capital Management Limited) as responsible entity for Brookfield Australia Opportunities Fund (formerly Multiplex Acumen Property Fund) holds 43,890,679 units or 20.1% of the Fund at year end (2010: 46,866,127 units or 21.5% of the Fund).
- Brookfield Funds Management Limited (formerly Brookfield Multiplex Funds Management Limited) as custodian for Brookfield Australia Property Trust (formerly Brookfield Multiplex Property Trust) holds 47,461,298 units or 21.8% of the Fund at year end (2010: 47,461,298 units or 21.8% of the Fund).
- Perpetual Trust Limited as custodian for Multiplex Tasman Property Fund holds 4,560,502 units or 2.1% of the Fund at year end (2010: 4,629,041 units or 2.1% of the Fund).
- JP Morgan Nominees Australia Limited as custodian for Brookfield Capital Management Limited (formerly Brookfield Multiplex Capital Management Limited) as responsible entity for Multiplex Property Income Fund holds 1,125,402 units or 0.5% of the Fund at year end (2010: 1,201,696 units or 0.6% of the Fund).
- Brookfield Capital Management Limited (formerly Brookfield Multiplex Capital Management Limited) holds 17,266,146 units or 7.9% of the Fund at year end (2010: 13,017,856 units or 6.0% of the Fund).
- Multiplex APF Pty Ltd, as trustee for Multiplex APF Trust, holds 3,712,913 units or 1.7% of the Fund at year end (2010: 3,712,913 units or 1.7% of the Fund).
- Brookfield Multiplex Capital Pty Ltd holds 220,793 units or 0.1% of the Fund at year end (2010: 220,793 units or 0.1% of the Fund).

Transactions with related parties

	Consolidated 2011 $'000	2010 $'000
Transactions with the Responsible Entity		
Management fees	2,839	3,740
Performance fees	–	–
Property sale fees	–	–
Leasing fees	–	260
Cost reimbursements	87	98
Management fees payable	14,653	11,814
Property sale fees payable	1,647	1,732
Leasing fees payable	456	479
Cost reimbursements payable	115	164
Transactions with related parties of the Responsible Entity		
Custodian fees	20	22
Custodian fees payable	54	34
Agency fees	60	62
Leasing fees	551	–
Leasing fees payable	120	–
Capital co-ordination works fees	163	–
Capital co-ordination works fees payable	15	–
Market rent review fees	36	–
Management service fees payable	970	960

20 Related parties continued

Transactions with related parties continued

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

Right of first refusal

Prior to the Fund's acquisitions of Brookfield Albert Street Investment Trust (formerly Multiplex Albert Street Investment Trust) and Brookfield Albert Street landowning Trust (formerly Brookfield Multiplex Albert Street Landowning Trust) in September 2004, these trusts were owned by Brookfield Australia Property Trust (formerly Brookfield Multiplex Property Trust). The Manager has granted rights of first refusal to Brookfield Australia Property Trust (formerly Brookfield Multiplex Property Trust) in relation to the future sale by the Consolidated Entity of any of the properties or of a beneficial interest in them.

21 Contingent liabilities and assets

As at 30 June 2011, the Consolidated Entity has net contingent assets of $56,000 (NZ$72,000). Under the terms of the sale and purchase agreement for one of its investment properties, the Consolidated Entity has contracted the retention of NZ$100,000 by the vendor to ensure satisfactory completion of any building defects currently under investigation. This is offset by a contingent liability of NZ $28,000 arising on another investment property, whereby the Consolidated Entity has been questioned by the receiver of a previous tenant in relation to accessing the tenant's bank guarantee to cover costs of re-tenanting the premises.

At 30 June 2010, the Consolidated Entity received confirmation from a tenant under two separate leases that contractual obligations to reinstate and make good premises upon lease expiry were not completed through reinstatement. Instead, they were settled in cash. The estimate of this settlement at 30 June 2010 was $1,489,327 (NZ$1,835,000).

Other than the matters noted above, no other contingent liabilities or assets existed at 30 June 2011 or 30 June 2010.

22 Capital and other commitments

The Consolidated Entity is committed to refurbishment, upgrade and other works as required by the terms of lease or other agreements. At 30 June 2011 this commitment totals $1,579,000 (NZ$2,045,000) (2010: $3,571,139 or NZ$4,400,000).

23 Events subsequent to the reporting date

The investment property University Building was sold on 19 July 2011 for gross consideration of NZ$9,600,000. Net proceeds from the sale were used to repay debt.

Other than the above, 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

Multiplex New Zealand Property Fund

For the year ended 30 June 2011

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

a The consolidated financial statements and notes, set out in pages 10 to 35, 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*; and

  iii complying with International Financial Reporting Standards, as stated in note 2 to the financial statements.

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

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

Dated at Sydney this 26th day of August 2011.

Russell Proutt
Director
Brookfield Capital Management Limited

Deloitte.

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Independent Auditor's Report to the Unitholders of Multiplex New Zealand Property Fund

Report on the Financial Report

We have audited the accompanying financial report of Multiplex New Zealand Property 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 10 to 36.

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 Multiplex New Zealand Property 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