Multiplex New Zealand Property Fund
Financial report
For the year ended
30 June 2014

Multiplex New Zealand Property Fund

ARSN 110 281 055

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Directors of Brookfield Capital Management Limited
F. Allan McDonald
Barbara Ward
Russell Proutt
Shane Ross (resigned and appointed alternate director 28 February 2014)
Brian Motteram (resigned 28 February 2014)

Company Secretary of Brookfield Capital Management Limited
Neil Olofsson

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Directors' Report
Multiplex New Zealand Property Fund
For the year ended 30 June 2014

Introduction
The Directors of Brookfield Capital Management Limited (ABN 32 094 936 866), 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 2014 and the Independent Auditor's Report thereon. The Fund was constituted on 28 July 2004.

All amounts quoted in this report are in Australian dollars, unless otherwise noted.

Responsible Entity
The Responsible Entity of the Fund is Brookfield Capital Management Limited (BCML). 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	Non-Executive Independent Chairman
Barbara Ward	Non-Executive Independent Director
Brian Motteram (resigned 28 February 2014)	Non-Executive Independent Director
Russell Proutt	Executive Director
Shane Ross (resigned and appointed alternate director 28 February 2014)	Executive Director/Alternate Director

Information on Directors
F. Allan McDonald (BEcon, FCPA, FAIM, FGIA), Non-Executive Independent Chairman
Allan was appointed the Non-Executive Independent Chairman of 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 the Responsible Entity for the listed funds Brookfield Prime Property Fund (BPA) and Multiplex European Property Fund (MUE). BFML is the Responsible Entity for the listed Multiplex SITES Trust. Allan's other directorship of listed entities is Astro Japan Property Management Limited (Responsible Entity of Astro Japan Property Trust) (appointed February 2005). During the past 3 years Allan has also served as a director of Billabong International Limited (July 2000 – October 2012) and Brookfield Office Properties Inc (May 2011 – June 2014).

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 the Responsible Entity for the listed BPA and MUE. BFML is the Responsible Entity for the listed Multiplex SITES Trust. Barbara is a Director of Qantas Airways Limited. During the past 3 years Barbara has also served as Chair of Essential Energy (June 2001 – June 2012) and a Director of Essential Energy, Ausgrid and Endeavour Energy (July 2012 – December 2012).

Russell Proutt (BComm, CA, CBV), Executive Director
Russell is the Chief Financial Officer of Brookfield Australia Pty Ltd and was appointed as an Executive Director of BCML on 1 January 2010 and also performs that role for BFML. BCML is the Responsible Entity for the listed BPA and MUE. BFML is the Responsible Entity for the listed Multiplex SITES Trust. Russell joined Brookfield Asset Management Inc, the ultimate parent company of BCML, in 2006 and has held various senior management positions within Brookfield.

Shane Ross (BBus), Executive Director/Alternate 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, resigned on 28 February 2014 and was appointed as Alternate Director for Russell on that date. BCML is the Responsible Entity for the listed BPA and MUE. Shane joined the organisation in 2003 following a background in banking and has over 20 year's experience in treasury and finance within the property industry.

Information on Company Secretary
Neil Olofsson
Neil has over 18 years of international company secretarial experience and has been with the Brookfield Australia group since 2005.

Directors' Report continued
Multiplex New Zealand Property Fund
For the year ended 30 June 2014

Directors' interests
The following table sets out each Director's relevant interest in the units, debentures, 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
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	5	5	2	2	2	2
Barbara Ward	5	5	2	2	2	2
Brian Motteram	4	4	2	2	2	2
Russell Proutt	4	5	n/a	n/a	n/a	n/a
Shane Ross	5	5	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, or number of meeting held that the Alternate Director was eligible to attend during the year.

Principal activities
The principal activity of the Consolidated Entity is the investment in properties in New Zealand.

Wind up of the Fund
The Responsible Entity continues with the wind up of the Fund. During the year the following properties were sold:

- The Hub – Whakatane property was sold on 16 August 2013 for gross proceeds of NZ$25,500,000 and 100% of the net proceeds were used to repay debt.
- Chorus House – property was sold on 16 June 2014 for gross proceeds of NZ$84,000,000. A portion of the net proceeds was used to fully repay the remaining balance of debt.

The Responsible Entity continues to pursue opportunities to sell the remaining properties in line with the sales strategy. It is the intention of the Responsible Entity to sell the properties in an orderly manner, but it is not possible to predict when the sale process will be completed and when future distributions will be paid. It may take a number of years to realise the assets at values which the Responsible Entity considers to be in the best interests of unitholders.

Subsequent to the year ended 30 June 2014, contracts of sale have been executed for the Consolidated Entity's two remaining Auckland properties for NZ$47,000,000.

During the financial year, the Fund made the following cash distributions:
- 2.20 cents per unit paid on or around 10 September 2013, treated as a return of capital in the financial statements; and
- 15.24 cents per unit paid on or around 20 June 2014 consisting of 0.50 cents per unit, treated as a distribution and 14.74 cents per unit, treated as a return of capital in the financial statements

In the prior year ended 30 June 2013, $10,903,000 or 5.0 cents per unit was paid on 20 November 2012 and treated as a return of capital in the financial statements.

Review of operations
The Consolidated Entity has recorded a net profit after tax of $4,194,000 for the year ended 30 June 2014 (2013: net profit after tax of $5,692,000). The reported net profit includes $12,110,000 of unrealised losses on revaluations of investment properties (2013: $5,000 unrealised gain).

Some of the significant events during the year are as follows:
- total revenue and other income of $25,131,000 (2013: $30,412,000);
- during the financial year, the Fund made the following distributions:
    - 2.20 cents per unit paid on or around 10 September 2013, treated as a return of capital in the financial statements; and
    - 15.24 cents per unit paid on or around 20 June 2014 consisting of 0.50 cents per unit, treated as a distribution and 14.74 cents per unit, treated as a return of capital in the financial statements.

  In the prior year ended 30 June 2013, $10,903,000 or 5.0 cents per unit was paid on 20 November 2012 and treated as a return of capital in the financial statements.
- net assets attributable to unitholders of $108,287,000 (2013: $128,524,000) and net asset per unit of $0.50 (2013: $0.59);
- the weighted average lease term to expiry is approximately 2.82 years (2013: 3.09 years) and the portfolio occupancy rate is 81.1% (2013: 95.4%);
- the sale of The Hub – Whakatane property was settled on 16 August 2013 for gross proceeds of NZ$25,500,000 and 100% of the net proceeds were used to repay debt; and
- the sale of Chorus House was settled on 16 June 2014 for gross proceeds of NZ$84,000,000. A portion of the net proceeds was used to repay the remaining debt balance.

The Fund is in wind up. The strategy is to realise the Fund's assets on an orderly basis so as to maximise value for unitholders.

Interests of the Responsible Entity

Fee payments
The Consolidated Entity incurred the following fees to the Responsible Entity during the financial year:
- Management fees of $1,337,000 (2013: $2,060,000);
- Property sale fees of NZ$1,680,000 (2013: NZ$1,480,000); and
- No leasing fees were incurred during the year (2013: nil).

Investments held
The following interests were held in the Consolidated Entity during the year:
- Brookfield Funds Management Limited as responsible entity for Brookfield Australia Property Trust holds 47,461,298 units or 21.8% of the Fund at year end (2013: 47,461,298 units or 21.8% of the Fund);
- JP Morgan Chase Bank N.A. as custodian for BAO Trust holds 43,890,679 units or 20.1% of the Fund at year end (2013: 43,890,679 units or 20.1% of the Fund);
- Foundation Corporate Trust as trustee for Multiplex Tasman Property Fund holds 4,560,502 units or 2.1% of the Fund at year end (2013: 4,560,502 units or 2.1% of the Fund);
- JP Morgan Chase Bank N.A as custodian for Multiplex Property Income Fund holds 1,125,402 units or 0.5% of the Fund at year end (2013: 1,125,402 units or 0.5% of the Fund);
- BCML holds 17,266,146 units or 7.9% of the Fund at year end (2013: 17,266,146 units or 7.9% 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 (2013: 3,712,913 units or 1.7% of the Fund); and
- Brookfield Multiplex Capital Pty Ltd holds 220,793 units or 0.1% of the Fund at year end (2013: 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 consolidated financial statements.

Events subsequent to the reporting date
Subsequent to the year end 30 June 2014, contracts of sale have been concluded for the Consolidated Entity's two remaining Auckland properties for NZ$47,000,000, with settlement taking place in December 2014. 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
Other than the matters already included in the Directors' Report, information on likely developments in the operations of the Consolidated Entity in future financial years and the expected results of those operations have 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
During the financial year, the Fund made the following cash distributions:
- 2.20 cents per unit paid on or around 10 September 2013, treated as a return of capital in the financial statements; and
- 15.24 cents per unit paid on or around 20 June 2014 consisting of 0.50 cents per unit, treated as a distribution and 14.74 cents per unit, treated as a return of capital in the financial statements.

In the prior year ended 30 June 2013, $10,903,000 or 5.0 cents per unit was paid on 20 November 2012 and treated as a return of capital in the financial statements.

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

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

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

As is usual, this policy has certain exclusions and therefore does not insure against liabilities arising out of matters including but not limited to:
- fraudulent, dishonest or criminal acts or omissions and improper personal profit or advantage;
- violation of US Securities Act of 1933;
- losses for which coverage under a different kind of insurance policy is readily available such as, for example, liability insurance, employment practices liability and pollution liability (there can be limited coverage for some of these exposures); and
- claims made by a major shareholder (threshold is ownership of 10% or greater).

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

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

Rounding of amounts
The Consolidated Entity is of a kind referred to in ASIC Class Order 98/100, dated 10 July 1998, 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 2014.

Dated at Sydney this 25th day of August 2014.

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
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The Board of Directors
Brookfield Capital Management Limited
(as Responsible Entity for Multiplex New Zealand Property Fund)
Level 22, 135 King Street
Sydney NSW 2000

25 August 2014

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 2014, 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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Multiplex New Zealand Property Fund

For the year ended 30 June 2014

	Note	Consolidated Year ended 30 June 2014 $'000	 Year ended 30 June 2013 $'000
Revenue and other income			
Property rental income		24,795	29,835
Interest income		336	572
Net gain on revaluation of investment properties	9	–	5
Total revenue and other income		**25,131**	**30,412**
Expenses			
Property expenses		9,430	9,788
Net loss on sale of investment properties		2,784	544
Accrued wind up costs		–	3,808
Finance costs to external parties		2,328	6,357
Net loss on revaluation of investment properties	9	12,110	–
Management fees		1,337	2,060
Other expenses		182	504
Total expenses		**28,171**	**23,061**
(Loss)/profit before income tax		**(3,040)**	**7,351**
Income tax benefit/(expense)	6	7,234	(1,659)
Net profit after income tax for the year		**4,194**	**5,692**
Other comprehensive income, net of income tax			
Items that may be reclassified subsequently to profit or loss			
Changes in foreign currency translation reserve		13,598	9,379
Other comprehensive income for the year, net of income tax		**13,598**	**9,379**
Total comprehensive income for the year		**17,792**	**15,071**
Net profit attributable to ordinary unitholders		**4,194**	**5,692**
Total comprehensive income attributable to unitholders		**17,792**	**15,071**

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

Consolidated Statement of Financial Position

Multiplex New Zealand Property Fund

As at 30 June 2014

	Note	Consolidated 2014 $'000	2013 $'000
Assets			
Current assets			
Cash and cash equivalents		15,574	22,499
Trade and other receivables	8	2,506	624
Current tax receivable		560	–
Total current assets		**18,640**	**23,123**
Non-current assets			
Investment properties	9	96,924	191,054
Total non-current assets		**96,924**	**191,054**
Total assets		**115,564**	**214,177**
Liabilities			
Current liabilities			
Trade and other payables	11	5,486	13,691
Current tax liability	6	–	5,342
Total current liabilities		**5,486**	**19,033**
Non-current liabilities			
Accrued wind up costs		1,791	3,808
Interest bearing liabilities	12	–	53,529
Deferred tax liability	6	–	9,283
Total non-current liabilities		**1,791**	**66,620**
Total liabilities		**7,277**	**85,653**
Net assets		**108,287**	**128,524**
Equity			
Units on issue	13	155,551	192,493
Reserves	14	(25,703)	(39,301)
Undistributed losses	15	(21,561)	(24,668)
Total equity		**108,287**	**128,524**

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

Consolidated Statement of Changes in Equity

Multiplex New Zealand Property Fund

For the year ended 30 June 2014

Consolidated entity	Ordinary units $'000	Undistributed profits/(losses) $'000	Reserves $'000	Total $'000
	Attributable to unitholders of the Fund			
Opening equity – 1 July 2013	**192,493**	**(24,668)**	**(39,301)**	**128,524**
Changes in foreign currency translation reserve	–	–	13,598	**13,598**
Other comprehensive income for the year, net of income tax	–	–	13,598	**13,598**
Net profit for the year	–	4,194	–	**4,194**
Total comprehensive income for the year	–	**4,194**	**13,598**	**17,792**
Transactions with unitholders in their capacity as unitholders:				
Distribution declared/paid	–	(1,087)	–	(1,087)
Return of capital	(36,942)	–	–	(36,942)
Total transactions with unitholders in their capacity as unitholders	**(36,942)**	**(1,087)**	**–**	**(38,029)**
Closing equity – 30 June 2014	**155,551**	**(21,561)**	**(25,703)**	**108,287**

Consolidated entity	Ordinary units $'000	Undistributed profits/(losses) $'000	Reserves $'000	Total $'000
	Attributable to unitholders of the Fund			
Opening equity – 1 July 2012	**203,396**	**(30,360)**	**(48,680)**	**124,356**
Changes in foreign currency translation reserve	–	–	9,379	9,379
Other comprehensive income for the year, net of income tax	**–**	**–**	**9,379**	**9,379**
Net profit for the year	–	5,692	–	**5,692**
Total comprehensive income for the year	**–**	**5,692**	**9,379**	**15,071**
Transactions with unitholders in their capacity as unitholders:				
Return of capital	(10,903)	–	–	**(10,903)**
Total transactions with unitholders in their capacity as unitholders	**(10,903)**	**–**	**–**	**(10,903)**
Closing equity – 30 June 2013	**192,493**	**(24,668)**	**(39,301)**	**128,524**

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

Consolidated Statement of Cash Flows
Multiplex New Zealand Property Fund
For the year ended 30 June 2014

	Note	Consolidated Year ended 30 June 2014 $'000	 Year ended 30 June 2013 $'000
Cash flows from operating activities			
Cash receipts in the course of operations		23,782	30,113
Cash payments in the course of operations		(23,322)	(22,911)
Interest received		317	569
Income tax paid		(9,241)	–
Financing costs paid		(2,279)	(7,009)
Net cash flows (used in)/from operating activities	18	**(10,743)**	**762**
Cash flows from investing activities			
Proceeds from sale of investment properties		100,091	161,756
Payments for additions to investment properties		(1,892)	(2,815)
Net cash flows from investing activities		**98,199**	**158,941**
Cash flows from financing activities			
Repayments of interest bearing liabilities		(58,177)	(150,800)
Debt establishment costs paid		–	(626)
Distributions paid		(1,087)	–
Return of capital		(36,942)	(10,903)
Net cash flows used in financing activities		**(96,206)**	**(162,329)**
Net decrease in cash and cash equivalents		(8,750)	(2,626)
Impact of foreign exchange		1,825	1,028
Cash and cash equivalents at beginning of year		22,499	24,097
Cash and cash equivalents at 30 June		**15,574**	**22,499**

The Consolidated Statement of Cash Flows should be read in conjunction with the Notes to the Consolidated 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), 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 2014 comprise the Fund and its subsidiaries (together referred to as the Consolidated Entity).

2 Basis of preparation

a Statement of compliance

The consolidated 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). For the purpose of preparing the consolidated financial statements the Fund is a for profit entity.

The consolidated financial statements were authorised for issue by the Directors on this 25th day of August 2014.

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;
- investment properties which are measured at fair value; and
- interest bearing liabilities which are measured at amortised cost.

The methods used to measure the above 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, 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 consolidated financial statements is provided in investment properties (Note 9), financial instruments (Note 16) and non-financial assets and liabilities held at fair value (Note 17).

d Going concern

The consolidated financial statements have been prepared on a going concern basis which assumes the Consolidated Entity will be able to realise its assets and discharge its liabilities in the normal course of business.

In September 2012, Unitholders representing over 88% of the units on issue elected to exit the Fund. As the election results indicated that the majority of unitholders did not wish to remain invested in the Fund, the Responsible Entity has carefully considered the options available to the Fund including the sale of units and the sale of all or some of the assets to facilitate the withdrawal of unitholders. It has been decided that it is in the best interests of unitholders, and in particular will maximise the value that can be returned to all unitholders, for the Fund to be wound up. The Responsible Entity is now proceeding with winding up the Fund, which consists of selling assets, repaying bank debt, deducting costs and then distributing the balance to unitholders. As communicated previously, it may take a number of years to realise the assets at values which the Responsible Entity considers to be in the best interests of unitholders. It is not possible to predict when the sale process will be completed.

Based on the above, the Directors of the Responsible Entity believe it is appropriate to continue to adopt the going concern basis for this set of consolidated financial statements. The consolidated financial statements do not include adjustments relating to the recoverability and classification of asset amounts, nor to the amounts and classification of liabilities that might be necessary should the Fund and Consolidated Entity not continue as a going concern.

2 Basis of preparation continued

e New and amended standards adopted

The following new and amended standards have been applied in preparing this financial report:

AASB 10 *Consolidated Financial Statements* which replaces all of the guidance on control and consolidation. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities, whereby an investor controls an investee only if the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

AASB 11 *Joint Arrangements* which introduces a principle based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account for their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard AASB 131 *Interests in Joint Ventures*.

AASB 12 *Disclosure of Interests in Other Entities* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards*, which set out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11 and replace the disclosure requirements previously found in AASB 127 *Separate Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures*.

AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* which sets out in a single standard a framework for measuring fair value, including related disclosure requirements in relation to fair value measurement. AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique.

AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* which removes the individual key management personnel disclosure requirements from AASB 124 Related Party Disclosures, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the *Corporations Act 2001*.

AASB 2012-2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to AASB 7)* which requires an entity to disclose information about rights of offset and related arrangements for financial instruments under an enforceable master netting agreement or similar arrangement.

AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle* which amends a number of pronouncements as a result of the 2009-2011 annual improvements cycle.

AASB 2012-10 *Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments* which provides transition guidance for the amendments to AASB 10 *Consolidated Financial Statements*.

These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The adoption of the above revised Standards and Interpretations has resulted in amended disclosures in the financial report but has not impacted the financial results of the Consolidated Entity.

3 Significant accounting policies

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

a Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Fund and its subsidiaries. Control of an entity is achieved where the Fund is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to significantly affect those returns through its power to direct the activities of the entity.

The results of the subsidiaries acquired or disposed of during the year are included in the Consolidated Statement of Profit or Loss and Other 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 period end 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.

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 period end date and are denominated in foreign currencies are converted to Australian dollars using rates of exchange at the end of the period. All resulting exchange differences arising on settlement are brought to account in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

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

3 Significant accounting policies continued

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 Consolidated Statement of Profit or Loss and Other 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 to receive payment is established, which is generally when they have been declared.

Interest revenue

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

d Leases

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

Operating leases

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

Leasing fees

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

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

Leasing incentives

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

e Expense recognition

Finance costs

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

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

3 Significant accounting policies continued

e Expense recognition continued

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 monthly 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 Consolidated Statement of Financial Position.

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

g Income tax - funds

Under current income tax legislation, the Fund is not liable for Australian income as unitholders are presently entitled at year end to the income of the trust estate calculated in accordance with the Fund's Constitution and applicable tax law.

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 28% (2013: 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 presentation in the Consolidated 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. Impairment charges are brought to account as described in Note 3m. Non-current receivables are measured at amortised cost using the effective interest rate method.

3 Significant accounting policies continued

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

- without any deduction for transaction costs the entity may incur on sale or other disposal;
- reflecting market conditions at the reporting date;
- reflecting rental income from current leases and reasonable and supportable assumptions that represent what knowledgeable, willing parties would assume about rental income from future leases in the light of current conditions. It also reflects, on a similar basis, any cash outflows that could be expected in respect of the property;
- assuming simultaneous exchange and completion of the contract for sale without any variation in price that might be made in an arm's length transaction between knowledgeable, willing parties if exchange and completion are not simultaneous;
- ensuring that there is no double-counting of assets or liabilities that are recognised as separate assets or liabilities; and
- without inclusion of future capital expenditure that will improve or enhance the property. The valuation does not reflect the related future benefits from this future expenditure.

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

3 Significant accounting policies continued

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 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 consolidated 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 Consolidated Statement of Profit or Loss and Other 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 Consolidated Statement of Profit or Loss and Other 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.

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 Consolidated Statement of Profit or Loss and Other 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 period end date.

3 Significant accounting policies continued

p Distributions

A provision for distribution is recognised in the Consolidated Statement of Financial Position if the distribution has been declared prior to period 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 Consolidated 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 2014 but have not been applied in preparing this financial report:

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and liabilities. Since December 2013 it also sets out new rules for hedge accounting. The standard is applicable for financial years commencing on or after 1 January 2017 (deferred from 1 January 2015) but is available for early adoption.

Under AASB 9, financial assets will be measured at either amortised cost or fair value based on the objective of an entity's business model for managing financial assets and the characteristics of the contractual cash flows. This will replace the categories of financial assets under AASB 139, where each had its own classification criteria. For example, 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 and an irrevocable election is made upon initial recognition. 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 Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Financial assets may also be designated and measured at fair value through profit or loss if doing so eliminates or significantly reduces certain inconsistencies. For financial liabilities, the new requirements under AASB 9 only affect the accounting for financial liabilities designated at fair value through profit or loss.

New hedging rules will introduce expanded disclosure requirements and changes in presentation for hedge accounting.

The Consolidated Entity does not expect to adopt AASB 9 before its operative date and therefore will apply the new standard for the annual reporting period ending 30 June 2018. The Consolidated Entity is still assessing the consequential impact of the amendments.

AASB 1031 *Materiality (December 2013)* is an interim standard that cross references to other Standards and the Framework for the Preparation and Presentation of Financial Statements (issued December 2013) that contains guidance on materiality.

The AASB is progressively removing reference to AASB 1031 in all Standards and Interpretations, and once all these references have been removed AASB 1031 will be withdrawn.

AASB 1031 is applicable to financial statements with a reporting period beginning on or after 1 January 2014. It is not considered that the Standard will have a material effect on the financial statements.

AASB 2013-3 *Amendments to AASB-136 – Recoverable Amount Disclosures for Non-Financial Assets* addresses the disclosure of information about the recoverable amount of impaired assets if that value is based on fair value less cost of disposal.

AASB 2013-3 is applicable to financial statements with a reporting period beginning on or after 1 January 2014. The impact on the financial statements is still being assessed.

AASB 2013-5 *Amendments to Australian Accounting Standard – Investment Entities* provides an exemption from consolidation of subsidiaries under AASB 10 *Consolidated Financial Statements* for entities which meet the definition of an "investment entity". Such entities would measure their investment in particular subsidiaries at fair value through profit and loss in accordance with AASB9 *Financial Instruments* or AASB 139 *Financial Instruments: Recognition and Measurement.*

AASB 2013-5 is applicable to financial statements with a reporting period beginning on or after 1 January 2014. The impact on the financial statements is still being assessed.

3 Significant accounting policies continued

r New standards and interpretations not yet adopted continued

AASB 2013-9 *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments* Part B makes changes to particular Australian Accounting Standards to delete reference to AASB 1031.

AASB 2013-9 Part B is applicable to financial statements with a reporting period beginning on or after 1 January 2014. It is not considered that the Standard will have a material effect on the financial statements.

There are no other standards that are not yet effective and that are expected to have a material impact on the Consolidated Entity in the current or future reporting periods and on foreseeable future transactions.

4 Parent entity disclosures

	Fund 2014 $'000	Fund 2013 $'000
Assets		
Current assets	1,202	84,345
Non-current assets	97,343	102,549
Total assets	**98,545**	**186,894**
Liabilities		
Current liabilities	342	64,985
Total liabilities	**342**	**64,985**
Equity		
Units on issue	155,551	192,493
Undistributed losses	(57,348)	(70,584)
Total equity	**98,203**	**121,909**

	Fund Year ended 30 June 2014 $'000	Fund Year ended 30 June 2013 $'000
Net profit for the year	14,323	8,458
Other comprehensive income for the year	–	–
Total comprehensive income for the year	**14,323**	**8,458**

	Consolidated Year ended 30 June 2014 $	Consolidated Year ended 30 June 2013 $
5 Auditor's remuneration		
Auditors of the Fund:		
Audit and review of the financial report	56,000	60,090
Total auditor's remuneration	**56,000**	**60,090**

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

	Year ended 30 June 2014 $'000	Year ended 30 June 2013 $'000
6 Income tax		
Major components of income tax expense		
Current income tax expense	2,901	16,276
Utilisation of previously recognised tax losses	–	(10,934)
Total current income tax expense	**2,901**	**5,342**
Deferred income tax		
Relating to origination and reversal of temporary differences	(10,135)	(14,070)
Reduction in deferred tax arising from utilisation of previously recognised tax losses and adjustments	–	10,387
Total deferred income tax (benefit)	**(10,135)**	**(3,683)**
Total income tax (benefit)/expense reported in the Consolidated Statement of Profit or Loss and Other Comprehensive Income	**(7,234)**	**1,659**
Income tax expense/(benefit)		
Numerical reconciliation between tax expense and pre-tax net profit		
(Loss)/profit before income tax	(3,040)	7,351
Add back loss attributable to the Australian Fund and not subject to taxation[1]	5,638	2,444
Profit before income tax attributable to Brookfield Albert Street Landowning Trust (BASLT)	**2,598**	**9,795**
Prima facie income tax benefit on profit using the BASLT tax rate of 28% (2013: 28%)	727	2,743
Adjustments in respect of carried forward tax losses	–	1,098
Timing differences in respect of properties	(7,411)	(16,497)
Permanent differences on sale of properties	709	14,133
Other[2]	(1,259)	182
Total income tax (benefit)/expense reported in the Consolidated Statement of Profit or Loss and Other Comprehensive Income	**(7,234)**	**1,659**

1 Under current income tax legislation, the Fund is not liable for Australian income tax as unitholders are presently entitled at year end to the income of the trust estate calculated in accordance with the Fund's Constitution and applicable tax law.
2 Other includes other non-deductible and non-assessable items and the impact of foreign exchange.

	Consolidated 2014 $'000	2013 $'000
Tax assets and liabilities		
Deferred tax assets	–	158
Deferred tax liability	–	(9,441)

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2014 $'000	Assets 2013 $'000	Liabilities 2014 $'000	Liabilities 2013 $'000	Net 2014 $'000	Net 2013 $'000
Consolidated						
Timing differences on investment properties	–	154	–	(9,441)	–	(9,287)
Other	–	4	–	–	–	4
Total	**–**	**158**	**–**	**(9,441)**	**–**	**(9,283)**

There are no tax amounts recognised directly in equity for the current or prior year.

In accordance with AASB 112 *Income Taxes*, a deferred tax asset of $1,013,000 in respect of investment properties has not been recognised at current year end.

7 Distributions

During the financial year, the Fund made the following cash distributions:

- 2.20 cents per unit paid on or around 10 September 2013, treated as a return of capital in the financial statements; and
- 15.24 cents per unit paid on or around 20 June 2014 consisting of 0.50 cents per unit, treated as a distribution and 14.74 cents per unit, treated as a return of capital in the financial statements.

In the prior year ended 30 June 2013, $10,903,000 or 5.0 cents per unit was paid on 20 November 2012 and treated as a return of capital in the financial statements.

8 Trade and other receivables

	Consolidated 2014 $'000	2013 $'000
Trade receivables	281	75
Prepayments and accrued income	140	184
Other receivables	2,085	365
Total trade and other receivables	**2,506**	**624**

9 Investment properties

	Consolidated Book value 2014 $'000	Book value 2013 $'000
Total investment properties[1]	**96,924**	**191,054**

1 The June 2014 book value in NZ$ is converted at the 30 June 2014 exchange rate A$1 = NZ$1.0761 (2013: A$1 = NZD1.1871). The book value of the properties at 30 June 2014 is NZ$104,300,000 (2013: NZ$226,800,000)

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 2014, all properties which are not subject to sales contracts have been externally valued by independent valuers CBRE Limited. The external valuations have been undertaken using a number of approaches, including the capitalisation approach and the discounted cash flow approach. The discounted cash flow rates adopted by CBRE Limited for the 30 June 2014 independent valuations range from 9.75% to 10.50%.

Investment properties held for sale

During the year, the Consolidated Entity disposed of the following investment properties:

- The Hub – Whakatane property was settled on 16 August 2013, for gross proceeds of NZ$25,500,000. 100% of the net proceeds from sale were used to repay debt.
- Chorus House was settled on 16 June 2014 for gross proceeds of NZ$84,000,000. A portion of the net proceeds was used to fully repay the remaining balance of debt.

The remaining investment properties have been classified as non-current in the consolidated financial statements at 30 June 2014. The Responsible Entity continues with the wind up of the Fund and to pursue opportunities to sell the remaining properties in line with the sales strategy. It is the intention of the Responsible Entity to sell the properties in an orderly manner, but it may take a number of years to realise the assets at values which the Responsible Entity considers to be in the best interests of unitholders. It is not possible to predict when the sale process will be completed and, as such, the investment properties remain classified as non-current assets.

No properties have been classified as held for sale at 30 June 2014 (2013: nil). Subsequent to current year end, contracts of sale have been concluded for the Consolidated Entity's two remaining Auckland properties for NZ$47,000,000 which are their 30 June 2014 carrying value.

Further information regarding investment property fair values have been included in non-financial assets and liabilities recognised at fair value (Note 17).

9 Investment properties continued

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

	Consolidated Year ended 30 June 2014 $'000	Consolidated Year ended 30 June 2013 $'000
Investment properties		
Carrying amount at beginning of year	191,054	335,840
Sale of investment properties	(100,492)	(160,420)
Capital expenditure and incentives	668	(401)
Net (loss)/gain from fair value adjustments to investment properties	(12,110)	5
Impact of straight-lining	(81)	10
Foreign currency translation exchange adjustment	17,885	16,020
Carrying amount at year end	**96,924**	**191,054**

Foreign currency translation exchange adjustments arise due to changes in opening and closing foreign exchange rates. NZ$ balances at 30 June 2014 have been translated at a rate of A$1 = NZ$1.0761. NZ$ balances at 30 June 2013 have been translated at a rate of A$1 = NZ$1.1871.

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 consolidated financial statements are receivable as follows:

	Consolidated 2014 $'000	Consolidated 2013 $'000
Within one year	7,233	17,663
Later than one year but not later than five years	19,887	34,554
Later than five years	2,553	3,966
Total minimum lease payments	**29,673**	**56,183**

Minimum lease payments in NZ$ has been converted at the 30 June 2014 exchange rate of A$1 = NZ$1.0761 (2013: A$1 = NZ$1.1871)

Annual rent receivable by the Consolidated Entity under current leases from tenants is from commercial, retail and car park assets held. The weighted average lease term is 2.82 years (2013: 3.09 years) and rent reviews are generally performed on a three yearly basis and are based on market rent.

	Principal place of business / country of incorporation	Ownership and voting rights 2014	Ownership and voting rights 2013
10 Investment in controlled entities			
Directly held subsidiaries			
Investment in Brookfield Albert Street Investment Trust (BASIT)	Australia	99%	99%
Investment in Brookfield Albert Street Landowning Trust (BASLT)	Australia	1%	1%
Investment in Multiplex Tasman Holding Trust (MTHT)	Australia	100%	100%

The principal activity of all of the above entities is direct and indirect property investment.

The Fund ultimately owns 100% of BASIT and BASLT through its ownership in the other controlled entities.

	Consolidated 2014 $'000	Consolidated 2013 $'000
11 Trade and other payables		
Trade payables	8	20
Interest payable	–	304
Management fee payable	284	9,138
Payments received in advance and other property accruals	3,062	2,408
Other payables and accruals	2,132	1,821
Total trade and other payables	**5,486**	**13,691**

	2014 $'000	2013 $'000
12 Interest bearing liabilities		
Non-current		
Secured bank debt	–	54,011
Debt establishment fees	–	(482)
Total non-current interest bearing liabilities	**–**	**53,529**

	Expiry Date	Consolidated 2014 $'000	2013 $'000
Finance arrangements			
Bank debt facility	16 August 2015		54,011
Less: Facilities utilised		–	(54,011)
Facilities not utilised		**–**	**–**

During the year the bank debt facility was fully repaid out of proceeds of sales of properties (30 June 2013: NZ$64,116,000 at A$1 = NZ$1.1871).

13 Units on issue

	Year ended 30 June 2014 $'000	Year ended 30 June 2014 Units	Year ended 30 June 2013 $'000	Year ended 30 June 2013 Units
Ordinary units				
Opening balance	192,493	218,056,451	203,396	218,056,451
Return of capital	(36,942)	–	(10,903)	–
Closing balance	**155,551**	**218,056,451**	**192,493**	**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.

14 Reserves

Foreign currency translation reserve

	Consolidated Year ended 30 June 2014 $'000	Year ended 30 June 2013 $'000
Opening balance	(39,301)	(48,680)
Movement in reserves due to changes in foreign exchange rates	13,598	9,379
Closing balance	**(25,703)**	**(39,301)**

15 Undistributed losses

	Consolidated Year ended 30 June 2014 $'000	Year ended 30 June 2013 $'000
Opening balance	(24,668)	(30,360)
Net profit for the year	4,194	5,692
Distributions declared/paid	(1,087)	–
Closing balance	**(21,561)**	**(24,668)**

16 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 consolidated 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 Responsible Entity is now proceeding with winding up the Fund, which consists of selling assets, deducting costs and then distributing the remaining proceeds to unitholders. As communicated previously, it may take a number of years to realise the assets at values which the Responsible Entity considers to be in the best interests of unitholders. The Board monitors the net tangible assets (NTA) of the Consolidated Entity, along with earnings per unit invested and distributions paid per unit.

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. The Responsible Entity is now proceeding with winding up the Fund, which consists of selling assets, deducting costs and then distributing the balance to unitholders. As communicated previously, it may take a number of years to realise the assets at values which the Responsible Entity considers to be in the best interests of unitholders.

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. As at current and prior year end, the Consolidated Entity did not hold any derivatives.

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.

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).

The Consolidated Entity's overall strategy of credit risk management remains unchanged from 2013.

16 Financial instruments continued

c Credit risk continued

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 2014 $'000	2013 $'000
Cash and cash equivalents	15,574	22,499
Trade and other receivables	2,506	624
Total exposure to credit risk	**18,080**	**23,123**

Concentrations of credit risk exposure

ANZ is the counterparty to cash held on deposit and to the debt facility prior to repayment in June 2014. The Consolidated Entity has a concentration of credit risk with this party. In assessing this risk, the Consolidated Entity has taken into account ANZ's financial 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 counterparty as at the period end 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 (2013: nil).

During the year ended 30 June 2014, the Consolidated Entity did not call on any collateral provided (2013: nil).

Financial assets past due but not impaired

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

	Consolidated 2014 $'000	2013 $'000
Current	2,330	624
Past due 0-30 days	4	–
Past due 31-120 days	125	–
Past due 121 days to one year	47	–
More than one year	–	–
Total trade and other receivables	**2,506**	**624**

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 (2013: nil). During the year ended 30 June 2014, a $5,000 reversal of bad debt was recognised by the Consolidated Entity (2013: $10,000 bad debt impairment).

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.

During the current year, the Consolidated Entity fully repaid its remaining debt balance.

16 Financial instruments continued

d Liquidity risk continued

Unitholders

The Fund is not currently exposed to liquidity risk associated with unitholder redemptions. The Responsible Entity is now proceeding with winding up the Fund, which consists of selling assets, deducting costs and then distributing the balance to unitholders. As communicated previously, it may take a number of years to realise the assets at values which the Responsible Entity considers to be in the best interests of unitholders.

Defaults and breaches

During the financial years ended 30 June 2014 and 30 June 2013, the Consolidated Entity was not in default or breach of any terms of its loan amounts or covenants.

Maturity analysis of financial liabilities

The following are the contractual maturities of financial liabilities, including estimated interest payments. The tables have been 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
2014						
Trade and other payables	5,486	5,486	5,486	–	–	–
Accrued wind up costs[1]	1,791	–	–	–	–	–
Total financial liabilities	**7,277**	**5,486**	**5,486**	–	–	–
2013						
Trade and other payables	13,387	13,387	13,387	–	–	–
Accrued wind up costs[1]	3,808	–	–	–	–	–
Interest bearing liabilities	53,529	54,011	–	–	54,011	–
Interest payable on debt	304	4,639	2,179	2,179	281	–
Total financial liabilities	**71,028**	**72,037**	**15,566**	**2,179**	**54,292**	**–**

1 Contractual cashflows and timing of payment for accrued wind up costs have been disclosed in the above table as nil as it is not possible to predict when the Fund will ultimately be wound up.

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. During the current year, the Consolidated Entity fully repaid its remaining debt balance.

16 Financial instruments continued

e Market risk continued

Interest rate risk continued

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 2014				
Financial assets				
Cash and cash equivalents	15,574	–	–	15,574
Trade and other receivables	1,898	–	608	2,506
Total financial assets	**17,472**	**–**	**608**	**18,080**
Financial liabilities				
Trade and other payables	–	–	5,486	5,486
Accrued wind up costs	–	–	1,791	1,791
Total financial liabilities	**–**	**–**	**7,277**	**7,277**
Consolidated 2013				
Financial assets				
Cash and cash equivalents	17,301	5,198	–	22,499
Trade and other receivables	–	8	616	624
Total financial assets	**17,301**	**5,206**	**616**	**23,123**
Financial liabilities				
Trade and other payables	–	304	13,387	13,691
Accrued wind up costs	–	–	3,808	3,808
Interest bearing liabilities	54,011	–	(482)	53,529
Total financial liabilities	**54,011**	**304**	**16,713**	**71,028**

Sensitivity analysis

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

	2014 + 1% Profit and loss $'000	+ 1% Equity $'000	2014 - 1% Profit and loss $'000	- 1% Equity $'000	2013 + 1% Profit and loss $'000	+ 1% Equity $'000	2013 - 1% Profit and loss $'000	- 1% Equity $'000
Consolidated Entity								
Interest on cash	156	156	(156)	(156)	173	173	(173)	(173)
Trade and other receivables	19	19	(19)	(19)	–	–	–	–
Interest bearing liabilities	–	–	–	–	(540)	(540)	540	540
Total increase/(decrease)	**175**	**175**	**(175)**	**(175)**	**(367)**	**(367)**	**367**	**367**

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.

16 Financial instruments continued

e Market risk continued

Foreign currency risk continued

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) being in Australian Dollars, and all distributions being 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 2014 (2013: nil).

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

	Consolidated 2014 $'000	Consolidated 2013 $'000
Australia (Australian Dollar-denominated)*		
Gross assets	2,047	655
Gross liabilities	1,188	9,182
New Zealand (New Zealand Dollar-denominated)		
Gross assets	122,156	253,473
Gross liabilities	6,553	90,780

* Australian Dollar denominated amounts are not subject to foreign exchange exposures.

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

	New Zealand Dollar 2014 Reporting date spot rate	2013 Reporting date spot rate	2014 Average rate	2013 Average rate
1 Australian Dollar	1.0761	1.1871	1.1066	1.2496

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.

	2014 + 5% Profit or loss $'000	2014 + 5% Equity $'000	2014 - 5% Profit or loss $'000	2014 - 5% Equity $'000	2013 + 5% Profit or loss $'000	2013 + 5% Equity $'000	2013 - 5% Profit or loss $'000	2013 - 5% Equity $'000
Consolidated Entity	484	(5,211)	(535)	5,760	399	(6,127)	(441)	6,772

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.

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.

16 Financial instruments continued

f Fair values continued

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 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. There are no other financial instruments at fair value.

During the current and prior years, there were no financial assets or liabilities which transferred between levels 1, 2 or 3.

17 Non-financial assets and liabilities recognised at fair value

Fair value hierarchy

The below table presents the Consolidated Entity's non-financial assets and liabilities measured and recognised at fair value at 30 June 2014.

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).

Consolidated Entity – at 30 June 2014	Level 3 $'000	Total $'000
Assets		
Investment properties	96,924	96,924
Total assets	**96,924**	**96,924**

During the current there were no non-financial assets or liabilities which transferred between levels 1, 2 or 3.

Valuation techniques used to determine level 2 and level 3 fair values

At the end of each reporting period, the Responsible Entity makes an assessment of the fair value of each property.

The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available the Responsible Entity considers information from a variety of sources including:

- the most recent independent valuations;
- current prices in an active market for properties of a different nature or recent prices of similar properties in a less active market, adjusted to reflect differences;
- discounted cash flow projections based on reliable estimates; and
- capitalised income projections and capitalisation rates.

17 Non-financial assets and liabilities recognised at fair value continued

Fair value measurements using unobservable inputs (level 3)

The following table presents the changes in level 3 items for the year ended 30 June 2014 for recurring fair value measurements:

	Consolidated Year ended 30 June 2014 $'000
Opening balance 1 July 2013	–
Adoption of AASB 13	191,054
Sale of investment properties[1]	(100,492)
Capital expenditure and incentives	668
Net loss from fair value adjustments to investment properties[1]	(12,110)
Impact of straight-lining[1]	(81)
Foreign currency translation exchange adjustment[2]	17,885
Carrying amount at year end	**96,924**

(1) Recognised in profit and loss
(2) Recognised in other comprehensive income

Valuation inputs and relationship to fair value

Description	Fair value at 30 June 2014 $'000	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
Investment properties	$96,924	Discount rate	9.75% - 10.50%	The higher the discount rate and terminal rate, the lower the fair value.
		Terminal rate	8.75% - 9.75%	
		Capitalisation rate	8.50% - 9.50%	The higher the capitalisation rate and expected vacancy rate, the lower the fair value.
		Expected vacancy rate	2.03% - 43.55%	
		Rental growth rate	1.00% - 2.75%	The higher the rental growth rate, the higher the fair value.

Refer to investment properties (Note 9) for further information regarding valuations.

18 Reconciliation of cash flows from operating activities

	Consolidated Year ended 30 June 2014 $'000	Year ended 30 June 2013 $'000
Net profit after income tax for the year	**4,194**	**5,692**
Adjustments for:		
Non-cash items		
Net loss/(gain) on revaluation of investment properties	12,110	(5)
Net loss on sale of investment properties	2,784	544
Amortisation of debt establishment fees	522	319
Deferred income taxes	(10,135)	(3,683)
Other	(5,785)	(815)
Operating profit before changes in working capital	**3,690**	**2,052**
Changes in assets and liabilities during the year:		
(Increase)/decrease in trade and other receivables	(1,882)	25
Decrease in trade and other payables and current tax receivable/liability	(12,551)	(1,340)
Net cash flows (used in)/from from operating activities	**(10,743)**	**762**

19 Related parties

Responsible Entity

The Responsible Entity of the Fund is Brookfield 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
Barbara Ward
Brian Motteram (resigned 28 February 2014)
Russell Proutt
Shane Ross (resigned 28 February 2014 appointed alternate director 28 February 2014)

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.

In accordance with the Fund Constitution, BCML 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 2013). The performance fee expense for the year ended 30 June 2014 was nil (2013: nil). As at 30 June 2014, the performance fee payable to the Responsible Entity was nil (2013: 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 2014 was $1,337,000 (2013: $2,060,000). As at 30 June 2014, the management fee payable to the Responsible Entity was $284,000 (2013: $9,138,000).

Establishment fee

An establishment fee up to 5% of the gross value of assets acquired which compensates the Responsible Entity 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 Responsible Entity 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 2014 or 2013.

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 to the Responsible Entity in the year ended 30 June 2014 was nil (2013: nil). As at 30 June 2014, the leasing fees payable to the Responsible Entity are nil (2013: nil).

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, capex and other associated 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, capex and other associated costs. The property sales fees incurred by the Consolidated Entity in the year ended 30 June 2014 was $1,552,000 (at spot rate of A$1:NZ$1.0823 on sale date) (2013: $1,247,000). As at 30 June 2014, the property sales fees payable to the Responsible Entity are nil (2013: $1,247,000).

19 Related parties continued

Responsible Entity's fees and other transactions

Parent entities

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

Related party unitholders

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

- Brookfield Funds Management Limited as responsible entity for Brookfield Australia Property Trust holds 47,461,298 units or 21.8% of the Fund at year end (2013: 47,461,298 units or 21.8% of the Fund);
- JP Morgan Chase Bank N.A. as custodian for BAO Trust holds 43,890,679 units or 20.1% of the Fund at year end (2012: 43,890,679 units or 20.1% of the Fund);
- Foundation Corporate Trust as trustee for Multiplex Tasman Property Fund holds 4,560,502 units or 2.1% of the Fund at year end (2013: 4,560,502 units or 2.1% of the Fund);
- JP Morgan Chase Bank N.A as custodian for Multiplex Property Income Fund holds 1,125,402 units or 0.5% of the Fund at year end (2013: 1,125,402 units or 0.5% of the Fund);
- BCML holds 17,266,146 units or 7.9% of the Fund at year end (2013: 17,266,146 units or 7.9% 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 (2013: 3,712,913 units or 1.7% of the Fund); and
- Brookfield Multiplex Capital Pty Ltd holds 220,793 units or 0.1% of the Fund at year end (2013: 220,793 units or 0.1% of the Fund).

	Consolidated 2014 $'000	2013 $'000
Transactions with the Responsible Entity		
Management fees	1,337	2,060
Property sale fees	1,552	1,247
Cost reimbursements	70	206
Management fees payable	284	9,138
Property sale fees payable	–	1,247
Cost reimbursements payable	6	–
Transactions with related parties of the Responsible Entity		
Custodian fees	12	17
Custodian fees payable	3	3
Agency fees	70	62
Leasing fees	277	189
Leasing fees payable	3	92
Rental income	114	187
Rent receivable	1	4
Capital co-ordination works fees	44	72
Capital co-ordination works fees payable	20	20
Property service fees paid	1,271	998

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.

20 Contingent liabilities and assets

No contingent liabilities or assets exist at 30 June 2014 (2013: nil).

21 Capital and other commitments

No capital or other commitments exist at 30 June 2014 (2013: nil).

22 Events subsequent to the reporting date

Subsequent to the year end 30 June 2014, contracts of sale have been concluded for the Consolidated Entity's two remaining Auckland properties for NZ$47,000,000, with settlement taking place in December 2014. 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 2014

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 2014 and of its performance for the financial year ended on that date;

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

   iii complying with International Financial Reporting Standards, as stated in Note 2 to the consolidated 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 25th day of August 2014.

Russell Proutt
Director
Brookfield Capital Management Limited

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

We have audited the accompanying financial report of Multiplex New Zealand Property Fund ('the Fund'), which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated 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 2014 and of its performance for the year ended on that date; and

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

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Helen Hamilton-James
Partner
Chartered Accountants
Parramatta, 25 August 2014