Brookfield

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Brookfield Prime Property Fund
ARSN 110 096 663

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ASX Announcement

10 November 2014

Brookfield Prime Property Fund (ASX: BPA)
Notice of Meeting and Explanatory Memorandum

Brookfield Capital Management Limited, the Responsible Entity of Brookfield Prime Property Fund, today lodges a Notice of Meeting and Explanatory Memorandum for a meeting of unitholders.

The meeting will take place as follows:

Date:	Monday, 8 December 2014
Time:	2:30pm registration 3:00pm meeting commences
Venue:	The Menzies Sydney Hotel 14 Carrington Street Sydney NSW 2000

Additional information about the Fund and its assets can be found at www.au.brookfield.com.

For more information about the unitholder meeting, please contact the meeting information line on 1800 685 455 (within Australia) or +61 1800 685 455 (outside Australia).

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BROOKFIELD PRIME PROPERTY FUND

ARSN 110 096 663

Brookfield

NOTICE OF MEETING AND EXPLANATORY MEMORANDUM

A proposal for the acquisition of Units at $5.50 per Unit by Brookfield BPPF Investments Pty Limited (ACN 110 184 006) as trustee for Brookfield BPPF Investments Trust.

The Independent Directors recommend that you vote in favour of the Resolutions, in the absence of an alternative proposal which is considered to be superior and in the best interests of Unitholders.

Issued by Brookfield Capital Management Limited (ABN 32 094 936 866, AFSL No. 223809) as responsible entity for Brookfield Prime Property Fund Fund (ARSN 110 096 663)

The meeting of Unitholders will be held at:

Place: The Menzies Sydney Hotel, 14 Carrington Street, Sydney NSW 2000

Date: 8 December 2014

Meeting Registration: 2.30pm AEDT

Meeting Commences: 3.00pm AEDT

Important Notice

WHAT IS THIS DOCUMENT?

This Explanatory Memorandum provides Unitholders of Brookfield Prime Property Fund (ARSN 110 096 663) with an explanation of, and information about a proposal for the acquisition of Units by Brookfield BPPF Investments Pty Limited (ACN 110 184 006) as trustee for Brookfield BPPF Investments Trust.

The Notice of Meeting is included at Section 3.

You should read this Explanatory Memorandum in its entirety before making a decision as to how to vote on the Resolutions to be considered at the Meeting and, if necessary, consult your investment, tax, legal or other professional adviser.

PERSONAL INVESTMENT ADVICE

The information contained in this Explanatory Memorandum and general recommendation of the Independent Directors to vote in favour of the Resolutions is not personal financial product advice. It has been prepared without reference to your particular investment objectives, financial situation, taxation position or needs. It is important that you read the Explanatory Memorandum in its entirety and consider your own objectives, financial situation and needs before making any decision on how to vote on the Resolutions set out in the Notice of Meeting. If you are in any doubt in relation to these matters, you should consult your investment, financial or other professional adviser.

PRIVACY

Brookfield Capital Management Limited (ABN 32 094 936 866) (BCML) as responsible entity of the Fund (Manager) may collect personal information in the process of conducting the Meeting and implementing the Resolutions, if approved.

Such information may include the Unitholder's name, contact details and Unitholding, and the name of persons they have appointed to act as a proxy, corporate representative or attorney at the Meeting. The primary purpose of collecting personal information is to assist the Manager to conduct the Meeting and implement the Resolutions, if approved. Personal information collected will not be used for any other purpose. Personal information of the type described above may be disclosed to print, mail and other service providers and related bodies corporate of the Manager.

Unitholders and persons appointed to act as a proxy, corporate representative or attorney at the Meeting have certain rights to access their personal information that has been collected and may contact the Manager in the first instance if they wish to access their personal information.

KEY DATES

Date of issue of this Explanatory Memorandum:
10 November 2014
Meeting Record Rate:
7.00pm on 6 December 2014
Latest date and time for receipt of proxy forms (with any power of attorney) for the Meeting:
3.00pm on 6 December 2014
Unitholders meeting to be held at:
3.00pm on 8 December 2014
The Menzies Sydney Hotel, 14 Carrington Street, Sydney NSW 2000

FORWARD LOOKING STATEMENTS

This Explanatory Memorandum contains historical and forward looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward looking statements. All forward looking statements in this Explanatory Memorandum reflect the current expectations of the Manager and its directors concerning future results and events. The statements contained in this Explanatory Memorandum about the impact that the Resolutions may have on the Fund's operations, and the advantages and disadvantages expected to result should the Resolutions be passed, are forward looking statements. These forward looking statements and the financial performance of the Fund are subject to various risks which may be beyond the control of the Fund or the Manager. As a result, the Fund's actual results of operations and earnings following implementation of the proposed changes set out in this Explanatory Memorandum may differ significantly from those that are expected in respect of timing, amount or nature, and may never be achieved.

Various business risks could affect future results of the Fund following implementation of the proposed changes set out in this Explanatory Memorandum, causing these results to differ materially from those expressed, implied or projected in any forward looking statements. Further, any number of unknown or unpredictable facts also could have material adverse effects on future results of the Fund following implementation of the proposed changes set out in this Explanatory Memorandum.

The forward looking statements included in this Explanatory Memorandum are made only as at the date of this Explanatory Memorandum. The Manager cannot assure Unitholders that forward looking statements or implied results or events will be achieved. Subject to any continuing obligations under the Corporations Act or at law, the Manager does not give any undertaking to update or revise any change in expectation or any change in events, conditions or circumstances on which any such statement is based.

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DISCLAIMER

Information concerning the Fund and the intentions, views and opinions of the Manager contained in this Explanatory Memorandum have been prepared by the Manager and are the responsibility of the Manager.

The historical information is derived from sources believed to be accurate at the date of this Explanatory Memorandum. However, no representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of any information, opinion or conclusion contained in this Explanatory Memorandum. To the maximum extent permitted by law, neither the Manager nor any of its directors, officers, employees, agents, advisers or intermediaries, nor any other person, accepts any liability for any loss arising from the use of this Explanatory Memorandum or its contents or otherwise arising in connection with it, including, without limitation, any liability from fault or negligence on their part.

The historical information in this Explanatory Memorandum is, or is based upon, information that has been released to the market. It should be read in conjunction with the Fund's other periodic and continuous disclosure announcements, including the Fund's full year financial results for the year ended 30 June 2014, lodged with ASX Limited (ASX) on 25 August 2014, and announcements to ASX available at www.asx.com.au.

The information in this Explanatory Memorandum remains subject to change without notice. The Manager reserves the right to withdraw or vary the timetable for implementing the Resolutions without notice. The pro forma financial information provided in this Explanatory Memorandum is for illustrative purposes only and is not represented as being indicative of the Manager's views on the future financial condition and/or performance of the Fund.

ASIC AND ASX INVOLVEMENT

A copy of this Explanatory Memorandum has been lodged with ASIC and provided to ASX. Neither ASIC nor ASX nor any of their officers take any responsibility for the contents of this Explanatory Memorandum.

RESPONSIBILITY FOR INFORMATION

Except as outlined below and subject to the disclaimer above, the information contained in this Explanatory Memorandum has been prepared by the Manager and is the responsibility of the Manager.

The Independent Expert, KPMG Financial Advisory Services (Australia) Pty Ltd has provided and is responsible for the information contained in Section 9 of this Explanatory Memorandum. None of the Manager or any of its respective directors, officers, employees, agents, advisers or intermediaries assumes any responsibility for the accuracy or completeness of the information contained in Section 9. The Independent Expert does not assume any responsibility for the accuracy or completeness of the information contained in this Explanatory Memorandum other than that contained in Section 9.

Brookfield Group has provided and is responsible for the information contained in Sections 6.2.1 and 6.2.2 of this Explanatory Memorandum. None of the Manager or any of its respective directors, officers, employees, agents, advisers or intermediaries assumes any responsibility for the accuracy or completeness of the information contained in Sections 6.2.1 and 6.2.2. Brookfield Group does not assume any responsibility for the accuracy or completeness of the information contained in this Explanatory Memorandum other than that contained in Sections 6.2.1 and 6.2.2.

DEFINED TERMS

Capitalised terms used in this document have the meaning given to them in the Glossary, as set out in Section 10 of this Explanatory Memorandum.

CURRENCY AND FINANCIAL DATA

Unless stated otherwise, all dollar values are in Australian dollars (A$) and financial data is presented as at the date stated.

TIME

Unless stated otherwise, all references to time are to Australian Eastern Daylight Time (AEDT).

DATE

This Explanatory Memorandum is dated 10 November 2014.

1. Letter from the Chairman of the Manager

Dear Unitholder

Brookfield Capital Management Limited (BCML or Manager) in its capacity as responsible entity of Brookfield Prime Property Fund (Fund) has been in discussions with Brookfield Group and has received a proposal to be put to Unitholders at the meeting of Unitholders to be held on 8 December 2014 (Proposal).

WHAT IS THE PROPOSAL?

The Proposal is to seek approval of Unitholders to amend the Constitution and implement a trust scheme (Scheme) that would result in Brookfield BPPF Investments Pty Limited (ACN 110 184 006) as trustee for Brookfield BPPF Investments Trust (Brookfield) acquiring all Units held by Unitholders at the Acquisition Price.

THE ROLE OF BROOKFIELD GROUP IN THE PROPOSAL

Brookfield is a wholly owned entity of Brookfield Group and currently holds 22.22% in the Fund.

Brookfield Group currently holds 80.47% of the 49,029,150 Units on issue in the Fund (and accordingly has 80.47% of the voting interests in the Fund). For the purposes of the Proposal, Brookfield Group will not vote in respect of the Resolutions.

If the Proposal is approved by Unitholders and the Scheme is implemented, Brookfield Group will own all Units in the Fund and the Fund will be delisted from ASX.

WHAT IS THE ACQUISITION PRICE?

If the Proposal is approved and the Scheme is implemented, Unitholders will receive an amount equal to $5.50 per Unit.

WHAT APPROVALS OF UNITHOLDERS ARE REQUIRED?

Under the Proposal the Manager is proposing two resolutions for Unitholders' consideration. In order to proceed with implementation of the Scheme, both Resolutions must be passed by Unitholders.

Resolution 1: Constitutional amendment

Unitholders must approve amendments to the Constitution, as required by section 601GC of the Corporations Act, to authorise transfer of all Units to Brookfield. This resolution approves amendments as set out in the Constitution submitted to the meeting for the purposes of Resolution 1.

This resolution requires approval by at least 75% of the votes cast by Unitholders entitled to vote on the resolution.

Resolution 2: Approval of Acquisition of Units

Unitholders must approve acquisition of the Units by Brookfield for the purposes of item 7 section 611 of the Corporations Act by an ordinary resolution.

This resolution requires approval by more than 50% of votes cast by Unitholders entitled to vote on the resolution.

WHICH UNITHOLDERS ARE ELIGIBLE TO VOTE ON THE RESOLUTIONS?

Unitholders eligible to vote on the Resolutions are persons who are registered holders of Units on the Meeting Record Date (being 6 December 2014) with the exception of Brookfield Group and any other holder of Units who is an associate of BCML (as defined in the Corporations Act).

IMPLEMENTATION OF THE SCHEME

If both Resolutions are approved by Unitholders and the remaining Conditions are satisfied or waived, the Fund will trade on ASX for 13 Business Days post the meeting and is intended to de-list at close of trade on 29 December 2014.

Conditions to implementation of the Scheme are set out in Section 5. Assuming satisfaction or waiver of all Conditions, it is expected that implementation will commence immediately after the Meeting.

The Manager will announce to ASX when all of the Conditions to implementation have been satisfied or waived.

IF THE RESOLUTIONS ARE NOT PASSED

In order for the Proposal to be approved and the Scheme to be implemented, both Resolutions must be passed by Unitholders.

If either Resolution is not passed by Unitholders, the Scheme will not be implemented and the Fund will continue to be listed and trade on ASX.

KEY ADVANTAGES AND DISADVANTAGES OF RESOLUTIONS 1 AND 2

Reasons why you might vote FOR the Resolutions

Key advantages of the Proposal as set out in Section 2 of the Explanatory Memorandum are:

- The Proposal provides certainty of realising value for Unitholders and mitigates risks associated with investing in the Fund; and
- The Acquisition Price is at a 20.6% premium to the market trading price as at the date of announcement of the Proposal, a 16.5% premium to the 28-day VWAP and a 10% premium to the highest market trading price since the issue of additional capital by the Fund in 2009.

Other reasons you might vote in favour of the Resolutions include:

- The Independent Expert has concluded that the Proposal is not fair, but reasonable and in the best interests of Unitholders in the absence of a superior proposal, and that the advantages of the Proposal outweigh the disadvantages;
- If the Fund continues in its current form, the cash distribution yield available to investors in the immediate future is likely to remain at a similar rate to the current distribution rate ($0.08 per Unit per annum or 1.3% of net asset value at the present time);
- Lack of liquidity in the security resulting from, at least in part, the Brookfield Group's ownership of 80.47% of the Units on issue may make future disposal difficult at the proposed or a better price;
- Gearing is significantly higher than the Fund's A-REIT peers and the Fund's debt facilities and a number of its leases will expire by 30 June 2017;
- No sales brokerage is payable in respect of disposal of Units under the Proposal; and
- In the absence of the Proposal, the trading price of Units may continue to trade below net asset value per Unit.

Reasons Why You Might Vote AGAINST the Resolutions

- The Proposal represents a certain exit from the Fund. If the Proposal is approved, you will sell all of your Units and as a result you will not have ongoing exposure to any potential increase (or decrease) in the value of the Fund's portfolio in the future;
- Despite risks associated with investing in the Fund, it is possible that Units may increase in value in the future;
- BCML may implement strategies or alternative proposals may emerge in the future that might result in favourable outcomes for Unitholders. Possible alternatives considered by the Independent Directors and an assessment of them are set out in Section 2. Having considered these alternatives, the Independent Directors do not believe that any of these alternatives is preferable to the certain outcome provided by the Proposal; and
- A wind up of the Fund may bring a higher return at a future date. However, Brookfield Group has indicated it would not currently support a wind up.

OPINION OF THE INDEPENDENT EXPERT

The Manager engaged KPMG Financial Advisory Services (Australia) Pty Ltd (Independent Expert) to provide an independent expert's report in relation to the Proposal.

The Independent Expert's Report has concluded that, in its opinion, the Proposal is not fair, but reasonable and in the best interests of Unitholders in the absence of a superior proposal, and that the advantages of the Proposal outweigh the disadvantages.

Further information is provided in Section 7.1.1 and a copy of the Independent Expert's Report is in Section 9 of this Explanatory Memorandum.

RECOMMENDATION OF THE INDEPENDENT DIRECTORS

Having regard to the advantages and potential disadvantages of the Proposal (described in Sections 2 and 7) and provided the Independent Expert does not change or withdraw its conclusion in relation to the Proposal, and in the absence of an alternative offer which is considered to be superior and in the best interests of Unitholders, the Independent Directors are of the opinion that the Proposal is in the best interests of Unitholders and unanimously recommend that you vote in favour of the Resolutions.

MEETING TO CONSIDER THE RESOLUTIONS

A Meeting of Unitholders to consider the Proposal will be held on 8 December 2014 at:

The Menzies Sydney Hotel, 14 Carrington Street
Sydney NSW 2000

Meeting commencing at 3.00pm (AEDT).

FUND INFORMATION

Information in relation to the financial position of the Fund and its property portfolio can be found in the Fund's annual report and financial report for the year ended 30 June 2014, lodged with ASX on 25 August 2014, and available at www.au.brookfield.com.

YOUR VOTE IS IMPORTANT

In order for the Resolutions to be approved, at least 75% of Unitholders present and voting at the Meeting must approve Resolution 1 and more than 50% of Unitholders present and voting at the Meeting must approve Resolution 2 (see Section 2). Members of Brookfield Group who are associates of the Manager or Brookfield will not vote on either Resolution.

This Explanatory Memorandum contains important information relating to the Resolutions, including reasons for the Manager's recommendation and a description of advantages and disadvantages of the Resolutions.

Please read this Explanatory Memorandum carefully and in its entirety before making your decision and voting (whether in person, by corporate representative, attorney or by proxy) at the Meeting.

Additional information about the Fund and its assets can be found at www.au.brookfield.com.

1. Letter from the Chairman of the Manager Continued

Enquiries in relation to the Resolutions may be directed to Brookfield Prime Property Fund Information Line on 1800 685 455 (within Australia) or +61 1800 685 455 (from outside Australia). I also encourage you to contact your investment, tax, legal or other professional adviser before making a decision in relation to your Units and how to vote on the Resolutions.

I look forward to your participation at the Meeting on 8 December 2014 and encourage you to vote in favour of the Resolutions. Meanwhile, thank you for your ongoing support of the Fund.

Yours faithfully

Allan McDonald
Chairman

2. Assessment of the Proposal

KEY ADVANTAGES

- It is anticipated that Unitholders will be paid cash of $5.50 per Unit 16 days after approval of the Resolutions by Unitholders;
- The Acquisition Price is greater than the highest price at which the Units have traded at any time on ASX since the issue of additional capital by the Fund in 2009;
- The Acquisition Price is a 20.6% premium to market trading price as at the date of announcement of the Proposal and is 16.5% greater than the 28-day VWAP leading up to announcement of the Proposal;
- Certainty – the Proposal offers certainty of exit from the Fund at the Acquisition Price; and
- The Proposal mitigates risks associated with investing in the Fund:
  - Low liquidity/trading volume of Units on ASX: The Fund continues to experience low levels of liquidity arising at least in part from Brookfield Group's 80.47% holding;
  - Low cash distribution yields: If the Fund continues in its current form, it is likely that low cash distribution yields will continue in the immediate future;
  - Upcoming expiry of leases: Leases representing 34.7% of the portfolio rent of the properties are due to expire in the three financial years to 30 June 2017 requiring significant additional capital expenditure;
  - High gearing: Gearing of 63% as at 30 June 2014 is significantly higher than the Fund's A-REIT peers; and
  - Debt expiry: Both the Syndicated Debt Facility and Subordinated Debt Facility expire in June 2017. There is no guarantee that refinancing at that time will be achieved on terms equivalent to those currently in place.

These factors have resulted in the Fund trading at a significant discount to net asset value over time. The trading price on 31 October 2014 represents a discount of 28.4% to net asset value on 30 June 2014 of $6.37 per Unit. The Acquisition Price represents a 14% discount to net asset value on 30 June 2014, but represents considerable value over the market price which is otherwise achievable currently. The Independent Directors believe:

- the certainty of the Proposal outweighs the alternatives when considered in the context of the specific circumstances of the Fund and the general risks associated with financial and property markets; and
- no alternate strategy currently available provides a preferable option.

ALTERNATIVES CONSIDERED

Alternatives considered by the Independent Directors include:

- Continuing the Fund in its Current Form:
  - if the Fund continues in its current form, Unitholders will continue to be exposed to risks associated with investing in the Fund.
- A Wind up of the Fund:
  - sale of the Fund's assets at their 30 June 2014 values would realise approximately $5.94 per Unit after fees and transaction costs. Achieving this price is uncertain. A decrease of 3% in the value of the Fund's properties would reduce net proceeds on wind up below the Acquisition Price. Brookfield Group has indicated it would not currently support a wind up.
- Raising Further Capital:
  - any capital raising would be undertaken at a discount to net asset value and potentially market trading price, with dilution of non-participating Unitholders.
- Asset Sales:
  - while asset sales would reduce gearing, the price of any asset sale is uncertain and the sale of assets reduces diversification and scale of the Fund's property portfolio on an ongoing basis.
- Alternative Offer:
  - an alternative third party offer appears highly unlikely given Brookfield Group's 80.47% holding.

The Proposal represents a certain outcome at a significant premium to market value without risks inherent in the potential alternative courses.

RECOMMENDATION

For these reasons, the Independent Directors believe that the Resolutions are in the best interests of Unitholders and unanimously recommend you vote in favour of the Resolutions.

This recommendation is given on the basis that the Independent Expert does not change or withdraw its conclusion in relation to the Proposal and in the absence of an alternative offer which is considered to be superior and in the best interests of Unitholders.

3. Notice of Meeting

NOTICE OF MEETING

Notice is hereby given by Brookfield Capital Management Limited (ABN 32 094 936 866) as responsible entity for Brookfield Prime Property Fund (ARSN 110 096 663) that a meeting of Unitholders (Meeting) will be held at:

Place: The Menzies Sydney Hotel, 14 Carrington Street Sydney NSW 2000

Date: 8 December 2014

Time: Registration 2.30pm (AEDT)

Meeting commencing at 3.00pm (AEDT).

In accordance with section 252S of the Corporations Act 2001 (Cth), Brookfield Capital Management Limited has appointed Mr Allan McDonald, or, failing him, Ms Barbara Ward to act as Chair.

BUSINESS OF THE MEETING

The business of the Meeting will consist of the following:

Resolution 1: Constitutional Amendment

To consider, and if thought fit, pass the following resolution as a special resolution:

"That, subject to the passing of Resolution 2, the constitution of Brookfield Prime Property Fund be modified (in accordance with section 601GC(1)(a) of the Corporations Act 2001 (Cth)) as marked in the draft constitution submitted to the meeting and signed by the Chairman of the meeting for the purpose of identification, with effect on and from the time at which the modified constitution is lodged with the Australian Securities and Investments Commission."

Resolution 2: Approval of Acquisition of Units

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

"That, subject to the passing of Resolution 1, for the purposes of item 7 of section 611 of the Corporations Act 2001 (Cth) and for all other purposes, the acquisition by Brookfield BPPF Investments Pty Limited (ACN 110 184 006) as trustee for Brookfield BPPF Investments Trust and its associates of a relevant interest in 100% of the voting interests in Brookfield Prime Property Fund on the terms described in the Explanatory Memorandum accompanying this notice be approved."

Voting Exclusions

Section 253E of the Corporations Act provides that a responsible entity of a managed investment scheme and its associates are not entitled to vote their interest on any resolutions if they have an interest in the resolution other than as a member.

Under ASX Listing Rules, the Manager must disregard any votes cast on the Resolutions by:

(a) a party to the Proposal including Brookfield BPPF Investments Pty Limited (ACN 110 184 006) as trustee for Brookfield BPPF Investments Trust;

(b) a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolutions are passed; and

(c) an associate of any of the above persons.

In accordance with item 7 of section 611 of the Corporations Act, no votes may be cast in favour of the Resolutions by the person proposing to make the acquisition and its associates (unless the associate is a custodian, nominee, trustee, responsible entity or other fiduciary which has received a specific instruction from a third party beneficiary, who is not an associate of the person, directing the associate how to vote).

As a consequence of the above voting exclusions, the Manager has determined that neither Brookfield, BCML nor any of their associates will be able to vote on the Resolutions. This includes Brookfield Group, through various entities that currently hold approximately 80.47% of the Units.

However, the Manager need not disregard a vote if:

(a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or

(b) it is cast by the Chair of the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Neil Olofsson
Company Secretary
10 November 2014

The accompanying Explanatory Memorandum forms part of this Notice and should be read in conjunction with it. Unless otherwise defined, this Notice and terms used in this Notice have the same meaning as set out in the Glossary in Section 10 of the Explanatory Memorandum.

4. Information for Unitholders

4.1 KEY DATES

Key Dates Relevant to the Meeting	
Latest date and time for receipt of proxy forms (with any power of attorney) for the Meeting	6 December 2014 at 3.00pm
Meeting Record Date	6 December 2014 at 7.00pm
Unitholders' meeting to be held at The Menzies Sydney Hotel, 14 Carrington Street, Sydney NSW 2000	8 December 2014 at 3.00pm
Key Dates if the Resolutions Are Approved by Unitholders at the Meeting	
Last day of trading in Units on ASX	8 December 2014 up to 3.00pm
Settlement of final trades of Units	11 December 2014 at 7.00pm
Implementation of Scheme, payment of Acquisition Price by Brookfield to Unitholders and transfer of Units from Unitholders to Brookfield	24 December 2014
Date the Fund will delist from ASX	29 December 2014 at 4.00pm

4.2 WHAT YOU NEED TO DO

Step 1 – Read the Explanatory Memorandum

The Explanatory Memorandum sets out information relating to the Meeting of Unitholders to consider the Resolutions and includes the Notice of Meeting.

Information contained in this Explanatory Memorandum and Notice of Meeting is important. Please read this document carefully and if necessary seek your own independent advice on any aspects about which you are not certain.

If, prior to 7.00pm (AEDT) on 6 December 2014, you have sold all of your Units, please disregard this document.

Step 2 – Vote

The Meeting is scheduled for 3.00pm (AEDT) on 8 December 2014 at The Menzies Sydney Hotel, 14 Carrington Street, Sydney NSW 2000.

You can vote on the Resolutions by attending the Meeting (or having an attorney or, in the case of a body corporate, corporate representative attend on your behalf) or by completing and returning the Proxy Form accompanying this Explanatory Memorandum. Proxy Forms must be received by 3.00pm (AEDT) on 6 December 2014.

For details on how to complete and lodge the Proxy Form, or having your corporate representative or attorney attend the Meeting, please see below.

4.3 QUORUM REQUIREMENTS

The quorum requirement for the Meeting is at least two Unitholders present in person or by attorney, representative or proxy.

If a quorum is not present within 15 minutes after the scheduled Meeting time, the Meeting will be adjourned as the Chair of the meeting directs.

4.4 VOTING DETAILS

Voting Eligibility

All Unitholders on the Fund Register as at 7.00pm (AEDT) on 6 December 2014 are eligible to vote unless they are otherwise excluded as set out in the Notice of Meeting.

In order for the steps relevant to each Resolution to be implemented, the Resolution must be approved by the requisite majority as specified in Section 3.

The Notice of Meeting is set out in Section 3 of this Explanatory Memorandum. A personalised Proxy Form is enclosed with this Explanatory Memorandum.

Voting

The Chair of the Meeting has advised that he intends to demand a poll so that all the Resolutions are decided on a poll. On a poll, each Unitholder has one vote for each dollar of the value of Units held by the Unitholder. Each person present as proxy, attorney or representative of a Unitholder has one vote for each dollar of the value of Units held by the Unitholder that person represents. Generally speaking, your Unit value is equal to the last sale price of Units on ASX on the last trading day before the Meeting.

4. Information for Unitholders Continued

You are not required to exercise all your votes in the same way, or to cast all your votes.

Jointly Held Units

If your Units are jointly held, only one of the joint holders is entitled to vote. If both joint holders are present at the Meeting, only the vote of the person named first in the Fund Register counts.

Individuals

If you plan to attend the Meeting, we ask you to arrive at the venue 30 minutes prior to the designated Meeting time so that we may check your Units against the Fund Register and note your attendance.

Corporations

In order to vote at the Meeting, a corporation that is a Unitholder may appoint a proxy or may appoint a person to act as its representative. The appointment of a representative must comply with section 253B of the Corporations Act. The representative should bring evidence of his or her appointment to the Meeting, including any authority under which it is signed.

Appointing a Proxy

If you are entitled to attend and vote at the Meeting, but cannot attend, you can appoint a proxy to attend and vote on your behalf. You may nominate one or two persons to vote on your behalf at the Meeting. A proxy need not be a Unitholder.

If two proxies are appointed, each proxy may be appointed to represent a specified number or proportion of your votes. If no such number or proportion is specified, each proxy may exercise half your votes.

To ensure that all Unitholders can exercise their rights to vote on the proposed resolution, a Proxy Form is enclosed which tells you what you need to do to lodge a valid proxy.

A Proxy Form may be returned in the reply paid envelope provided. Alternatively, you may deliver your completed Proxy form:

(a) Online:
www.linkmarketservices.com.au

(b) By mail:
Brookfield Prime Property Fund
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

(c) By fax:
(02) 9287 0309

(d) By hand:
Delivering to Link Market Services Limited,
1A Homebush Bay Drive, Rhodes NSW 2138

The Proxy Form must be received no later than 48 hours before the Meeting, failing which the Proxy Form will be disregarded for the purpose of the Meeting.

Voting Intentions of Chairman

The Manager has appointed Allan McDonald, or failing him, Barbara Ward to Chair the Meeting. If the Chair of the Meeting is your proxy and you do not specifically direct how your proxy is to vote on the Resolutions, you will be taken (provided you have marked the appropriate box) to have directed the Chair of the Meeting to vote in favour of the Resolutions and the Chair of the Meeting will exercise your votes in favour of the Resolutions.

4.5 ENQUIRIES

If you have questions about the Resolutions, attending the Meeting, how to vote or the Proxy Forms, please contact the information line on 1800 685 455 (if you are in Australia) or on +61 1800 685 455 (if you are outside Australia) Monday to Friday between 8.30am and 5.30pm (AEDT) or consult your financial or other professional advisers.

5. Details of the Proposal

5.1 BACKGROUND TO THE PROPOSAL

On 31 October 2014, BCML announced that it had entered into the Implementation Deed with Brookfield BPPF Investments Pty Limited (ACN 110 184 006) as trustee for Brookfield BPPF Investments Trust (Brookfield), being a member of the Brookfield Group.

The Implementation Deed sets out terms and conditions of the Proposal by Brookfield to acquire approximately 19.53% of the Units in the Fund by way of a trust scheme for the Acquisition Price.

The Acquisition Price is an amount equal to $5.50 per Unit.

Brookfield Group, which holds the remaining 80.47% of Units on issue, will hold all of the Units in the event that the Resolutions are approved by Unitholders.

The Implementation Deed was attached to the Fund's ASX announcement of 31 October 2014 and is available at www.au.brookfield.com. It sets out obligations of BCML and Brookfield in relation to the Scheme.

The Implementation Deed includes conditions to which the Scheme is subject (being the Conditions). The Conditions are summarised below.

5.2 SCHEME APPROVAL

One of the Conditions is that both Resolutions must be approved by Unitholders at the Meeting by the requisite majorities.

Subject to satisfying the remaining Conditions, the Scheme will become effective upon approval of the Resolutions by Unitholders and lodgement of the amended Constitution with ASIC. BCML and Brookfield will then become bound to implement the Scheme in accordance with the terms of the Implementation Deed.

Each Unitholder registered as a holder of the relevant Units on the Fund's register at the Implementation Record Date will receive the Acquisition Price from Brookfield on the Scheme Implementation Date.

5.3 OTHER CONDITIONS

Other than approval of the Resolutions, the Conditions that remain outstanding under the Implementation Deed as at the date of this Explanatory Memorandum can be summarised as follows:

(a) (ASIC and ASX): ASIC and ASX issue or provide such consents, waivers and approvals or do such other acts that are necessary to implement the Scheme, as determined by BCML;

(b) (Financier consent): the Fund's Financiers have given all necessary consents to the implementation of the Scheme and such consents remain in full force and effect;

(c) (third party consents): all other third party consents, approvals and waivers which are necessary to implement the Scheme have been obtained;

(d) (no regulatory action): prior to the Scheme Implementation Date:

  (1) there is not in effect any preliminary or final decision, order or decree issued by a Government Agency;

  (2) no action or investigation is announced, threatened or commenced by a Government Agency; and

  (3) no application is made to any public authority (other than by Brookfield or any of its related bodies corporate),

(other than an application to, or a decision or order of, ASIC or the Takeovers Panel under, or relating to a breach of Chapter 6A, 6B or 6C of the Corporations Act or relating to unacceptable circumstances within the meaning of section 657A of the Corporations Act in consequence of, or in connection with, the Scheme) that restrains, impedes or prohibits (or if granted could restrain, impede or prohibit), or otherwise materially adversely impacts upon any of the Proposal, the acquisition of Units under the Proposal or any transaction contemplated by the Explanatory Memorandum or the Proposal or the rights of Brookfield or any of its related bodies corporate in respect of the Units, or requires the divestiture by Brookfield of any Units or by the Fund of any assets;

(e) (no Material Adverse Change): no Material Adverse Change occurs prior to 10:00 am on the Meeting Date;

(f) (no Material Acquisition, Material Disposal or Material Commitment): no Material Acquisition, Material Disposal or Material Commitment is made prior to the Scheme Implementation Date;

(g) (Permitted Distributions only): no distribution other than Permitted Distributions has been made, declared or determined to be payable by BCML between 31 October 2014 and the Meeting Date, and if the Resolutions are approved by unitholders, no distribution has been made, declared or determined to be payable by BCML between the Meeting Date and the Scheme Implementation Date, whether by way of dividend, capital reduction or otherwise and whether in cash or in specie;

5. Details of the Proposal Continued

(h) **(no Prescribed Occurrence):** no Prescribed Occurrence occurs prior to the Scheme Implementation Date;

(i) **(restraints):** no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal restraint or prohibition preventing implementation of the Proposal is in effect at 8:00 am on the Meeting Date.

The Conditions relating to Unitholder approval of the Resolutions and ASIC and ASX waivers/consents cannot be waived. If those Conditions are not satisfied, then the Scheme cannot proceed.

The Conditions referred to in (e), (f), (g) and (h) are for the benefit of Brookfield and may only be waived in writing by Brookfield in its absolute and unfettered discretion.

The other Conditions are for the benefit of Brookfield and BCML and cannot be waived except by agreement of both parties in their absolute and unfettered discretion.

Waiver of the breach or non-fulfillment of a Condition does not affect a party's right to bring a claim against any other party for breach of the Implementation Deed.

As at the date of this Explanatory Memorandum, BCML is not aware of any reason why any Condition referred to in paragraphs (a) - (i) above is not likely to be satisfied in the time required by the Implementation Deed.

5.4 TERMINATION RIGHTS AND END DATE

If a Condition is not satisfied or waived or becomes incapable of being satisfied and is not waived on or by the End Date (28 February 2015), the parties must consult in good faith to determine whether the Scheme may proceed by alternative means and whether or not to extend the End Date.

Either BCML or Brookfield may terminate the Implementation Deed at any time with immediate effect by written notice to the other party if:

(1) a Condition is not satisfied or waived or becomes incapable of being satisfied by the End Date and is not waived; and

(2) the parties do not agree to extend the End Date as set out above; or

(3) the Meeting is held and the Unitholders fail to pass any Resolution put to them; or

(4) ASIC, the ASX, a court or other Government agency has issued an order, decree or ruling or taken other action which materially restrains or prohibits the Scheme.

BCML may terminate the Implementation Deed by written notice at any time before the Meeting Date if:

(i) Brookfield is in material breach of the Implementation Deed or if a warranty given by Brookfield is, or becomes, materially inaccurate or misleading before the Meeting Date and the matter remains unremedied for seven days after BCML provides Brookfield with written notice of such matter; or

(ii) between the date of the Implementation Deed and 6pm on the day before the Meeting Date, BCML receives an alternative proposal which it has determined is superior to the Scheme and in the best interests of the Unitholders.

Brookfield may terminate the Implementation Deed by written notice at any time before the Meeting Date if BCML is in material breach of the Implementation Deed or a warranty given by BCML is, or becomes, materially inaccurate or misleading before the Meeting Date and the matter remains unremedied for seven days after Brookfield provides BCML with written notice of such matter.

5.5 PAYMENT TO UNITHOLDERS

If the Resolutions are approved at the Meeting and the remaining Conditions are satisfied or waived, then Unitholders on the Register at 5.00pm on the Implementation Record Date will be entitled to receive the Acquisition Price from Brookfield.

On the Scheme Implementation Date, the Acquisition Price will be paid to Unitholders to the nominated bank account recorded with the Fund Registry and Units will be transferred to Brookfield.

If you have not previously notified your nominated bank account, please contact the Fund's Registry, Link Market Services on 1800 685 455 (within Australia) or +61 1800 685 455 (outside Australia) before the Implementation Record Date to provide payment directions.

If a Unitholder's whereabouts is unknown as at the Scheme Implementation Date and no bank account has been nominated by the Unitholder, the Acquisition price will be paid into a separate bank account and held by BCML until claimed or applied under laws dealing with unclaimed money.

6. Details of the Resolutions

6.1 RESOLUTION 1- CONSTITUTIONAL AMENDMENT

In order for the Proposal to be approved, Unitholders must approve amendments to the Constitution as required by section 601GC of the Corporations Act to authorise the transfer of all of the Units to Brookfield. This resolution approves the amendments as set out in the amended Constitution put to the Meeting.

6.1.1 Transfer and Unitholder Warranties

If both Resolutions are passed, Units held by Unitholders will be transferred to Brookfield.

Amendments to the Constitution provide for each Unitholder to appoint BCML as attorney and agent to take all steps necessary to give effect to the Scheme, including transfer of Units to Brookfield. The appointment is made by all Unitholders who are on the register on the Implementation Record Date. The Constitution will also provide that each such Unitholder warrants that:

(a) their Units are, on the transfer date, fully paid and free from encumbrances and restrictions on transfer; and

(b) they have full power and capacity to transfer their Units.

6.2 RESOLUTION 2- APPROVAL OF ACQUISITION OF UNITS BY BROOKFIELD GROUP

6.2.1 Acquisition of Relevant Interest by Brookfield Group

Brookfield Group currently holds a relevant interest in 80.47% of Units on issue in the Fund.

In order for the Proposal to be approved, Unitholders must therefore approve acquisition of the Units by Brookfield for the purposes of item 7 of section 611 of the Corporations Act by an ordinary resolution.

Brookfield Group will not vote its current Units owned in respect of either of the Resolutions.

If the Resolutions are passed by Unitholders, Brookfield together with its associates (members of the Brookfield Group) will own 100% of the Units on issue and have 100% of the voting interests in the Fund (representing a 19.53% increase in the voting interests of Brookfield Group members). The voting interests of Brookfield and its associates will increase from 80.47% to 100%. The voting interests of Brookfield and its associates following implementation of the Proposal would be:

Entity	Capacity	Units Held on Implementation of Proposal	Relevant Interest (%) on Implementation of Proposal
Brookfield Capital Securities Limited as trustee for Brookfield Multiplex PPF Investment No 2 Trust	Trustee	25,895,419	52.81%
Brookfield BPPF Investments Pty Limited as trustee for Brookfield BPPF Investments Trust	Trustee (held by Trust Company Limited as Custodian)	10,893,945	22.22%
Brookfield BPPF Investments Pty Limited as trustee for Brookfield BPPF Investments Trust	Trustee	9,576,713	19.53%
Brookfield Securities (Australia) Pty Limited	Owner	2,663,073	5.44%

6. Details of the Resolutions Continued

6.2.2 Section 611(7) Requirements

In addition to the information contained in Section 6.2.1, item 7 of section 611 of the Corporations Act and ASIC's Regulatory Guide 74 require that the Explanatory Memorandum set out certain prescribed information for Unitholders:

Brookfield's reason for acquiring Units	The Brookfield Group, of which Brookfield is a member, wishes to have 100% control of the Fund's properties and flexibility to manage the portfolio in the future.
When the acquisition is to be completed	It is anticipated that acquisition of the relevant Units will occur 16 days following the Meeting of Unitholders approving the Resolutions as set out in the timetable in Section 4.
Terms of acquisition and any other relevant agreement conditional on Unitholder approval	The acquisition will be for a cash price per Unit of $5.50. Other material terms of the acquisition of the relevant Units are set out in the summary of the Implementation Deed in Section 5. Brookfield will source the cash required for the acquisition from the cash resources of the Brookfield Group. Brookfield has entered into a loan agreement with Brookfield Australia Investments Limited (BAIL) which provides for a loan of up to $57.5 million to facilitate the acquisition of the Units and associated costs. The loan agreement terminates, if not drawn, on the End Date or such other date the parties may agree in writing. Under the Implementation Deed, BAIL, an Australian holding company within Brookfield Group, has also agreed to guarantee the obligations of Brookfield. BAIL has sufficient resources from cash and unconditional debt facilities to meet its obligations under the Proposal.
Intentions of Brookfield Group	Brookfield (and its associates) intend to hold the Units as a long term investment. As the Fund will be wholly owned it will be deregistered as a managed investment scheme. Brookfield Group does not currently intend: – to inject additional equity into the Fund; – that any major changes be made to the business of the Fund; – to support a wind up of the Fund; – to significantly change the distribution policies of the Fund; or – to transfer any of the Fund's property to any member of the Brookfield Group, current Unitholder or any of their associates, or otherwise to transfer any fixed assets of the Fund. The Fund does not currently have any employees and there is no intention to change this position. Following implementation of the Scheme, Brookfield will have flexibility to consider options for managing the properties over time, given that other members of Brookfield Group are co-investors in the majority of the assets. This may include a future disposal of part of the indirect holding in the Fund.
Interests of directors in the Resolutions	No director of BCML owns any Units or has an interest in the Resolutions.
Identity, association and qualification of intended director(s) of BCML if the Resolutions are passed	If the Resolutions are passed, no change will occur to the Board of BCML. As the Fund would no longer be required to be a managed investment scheme if the Resolutions are passed and the proposal implemented the responsible entity/trustee of the Fund may be changed. There is no present intention to change the responsible entity, but further consideration will be given following the relevant Resolutions having been passed/implemented.

Identity of directors that approved or voted against the Proposal to put the Resolutions to Unitholders	Each of the Independent Directors voted in favour of putting the Resolutions to Unitholders. Russell Proutt is an executive of Brookfield Group and did not participate in the Board deliberations as to whether to put the Resolutions to Unitholders. As a result, he does not make any recommendation on how Unitholders should vote on the Resolutions.
Recommendation of Independent Directors	The Independent Directors recommend that Unitholders vote in favour of the Resolutions. Reasons for the recommendation are set out in Sections 2 and 7.
Independent Expert's Report	The Independent Expert's Report is in Section 9 of this Explanatory Memorandum. Unitholders should read this prior to voting in respect of the Resolutions. The Independent Expert's Report concludes that the Proposal is not fair, but reasonable and in the best interests of Unitholders in the absence of a superior proposal, and that the advantages of the Proposal outweigh the disadvantages.

6.2.3 No Benefit or Inducement

During the period of four months prior to the date of this Explanatory Memorandum, neither Brookfield nor any of its associates (as defined in subsection 12(2) of the Corporations Act) have given or offered to give or agreed to give a benefit to another person where the benefit was likely to induce the other person, or an associate (as defined in subsection 12(2) of the Corporations Act) to:

(i) vote in favour of the Resolutions to approve the Proposal; nor

(ii) dispose of Units, and where the benefit was not offered to all Unitholders.

7. Evaluation of the Resolutions

Key advantages of the Proposal are set out in Section 2 and include:

- Unitholders will receive cash in the amount of the Acquisition Price for their Units, which is greater than the highest price at which Units have traded at any time on ASX and is 16.5% greater than the 28-day VWAP leading up to announcement of the Proposal;
- certainty of exit from the Fund; and
- the Proposal provides a means to mitigate risks associated with investing in the Fund.

The following information in this Section 7 sets out, in greater detail, reasons why you might vote for or against the Resolutions.

7.1 REASONS WHY YOU MIGHT VOTE FOR THE RESOLUTIONS

7.1.1 The Independent Expert has concluded that the Proposal is not fair, but reasonable, and in the best interests of Unitholders in the absence of an alternative proposal which is considered to be superior.

The Independent Expert's Report is included in Section 9.

The Independent Expert has assessed the value of a Unit to be in the range $5.99 to $6.24 per Unit.

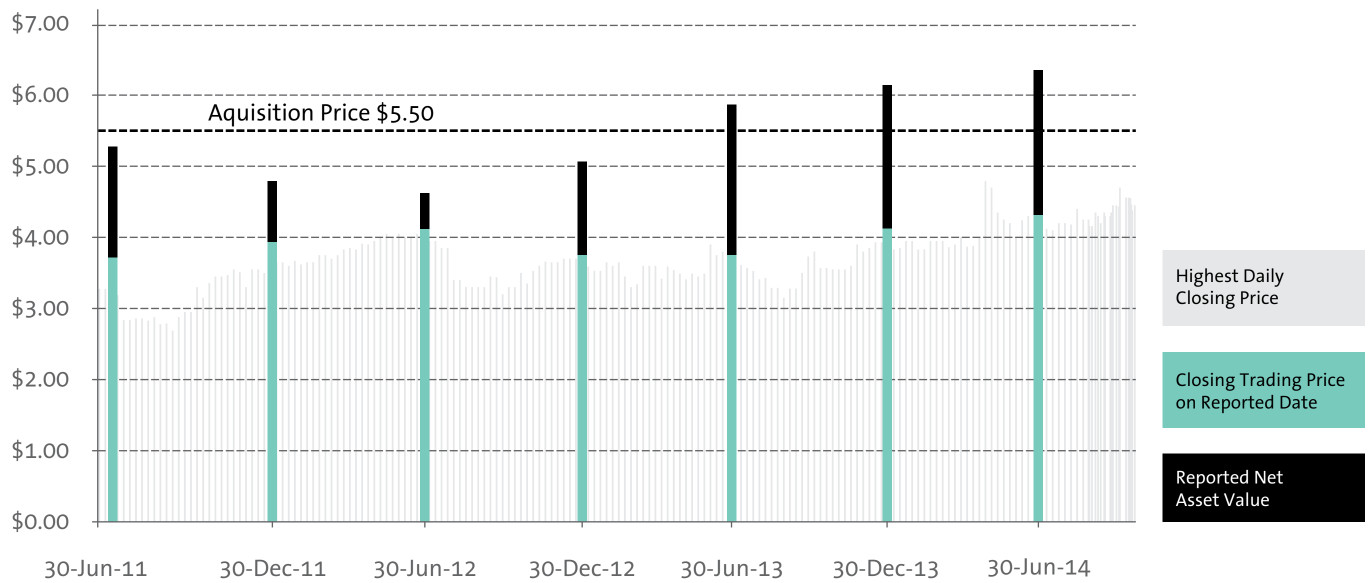
The Independent Expert has determined that the Proposal is not fair to Unitholders as the Acquisition Price falls below the assessed value range of the Units.

However, the Independent Expert has considered a range of factors and determined that the Proposal is reasonable and in the best interests of Unitholders in the absence of superior proposal, and that the advantages of the Proposal outweigh the disadvantages.

7.1.2 The Acquisition Price is at a Premium to the Market Trading Price

The trading price over the past two years shows trading within a range of $3.35 to $4.99 per Unit as indicated in Table 1 below. At all times over the two year period, Units have traded below the underlying net asset value of $6.37 per Unit as at 30 June 2014.

Table 1: Trading Price and Net Asset Value



7.1.3 Comparable A-REITs

The Fund's market performance under-performs comparable A-REITs. The Independent Directors of the Fund have compared it with similar funds as set out in Table 2 below in considering whether the Proposal is in the best interests of Unitholders. They have considered the likely distributions to Unitholders if the Proposal is not implemented and do not believe that an increase in cash distribution yield available to investors is likely in the immediate future.

In considering the portfolio as a whole, the A-REITs most directly comparable to the Fund are Investa Office Fund (which also holds prime office properties) and Cromwell Property Group, which share similar portfolio metrics such as:

- similar weighted average expiry lease term of around 5 years;
- high occupancy rate above 90%; and
- weighted average capitalisation rate of greater than 7%.

GDI Property Group and 360 Capital Office Fund have been included as they have smaller market capitalisation than the above funds, although each has a trading history of less than 12 months.

The market for comparable A-REIT investments shows the following metrics:

Table 2: Comparable A-REITs

Security Name	Mkt Cap[1] ($M)	Security Price[2] $ per unit	28-day VWAP ($)[3]	Avg Daily Trading Value	Stated NAV[6]	Prem/ (Disc) to NAV	Yield on[7] Security Price	Yield on[8] NAV	Gearing	Occ	WALE (Yrs)	WACR
Brookfield Prime Property Fund	$223	$4.56	$4.72	> $0.07 m[4]	$6.37	-28.4%	1.8%	1.3%	63%[9]	99%	4.7	6.6% - 7.5%
Cromwell Property Group	$1,716	$0.99	$0.97	> $3.9 m[4]	$0.73	35.6%	7.7%	10.4%	39%[10]	98%	5.9	8.2%
Investa Office Fund	$2,186	$3.56	$3.40	> $7.5 m[4]	$3.35	6.3%	5.2%	5.5%	32%[10]	92%	5.0	7.3%
GDI Property Group	$491	$0.87	$0.88	> $1.1 m[5]	$0.93	-7.0%	8.1%	7.5%	25%[10]	89%	3.3	8.1%
360 Capital Office Fund	$154	$1.98	$1.96	> $0.5 m[5]	$2.14	-7.5%	8.1%	7.5%	36%[10]	100%	4.2	8.7%

Notes:

(1) Market Capitalisation calculated using trading price as at 31 October 2014.

(2) Trading price as at 31 October 2014.

(3) 28-day VWAP to 31 October 2014.

(4) Average daily trade value calculated for the financial year ending 30 June 2014.

(5) Average daily trade value calculated from date of listing to 30 June 2014. GDI from 13 December 2013 and 360 Capital Office Fund from 1 April 2014.

(6) Stated net asset value as per financial reports as at 30 June 2014.

(7) Yield on security price is based on 30 June 2014 distributions disclosed in financial reports. For GDI utilises forecast DPU annualised to be 7 cents per unit.

(8) Yield on net asset value is based on 30 June 2014 distributions disclosed in financial reports.

(9) Reported loan to valuation ratio as at 30 June 2014.

(10) Reported look through gearing as at 30 June 2014.

Despite the similarity in property metrics, the Fund's security price continues to trade below its net asset value per Unit. A number of factors have attributed to the significant discount to net asset value. The following factors are considered to be relevant:

- Low Liquidity	The Fund's average daily trading volume is significantly lower than that of its peers, reflecting the smaller free float available in the security as a result of Brookfield Group holding 80.47% of Units.
- Low Distribution Yield	The Fund's distribution yield of 1.8% on current security price is significantly lower than that of its peers who pay a distribution yield between 5.2% and 8.1%. In a period of low interest rates, A-REITs producing significantly higher distribution yields may be viewed as a more favourable investment.
- High Gearing	The Fund is geared to circa 63%, almost double its peers.

7. Evaluation of the Resolutions Continued

The Independent Directors do not believe that the financial position of the Fund has materially changed since the release on 25 August 2014 of the audited financial statements for the year ended 30 June 2014.

7.1.4 The Cash Distribution Yield in the Immediate Future

The Manager's analysis of the Fund's cash position is set out in Table 3. The current annual cash yield to investors is 1.3% per annum on net asset value or 1.7% per annum to the 28 day VWAP. It is not expected that this will increase in the immediate future for the following reasons.

In the absence of a change to the capital structure of the Fund or its asset base (discussed at Section 7.2.2 (which the Independent Directors do not believe would be preferable to the Proposal) a review of expected cashflows over the next four years indicates that cash reserves will largely be required to be retained in the Fund to meet ongoing capital expenditure in order to secure re-leasing for impending vacancies.

The increase in cashflow available to the Fund in the 2017 financial year coincides with the interest rate swap expiry in July 2016 which currently provides that approximately $435 million of the Fund's debt facility effectively bears a base rate of 5.88%.

An estimate of cash to be available for distribution to Unitholders indicates that distributions may be able to be increased above the current rate after 2017 when the refinance risk of the Syndicated Debt Facility and Subordinated Debt Facility have been mitigated. Full details of the assumptions behind the analysis are set out below. The terms on which debt can be refinanced and the prevailing market conditions will be critical to the actual position at the time.

Table 3: Cashflow

Forecast Cashflow ($million)	FY15	FY16	FY17	FY18
Opening Cash Balance	23.6	16.2	2.6	11.5
Free Cash Flow from Operations	54.0	56.7	55.6	51.7
Capital Expenditure	(20.0)	(29.3)	(13.6)	(10.5)
Financing Costs	(37.4)	(37.0)	(28.3)	(23.3)
Refinance – Syndicated Debt Facility	0	0	34.2	0
Repayment of Subordinated Debt Facility	0	0	(35.0)	0
Total Cash Available for Distribution / Retention	20.2	6.6	15.5	29.4
Distributions	(4.0)	(4.0)	(4.0)	(4.0)
Net Cash Balance	16.2	2.6	11.5	25.4
Distribution (cents per Unit per annum)	8.00	8.00	8.00	8 .00
Distribution Yield per annum on 28-day VWAP	1.7%	1.7%	1.7%	1.7%
Loan to Valuation (Syndicated Debt Facility)	57.0%	55.2%	58.0%	57.4%
Loan to Valuation (Total Debt)	62.8%	61.2%	60.5%	60.0%

Important assumptions in the above analysis include:

- Rent reviews as per lease agreements;
- Capital expenditure/ costs associated with re-leasing are funded from operating cash;
- Valuation of properties equal to June 2014 values increased for capital expenditure incurred from July 2014 to time of refinance;
- Syndicated Debt Facility expires at end of 30 June 2017 and is refinanced at an LVR of approximately 58% and margin of 1.75%;
- Subordinated Debt Facility is partially repaid at expiry in June 2017 from combination of refinancing of Syndicated Debt Facility and fund cashflow;
- Existing interest rate swap remains in place with approximately $435 million of debt fixed at a base rate of 5.88% per annum until June 2016, thereafter assumed floating;
- Variable base interest rate for the entire forecast period of 2.5% per annum;
- Responsible entity fees of 0.65% per annum, fund expenses of 0.03% per annum, custodian fee estimated to be circa 0.004% on total assets;
- The existence of tax losses and the nature of the assets and Fund gearing should not provide circumstances in the near future where taxable income compels a greater level of distributions;
- Distributions remain at the current rate of $0.08 per Unit per annum; and
- No buy-back of Units occurs.

It is not possible to predict with certainty whether any or all of the above assumptions will eventuate. These matters are inherently uncertain and it is important to understand the sensitivity of some of these assumptions to the analysis of the Fund's potential future cashflows:

Property Valuations
The value of the properties at the time of refinancing will impact on the amount of debt that can be refinanced under the Syndicated Debt Facility. It is assumed that the Syndicated Debt Facility will be refinanced at an LVR of 58% as at June 2017. This is consistent with the refinancing achieved in June 2014.

The further assumption made is that all capital expenditure taking place in relation to the properties over the period of the analysis will increase the value of the property by a commensurate amount. No further increase or decrease in value is assumed to reflect a change in market conditions.

The following indicates the effect of changes in the value of underlying properties on the net asset value per Unit:

Change in Property Values	Impact on Net Asset Value per Unit
+5%	$7.28
0%	$6.37
-5%	$5.46
-10%	$4.55

Vacancy and Costs Associated with Re-leasing
In estimating the costs to be incurred when vacancies arise and the likely rental income to be achieved, BCML has had regard to the assumed market conditions at the time. In the event that market conditions are not as anticipated this could result in a different amount of cashflow being required to achieve re-leasing and/ or a different amount of rental income being derived in future periods.

Base Interest Rates
The interest rate assumption currently provides a base rate of 2.5% is utilised. In the event that base rates increase by 0.5% this would have the effect of removing an average of approximately 5 cents per Unit per annum from available cashflow after expiry of the interest rate swap in July 2016. This may have a significant impact on future distributions. Leaving appropriate buffers to guard against the risk of such an increase are therefore important to the analysis.

Refinancing of Syndicated Debt Facility
Market conditions in June 2017 will determine whether the Syndicated Debt Facility can be refinanced at an LVR of approximately 58% and margin of 1.75%.

Repayment and Refinancing of Subordinated Debt Facility
The analysis assumes that the Subordinated Debt Facility is repaid by an amount of $35 million and that the balance is able to be refinanced on the existing terms upon expiry in June 2017 for a further term of up to three years. This repayment is assumed to be achieved through an increase in the Syndicated Debt Facility and free cashflow from the Fund. In the event that Brookfield require repayment and insufficient cash is available from these sources other options available include seeking an alternative source of subordinated funding (unlikely to be on comparable terms to the existing facility), raising capital or the sale of assets.

No Buyback
In view of the risks associated with the cashflow it is prudent to assume that no cash would be utilised to fund a buyback over the period to at least the next refinancing in June 2017, unless it was done at the expense of cash otherwise allocated to distributions.

In conclusion, the Proposal provides for a cash return to Unitholders without exposure to the above sensitivities.

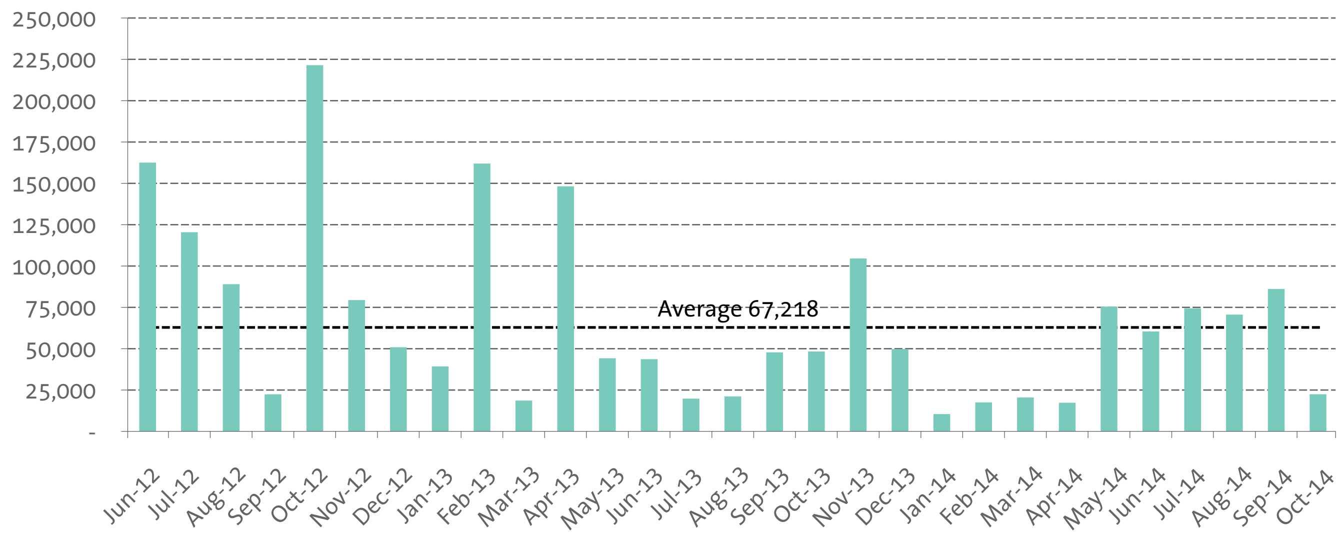
7.1.5 Lack of Liquidity in the Security May Make Future Disposal Difficult at the Proposed or a Better Price

The Proposal provides Unitholders with a certain exit opportunity. Liquidity in the Fund has been limited and the current holding of Brookfield Group limits liquidity in the stock on ASX and the Independent Directors do not believe any increase in liquidity is likely. BCML is under no obligation to implement a buy-back of securities in the Fund and will only do so where this is in the best interests of Unitholders.

Average trading volumes in the stock over the period from June 2012 to October 2014 reflect low volumes which may limit the capacity for investors to sell their Units when desired. The average of 67,218 Units traded per month represents 0.70% of Units on issue (excluding the Units held by Brookfield Group).

7. Evaluation of the Resolutions Continued

Table 4: Volume Traded per Month



7.1.6 The Capital Structure of the Fund or the Property Portfolio May Change

The Proposal will remove the risks Unitholders currently face as a result of the Fund's capital structure.

The Fund's loan to value ratio at 30 June 2014 was 63.3% after taking into account the Syndicated and Subordinated Debt Facilities. This is significantly higher than comparable listed property securities. The higher level of gearing in the Fund carries risk that debt covenants could be breached and may affect the Fund's ability to refinance its existing facilities in June 2017.

In the event that the Subordinated Debt Facility was not refinanced or that the Syndicated Debt Facility could not be refinanced at existing levels this may require BCML to change the capital structure of the Fund, for example, through the issue of additional capital or require the sale of one or more properties.

In circumstances where additional capital is raised existing Unitholders who do not participate in the raising may suffer a dilution of relative value and size of their holding in the Fund. Further discussion of the consequences of this course of action is set out at Section 7.2.2.

7.1.7 No Sales Brokerage

There is no sales brokerage payable by Unitholders under the Proposal on the transfer of their Units to Brookfield.

7.1.8 In the Absence of the Proposal, the Trading Price of Units May Continue to Trade Below Net Asset Value per Unit

If the Proposal is not implemented, and in the absence of an alternative proposal which is considered to be superior, Units may continue to trade below net asset value and the Acquisition Price payable under the Proposal.

The Independent Directors do not believe that BCML is likely to receive any alternative proposal from a third party given the Brookfield Group's majority holding in the Fund.

7.2 REASONS WHY YOU MIGHT VOTE AGAINST THE RESOLUTIONS

7.2.1 Units May Increase in Value in the Future

The Proposal will result in Unitholders disposing of all of their Units. As a result, Unitholders will not have exposure to any potential increase (or decrease) in the value of the Fund's portfolio in the future. If the Proposal is not approved and implemented Units may return greater value over time through improved market conditions and trading price.

7.2.2 BCML May Implement Strategies in the Future that You View as Favourable

BCML may undertake one or more transactions or alternative proposals may emerge at some future time that might result in favourable outcomes for Unitholders. Potential alternative transactions are set out in Section 2 and below. Having considered these alternatives, the Independent Directors do not believe that any of them is preferable to the certain outcome provided by the Proposal.

Raising Capital

The ability to source debt funding at competitive pricing in recent years has limited the need to raise additional capital from Unitholders. As the trading price has remained below net asset value any capital raising would have been undertaken at a value that would have been at a discount to net asset value which would have had the effect of diluting the relative holdings of those Unitholders who chose not to commit further capital to the Fund.

Additional capital may be raised at some time in the future for a number of purposes including repayment of the Subordinated Debt Facility, to lower Fund gearing or to meet ongoing capital expenditure in respect of the properties.

Current cashflow expectations for the Fund indicate that such a course of action may be considered at the time the debt facilities are next refinanced in June 2017.

Costs in raising capital, including underwriting costs, would be borne by the Fund.

The price at which new securities would be issued would be determined by the market at the time and may be issued below the market trading price at the time. In the event that Units were issued at a discount to net asset value this may have the effect of diluting the value of the current holdings of those Unitholders not participating in the capital raising to the extent of their existing holdings. It may be expected in the current circumstances of the Fund that not all Unitholders would participate in such a raising.

Sale of an Interest in One or More Properties

Sale of one or more properties may potentially provide a means of decreasing the risk around cashflow in the Fund by some or all of the following:

- Reducing the Syndicated Debt Facility and potentially the LVR of the Fund;
- Repayment of the Subordinated Debt Facility;
- Retention of sufficient cash reserves to meet ongoing requirements for capital expenditure/ re-leasing on the remaining properties; and
- Increasing cash available for distribution.

Disadvantages in adopting such a course of action is the loss of the opportunity associated with the property/ properties chosen to be sold and potentially diversification across different markets and the risks associated with realising current market value for any properties sold. As the Fund may be over-hedged once its debt is reduced there may also be cashflow costs in reducing the interest rate hedging in place. Further, there can be no guarantee that a sale would result in a significant change in the trading price in circumstances where liquidity in the market remains limited by the Brookfield Group's holding.

7.2.3 An Alternative Proposal which is Considered to be Superior May Emerge in the Future

If the Proposal is not approved by Unitholders another proposal may arise at some time in the future which provides a better return to Unitholders.

7.2.4 A Wind up of the Fund May Bring a Higher Return at Some Future Date

Utilising the net asset value of $6.37 per Unit as at 30 June 2014 as a base, it is estimated that the proceeds paid to Unitholders would reduce to approximately $5.94 per Unit upon wind up of the Fund. The largest impact on net asset value upon wind up would result from fees payable to Brookfield Group of approximately $0.28 per Unit on sale of the properties as provided in the Constitution.

Any wind up carries with it risk around achieving current values and timing of sale, particularly where co-owners carry existing pre-emption or first rights of refusal over properties within the Fund.

Each of Ernst & Young Centre and 50 Goulburn Street, Southern Cross East Tower, Southern Cross West Tower and 108 St Georges Terrace are subject to pre-emptive rights held by their co-owners in the event that the Fund's interest in the asset was to be sold. Further, subject to the rights of any co-owner, Brookfield Group holds rights of first and last refusal over the properties that were held by the Fund at its inception in May 2006 being Ernst & Young Centre and 50 Goulburn Street, Southern Cross East Tower and the American Express House.

7. Evaluation of the Resolutions Continued

In addition, if a meeting is convened to consider a resolution for the wind up of the Fund this may give rise to an event of default under the Syndicated Debt Facility. In this case, if the Financiers were to exercise a power of sale over the Fund's assets, the proceeds on sale may be less than current market value.

The relatively high level of gearing in the Fund means that the net asset value of the Fund is more sensitive to movements in the underlying value of the Fund's properties. It could be expected that a wind up of the Fund and a sale of the assets would take some months, during which the conditions for property sales may deteriorate. In the event that net proceeds on sale of the Fund's properties were 5% lower than the current market value as at 30 June 2014 this would have the effect of reducing the Fund net asset value per Unit by $0.91 to $5.46 cents per Unit. In such a case, proceeds on a wind up of the Fund would be reduced by $0.86 to $5.08 per Unit. A decrease of 3% in the value of the Fund's properties would reduce net proceeds on wind up below the Acquisition Price.

Table 5: Proceeds on Wind Up

Change in Property Values	Impact on Net Asset Value per Unit	Impact on Wind up Value (1)
+5%	$7.28	$6.75
0%	$6.37	$5.94
-5%	$5.46	$5.08
-10%	$4.55	$4.24

(1) Assuming Fund is being terminated and selling costs and fees are payable and utilising net assets as at 30 June 2014.

7.3 WHAT HAPPENS IF THE PROPOSAL DOES NOT PROCEED?

7.3.1 Strategy for the Fund if the Proposal Does Not Proceed

If the Proposal is not implemented, the Fund will continue to be listed on ASX and will continue to be managed by BCML. Investors will continue to have exposure to the risks and value limiters currently facing the Fund, in view of the outlook for the Fund.

BCML will continue to explore opportunities to enhance value for Unitholders. This includes the continued review of the capital structure of the Fund and its gearing. Risks associated with the capital structure are set out in Section 7.2.2.

Should it wish to do so Brookfield Group would be able to acquire up to 3% of Units on issue every six months without a requirement to proceed to a takeover of the Fund. Subject to compliance with requirements of the Corporations Act, once a holding of 90% of Units on issue is obtained Brookfield Group may be able to compulsorily acquire the remaining Units not held. Brookfield Group has not acquired any Units in the six months prior to the date of this Explanatory Memorandum.

7.3.2 Distributions and Distribution Policy

Cash distributions in the immediate future are discussed in Section 7.1.4.

Future distributions will be dependent on the performance of the properties, costs associated with the debt facilities and the capital structure of the Fund. A structural change to the Fund through additional capital raising or property sale may bring with it an increase in distributions but may also result in dilution and lack of diversification of the asset base as discussed in Section 7.2.2. There is no guarantee that an increase in distributions would result in a significant increase in trading price.

7.3.3 Buyback of Securities by the Fund

In view of the risks associated with the cashflow it is prudent to assume that no cash would be utilised to fund a buyback over the period to at least the next refinancing in June 2017. This could only be done by utilising cash which would otherwise be allocated to distributions.

7.3.4 Risks Associated with the Fund if the Proposal Does Not Proceed

The Fund Product Disclosure Statement dated 22 June 2006 sets out risks associated with investing in the Fund. In particular the following should be noted as they would remain on-going risks of the Fund if the Proposal does not proceed:

Trading Price and Liquidity

Liquidity and lack of cash yield to investors may weigh on the trading price in the event that the Proposal did not proceed where no other form of restructure of the Fund was undertaken. The lack of capacity to fund a meaningful buyback may also limit trading price increases.

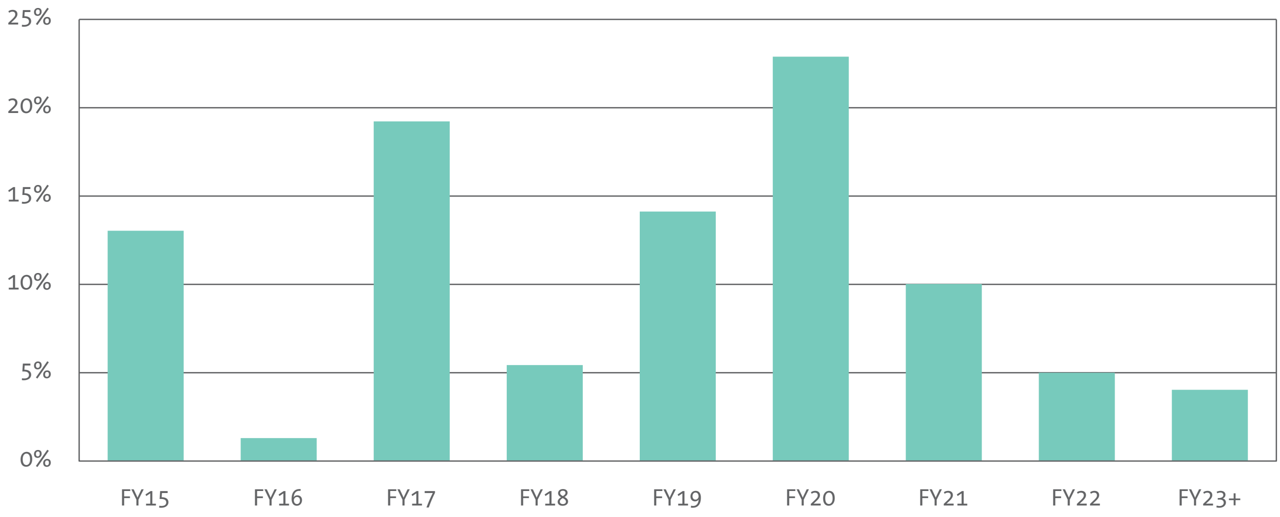
Leasing and Capital Expenditure Requirements

The leases of 50 tenants representing 34.7% of the portfolio rent are due to expire in the three financial years to 30 June 2017. Major expiries occur at 108 St Georges Terrace in the 2015 financial year and at the Ernst & Young Centre in the 2017 financial year.

It is estimated that at least $63.3 million will be required to meet the capital expenditure requirements of the Fund over the next three financial years to 30 June 2017. It is expected that these cash requirements will limit the amount of cash available for distribution.

The forecast portfolio rental expiry as a percentage of total portfolio rent is:

Table 6: Forecast Rental Expiry (as a % of total portfolio rent)



The upcoming vacancies have been factored into the 30 June 2014 independent property valuations and provide appropriate allowances for anticipated future letting up expenses including incentives and agent's commissions and associated capital expenditure as well as anticipated leasing up periods. The estimation of future rental income that may be achieved is based on assumptions as to the market at the relevant time.

There can be no guarantee that the valuation assumptions will eventuate and in the event that these do not ultimately materialise then income and property values may be adversely impacted.

Property Valuations and the Risk of Market Movements
The property portfolio was independently valued at 30 June 2014. In arriving at an opinion of value, the valuers have adopted the capitalisation of net income and discounted cash flow approaches.

The capitalisation approach involves estimating the property's net market income on a fully leased basis and capitalising the forecast net income in perpetuity at an adopted capitalisation rate.

An appropriate capitalisation rate is adopted which best reflects the nature, location and tenancy profile of the property when compared with current market investment criteria and comparable sale transactions. Capital adjustments for items such as future expenditure to re-lease space are made, if appropriate.

The discounted cash flow approach discounts the property's forecast net cash flow over a 10 year investment horizon at a pre-selected hurdle rate of return.

Both valuation methodologies involve the forward projection of a number of assumptions including capitalisation rates, discount rates, future rental rates, rental growth and time required to lease up vacant space. These assumptions are acutely sensitive to changes in market conditions and a variation in one or more assumptions may significantly affect value.

A change in market conditions over the short to medium term may impact significantly on the valuations of 108 St Georges Terrace and Ernst & Young Centre which have major vacancies coming up in the 2015 and 2017 financial years respectively.

Refinancing of Syndicated Debt Facility
The Fund's Syndicated Debt Facility is due to expire in June 2017. Market conditions in June 2017 will determine whether the facility can be refinanced at an LVR of approximately 58% and margin of 1.75%.

The base interest rate currently applicable to the Fund's Syndicated Debt Facility is approximately 2.5% per annum. An increase of 0.5% in base interest rates would have the effect of removing an average of approximately 5 cents per Unit per annum from available cashflow which may otherwise be available for distribution after expiry of the interest rate swap in July 2016.

7. Evaluation of the Resolutions Continued

Subordinated Debt Facility
The Fund's Subordinated Debt Facility is due to expire in June 2017 and Brookfield Group have provided no indication as to whether this loan will be extended at that time.

In the event that Brookfield Group requires repayment and insufficient cash is available from excess cashflow other options available include seeking an alternative source of subordinated funding (unlikely to be on comparable terms to the existing facility), raising capital or the sale of assets with the consequences of such courses of action set out in Section 7.2.2.

7.4 CONCLUSIONS
The Independent Directors have assessed the above factors, including the factors limiting the current trading price of Units, the available alternatives, and the risks set out above and consider that the current cash offer at a significant premium to the current and historical trading price is in the best interests of Unitholders.

8. Additional information

8.1 ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE

BCML is the responsible entity of the Fund and a wholly owned indirect subsidiary of BAIL. The Board of BCML consists of three directors, one of whom (Mr Russell Proutt) is an executive director associated with BAIL in a way which may give rise to actual or perceived conflicts of interest in connection with the Proposal.

Recognising the perceived potential for conflicts to arise in the course of assessing and implementing the Proposal, the board of BCML established the Independent Board Committee comprising the two independent BCML directors, Mr Allan McDonald and Ms Barbara Ward and excluding Mr Russell Proutt. The board also adopted protocols and procedures to ensure that the development and consideration of the Proposal by BCML, in its capacity as responsible entity of the Fund, was taken independently.

The Independent Board Committee was responsible for all recommendations and decisions of BCML in relation to the Proposal.

Specific procedures adopted by the Independent Board Committee include:

- certain members of BCML management were allocated exclusively to assist with developing and considering the Proposal for BCML;
- the Independent Directors took responsibility for the negotiation of the terms of the Proposal and the ultimate decision to enter into the Implementation Deed and commit BCML to the Proposal;
- the appointment of independent legal advisors to act on behalf of BCML, as responsible entity of the Fund, in relation to the Proposal; and
- the appointment of the Independent Expert.

8.2 TAX IMPLICATIONS FOR UNITHOLDERS

The tax information that follows is general in nature and is not exhaustive of all taxation implications which could apply in the circumstances of any given Unitholder. Therefore it is recommended that all Unitholders consult with their own independent taxation advisers in relation to their own positions.

This summary is based on the relevant Australian tax legislation and administrative practice of the Australian Tax Office in effect as at the date of this Explanatory Memorandum and Notice of Meeting. The following information applies to Unitholders who are tax residents of Australia and who hold their Units as a long-term investment on capital account. The comments that follow may not be applicable to all Unitholders, particularly Unitholders who:

- carry on a business in dealing with trust units and shares and are assessed on their dealings other than under the Capital Gains Tax (CGT) provisions; or
- have made an election under the taxation of financial arrangement rules that affects the recognition of gains and losses in respect of their Units.

If Unitholders dispose of their Units, the Australian tax implications are as follows:

- a capital gain may arise if the Acquisition Price exceeds the cost base of the Units held in the Fund; and
- a capital loss may arise if the reduced cost base of the Units held in the Fund exceeds the Acquisition Price received on sale of the Units. Net capital losses realised in a year may be carried forward until the Unitholder has realised capital gains against which the net capital loss can be offset. Unitholders that are companies will need to satisfy either the 'continuity of ownership test' or the 'same business test' before they can utilise any carried forward capital losses.

Generally the CGT cost base and reduced cost base for a Unit will be the amount the Unitholder paid to acquire the Unit together with certain incidental costs of acquisition, for example, stamp duty and brokerage and certain incidental costs of disposal. Also, the calculation of the cost base or reduced cost base in the Units must take account of tax deferred distributions that have been paid by the Fund since acquisition by the Unitholder, including current year tax deferred distributions. These tax deferred distributions will reduce the tax cost base and reduced cost base of Units. Details of distributions made by the Fund can be found at the Fund website au.brookfield.com.

The precise amount to be included in a Unitholder's taxable income will be determined by total capital gains and losses derived in the financial year and the availability or otherwise of capital losses carried forward from prior years. Unitholders who are individuals or trustees of trusts or complying superannuation funds, and who have held the Units for 12 months or more, may benefit from the discount capital gains provisions such that a lesser amount is included in assessable income. Where the CGT discount applies, the capital gain will be reduced by 50% for an individual or a trust or 33.3% for a complying superannuation fund.

Unitholders who received a distribution from the Fund in respect of the quarter ended 30 September 2014 will be advised of the income tax implications of this distribution by the Responsible Entity after 30 June 2015 in a similar manner to previous income years.

8. Additional information Continued

8.3 ASIC RELIEF

ASIC has provided relief from the provisions of section 611(7)(a) of the Corporations Act. The restrictions in this section would otherwise provide that no votes may be cast in favour of Resolution 2 by Unitholders. ASIC has also provided an exemption from:

- Division 2 of Part 7.7 of the Corporations Act in relation to any general financial product advice given by BCML to Unitholders in this Explanatory Memorandum; and
- Division 5A of Part 7.9 of the Corporations Act in relation to any unsolicited offer or invitation made by Brookfield to Unitholders to acquire Units under the Proposal.

8.4 ASX CONFIRMATIONS

ASX has confirmed that the Scheme may proceed in accordance with a timetable that reflects the Key Dates set out in Section 4.1. ASX has also confirmed that, if the Resolutions are approved, it is likely to agree to de-list the Fund.

8.5 CONSENTS TO BE NAMED

The following persons have given and have not, before the date of this Explanatory Memorandum, withdrawn their consent to be named in this Explanatory Memorandum in the form and context in which they are named:

- Brookfield Australia Pty Ltd (on behalf of Brookfield Group); and
- KPMG Financial Advisory Services (Australia) Pty Ltd as the Independent Expert.

KPMG Financial Advisory Services (Australia) Pty Ltd has given, and has not withdrawn, its written consent to the inclusion of the Independent Expert's Report and the references to that report in the form and context in which in which they are included in this Explanatory Memorandum.

Brookfield Australia Pty Ltd has given, and has not withdrawn, its written consent to the inclusion of the Brookfield Group Information in Section 6 and the references to that information in the form and context in which they are included in this Explanatory Memorandum.

9. Independent Expert's Report

KPMG

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The Directors
Brookfield Capital Management Limited, as the
Responsible Entity of Brookfield Prime Property Fund
Level 22, 135 King Street
Sydney NSW 2000

10 November 2014

Dear Directors

Part One – Independent Expert's Report

1 Introduction

On 31 October 2014, Brookfield Capital Management Limited (BCML) announced that it had entered into an Implementation Deed with Brookfield BPPF Investments Pty Limited, as trustee for Brookfield BPPF Investments Trust, a member of the Brookfield Group (collectively known as Brookfield Group). The Implementation Deed sets out the terms and conditions of a proposal by Brookfield Group to acquire the remaining 19.53% of the Units in Brookfield Prime Property Fund (BPPF or the Fund) not held by Brookfield Group by way of a trust scheme (the Proposal). If the Scheme is implemented, non-associated BPPF Unitholders[1] will receive cash consideration of $5.50 per Unit.

BPPF is a unit trust listed on the Australian Securities Exchange (ASX). Formed in 2006, BPPF holds a portfolio of interests in five central business district (CBD) office properties located in Australia. It commenced trading on the ASX on 15 September 2006. BCML is the Responsible Entity of BPPF.

At 31 October 2014, Brookfield Group owned approximately 80.47% of the Fund's issued Units, making it the Fund's majority Unitholder. If the Scheme is implemented, the acquisition of the remaining 19.53% of Units on issue will give Brookfield Group 100% ownership of the Fund.

The Directors of BCML, as the Responsible Entity, have requested KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Corporate Finance is a division) (KPMG Corporate Finance) to prepare an Independent Expert's Report (IER) for the benefit of non-associated BPPF Unitholders setting

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[1] Non-associated Unitholders refers to persons who are registered holders of the Units on the Record Date, with the exception of members of the Brookfield Group

out whether, in our opinion, the Proposal is fair and reasonable and in the best interests of the non-associated BPPF Unitholders.

The Proposal is described in further detail in Section 6 of this Report and Section 5 of the Explanatory Memorandum. The Proposal is subject to the satisfaction of a number of conditions which are set out in full in Section 5 of the Explanatory Memorandum.

This report sets out the opinion of KPMG Corporate Finance as to the merits or otherwise of the Proposal. This report should be considered in conjunction with, and not independently of, the information set out in the Explanatory Memorandum provided to the non-associated BPPF Unitholders in relation to the Proposal.

Further information regarding KPMG Corporate Finance as it pertains to the preparation of this report is set out in Appendix 1.

KPMG Corporate Finance's Financial Services Guide is contained in Part Two of this report.

2 Requirement for our report

The Proposal will be implemented through a trust scheme. There is no specific statutory framework for a trust scheme, as there is for schemes of arrangements between companies and their members. As such, the Takeovers Panel has issued Guidance Note 15 (GN15) outlining recommended procedures for a trust scheme. This guidance note suggests that the scheme notice should contain a report by an independent expert that states whether, in the expert's opinion, the terms of the trust scheme are fair and reasonable.

In addition, BCML in its capacity as responsible entity for BPPF has a fiduciary obligation to act in the best interests of the Unitholders. As such, the Directors of BCML have also requested KPMG Corporate Finance provide an opinion on whether the Proposal is in the best interests of the non-associated BPPF Unitholders. The IER has also been prepared having regard to item 7 Section 611 of the Corporations Act (the Act).

Further details regarding the basis of assessment for the IER are set out in Section 7.2 of this report.

3 Summary of opinion

3.1 Conclusion

In our opinion, having assessed the Proposal to the non-associated BPPF Unitholders, we consider the Proposal to be:

- not fair but reasonable
- in the best interests of the non-associated BPPF Unitholders, in the absence of a superior proposal, and that the advantages of the Proposal outweigh the disadvantages.

In arriving at this opinion we have:

- assessed whether the Proposal is fair on the basis of the underlying value of BPPF on a control basis and the terms of the Proposal

- assessed the reasonableness of the Proposal including the advantages, disadvantages, alternatives and consequences of not approving the Proposal.

Having analysed the Proposal on this basis, we have derived assessed values for BPPF as set out in Section 3.2. This analysis indicates that the Proposal falls below our assessed value range and accordingly we consider the Proposal to be not fair.

The Proposal by Brookfield Group, whilst not fair, provides an opportunity for the non-associated BPPF Unitholders to realise their investment at $5.50 per Unit with certainty, which is greater than the highest price at which the Units have traded at any time on the ASX. Given the current characteristics of the Fund including its shareholding structure, high gearing and refinancing risk, upcoming expiry of leases at some of the Fund's properties and the low liquidity of BPPF Units, the Unit price is unlikely to surpass the Acquisition Price in the near term. Other alternatives or opportunities to realise a higher value in the near to medium term with certainty are either not capable of being implemented or are sub-optimal relative to the Proposal.

Not accepting the Proposal would mean the non-associated BPPF Unitholders would retain the opportunity to benefit from future uplifts in the value of the Fund's property portfolio and the potential improvements in its cash distribution yield. However, there remains a significant degree of uncertainty associated with the potential future benefits including refinancing on similar or more favourable terms and future compression in capitalisation rates, particularly given the near-term leasing risks associated with the Fund's portfolio. Further, we note that, in the absence of a change in the capital structure of BPPF or its asset base, Management anticipates that BPPF's cash reserves over the next four years will be largely retained within the Fund to meet ongoing capital expenditure requirements. Accordingly, Management anticipates that the cash distribution yield available to investors in the immediate future is likely to remain at a similar rate to the current distribution rate.

The certainty from exiting from the Fund and the unlikelihood of achieving a higher value in the near term supports the conclusion that whilst the Proposal does not represent fair value, the advantages outweigh the disadvantages. We have therefore concluded that the Proposal is not fair but reasonable and is in the best interests of the non-associated BPPF Unitholders, in the absence of a superior proposal.

The principal matters that KPMG Corporate Finance has taken into consideration in forming its opinion that the Proposal is **not fair but reasonable to non-associated BPPF Unitholders and in the best interest of non-associated BPPF Unitholders** are summarised in the remainder of Section 3 below.

3.2 Assessment of the fairness of the Proposal

As stated above, our fairness assessment has been based on comparing the Acquisition Price of $5.50 per Unit to our assessed value of BPPF on a control basis. We have undertaken our analysis on this basis, in accordance with the guidance set out in the Australian Securities and Investments Commission (ASIC) Regulatory Guide 'Content of Expert Reports' (RG111).

In determining the value of the BPPF Units, KPMG Corporate Finance has applied a Net Assets approach. Under this approach, the value of BPPF is the aggregate of the market value of the Fund's investment properties, with adjustments for the capitalised value of corporate overhead costs, net debt and other assets and liabilities. The Net Assets approach inherently assumes 100% ownership, and therefore our valuation of BPPF incorporates a premium for control.

Our valuation, prepared as at 31 October 2014 (the Valuation Date), is based primarily on BPPF's net tangible assets (NTA), which reflects the market value of BPPF's property portfolio at 30 June 2014, together with the carrying values of the Fund's other assets, interest bearing liabilities and other liabilities. Details of the adjustments made to NTA in arriving at our assessed value range are provided in Section 9 of this report. Management advised that, aside from the assets subject to adjustment, there were no material movements in the carrying value of the Fund's net assets between 30 June 2014 and the Valuation Date.

As summarised in the table below, we have assessed the equity value of BPPF to be in the range of $293.9 million to $305.9 million, which corresponds to a value of $5.99 to $6.24 per Unit.

Table 1: BPPF valuation summary

$ million unless otherwise stated	Reference	Low	High
NTA as at 30 June 2014	9.3	312.5	312.5
Change in fair value of interest rate swaps	9.3.5	3.9	3.9
Capitalised value of corporate overheads	9.4.1	(12.8)	(3.8)
Fee obligation under existing MSA	9.4.2	(12.0)	(9.0)
Undistributed net cash earnings	9.4.3	2.2	2.2
Equity value of BPPF as at 31 October 2014		**293.9**	**305.9**
Units on issue as at 31 October 2014 (million)		49.0	49.0
Assessed value of BPPF Unit ($)		**5.99**	**6.24**

Source: KPMG Corporate Finance analysis; Management of BPPF

A comparison of the Acquisition Price to our assessed value per Unit (on a control basis) is outlined in the table below.

Table 2: Comparison of consideration offered to assessed value

$	Low	High
Price per Unit offered under the Proposal	5.50	5.50
Assessed value of BPPF per Unit	5.99	6.24
Premium/(discount)	**(8.2%)**	**(11.9%)**

Source: KPMG Corporate Finance analysis

According to RG111, the Proposal should be considered fair if the consideration offered to Unitholders is equal to, or higher than, the assessed value of that Unit. As the analysis indicates that the Proposal falls below our assessed value range of $5.99 to $6.24 per Unit, **we consider the Proposal to be not fair.**

3.3 Assessment of the reasonableness of the Proposal

In accordance with RG111, an offer is reasonable if it is fair. In this case, as the Proposal is not fair, we have considered a range of other factors in assessing the reasonableness of the Proposal. These included the following:

- advantages and disadvantages of the Proposal

- implications if the Proposal is not accepted.

The non-associated BPPF Unitholders should consider these factors in determining whether or not to accept the Proposal. It should be recognised that the determination of whether the Proposal is reasonable is a matter of judgement.

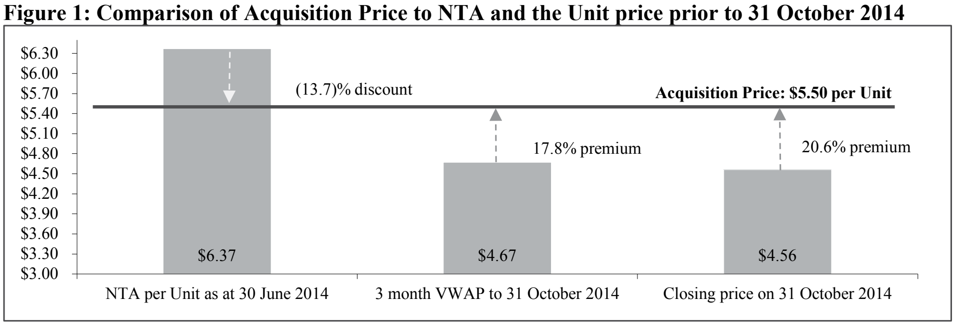
3.3.1 Advantages of the Proposal

Outlined below are the principal advantages of the Proposal.

The consideration allows non-associated BPPF Unitholders to realise their investment in BPPF at a premium to recent Unit prices

The cash consideration of $5.50 per Unit represents a premium to the Unit price prior to 31 October 2014, as illustrated below.

Figure 1: Comparison of Acquisition Price to NTA and the Unit price prior to 31 October 2014



Source: KPMG Corporate Finance analysis

It is commonly accepted that acquirers of 100% of a business should pay a premium over the value implied by the trading price of a security to reflect their ability to obtain control over the target's strategy and operations, as well as extract synergies from integration. The level of premium observed in takeovers varies, depending largely on the circumstances of the target, competitive tension in the sales process and the level of synergies available. Observations from transaction evidence indicate that these premiums generally range between 20% and 35%[2], although we note this is for a range of industries, not the property industry specifically. The premium offered by Brookfield Group compared to the three-month volume weighted average price (VWAP) to 31 October 2014 is at the lower end of this range. In our view this is due to the following:

- BPPF is a passive, externally managed trust with limited near term expectations with regards to NTA accretion. Near term capital expenditure requirements mean the Fund's relatively low distribution yield is likely to persist in the near-term, and its high gearing level means it is subject to a higher degree of finance risk than its peers

[2] Based on analysis of transactions between 2000 and 2014 sourced from Connect4

- it is unlikely that an alternate acquirer or offer will emerge as Brookfield Group's majority ownership acts as a significant deterrence to any competing offer.

With regards to the implied discount to NTA, there are a number of reasons why we consider a discount to NTA to be appropriate for BPPF, even in a control transaction:

- BPPF is a passive investment vehicle that offers limited opportunity for growth beyond the accretion in value of its existing property portfolio
- the Fund has a comparatively low distribution yield, particularly for an investment vehicle of this type, which reduces the attractiveness of the Units, especially to retail investors
- the Fund's relatively high gearing level means it is also subject to a significant degree of finance risk
- the existing arrangements under which BPPF pays fees to Brookfield Group in relation to the management of the Fund and Fund's portfolio
- other corporate overhead costs required to operate BPPF which are not captured in NTA.

The Proposal provides certainty of price and outcome for non-associated BPPF Unitholders

Under the Proposal, the non-associated BPPF Unitholders will receive cash and achieve certainty in relation to the pre-tax amount which they will receive in exchange for their Units. The Proposal also provides non-associated BPPF Unitholders with a cost effective means by which to dispose of their Units.

Given the historical lack of liquidity in the trading of BPPF Units, the non-associated BPPF Unitholders may have limited opportunities to realise their investment at or above the Acquisition Price in the foreseeable future. We consider BPPF Units to be relatively illiquid given their trading history. In particular:

- during the 12-month period to 31 October 2014, on a cumulative basis, only 1.2% of issued Units were traded
- BPPF has a relatively low free float, primarily as a result of the significant proportion of Units owned by Brookfield Group.

The certainty of price also eliminates the risks associated with BPPF's property portfolio. In this regard, we note the property valuations underlying BPPF's NTA are based on a point-estimate. However, in practice, there are always a range of potential outcomes, reflecting the inherent uncertainty associated with the property market. For example, an acquirer may take a different view of the leasing risk at 180 St Georges Terrace and the Ernst & Young Centre. Due to the relatively high gearing of the Fund (see below), a small deviation between the assessed market value of a property and the price realised on the market, could have a material impact on the Fund's NTA. The Proposal provides non-associated BPPF Unitholders the opportunity to avoid any such downside risk associated with the value of the property portfolio.

Potential for an alternate offer is limited or for the non-associated BPPF Unitholders to otherwise realise a higher value

We consider it unlikely that an alternate acquirer or offer will emerge as Brookfield Group is the majority Unitholder and the management of BPPF's properties is controlled by Brookfield Group, which acts as a significant deterrence to any competing offer. We note that no alternate acquirer has emerged between the announcement of the Proposal and the date of this report.

The Proposal resolves the uncertainty associated with the high level of gearing in BPPF

At 30 June 2014, BPPF had gearing of approximately 61%[3], which is notably higher than the gearing observed for the comparable REITs (refer to Section 9.6.2). This means the Fund is more susceptible to potential interest rate rises after its interest rate swaps expire in July 2016, and also increases the degree of refinancing risk. Any increase in interest rates is likely to constrain future distribution yields and increases the risk the Fund won't be able to meet its debt servicing obligations. Meanwhile, if the Fund is unable to refinance at its current debt level, it may need to undertake an equity raising, which would lead to dilution for non-participating Unitholders.

The Proposal provides non-associated BPPF Unitholders with the ability to realise their investment and eliminate the potential exposure to refinancing and interest rate risks.

The Proposal provides the opportunity to reinvest in a higher yielding investment

BPPF Unitholders have recently experienced relatively low distribution yields, largely driven by the need to retain cash in the Fund to meet ongoing capital expenditure and re-leasing requirements. BPPF's distributions have remained at 8.0 cents per annum over the past three years, representing a yield of approximately 1.3% on the Fund's net assets at 30 June 2014 and a yield of 1.8% relative to its closing price at 31 October 2014.

Management of BPPF anticipates that, in the absence of a change in the capital structure of the Fund or its asset base, BPPF's cash reserves over the next four years will be largely retained within the Fund to meet ongoing capital expenditure requirements. Accordingly, Management anticipates that the cash distribution yield available to investors in the immediate future is likely to remain at a similar rate to the current distribution rate.

The Proposal provides the opportunity for non-associated BPPF Unitholders to realise their investment and reinvest into higher yielding investments.

[3] Gearing has been calculated as total interest bearing liabilities less cash and cash equivalents divided by total assets less cash and cash equivalents

3.3.2 Disadvantages of the Proposal

The principal disadvantages of the Proposal are:

Forgoing potential benefits of holding an investment in BPPF

By accepting the Proposal, non-associated BPPF Unitholders will no longer be exposed to the potential benefits from an investment in the Fund, which may include the following:

- an investment in BPPF provides non-associated BPPF Unitholders with exposure to the Australian commercial office property sector through its portfolio of CBD office assets in Sydney, Melbourne and Perth. Current market sentiment indicates that there is potential for further compression in capitalisation rates over the short to medium term. However, we note that if the market does see a compression in capitalisation rates, there is no guarantee this will result in an uplift in the value of BPPF's portfolio, particularly given the near-term leasing risks associated with the Fund's portfolio
- whilst BPPF's distribution yields are expected to remain constrained by capital expenditure/re-leasing requirements in the immediate future, the Fund may be able to increase distributions once it has secured re-leasing of its impending vacancies. Improving the distribution yield would improve the cash return to Unitholders and may also increase the attractiveness of the stock to other investors and therefore support an uplift in the Fund's Unit Price. In this regard, however, we note the expected increase in interest rates over the medium- and long-term is likely to constrain any future uplift in the Fund's distribution yields, especially given the Fund's relatively high gearing.

Reinvestment risk

It may be difficult and potentially costly for the non-associated BPPF Unitholders to reinvest the proceeds from the Proposal in an asset which replicates BPPF's investment profile.

3.4 Other considerations

In forming our opinion, we have also considered a number of other factors as outlined below. Whilst we do not necessarily consider these to be advantages or disadvantages of the Proposal, we consider it necessary to address these considerations in arriving at our opinion.

Risks associated with being a minority BPPF Unitholder

Under the terms of the Proposal, Brookfield Group has offered to acquire the remaining non-associated Units. Should the Scheme not proceed, non-associated BPPF Unitholders will continue to be exposed to ongoing risks associated with an investment in BPPF and, as minority Unitholders with a controlling Unitholder in place, will continue to be exposed to the following:

- little power to influence the operations of BPPF to obtain a return on their investment
- no influence regarding the Fund's future distributions.

Taxation consequences of accepting the Proposal

BPPF has provided a general outline of the tax consequences associated with the acceptance by non-associated BPPF Unitholders of the Proposal under Australian income tax legislation in Section 8.2 of the

Explanatory Memorandum. The key tax considerations provided in respect of Unitholders who are tax residents of Australia and who hold their Units as a long-term investment on capital account are as follows:

- a capital gain may arise if the proceeds equal to the Acquisition Price exceeds the cost base of the Units held in the Fund
- a capital loss may arise if the reduced cost base of the Units held in the Fund exceeds the Acquisition Price received on sale of the Units. Net capital losses realised in a year may be carried forward until the Unitholder has realised capital gains against which the net capital loss can be offset.

We advise that non-associated BPPF Unitholders should consider their individual circumstances, review Section 8.2 of the Explanatory Memorandum for further information where it applies to their circumstances, and seek the advice of their own professional advisor prior to accepting the Proposal.

3.4.1 Alternative ways to deliver value to non-associated BPPF Unitholders are suboptimal to the Proposal

The Independent Directors of BCML have considered a number of alternatives in evaluating the Proposal prior to recommending the Proposal to non-associated BPPF Unitholders, as outlined in Section 2 of the Explanatory Memorandum. More specifically, the Independent Directors have considered the following:

- continuing the Fund in its current form
- a wind-up of the Fund
- raising further capital
- asset sales
- alternative offer.

Outlined below is a summary of the advantages and disadvantages of the alternatives in comparison to the Proposal. We have concluded that these alternative ways of delivering value to the non-associated BPPF Unitholders would either be unlikely to be achieved, for example, because they are unlikely to receive the support of Brookfield Group, as the majority Unitholder, or would be suboptimal relative to the Proposal.

Continuing the Fund in its current form

If the status quo is retained, then the existing BPPF structure will continue to provide investors with income and capital returns provided by BPPF's property portfolio. Given the characteristics of the Fund, including the low liquidity of BPPF Units, the comparatively low distribution yield, the inability of investors to exercise influence under the current investor structure and the existing external management arrangement with Brookfield Group, it is likely that BPPF Units will continue to trade at a significant discount to NTA.

It follows that the benefits of realising the investment with certainty and at a premium to the current Unit price would not be realised.

A wind-up of the Fund

A wind-up of the Fund would involve the disposal of BPPF's property interests, with net proceeds being returned to Unitholders. Importantly, Brookfield Group has indicated that it would not currently support a wind-up of the Fund. Given Brookfield Group's majority Unitholding, this is therefore considered to be an unlikely scenario for BCML. We have, however, considered the likely consequences of such a scenario.

Assuming BPPF's property interests are realised in-line with the latest external property valuations, completed as at 30 June 2014, and factoring in the estimated fees associated with the wind-up of the Fund, including fees payable and transaction costs, BPPF Management estimates that a wind-up would deliver approximately $5.94 per Unit. Whilst this is greater than the Acquisition Price, we note there are a number of factors that could mean the amount realised on wind-up would be less than this. In particular:

- whilst the property valuations underlying BPPF's NTA are based on a point-estimate, in practice, there are always a range of potential outcomes, reflecting the inherent uncertainty associated with the property market. In this regard, we note if the net sale prices realised from the disposals were 5% below the current carrying value of the properties, this would have the effect of reducing the Fund's reported NTA per Unit at 30 June 2014 to $5.46, slightly less than the Acquisition Price. It is estimated that such a scenario would reduce the proceeds on wind-up of the Fund to $5.08 per Unit
- given the co-owner arrangements for some of the properties and the pre-emptive rights, this may adversely impact on the value of the assets to be disposed due to the reductions in competitive tension arising from the co-owner rights and any perceived pressure to sell
- if a meeting is convened to consider a resolution for the wind-up of the Fund, this may give rise to an event of default under BPPF's syndicated debt facility. In this case, if the consortium of banks that provide BPPF's senior debt facility were to exercise a power of sale over the Fund's assets, the proceeds on sale may be less than the current market value.

We also note the capital distributions to Unitholders would likely be delayed for a period, reflecting the time required to dispose of the Fund's property interests and wind-up BPPF.

Raising further capital

By raising additional capital, BPPF would be able to reduce its gearing, and hence the underlying financial risk of the Fund. It could use the proceeds to either expand its property portfolio, for example through investment in additional properties. Alternatively, it may repay a portion of its existing debt facilities, which would reduce its debt servicing costs, potentially allowing for higher distribution yields.

Any future capital raising will lead to a dilution for non-participating Unitholders. Whilst non-associated Unitholders can avoid dilution through participating in the capital raising, this would require the Unitholder to make an additional capital investment in the Fund.

Reducing the financial risk of the Fund and improving its distribution yield may support a future increase in the BPPF Unit price. However, the extent of any potential uplift is highly uncertain. Further, the capital raising would not address a number of the other factors that contribute to BPPF trading significantly below NTA, including the low level of liquidity, the inability of investors to exercise influence under the current investor structure and the existing external management arrangement with Brookfield Group.

Asset sales

The sale of one or more of BPPF's properties would similarly enable it to reduce gearing and financial risk, by allowing the Fund to repay a portion of its debt with the proceeds, but without the need for additional capital to be raised from Unitholders.

However, the disadvantages of this option include a reduction in the diversification of the property portfolio and in the scale of the Fund. It would also expose the Fund to pricing risk, reflecting the inherent uncertainty in the property market.

Alternative offer

As noted in Section 3.3.1, we consider it unlikely that an alternate acquirer or offer will emerge as Brookfield Group's majority ownership acts as a significant deterrence to any competing offer.

3.4.2 Consequences should the Proposal not proceed

In the event that the Proposal is not approved, BPPF will continue to operate in its current form and be listed on the ASX. As a consequence:

- non-associated BPPF Unitholders will continue to own securities in BPPF and the value of their investment will be impacted by BPPF's future performance
- the day-to-day operations of the Fund will continue to be managed by Brookfield Group, although BPPF's Directors will continue to exercise their duty to manage the Fund in the interests of all Unitholders and the non-associated BPPF Unitholders will likely have little direct impact on the day-to-day running of the Fund and its future strategy
- the advantages, disadvantages and risks of the Proposal, as summarised above, will not occur. In this regard, we note Brookfield Group has agreed to indemnify the Fund for its reasonable costs in relation to consideration of the proposal and obtaining the Unitholder approval required to implement the proposal. Therefore, the Fund is not expected to incur any costs as a result of the Proposal
- BPPF will continue to explore opportunities to enhance value for Unitholders and continue to review the capital structure and gearing of the Fund
- whilst not a stated intention and at Brookfield Group's discretion, Brookfield Group and its associates could acquire Units on the market, likely at a discount to the price offered pursuant to the Proposal, although limited to up to 3% of the issued Units of BPPF every six months. This creeping of units may result in an entitlement to proceed to compulsory acquisition in accordance with Section 611B of the Corporations Act. In this scenario the non-associated BPPF Unitholders would be compelled to sell their Units and the price may be different from the current Proposal
- the low level of liquidity of the BPPF Units and the relatively low distribution yield would continue to constrain the Fund's Unit price

- BPPF will need to refinance its syndicated debt facility and its subordinated debt facility which are due to expire in June 2017. There is no guarantee that refinancing at that time will be achieved on terms equivalent to those currently in place.

3.4.3 Conclusion on reasonableness

We have concluded that the Proposal is reasonable based on our assessment of the advantages, disadvantages, alternatives and consequences of not approving the Proposal.

In particular, we consider the Proposal to be reasonable given:

- it provides an opportunity for the non-associated BPPF Unitholders to realise their investments with certainty, whilst not at fair value, at a 17.8% premium to the three-month VWAP to 31 October 2014. In the absence of the Proposal, the Unit price is unlikely to increase above the Acquisition Price in the short to medium term given the low liquidity and the Fund's requirement for ongoing capital expenditures in order to secure re-leasing for impending vacancies
- the high level of gearing and associated refinancing risks of the syndicated debt facility and the subordinated debt facility by 30 June 2017 presents a significant risk for the Fund. Given the expected increase in interest rates in the period to the time of refinancing, the Fund may be required to raise additional equity to secure a viable refinancing option
- whilst the wind-up of the Fund may bring a higher return than the Proposal at some future date, Brookfield Group has indicated it would not currently support this as a viable option. In addition, the value that could be realised from a wind-up is determined based on a number of assumptions which are subject to uncertainty as to the timing of the property sales and the achievability of the price.

4 Conclusion on Best Interests and Advantages/Disadvantages of the Proposal

Having considered the factors in Section 3.2 to 3.4 above and the likelihood of a superior proposal emerging, we consider the Proposal to be in the best interests of the non-associated BPPF Unitholders and that the advantages of the Proposal outweigh the disadvantages.

5 Other matters

In forming our opinion, we have considered the interests of the non-associated BPPF Unitholders as a whole. This advice therefore does not consider the financial situation, objectives or needs of individual BPPF Unitholders. It is not practical or possible to assess the implications of the Proposal on individual BPPF Unitholders as their financial circumstances are not known. The decision of non-associated BPPF Unitholders as to whether or not to approve the Proposal is a matter for individuals based on, amongst other things, their risk profile, liquidity preference, investment strategy and tax position. Individual BPPF Unitholders should therefore consider the appropriateness of our opinion to their specific circumstances before acting on it. As an individual's decision to vote for or against the proposed resolutions may be influenced by his or her particular circumstances, we recommend that individual BPPF Unitholders including residents of foreign jurisdictions seek their own independent professional advice.

Our report has also been prepared in accordance with the relevant provisions of the Corporations Act 2001 (cth) (the Act) and other applicable Australian regulatory requirements. This report has been prepared solely for the purpose of assisting non-associated BPPF Unitholders in considering the Proposal. We do not assume any responsibility or liability to any other party as a result of reliance on this report for any other purpose.

All currency amounts in this report are denominated in Australian dollars unless otherwise stated.

Neither the whole nor any part of this report or its attachments or any reference thereto may be included in or attached to any document, other than the Explanatory Memorandum to be sent to BPPF Unitholders in relation to the Proposal, without the prior written consent of KPMG Corporate Finance as to the form and context in which it appears. KPMG Corporate Finance consents to the inclusion of this report in the form and context in which it appears in the Explanatory Memorandum.

The above opinion should be considered in conjunction with and not independently of the information set out in the remainder of this report, including the appendices.

Yours faithfully

Ian Jedlin
Authorised Representative

Sean Collins
Authorised Representative

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6 The Proposal

6.1 Overview of the Proposal

On 31 October 2014, BCML announced that it had entered into an Implementation Deed with Brookfield BPPF Investments Pty Limited, as trustee for Brookfield BPPF Investments Trust, a member of Brookfield Group. The Implementation Deed sets out the terms and conditions of a proposal by Brookfield Group to acquire approximately 19.53% of the Units in BPPF by way of a trust scheme.

6.2 Terms of the Proposal

The terms of the Proposal are as follows:

- BCML, as the Fund's responsible entity, will convene a meeting of investors to approve a trust scheme whereby Brookfield Group would acquire all of the BPPF Units on issue not currently held by Brookfield Group. In total, this amounts to 19.53% of the Units issued by BPPF. The meeting is scheduled to take place on 8 December 2014 (the Meeting Date)
- if the Scheme is implemented, non-associated Unitholders will receive cash consideration of $5.50 per Unit. It is not anticipated that any distributions will be paid prior to the Scheme Implementation Date
- in order to implement the Proposal, two resolutions must be passed by Unitholders:
  i. Constitutional amendment: Unitholders must approve amendments to the Constitution, as required by section 601GC of the Corporations Act, to authorise the transfer of all of the Units to Brookfield Group. The amendments required must be approved by a special resolution which requires approval by at least 75% of the votes cast by Unitholders entitled to vote on the resolution
  ii. Approval of acquisition of Units: Unitholders must approve the acquisition of the Units by Brookfield Group for the purposes of item 7 section 611 of the Corporations Act by an ordinary resolution. The ordinary resolution requires approval by more than 50% of the votes cast by Unitholders entitled to vote on the resolution
- the Unitholders able to vote on the resolutions are persons who are registered holders of the Units on the Meeting Record Date, being 6 December 2014, with the exception of Brookfield Group and any other holder of Units who is then an associate of BCML (as defined in the Corporations Act)
- if both resolutions are approved by Unitholders and the remaining conditions, as detailed in Section 5 of the Explanatory Memorandum, are satisfied or waived, the Fund will trade on the ASX for 13 business days post the meeting and is intended to de-list at close of trade on 29 December 2014.

6.3 Conditions of the Proposal

The Proposal is also subject to a number of other conditions being satisfied. These include[4]:

- ASIC and ASX issue or provide consents, waivers and approvals or do such other acts that are necessary to implement the Scheme
- financier consent remains in full force and effect
- other third party consents, approvals and waivers which are necessary to implement the Scheme have been obtained
- no regulatory action prior to the Scheme Implementation Date
- no material adverse change occurs prior to 10:00 am on the Meeting Date
- no material acquisition, disposal or commitment is made prior to the Scheme Implementation Date
- no distribution other than Permitted Distributions (as defined in the Explanatory Memorandum) is made, declared or determined to be payable by BCML prior to the Scheme Implementation Date
- no Prescribed Occurrence (as defined in the Explanatory Memorandum) occurs prior to the Scheme Implementation Date
- no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal restraint or prohibition preventing implementation of the Proposal is in effect at 8:00am on the Meeting Date.

[4] Further details relating to the conditions of the Proposal are outlined in Section 5.3 of the Explanatory Memorandum

9. Independent Expert's Report Continued

7 Scope of the report

7.1 Purpose

There is no statutory requirement for the preparation of this report. However, the Takeovers Panel has issued guidance note 15 (GN15) outlining recommended procedures for a Trust Scheme. This guidance note suggests that the Scheme notice should contain a report by an independent expert that states whether, in the expert's opinion, the terms of the Trust Scheme are fair and reasonable.

In addition, Regulation Guide 74 (RG74) "Acquisitions approved by members" issued by ASIC in relation to item 7 Section 611 of the Act, requires that non-associated shareholders be supplied with all information that is material to the decision on how to vote on the acquisition.

In such circumstances, the Directors of BCML, as responsible entity, are required to provide the non-associated Unitholders with a detailed analysis of whether the Proposal is fair and reasonable. The Directors may undertake such an analysis or, as is more commonly the case, the Directors may engage an independent expert to report on the proposal. In this case, the Directors of BCML have requested KPMG Corporate Finance to prepare an IER.

Further, BCML in its capacity as responsible entity for BPPF also has a fiduciary obligation to act in the best interest of the BPPF Unitholders. As such, the Directors of BCML have also requested that KPMG Corporate Finance provide an opinion on whether the Proposal is in the best interest of the non-associated Unitholders.

7.2 Basis of assessment

RG111 indicates the principles and matters which it expects a person preparing an independent expert report to consider. RG111 notes:

- 'fair and reasonable' is not regarded as a compound phrase
- an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities subject to the offer
- the comparison should be made assuming 100% ownership of the 'target' and irrespective of whether the consideration is scrip or cash
- the expert should not consider the percentage holding of the 'bidder' or its associates in the target when making this comparison
- an offer is 'reasonable' if it is 'fair'
- an offer might also be 'reasonable' if, despite being 'not fair', the expert believes that there are sufficient reasons for Unitholders to accept the offer in the absence of any higher bid before the close of the offer.

In addition to the points noted above, RG111 notes that the weight of judicial authority is that an expert should not reflect 'special value' that might accrue to the acquirer.

Accordingly, when assessing the full underlying value of BPPF, we have considered those synergies and benefits that would be available to more than one potential purchaser (or a pool of potential purchasers) of BPPF. As such, we have not included the value of special benefits that may be unique to Brookfield Group. Accordingly, our valuation of BPPF has been determined regardless of the bidder.

RG111 also indicates the principles and matters which it expects a person preparing an expert report for inclusion in an explanatory statement to consider in determining whether the scheme of arrangement is "in the best interests of the members":

"If an expert would conclude that a proposal was "fair and reasonable" if it was in the form of a takeover bid, it will also be able to conclude that the scheme is in the best interests of the members of the company" (RG111.17)

"If an expert would conclude that a proposal was "not fair, but reasonable" if it was in the form of a takeover bid… … … it is still open to the expert to also conclude that the scheme is 'in the best interests of the members of the company… … …" (RG111.18)

"If an expert concludes that a scheme proposal is "not fair and not reasonable" then the expert would conclude that the scheme is not in the best interests of the members of the company" (RG111.19).

Given that KPMG Corporate Finance consider the Proposal to be the equivalent of a control transaction as described in RG111, in analysing if the Proposal is in the best interests of the BPPF Unitholders, KPMG Corporate Finance has referred to the tests in RG111.

7.3 Limitations and reliance on information

In preparing this report and arriving at our opinion, we have considered the information detailed in Appendix 2 of this report. In forming our opinion, we have relied upon the truth, accuracy and completeness of any information provided or made available to us without independently verifying it. Nothing in this report should be taken to imply that KPMG Corporate Finance has in any way carried out an audit of the books of account or other records of BPPF for the purposes of this report.

Further, we note that an important part of the information base used in forming our opinion is comprised of the opinions and judgements of management. We have had discussions with the management of BCML in relation to the nature of the business operations, specific risks and opportunities, historical results of BPPF and prospects for the foreseeable future of BPPF. This type of information has been evaluated through analysis, enquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

BCML has been responsible for ensuring that information provided by it or its representatives is not false or misleading or incomplete. Complete information is deemed to be information which at the time of completing this report should have been made available to KPMG Corporate Finance and would have reasonably been expected to have been made available to KPMG Corporate Finance to enable us to form our opinion.

We have no reason to believe that any material facts have been withheld from us but do not warrant that our inquiries have revealed all of the matters which an audit or extensive examination might disclose. The statements and opinions included in this report are given in good faith, and in the belief that such statements and opinions are not false or misleading.

The information provided to KPMG Corporate Finance included forecasts/projections and other statements and assumptions about future matters (forward-looking financial information) prepared by the management of BCML. Whilst KPMG Corporate Finance has relied upon this forward-looking financial information in preparing this report, BCML remain responsible for all aspects of this forward-looking financial information. The forecasts and projections as supplied to us are based upon assumptions about events and circumstances which have not yet transpired. We do not make any statement in this report as to whether any forecasts or projections included in this report will be achieved, or whether the assumptions and data underlying any prospective financial information are accurate, complete or reasonable. We do not warrant or guarantee the achievement of any such forecasts or projections.

Accordingly, KPMG Corporate Finance cannot provide any assurance that the estimates will be representative of the results which will actually be achieved during the forecast period. In particular, we have not tested individual assumptions or attempted to substantiate the veracity or integrity of such assumptions in relation to any prospective financial information. Any variations from forecasts/projections may affect our valuation and opinion.

The opinion of KPMG Corporate Finance is based on prevailing market, economic and other conditions at the date of this report. Conditions can change over relatively short periods of time. Any subsequent changes in these conditions could impact upon our opinion. We note that we have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion.

7.4 Disclosure of information

In preparing this report, KPMG Corporate Finance has had access to all financial information considered necessary in order to provide the required opinion. BCML has requested KPMG Corporate Finance limit the disclosure of some commercially sensitive information relating to BPPF and its subsidiaries. This request has been made on the basis of the commercially sensitive and confidential nature of the operational and financial information of the operating entities comprising BPPF. As such the information in this report has been limited to the type of information that is regularly placed into the public domain by BPPF.

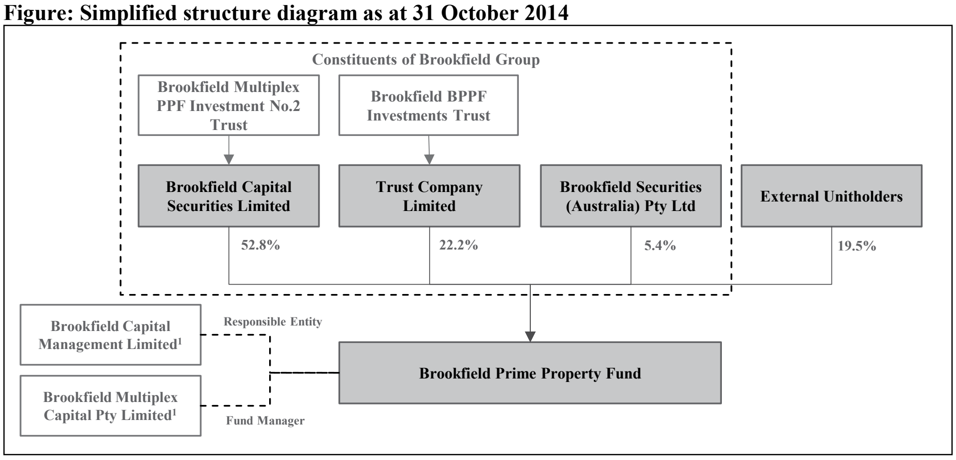
8 Profile of BPPF

8.1 Overview

BPPF is a unit trust listed on the ASX that owns a portfolio of interests in five CBD office properties in Sydney, Melbourne and Perth. BPPF commenced trading on the ASX on 15 September 2006 as Multiplex Acumen Prime Property Fund. The Fund was renamed as Brookfield Prime Property Fund in September 2010.

As summarised in the structure diagram below, at 31 October 2014, Brookfield Group and its associates owned approximately 80.47% of the Fund's issued Units. The Responsible Entity of BPPF is BCML and the Fund Manager is Brookfield Multiplex Capital Pty Limited, both of which are part of Brookfield Group.

Figure: Simplified structure diagram as at 31 October 2014



Source: BPPF Management
Note 1: BCML and Brookfield Multiplex Capital Pty Limited are both part of Brookfield Group

BPPF's strategy is to invest in prime commercial office properties in Australia by actively managing capital to deliver long-term growth for Unitholders throughout economic cycles. The qualities targeted in its property portfolio include:

- a diversified tenancy profile
- regular fixed rent reviews
- strong lease profiles.

Further details on the Fund's property portfolio are provided in Section 8.2. The table below provides a summary of the key statistics of the Fund at 30 June 2014.

Table 3: Fund snapshot at 30 June 2014

At 30 June 2014	
Funds under management	$917.3 million
Value of property portfolio	$894.8 million
Portfolio occupancy	99.3%
Portfolio weighted average lease term by income	4.7 years
Loan to value ratio - senior debt only	58.1%
Loan to value ratio - senior and subordinated debt	63.3%
Management fee (p.a. of gross asset value including GST)	0.666%

Source: BPPF Annual Report 2014

8.2 Property portfolio

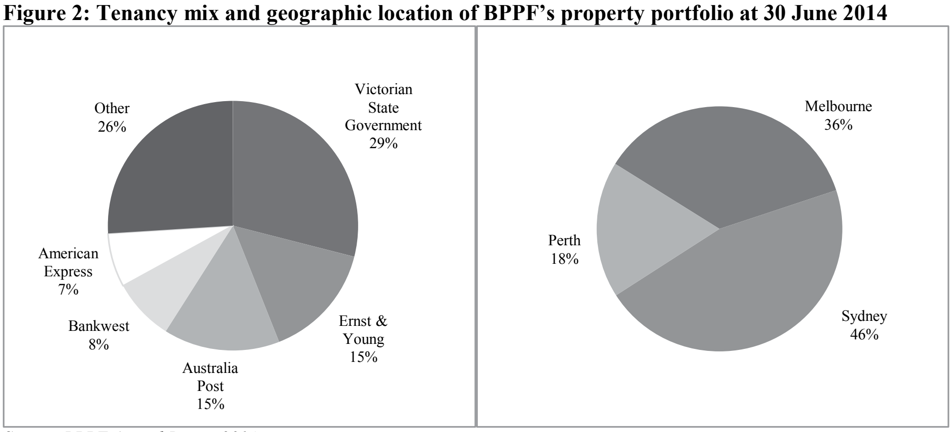
BPPF's property portfolio is comprised of the following:

- American Express House, Sydney
- a 50% interest in the Ernst & Young Centre and 50 Goulburn Street, Sydney
- a 50% interest in the Southern Cross West Tower, Melbourne
- a 25% interest in the Southern Cross East Tower, Melbourne
- a 50% interest in 108 St Georges Terrace, Perth.

BPPF's interests in the American Express House, Southern Cross West Tower and 108 St Georges Terrace properties are held directly. Its interests in the Ernst & Young Centre and 50 Goulburn Street, and the Southern Cross East Tower properties are held indirectly.

The geographic location and tenancy mix of the Fund's property portfolio at 30 June 2014 are illustrated in the figures below. Further details on each of the properties are provided in Appendix 5.

Figure 2: Tenancy mix and geographic location of BPPF's property portfolio at 30 June 2014



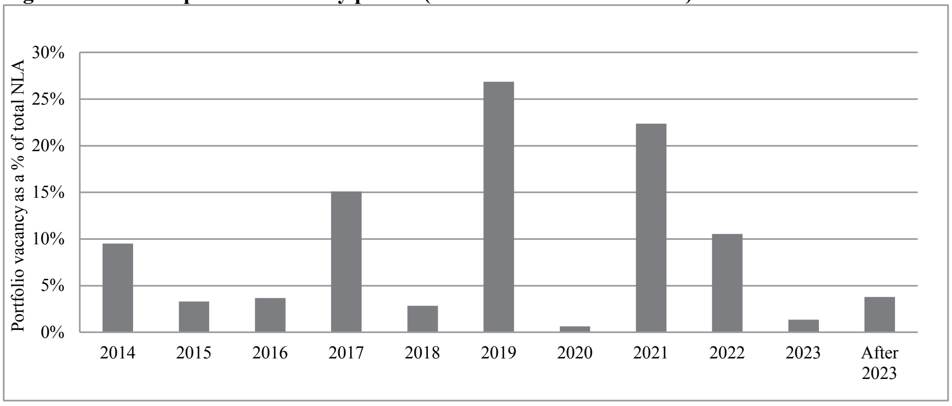
Source: BPPF Annual Report 2014

In relation to the property portfolio, we note:

- BPPF's properties are located exclusively in the CBDs of Sydney, Melbourne and Perth
- tenants include both government and private organisations. The largest tenants are the Victorian State Government, Ernst & Young and Australia Post
- at 30 June 2014, the property portfolio had an overall occupancy of 99.3%. 108 St Georges Terrace had the lowest occupancy, at 96.5%. Aside from the E&Y Centre (99.3%[5]), each of the other properties had 100% occupancy at this date
- the weighted average lease expiry (WALE) (by income) was 4.7 years at 30 June 2014.

The forecast vacancy profile of BPPF's property portfolio is illustrated in the figure below.

Figure 3: Forecast portfolio vacancy profile (% of total net lettable area)



Source: BPPF Annual Report 2014

In relation to BPPF's projected portfolio vacancy profile, we note:

- although Bankwest has vacated 108 St Georges Terrace, its lease does not expire until November 2014. Re-leasing has commenced for the property, which is currently subject to capital refurbishment and upgrade works
- Ernst & Young is understood to have committed to another office development in Sydney, and is therefore not expected to exercise its option to remain at the E&Y Centre following the expiry of its lease in December 2016. A number of floors have been surrendered early by Ernst & Young and leased to other tenants
- the lease with American Express, which accounts for 97% of income generated at American Express House, is due to expire at 31 December 2018

[5] Includes committed leases with lease commencement dates post 30 June 2014

- the leases with the Victorian State Government at Southern Cross East Tower expire in 2021 and 2022. The lease with Australia Post at Southern West Cross Tower expires in 2019.

8.3 Board of directors and senior management

The BPPF Board, consists of two non-Executive Directors, one Executive Director and an Alternate Director. The senior management team consists of two members, being the Senior Vice President and the Company Secretary.

BPPF's current Board of Directors and senior management are summarised in the table below.

Table 4: Board of directors and senior management

Board members	Senior management
F. Allan McDonald (Non-Executive Independent Chairman)	Todd Hargreaves (Senior Vice President)
Barbara Ward (Non-Executive Independent Director)	Neil Olofsson (Company Secretary)
Russell Proutt (Executive Director)	
Shane Ross (Alternate Director)	

Source: BPPF Annual Report 2014; BPPF Management

8.4 Relationship with the Responsible Entity and Fund Manager

The Fund's relationships with the Responsible Entity and the Fund Manager are governed by the following documents:

- **Constitution:** The Fund is a registered managed investment scheme and the main rules governing its operation are set out in its Constitution dated 16 July 2004 (the Constitution). The Constitution includes provisions relating to the rights and obligations of Unitholders and the powers and duties and liability of the Responsible Entity. Under the provisions of the Constitution, the Responsible Entity has the power to invest, borrow and generally manage the Fund, subject to the Fund's principal investment policy. It also authorises the Responsible Entity to be paid from the assets of the Fund certain fees, which are discussed further below. The Responsible Entity's duties are mostly prescribed by the Corporations Act
- **Management Services Agreement:** The MSA governs the relationship between the Fund, the Responsible Entity and the Fund Manager. The MSA, covers an initial 10 year period from the date upon which the Units were first officially quoted on the ASX in September 2006, and will continue after the expiry of the initial term, until terminated by the Unitholders upon passing an ordinary resolution. Under the provisions of the MSA, the Fund Manager is appointed as the sole and exclusive manager of the Fund, and is responsible for a number of activities including dealing with the Responsible Entity's investments, advising on acquisitions and disposals, and debt management and fundraising, ensuring performance of day-to-day management and administrative duties and recommending payment of distributions.

Under the provisions of the MSA, the Responsible Entity is able to terminate the agreement with the Fund Manager if any of the following circumstances occur:

- the Fund Manager goes into liquidation or provisional liquidation, or is placed in administration or official management

- a receiver or receiver and manager is appointed of the property of the Fund Manager and not withdrawn or removed within 30 days of the appointment
- the Fund Manager ceases to carry on business
- the Fund Manager fails or neglects to carry out or satisfy any obligation imposed by the MSA and does not remedy the same within 21 days of time upon being required to do so by notice in writing
- the Responsible Entity becomes aware that the Manager has ceased to be a wholly-owned subsidiary of Brookfield Australia Investments Limited.

8.4.1 Management and other fees

Under the terms of the Constitution and MSA, the Responsible Entity and the Fund Manager are entitled to certain fees, including a base management fee, performance fee and leasing fee. Fees are also payable in relation to property acquisitions and disposals and to cover ongoing expenses. Further information is provided on the applicable fees in the table below.

Table 5: Summary of management and other fees

Fee and cost type	Amount	Payee and timing
Base fee	0.666%[1] per annum of the gross value of the Fund's assets	Payable to the Responsible Entity or the Fund Manager quarterly in arrears
Performance fee	5.125%-15.375%[1] of the Fund's outperformance over a benchmark index[2] (see below for further details)	Payable to the Responsible Entity or the Fund Manager half yearly
Leasing fee	9.35%[3] of gross rent for the first year of any new or extended term of a lease	Payable to the Responsible Entity on entering or extending the Lease
Asset acquisition fee	5.5%[3] of the value of assets acquired or agreed to be acquired for the Fund	Payable to the Responsible Entity at the time of acquisition or agreement to acquire
Property sale fee	Up to 2.2% - 4.4%[3] of the gross sale price of the property (see below for further details)	Payable to the Responsible Entity at the time of sale
Ongoing expenses	Expenses relating to the proper performance of the Responsible Entity's duties in connection with the Fund, inclusive of GST	Paid or reimbursed to the Responsible Entity or to third parties as incurred

Source: Multiplex Acumen Prime Property Fund Product Disclosure Statement (PDS), dated 22 June 2006; Management of BPPF
Note 1: Including GST less any reduced input tax credits
Note 2: The benchmark return is the annualised compound return of the UBS Commercial Property Accumulation (200 Index)
Note 3: Including GST

Performance fee

A performance fee is payable where the Fund outperforms against the Benchmark Return, being the annualised compound return of the UBS Commercial Property Accumulation (200 Index) (the Benchmark Index). Where the Fund outperforms the Benchmark Return, the performance fee is calculated in two tiers as follows:

- a Tier 1 performance fee equal to 5.125% (including GST, less any reduced input tax credits) of the amount by which the total return of the Fund exceeds the Benchmark Return; and
- a Tier 2 performance fee, which is applicable only where the Fund produces a total return out-performance in excess of 1% per 6 month period above the Benchmark Return. This tier of the fee is calculated as 15.375% (including GST less any reduced input tax credits) of the amount by which the total return of the Fund is in excess of 1% above the Benchmark Return for the six month period.

Outperformance is assessed on a cumulative basis, and hence any previous underperformance must be recovered before the Responsible Entity is entitled to any performance fees.

No performance fee has been payable in each of the Fund's last three financial years, as the Fund's Unit price has underperformed against the Benchmark Return during this period.

The Fund's cumulative underperformance means that, even if the Benchmark Index remained flat over the six month period to 31 December 2014, being the next assessment date, a performance fee would only be payable if BPPF's Unit price exceeded $5.40 at this date. We note this reflects a significant premium to BPPF's Unit price at 30 June 2014 ($4.41), particularly if assuming the Benchmark Index remains flat over this period.

Fee cap on base and performance fees

Under the Constitution, the fees charged for the management of the Fund are subject to the following restrictions:

- a base management fee of 0.666[6]% per annum (including GST, less any reduced input tax credits) of the gross value of the Fund's assets, calculated quarterly and payable within five business days of the calculation date
- together, the base fee and performance fee may, before GST, not exceed a cap of 1% per annum (applied as 0.5% per half year) of the fair market value of the Fund's property and other assets. Any excess over this cap may be paid in future periods if, and to the extent that, the fees for those periods are less than the cap. Any excess performance fees that are accrued for at least three years are to be paid if the Fund's overall performance for the past three years has exceeded the benchmark, or immediately at any time if the Responsible Entity changes or the Fund is to be wound up.

Only the base fee and the performance fee are subject to these restrictions.

Property sale fee

The property sale fee to which the Responsible Entity is entitled, including GST, is calculated as:

- the lesser of:
    i. 2.2% of the gross sale price of real property in which the Fund has an interest; and

[6] Including GST less any reduced input tax credits

ii. the difference between the net sale proceeds and the purchase price of the property plus its acquisition costs

- plus an additional fee of 2.2% of the amount by which the net sale proceeds exceed a figure which represents a greater than 50% profit on the purchase price plus acquisition costs.

Where relevant, the amounts are adjusted based on the proportion of the value of the property which the Fund's direct or indirect interest represents.

Wind-up

The Constitution provides that the Trust terminates at the earliest of:

i. the date specified by the Responsible Entity as the date of termination of the Fund in a notice given to Unitholders

ii. the date on which the Fund terminates in accordance with another provision of the Constitution or by law.

In relation to this, we note:

- the Responsible Entity has the ability to determine to wind-up the Fund, but only if it considers it to be in the best interests of Unitholders
- the Constitution does not specify a termination date. It does prohibit Units being issued or redeemed after the 80^{th} anniversary of the day before the Fund commenced, unless that issue or redemption would not offend the rule against perpetuities or any other rule of law or equity. This clause requires that the Fund be fully vested by its 80^{th} anniversary, however, it does not require the Fund to terminate after this period.

If the Fund is wound up, the Constitution provides that Unitholders are entitled to receive a share of the value of the Fund's assets, after meeting all liabilities and expenses, proportionate to the number of Units they hold, less any amount not paid up on the Units.

The applicable expenses include costs associated with the liquidation of the Fund, such as:

- agent fees associated with the sale of the Fund's properties
- property sale fees payable to the Responsible Entity, as outlined above
- costs associated with the liquidation of the Fund, such as legal fees.

8.5 Financial performance

The financial performance of BPPF for the years ended 30 June 2012, 2013 and 2014 is summarised below.

Table 6: Financial performance of BPPF

For the period ending $'000	30-Jun-12 12 months	30-Jun-13 12 months	30-Jun-14 12 months
Revenue and other income			
Property rental income	47,957	43,955	44,444
Share of net profit of equity accounted investments[1]	19,092	49,588	34,775
Net gain on revaluation of investment properties[2]	3,577	22,814	1,310
Interest income	1,425	372	404
Other income	339	109	645
Total revenue and other income	**72,390**	**116,838**	**81,578**
Expenses			
Property expenses	10,532	10,393	11,213
Net loss on revaluation of financial derivatives	4,731	-	-
Management fees	6,372	5,803	6,068
Other expenses	3,140	551	358
Total expenses	**24,775**	**16,747**	**17,639**
EBIT	**47,615**	**100,091**	**63,939**
Finance costs	49,570	44,307	43,999
Profit/(loss) before income tax	**(1,955)**	**55,784**	**19,940**
Tax (expense)/benefit	-	-	-
Net profit attributable to ordinary unitholders	**(1,955)**	**55,784**	**19,940**
Change in cash flow hedge reserve	(26,686)	7,783	8,543
Changes in fair value of available for sale financial assets	(2)	14	(5)
Total comprehensive income attributable to ordinary unitholders	**(28,643)**	**63,581**	**28,478**
Earnings per unit for profit attributable to ordinary equity holder of BPPF:			
Weighted average ordinary units outstanding ('000)	49,900	49,084	49,029
Basic earnings per ordinary unit (cents)[3]	(3.92)	113.65	40.67
Statistics			
Growth in total revenue and other income	*-21.7%*	*61.4%*	*-30.2%*
Share of net profit of equity accounted investments growth (%)	*-57.8%*	*159.7%*	*-29.9%*
EBIT margin (%)	*65.8%*	*85.7%*	*78.4%*
NPAT margin (%)	*-2.7%*	*47.7%*	*24.4%*

Source: BPPF Annual Reports 2012, 2013 and 2014; KPMG Corporate Finance Analysis
Note 1: Share of net profit of investments accounted for using the equity method comprises BPPF's interests in the Ernst & Young Centre, 50 Goulburn Street and Southern Cross East Tower
Note 2: Investment properties represent BPPF's interest in American Express House, Southern Cross West Tower and 108 St Georges Terrace
Note 3: Basic earnings per Unit is calculated by dividing the profit or loss attributable to ordinary Unitholders of BPPF by the weighted average number of Units outstanding during the period. There is no dilutive potential of the Units

In relation to the financial performance of BPPF, we note the following:

- BPPF's indirect interests in the Ernst & Young Centre, 50 Goulburn Street and Southern Cross East Tower properties are accounted for using the equity method

- property rental revenue relates to rental income from investment property leased out under an operating lease calculated on a straight-line basis over the term of the lease, from which lease incentives are deducted. Leasing fees and costs directly associated with negotiating and executing the ongoing renewal of tenant lease agreements are capitalised and amortised over the lease term in proportion to the rental revenue recognised in each financial year
- between FY12 and FY13, revenue increased 61.4% to $116.8 million. This primarily reflected an increase in the value of BPPF's property portfolio from the revaluation of both its investment properties and its property interests held via its equity accounted associates. The largest value increase recorded in FY13 related to 108 St Georges Terrace, the assessed value of which increased from $147.5 million to $166.0 million, driven by strong market fundamentals and capital expenditure associated with building upgrades. The value of BPPF's other properties increased by $36.4 million in FY13
- revenue fell to $81.6 million in FY14. This primarily reflected a lower increase in the fair value of BPPF's property portfolio. Overall, property carrying values increased by $14.7 million in FY14, with increases in the value of American Express House, Southern Cross East Tower and Southern Cross West Tower partly offset by a small decline in the value of the E&Y Centre and 50 Goulburn Street
- operating expenses dropped noticeably between FY12 and FY13, from $24.8 million to $16.7 million. This primarily reflected one-off costs incurred in FY12, including a $4.7 million net loss on the revaluation of financial derivatives and transaction-related costs associated with BPPF's sale of its interest in its Defence Plaza property
- in FY14, operating expenses increased by 5.3% to $17.6 million, driven by an uplift in both property expenses and management fees. The uplift in property expenses largely reflected an increase in rates, fire service levy and land tax charges, each of which is recoverable. As discussed further in Section 8.4.1, the management fee payable is a function of the value of BPPF's property portfolio. The uplift in the management fee between FY13 and FY14 reflected the growth in the value of the portfolio during this period
- other expenses primarily consists of share registry costs and legal and professional fees
- the decline in finance costs over the three year period primarily reflects the drop in floating rate interest costs. The fluctuation in interest rates also led to substantial movements in BPPF's cash flow hedge reserve, which reflects gains and losses recognised against BPPF's interest rate swap hedges. For example, when interest rates declined in FY12, BPPF suffered a loss of $4.7 million on interest rate swaps classified as financial derivatives and a $26.7 million adverse movement in its hedge reserve, reflecting a decline in the fair value of its swap portfolio. Further information on BPPF's interest rate swaps is provided in Section 8.8
- under the 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 Constitution and applicable tax law.

8.6 Financial position

The financial position of BPPF as at 30 June 2012, 2013 and 2014 is summarised below.

Table 7: Financial position of BPPF

As at $'000	30-Jun-12	30-Jun-13	30-Jun-14
Current assets			
Cash and cash equivalents	17,866	12,210	23,585
Trade and other receivables	889	812	1,303
Non-current assets			
Investment properties	414,500	449,000	458,500
Investments accounted for using the equity method	410,149	430,047	433,863
Total assets	**843,404**	**892,069**	**917,251**
Current liabilities			
Trade and other payables	16,548	7,281	9,971
Non-current liabilities			
Interest bearing liabilities:			
Secured bank debt	478,800	478,800	520,000
Subordinated debt	76,596	82,506	49,407
Debt establishment fees	(2,002)	(1,001)	(2,623)
Fair value of financial derivatives	44,322	36,539	27,996
Total liabilities	**614,264**	**604,125**	**604,751**
Net assets	**229,140**	**287,944**	**312,500**
Equity			
Units on issue	302,899	302,047	302,047
Reserves	(26,669)	(18,872)	(10,334)
Undistributed losses	(47,090)	4,769	20,787
Total equity	**229,140**	**287,944**	**312,500**
Statistics			
Total units on issue ('000)	*49,253*	*49,029*	*49,029*
NTA per unit [1]	*4.65*	*5.87*	*6.37*
Return on equity [2]	*-0.9%*	*19.4%*	*6.4%*
Return on capital [3]	*-0.2%*	*6.6%*	*2.3%*
Gearing [4]	*64.9%*	*62.3%*	*60.8%*
Loan to value ratio [5] *- senior debt only*	*58.0%*	*54.4%*	*58.1%*
Loan to value ratio [5] *- senior and subordinated debt*	*67.0%*	*63.8%*	*63.3%*

Source: BPPF Annual Report 2012, 2013 and 2014; KPMG Corporate Finance Analysis
Note 1: NTA per Unit calculated as net tangible assets over Units on issue
Note 2: Return on equity calculated as NPAT over total equity
Note 3: Return on capital calculated as NPAT over total borrowings and total equity
Note 4: Gearing calculated as net debt (current and non-current interest bearing liabilities less cash) over total assets less cash
Note 5: Loan to value ratio calculated as total borrowings over total assets less cash

In relation to the financial position of BPPF, we note the following:

- investment properties are property assets that are held to earn long-term rental yields and/or for capital appreciation. They are initially recorded at cost and subsequently recorded on a fair value basis. The investment properties balance represents the combined value of BPPF's interests in

American Express House, Southern Cross West Tower and 108 St Georges Terrace, based on the assessment of appointed external valuers. At 30 June 2014, these properties had a combined value of $458.5 million, representing an increase in value of $44.0 million since 30 June 2012

- as noted previously, BPPF's interests in the Ernst & Young Centre, 50 Goulburn St and Southern Cross East Tower properties are held indirectly through associates which are accounted for using the equity method. At 30 June 2014, BPPF's share of the net assets of its associates amounted to $433.9 million
- trade and other receivables includes BPPF's minority interests in two A-REITs, being Abacus Property Group and Charter Hall Retail REIT. Further information on each of these entities is provided in Appendix 4. For accounting purposes, BPPF's investments in these entities are classified as available for sale and are carried at fair value. At 30 June 2014, the combined fair value of BPPF's investments was approximately $90,000
- trade and other payables dropped sharply over the period, from $16.5 million at 30 June 2012 to $10.0 million at 30 June 2014. This was primarily due to a decline in a liability that resulted from the Fund's disposal of its Defence Plaza property in March 2012. As part of the sale, the Fund was required to pay outstanding tenant incentives owed to the Department of Defence as a tenant of the property. The liability fell from approximately $5.7 million at 30 June 2012 to $0.7 million at 30 June 2014
- in anticipation of its existing debt facilities expiring in July 2014, in June 2014, BPPF entered into a new three-year $520 million senior debt facility and secured a three year extension to its subordinated debt facility. At 30 June 2014, the Fund had fully drawn its senior debt facility and had drawn $49.4 million of its subordinated facility. Further details in relation to BPPF's debt arrangements are provided in Section 8.8
- the fair value of financial derivatives liability represents BPPF's interest rate swaps, which are used to hedge exposure to interest rate risk. Changes in the fair value of derivatives that qualify as cash flow hedges are reported as other comprehensive income. Further information on the interest rate swaps is provided in Section 8.8
- at 30 June 2014, BPPF's NTA per Unit was $6.37, up from $5.87 per Unit at 30 June 2013. This improvement primarily represented the growth in the assessed value of the Fund's property portfolio. It also reflects the growth in BPPF's cash balance over this period, from $12.2 million to $23.6 million. The Fund intends to utilise the excess cash reserves to fund the capital requirements of its properties in the near term, particularly 108 St Georges Terrace and the Ernst & Young Centre
- following the launch of a buy-back scheme in September 2011, the Fund acquired approximately 2.8% of the Units on issue in FY12 and FY13. Although the buy-back scheme was subsequently extended to September 2014, no additional Units were purchased in FY14. Further information on the buy-back scheme is provided in Section 8.10.4.

8.7 Cash flow statement

The table below sets out BPPF's cash flow statement for the years ending 30 June 2012, 2013 and 2014.

Table 8: Cash flow statement

For the period ending $'000	30-Jun-12 12 months	30-Jun-13 12 months	30-Jun-14 12 months
Cash flows from operating activities			
Cash receipts in the course of operations	48,429	42,123	47,149
Cash payments in the course of operations	(29,169)	(19,543)	(19,449)
Interest received	1,498	358	400
Financing costs paid	(48,274)	(37,323)	(37,196)
Net cash flows from operating activities	**(27,516)**	**(14,385)**	**(9,096)**
Cash flows from investing activities			
Purchases of investment property	(263,507)	-	-
Payments for additions in investment properties	(7,257)	(15,764)	(6,088)
Proceeds from sale of investment property	86,700	-	-
Proceeds from sale of listed property trust investments	-	-	41
Distributions received from investments in ASX listed property trusts	8	9	8
Distributions received from associates	29,148	29,266	30,629
Net cash flows from investing activities	**(154,908)**	**13,511**	**24,590**
Cash flows from financing activities			
Payment for units bought back	(4,711)	(852)	-
Debt establishment costs paid	(3,005)	-	(2,537)
Proceeds from final equity call	741	-	-
Proceeds from interest bearing liabilities	271,336	-	520,000
Repayments of interest bearing liabilities	(78,954)	-	(517,660)
Distributions paid	(3,007)	(3,930)	(3,922)
Net cash flows from financing activities	**182,400**	**(4,782)**	**(4,119)**
Net increase/(decrease) in cash and cash equivalents	(24)	(5,656)	11,375
Cash and cash equivalents at beginning of year	17,890	17,866	12,210
Cash and cash equivalents at 30 June	**17,866**	**12,210**	**23,585**

Source: BPPF Annual Report 2012, 2013 and 2014; KPMG Corporate Finance Analysis

In relation to BPPF's cash flow statement, we note:

- in each of the past three financial periods, BPPF has experienced a net outflow from operating activities, although this in part reflects that the equity accounted investments are categorised in BPPF's cash flow statement as investing activities, whilst a proportion of the financing costs, which are classified as operating activities, relate to the servicing of debt drawn to fund the acquisition of its equity accounted property interests
- during the 12 months to 30 June 2012, BPPF's cash flow was influenced by a number of significant items. For example, BPPF generated sale proceeds of $86.7 million from the sale of its Defence Plaza property, and also acquired its interests in 108 St George's Terrace and Southern Cross West Tower

for a combined sum of $263.5 million. The acquisitions were in part financed through additional debt raised during this period

- FY12 and FY13 included outflows relating to BPPF's buy back scheme, which was launched in September 2011. Further information on the buy-back scheme is provided in Section 8.10.4
- the proceeds from and repayments of interest bearing liabilities recorded in FY14 represent the refinancing completed in June 2014. Further information on the refinancing is provided in the following section.

8.8 Interest bearing liabilities

Effective 24 June 2014, the Fund entered into a $520 million, three year syndicated senior debt facility. This replaced the Fund's existing $478.8 million senior debt facility, which had been due to expire in July 2014. A portion of the senior debt was used to reduce its subordinated facility.

On the same date, the Fund entered into a three-year extension of its $130 million subordinated debt facility, which is provided by BPPF Financier Pty Ltd, a subsidiary of Brookfield Group. Where required, the subordinated facility can be drawn on to supplement existing cash flows from the properties to meet the Fund's ongoing cash requirements, such as those associated with capital expenditure or leasing.

The key terms of the senior and subordinated debt facilities are summarised in the table below.

Table 9: Debt facilities

Facility	Type	Lender	Maturity date	Amount	Drawn at 30-Jun-14	Interest rate
Senior	Non-revolving, bullet facility	Consortium[1]	24-Jun-17	$520.0 million	$520.0 million	Reuters BBSY +1.75%
Subordinated	Subordinated, bullet facility	BPPF Financier Pty Ltd[2]	25-Jun-17	$130.0 million	$49.4 million	2% above senior facility

Source: BPPF Annual Report 2014; Management of BPPF
Note 1: Senior debt facility provided by a consortium of banks comprised of Australia and New Zealand Banking Group Limited, ING Bank (Australia) Limited, National Australia Bank Limited and DekaBank Deutsche Girozentrale
Note 2: BPPF Financier Pty Ltd is a subsidiary of Brookfield Group

Details of the financial covenants specified under the terms of BPPF's senior debt facility are summarised in the table below.

Table 10: Financial covenants

Financial covenant	Threshold	30-Jun-12	30-Jun-13	30-Jun-14
Loan to value ratio	Not greater than 65% (senior debt only)	58.0%	54.4%	58.1%
Interest coverage ratio	At least 1.4 times (12 month rolling basis)	1.61	1.68	1.69

Source: BPPF Annual Reports 2012, 2013 and 2014; Management of BPPF; KPMG Corporate Finance analysis

In relation to the financial covenants, we note:

- the loan to value ratio (LVR) reflects the ratio of BPPF's senior debt to the appraised value of BPPF's property portfolio (including the property interests held via equity accounted associates). The subordinated debt is excluded from the LVR covenant

- at 30 June 2014, BPPF's LVR was 58.1%, meaning there was headroom to the 65% covenant threshold. This was also the case in the two preceding financial periods. As BPPF has already drawn down its senior debt facility in full, a breach in the LVR covenant will only occur if there is a drop in the assessed value of BPPF's property portfolio
- the interest coverage ratio is a rolling 12 month measure that reflects the ratio of gross rent after certain property-related outgoings to the interest expense (including expenses associated with BPPF's interest rate swaps) over the period. At 30 June 2014, the interest coverage ratio was 1.69 times, providing headroom over the 1.4 times covenant threshold
- a default under the terms of the Senior Debt Facility also causes the Subordinated Debt Facility to be in default.

Interest rate swaps

To hedge the interest rate risk on its floating rate interest bearing liabilities, the Fund has entered into interest rate swaps. Details of the Fund's interest rate swaps are provided in the table below.

Table 11: Interest rate swaps

Type of contract	Expiration	Fixed rate %	Floating rate %	Notional amount of contract outstanding	Fair value of asset/(liability)
Floating to fixed interest rate swap	Jul-16	5.88	BBSW	$435.0 million	$(28.0) million

Source: BPPF Annual Report 2014

8.9 Distributions

BPPF has historically paid quarterly distributions on the last day of the months of July, October, January and April. Distributions are paid at the Board's discretion.

In FY14, BPPF declared a quarterly distribution of 2.0 cents per Unit, which was consistent with the distributions made in the two preceding financial periods, and amounted to total FY14 distributions of $3.9 million. BPPF's most recent distribution, which was declared by the Fund in September 2014 and paid on 31 October 2014, was also 2.0 cents per Unit.

Distributions paid by BPPF in relation to the years ended 30 June 2012, 2013 and 2014 are set out in the table below.

Table 12: Distributions and implied payout ratio and yield

Period ended	30-Jun-12 12 months	30-Jun-13 12 months	30-Jun-14 12 months
Weighted average number of units entitled to distributions ('000)	49,900	49,084	49,029
Net profit attributable to ordinary unitholders ($ millions)	(1,955)	55,784	19,940
Earnings per ordinary unit (cents)	(3.9)	113.7	40.7
Distributions for the period ($ millions)	3,992	3,925	3,922
Average share price for the period (cents)	369.6	369.4	406.8
Yearly distribution per unit (cents)	8.0	8.0	8.0
Payout ratio[1]	n/a	7.0%	19.7%
Distribution yield[2]	2.2%	2.2%	2.0%

Source: BPPF Annual Reports for years ended 30 June 2013 and 30 June 2014
Note 1: Distribution payout ratio calculated as yearly distribution per Unit over earnings per Unit
Note 2: Distribution yield calculated as yearly distribution per Unit over average Unit price in each period

In relation to the table above, we note:

- BPPF's payout ratio has fluctuated over the past three financial years. This reflects the combination of BPPF's policy of making stable distributions and its relatively volatile net earnings, which are influenced by property revaluations. Refer to Section 8.5 for details of BPPF's relative financial performance
- BPPF's distribution yield over the period ranged between 2.0% to 2.2%. This is notably lower than the recent distribution yield of BPPF's peers, as summarised in Section 9.6.2.

8.10 Capital structure

8.10.1 General

The following table sets out the most recent figures on the top 20 ordinary BPPF Unitholders as at 3 November 2014.

Table 13: Top 20 BPPF Unitholders as at 3 November 2014

	Number of ordinary Units	Percentage of issued capital
Brookfield Capital Securities Limited	25,895,419	52.82%
Trust Company Limited	10,893,945	22.22%
Brookfield Securities (Australia) Pty Ltd	2,625,701	5.36%
Horrie Pty Ltd	932,000	1.90%
J.P. Morgan Nominees Australia Limited	549,700	1.12%
ANZ Trustees Limited	459,836	0.94%
ANZ Trustees Limited	441,860	0.90%
Mrs Helene Neuman	400,000	0.82%
Geoffrey Gardiner Dairy Foundation Ltd	353,569	0.72%
Hillmorton Custodians Pty Ltd	303,921	0.62%
Framington Nominees Pty Ltd	268,500	0.55%
ANZ Trustees Limited	268,405	0.55%
Equity Trustees Wealth Services Limited	232,879	0.47%
ANZ Trustees Limited	198,728	0.41%
Stilwood Custodians Pty Ltd	161,736	0.33%
Navigator Australia Ltd	158,834	0.32%
ANZ Trustees Limited	136,577	0.28%
Stilwood Pty Ltd	127,071	0.26%
Kelpador Pty Ltd	118,877	0.24%
Indevco Group Holdings Pty Limited	118,554	0.24%
Total Units held by top 20 Unitholders	**44,646,112**	**91.06%**
Other Unitholders	4,383,038	8.94%
Total Units on issue	**49,029,150**	**100.00%**

Source: *Management, Link Market Services Shareview*

In relation to the BPPF Unitholders, we note:

- the top 10 registered BPPF Unitholders account for approximately 87% of BPPF issued Units, with the top 20 Unitholders accounting for approximately 91% of Units
- of the 49.0 million outstanding Units at 3 November 2014, institutional investors accounted for approximately 86%[7]
- in total, Brookfield Group's interest in BPPF was 80.47% at 3 November 2014. This reflects its indirect interests held via Brookfield Capital Securities Limited as trustee of Brookfield Multiplex PPF Investment No 2 Trust (52.8%), Trust Company Limited, as custodian for Brookfield BPPF Investments Trust (22.2%) and Brookfield Securities (Australia) Pty Ltd (5.4%). The background to Brookfield Group's controlling interest in BPPF is discussed below.

[7] Based on classification according to S&P Capital IQ, which may include Units managed by institutions on behalf of individuals

8.10.2 Background to Brookfield Group's controlling interest in BPPF

At 30 June 2006, shortly before the Fund was listed on the ASX, Brookfield Group had a 21.6% interest in BPPF, held via Multiplex Funds Management Ltd as custodian for Multiplex Colt Investments Pty Ltd.

Brookfield Group's controlling interest in BPPF came about following an equity-raising completed in November 2009, which was the consequence of the challenging market conditions being experienced at the time, at which point Brookfield Group, continued to hold approximately 21.6% of Units on issue.

Following the onset of the Global Financial Crisis (GFC), and the resulting impact on property valuations, BPPF's gearing reached 90.4% at 30 June 2009. Under pressure from lenders to stabilise its capital structure, BPPF's Independent Directors put forward a proposal to raise equity and reduce its level of gearing by way of an Entitlement Offer. On 24 August 2009, BCML, as Responsible Entity, announced a proposal to conduct a capital raising, targeting $50 million through a rights offer of ordinary partly paid Units to all Unitholders. The Entitlement Offer, which was fully underwritten by Brookfield Group allowed:

- eligible Unitholders to participate in the capital raising on a pro-rata basis to their existing holdings, to acquire ordinary partly paid Units issued at a price of 0.1 cents payable on application, and a further 0.2237 cents payable on the same terms as the final instalment of the existing Units due in June 2011
- eligible Unitholders to purchase another 178 Units for every 1 Unit they owned
- Unitholders the opportunity to exit their investment through a cash-out facility at 0.1 cents per Unit.

The outcome of the Entitlement Offer resulted in Brookfield Group's relevant interest in BPPF increasing to approximately 78%. This has subsequently increased to 80.47% through on-market acquisitions and the effect of the buy-back scheme discussed below.

On 27 May 2010, BPPF underwent a consolidation of its Units, whereby the Units on issue in the Fund were consolidated on a 1 for 1000 basis. The consolidation took effect on 21 June 2010.

8.10.3 Directors' interests

The directors of BCML do not hold any BPPF Units, either directly or indirectly.

8.10.4 Unit buy-back scheme

In September 2011, BPPF commenced an on-market buy-back scheme, under which it had the ability to repurchase up to 10% of BPPF Units over a 12 month period. The buy-back was extended multiple times, with the latest extension ending in September 2014.

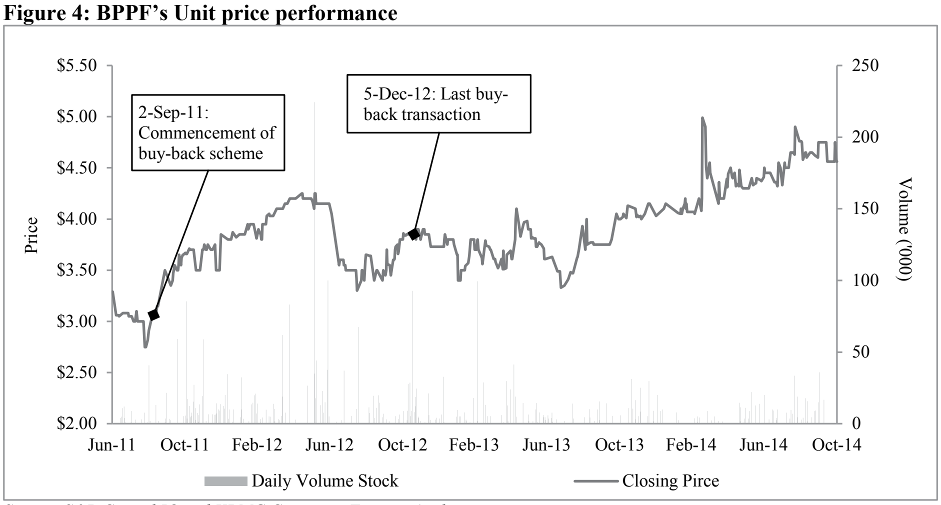
In FY12 and FY13, BPPF repurchased and cancelled approximately 2.8% of Units for an average price of $3.95 per Unit. No Units were repurchased during FY14.

8.11 Unit price performance

8.11.1 Recent Unit trading

BPPF's Unit price history and volume of trading from 30 June 2011 to 31 October 2014 is set out below.

Figure 4: BPPF's Unit price performance



Source: S&P Capital IQ and KPMG Corporate Finance Analysis

Since June 2011, BPPF's closing Unit price has ranged between a low of $2.75 in August 2011 to a high of $4.99 in March 2014. Since December 2013, BPPF Units have largely traded in-line with the ASX 300 A-REIT Index (A-REIT Index), with the exception of a sharp price increase and subsequent drop in March 2014.

As noted above, on 2 September 2011, BPPF commenced an on-market buy-back scheme. Although the scheme has been extended to September 2014, the final transaction took place in December 2012. The impact of the buy-back scheme on BPPF's Unit price was restricted by the fact that BPPF only purchased 2.8% of Units on issue during this period.

BPPF does not provide distribution guidance to the market prior to declaration, however since 2011, they have consistently paid out distributions of 2.0 cents per Unit. As a result of the capital structure, BPPF has paid relatively lower distributions in order to maintain adequate capital levels to support the funding of capital expenditures and other business requirements. The consistent distributions and market perception of sustained distributions appear to have had little impact on the movement of BPPF's Unit price. Further details regarding BPPF's distributions and policy is outlined in Section 8.9.

On 19 March 2014, the BPPF Unit price achieved a three-year high of $4.99. However, this price reflected the trading of a low volume of Units and only represented a temporary high, with the price per Unit dropping back to $4.50 shortly thereafter. Since April 2014, the Unit price has broadly traded in-line with movements in the A-REIT Index, with Unit prices ranging between $4.15 and $4.90.

BPPF's Unit price was $4.56 at close of trade on 31 October 2014, representing a 13% increase on its 12-month average close price.

8.11.2 Liquidity

An analysis of the volume of trading in BPPF Units and the implied VWAP for different periods to 31 October 2014 is set out below.

Table 14: Volume of trading in BPPF Units and implied VWAP prior to 31 October 2014

Period	Price (low) $	Price (high) $	Price VWAP $	Cumulative value $m	Cumulative volume m	% of issued capital
1 week	4.56	4.75	4.69	0.0	0.0	0.0
1 month	4.56	4.79	4.73	0.1	0.0	0.0
2 month	4.50	4.79	4.67	0.5	0.1	0.2
3 months	4.50	4.90	4.67	0.8	0.2	0.4
6 months	4.30	4.90	4.53	1.8	0.4	0.8
12 months	4.00	4.99	4.38	2.7	0.6	1.2

Source: S&P Capital IQ; KPMG Corporate Finance Analysis

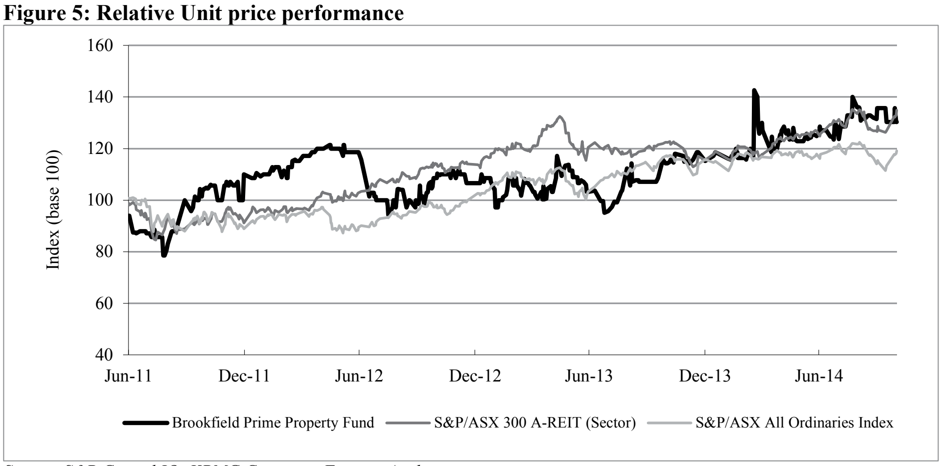
In relation to the VWAP analysis above, we note:

- during the 12-month period to 31 October 2014, on a cumulative basis, 1.2% of issued Units were traded. Under normal market conditions, such a low level of trading activity indicates that BPPF Units are relatively illiquid
- BPPF has a relatively low free float, primarily as a result of the significant proportion of Units owned by Brookfield Group. This explains the low level of trading activity noted above
- the VWAP of BPPF Units over the 12-months to 31 October 2014 was $4.38, with a cumulative volume of 0.6 million Units being traded during this period. However, the illiquid nature of the BPPF Units indicates, that under normal market conditions, the Unit price is likely to be constrained.

8.11.3 Relative Unit price performance

The figure below illustrates the performance of BPPF Units over the three years to 31 October 2014, relative to the A-REIT Index and the All Ordinaries Index.

Figure 5: Relative Unit price performance



Source: S&P Capital IQ; KPMG Corporate Finance Analysis

BPPF is listed on the All Ordinaries Index, representing less than 0.01% of the All Ordinaries Index in terms of market capitalisation.

Between June 2011 and December 2013, the performance of BPPF's Unit price has been relatively inconsistent with the performance of the A-REIT Index. During the period between September 2011 and June 2012, BPPF Units outperformed both the A-REIT Index and All Ordinaries Index. This coincided with domestic macroeconomic factors, including the reduction in interest rates, which particularly influenced BPPF earnings due to its significantly high level of gearing, as well as the general positive outlook for A-REITs.

During December 2012 and December 2013, BPPF Units have underperformed the A-REIT Index, although trended close to the All Ordinaries Index.

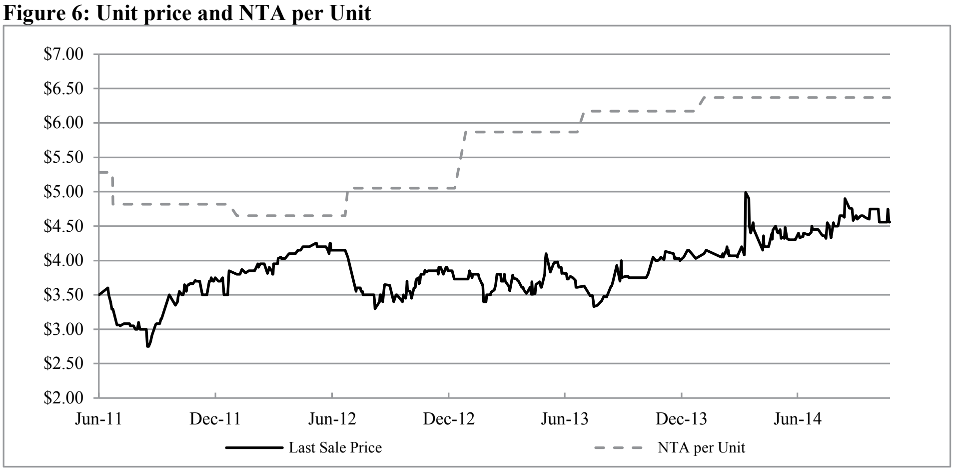
Since December 2013, BPPF Units outperformed the All Ordinaries Index, and have traded in-line with the A-REIT Index, with the exception of a sharp price movement in March 2014. This growth period has been driven by the continued strength and outlook of the Australian property sector as well as the historically low interest rate and improving business and consumer confidence.

An overview of the A-REIT industry and Australian office property sectors are set out in Appendix 3.

8.11.4 Unit price relative to NTA

The figure below provides a historic comparison of BPPF's Unit price compared to its net tangible assets (NTA) per Unit over the three years to 30 June 2014.

Figure 6: Unit price and NTA per Unit



Source: S&P Capital IQ; KPMG Corporate Finance Analysis

As illustrated in the figure above, BPPF's Units have consistently traded at a discount to NTA, although the level of the discount has varied over time.

Based on the NTA recorded at 30 June 2014 of $6.37 per Unit, the closing price at 31 October 2014 implied a discount to NTA of 28.4%. The average discount over the six-month period to 31 October 2014 was 29.6%. While difficult to quantify, reasons for the discount likely include the following:

- low level of liquidity of BPPF Units
- comparatively low distribution yield, particularly for an investment vehicle of this type, which reduces the attractiveness of the Units, especially to retail investors
- inability to exercise influence given the controlling interest of Brookfield Group and the unlikelihood of a change of control transaction
- the existing arrangements under which BPPF pays fees to Brookfield Group in relation to the management of the Fund and Fund's portfolio
- other corporate overhead costs required to operate BPPF which are not captured in NTA
- the market's perception regarding the outlook for rental growth rates in Australian CBD office properties.

9 Valuation of BPPF

9.1 Summary

We have assessed the value of BPPF as at 31 October 2014 to be in the range of $293.9 million to $305.9 million, which corresponds to a value of $5.99 to $6.24 per Unit, as summarised in the table below.

Table 15: Valuation summary

$ million unless otherwise stated	Reference	Low	High
NTA as at 30 June 2014	9.3	312.5	312.5
Change in fair value of interest rate swaps	9.3.5	3.9	3.9
Capitalised value of corporate overheads	9.4.1	(12.8)	(3.8)
Fee obligation under existing MSA	9.4.2	(12.0)	(9.0)
Undistributed net cash earnings	9.4.3	2.2	2.2
Equity value of BPPF as at 31 October 2014		**293.9**	**305.9**
Units on issue as at 31 October 2014 (million)		49.0	49.0
Assessed value of BPPF Unit ($)		**5.99**	**6.24**

Source: KPMG Corporate Finance analysis; Management of BPPF

In assessing the value of the BPPF Units, KPMG Corporate Finance has applied a Net Assets approach. Under this approach, the value of BPPF is based primarily on BPPF's NTA at 30 June 2014, which reflects the market value of BPPF's property portfolio at this date together with the carrying values of BPPF's other assets, interest bearing liabilities and other liabilities. We have also made adjustments to the Fund's NTA to account for the following:

- changes in the fair value of BPPF's interest rate swap portfolio between 30 June 2014 and the Valuation Date
- ongoing corporate overheads, reflecting the level of incremental costs that an acquirer would likely incur by assuming management responsibilities of the Fund. Overhead costs are valued using a Capitalised Earnings approach
- obligations associated with the Fund's existing MSA, having consideration to the ability of an acquirer to terminate the agreement with Brookfield Group
- undistributed net cash earnings accrued between 1 July 2014 and the Valuation Date.

Management advised that, aside from the assets subject to the adjustments detailed above, there were no material movements in the carrying value of the Fund's net assets between 30 June 2014 and the Valuation Date.

Further details on the approach taken and assumptions underlying our valuation of BPPF at the Valuation Date are provided in the remainder of this Section.

9.2 Valuation methodology

9.2.1 Overview

Our valuation of BPPF has been prepared on the basis of 'market value'. The generally accepted definition of market value (and that which we have applied in forming our opinion) is the value that should be agreed in a hypothetical transaction between a knowledgeable, willing, but not anxious buyer and a knowledgeable, willing, but not anxious seller, acting at arm's length.

Market value excludes 'special value', which is the value over and above market value that a particular buyer, who can achieve synergistic benefits from the acquisition, may be prepared to pay.

In selecting an appropriate valuation methodology, KPMG Corporate Finance has considered the methodologies outlined in RG111, as well as generally accepted valuation methodologies, including:

- capitalisation of maintainable earnings (Capitalised Earnings)
- discounted cash flow (DCF)
- net realisable assets (Net Assets).

These methodologies are discussed in greater detail in Appendix 6. Ultimately, the methodology adopted is dependent on the nature of the underlying business and the methodology which supports the highest value achievable in an open market. A secondary methodology is typically adopted as a cross-check to confirm the reasonableness of the primary approach, with the valuation outcome ultimately being a judgement derived through an iterative process.

For profitable businesses, methodologies such as Capitalised Earnings and DCF are commonly used as they reflect "going concern" values which typically incorporate some element of goodwill over and above the value of the underlying assets. For businesses that are either non-profitable, non-tradable or asset rich, Net Assets is typically adopted as there tends to be minimal goodwill, if any.

9.2.2 Selection of methodology

We have adopted a Net Assets basis in valuing BPPF. This approach is commonly adopted when assessing the value of A-REITs and other types of property funds, where the property assets are carried at market value.

The Net Assets methodology requires a valuer to determine the fair value of the assets and liabilities, excluding any realisation costs, at the Valuation Date. In this regard, we have determined the value of BPPF with reference to its underlying net assets.

The value of BPPF is largely dependent upon the value of its property portfolio, which has been determined based on independent valuations of the Fund's properties conducted by third party valuers as at 30 June 2014. The value attributable to BPPF Unitholders is the aggregate of the market value of the Fund's property portfolio, with adjustments for the following:

- net debt and the Fund's other assets and liabilities

- ongoing corporate overheads, reflecting the level of incremental costs that an acquirer would likely incur by assuming management responsibilities of the Fund. Overhead costs are valued using a Capitalised Earnings approach
- obligations associated with the Fund's existing MSA, having consideration to the ability of an acquirer to terminate the agreement with Brookfield Group
- undistributed earnings accrued between the latest balance sheet date (30 June 2014) and the Valuation Date.

In addition to using the above methodologies, KPMG Corporate Finance has also completed a number of cross-checks by reference to:

- analysing the recent trading history of BPPF Units
- comparing the premium to NTA implied by the valuation with those of comparable listed A-REITs.

9.3 Assessed value of assets and liabilities

To estimate the value of BPPF's assets and liabilities at the Valuation Date, KPMG Corporate Finance has relied on the Fund's balance sheet at 30 June 2014. As set out in the summarised balance sheet below, the Fund's NTA at 30 June 2014 was $312.5 million. A detailed version of the Fund's balance sheet is provided in Section 8.6.

Table 16: Summarised balance sheet

As at $ million	Reference	30-Jun-14
Investment properties	9.3.1	458.5
Investments accounted for using the equity method[1]	9.3.1	433.9
Cash	9.3.2	23.6
Trade and other receiveables	9.3.3	1.3
Total assets		**917.3**
Interest bearing liabilities	9.3.4	566.8
Interest rate swaps	9.3.5	28.0
Trade and other payables	9.3.3	10.0
Total liabilities		**604.8**
Net assets		**312.5**

Source: BPPF Annual Report 2014
Note 1: Investments accounted for using the equity method includes BPPF's share of investment properties owned via its associates. The value of the Fund's interest in these properties was assessed by the independent valuers at $436.3 million at 30 June 2014

9.3.1 Property portfolio

The net asset value of BPPF is largely dependent on the value of its underlying investment properties. The investment properties are carried on the balance sheet at fair value (which equates to their market value), based on the Directors' assessment. This assessment takes into account the latest independent valuations, which are generally prepared annually, and consider several factors, such as projected rental and vacancy rates, property operating expenses, capital expenditure and interest rates, changes in tenants, changes in competitors, changes in operating costs and any significant adverse changes in legal factors or business climate. In determining the fair value, property valuers typically use a number of methodologies, including the capitalisation of net income method, the discounted cash flow method and direct comparison to determine individual property values.

As at 30 June 2014, BPPF's property portfolio was valued at $894.8 million (including the property interests owned via its associates accounted for using the equity method), representing approximately 97.5% of the Fund's total assets. Set out in the table below is a summary of the change in the value of BPPF's property portfolio in each six month period since June 2012, as well as the range of capitalisation rates adopted for the valuation of the Fund's investment properties.

Table 17: BPPF's historical property portfolio value and capitalisation rates

As at	30-Jun-12	31-Dec-12	30-Jun-13	31-Dec-13	30-Jun-14
Portfolio value ($ million)	825.3	851.3	880.1	889.5	894.8
Capitalisation rates adopted	7.00%-8.00%	6.75%-7.75%	6.63%-7.71%	7.00%-7.50%[2]	6.63%-7.50%[2]

Source: BPPF Annual Reports 2013 and 2014; BPPF Appendix 4D Additional Disclosures for half years ending 31 December 2012 and 2013
Notes 1: The property value includes BPPF's share of properties held via its associates accounted for using the equity method
Notes 2:The capitalisation rates presented at 31 December 2013 and 30 June 2014 relate only to BPPF's investment properties. BPPF's financial reports for the six month period ended 31 December 2013 and the 12 month period ended 30 June 2014 provide the capitalisation rates assumed in the carrying value of the Fund's investment properties but not its property interests held via its equity accounted associates.

KPMG Corporate Finance has relied on the Directors' assessment of fair value and the independent valuations conducted by third party valuers for the purposes of this report, and did not undertake its own valuations of the properties.

KPMG Corporate Finance has reviewed each of the independent valuations undertaken in relation to BPPF's properties as at 30 June 2014. Based on a review of these reports, we conclude that:

- the property valuers were independent of BPPF
- the engagement instructions were appropriate and did not limit the scope of the valuations
- the property valuations were completed by reputable valuation companies and by valuers who have the appropriate qualifications in accordance with the standards of the Australian Property Institute
- the valuation methods used appear to be consistent with those generally applied in the industry, with the valuation conclusions selected having regard to the results of each methodology.

We note our review does not imply that the valuations have been subject to any form of audit or due diligence. In addition, we note that the valuations:

- assume that the properties are sold on an individual basis (and not sold in one line)
- are prepared in accordance with normal property valuation methodologies.

On this basis, KPMG Corporate Finance considers the valuations of the investment properties are not unreasonable and are appropriate for use in a Net Assets approach.

Adopted capitalisation rates

Based on the independent valuations, the weighted average capitalisation rate (WACR) of BPPF's portfolio (including the properties via its associates accounted for using the equity method) at 30 June 2014 was 7.08%.

KPMG Corporate Finance compared the WACR of the BPPF portfolio as at 30 June 2014 with those observed in relation to the Australian office property portfolios owned by comparable listed A-REITs. This analysis is set out in the table below.

Table 18: Key metrics of office property portfolios of listed A-REITs

	Number of properties	Total value ($ million)	Occupancy (%)	WALE (years)	WACR (%)
BPPF	**5**	**894.8**	**99.3%**	**4.7**	**7.1%**
Investa Office Fund	23	3,055.3	93.0%	5.0	7.3%
360 Capital Office Fund	4	253.5	99.6%	4.2	8.7%
Cromwell Property Group	36	2,182.9	97.6%	5.9	8.2%
GDI Property Group	5	829.0	89.0%	3.3	8.1%

Source: BPPF's independent valuations at 30 June 2014; BPPF Annual Report 2014; Company presentations and annual reports
Note 1: The portfolio metrics for Investa Office Fund represents its Australian property portfolio only (Investa Office Fund also owns one property in Belgium)

In relation to the table above, we note:

- BPPF's WACR was slightly lower than the range observed for the comparable office property A-REITs at 30 June 2014. We consider this reasonable given the premium grade quality of BPPF's CBD office properties relative to the portfolios of the comparable companies
- we consider Investa Office Fund's (IOF's) property portfolio to be the most comparable to BPPF, as IOF holds a number of premium grade CBD office properties in Australia. However, we note that IOF also has interests in a number of sub-prime properties, which would typically attract higher capitalisation rates. On this basis, we consider it reasonable that BPPF's WACR should be slightly lower than IOF's. IOF also holds an interest in a European office property, although we note this is excluded from the metrics presented above.

Investments accounted for using the equity method

The property portfolio values set out in Table 17 include BPPF's share of the properties owned by its associates accounted for using the equity-method. These are:

- Latitude Landowning Trust, which owns the Ernst & Young Centre and 50 Goulburn Street property in Sydney. At 30 June 2014, BPPF's 50% interest in these properties was valued at $265.0 million
- Brookfield Development No. 6A Unit Trust, which owns the Southern Cross East Tower in Melbourne. At 30 June 2014, BPPF's 25% interest in the Southern Cross East Tower was valued at $171.3 million.

BPPF's interests in these entities are carried at fair value, having regard to BPPF's share of the value of the properties, adjusted to reflect the other assets and liabilities associated with each of the trusts. At 30 June 2014, the carrying value of BPPF's investments accounted for using the equity method was assessed at $433.9 million at 30 June 2014.

9.3.2 Cash

At 30 June 2014, BPPF had a consolidated cash balance of approximately $23.6 million.

Approximately $981,000 of the cash balance was required to fund the distribution declared by BPPF in June 2014 and paid on 31 July 2014. The distribution payable was included as a liability within the trade and other payables balance.

9.3.3 Trade and other receivables and payables

Trade and other receivables primarily was comprised of prepayments and accrued income, and also includes distributions receivable, other receivables and available for sale investments, which are held at fair value assessed at approximately $90,000 at 30 June 2014.

Trade and other payables featured deferred revenue, management fees payable, capital expenditure accruals and distributions payable, as well as interest payable and other payables and accruals.

The values assigned to these assets and liabilities is based on the balance sheet at 30 June 2014. For further information, refer to Section 8.6.

9.3.4 Interest-bearing liabilities

The interest-bearing liabilities primarily represent BPPF's senior and subordinated debt facilities outstanding. Further information on the Fund's interest-bearing liabilities, which totalled $569.4 million at 30 June 2014, are provided in Section 8.8.

9.3.5 Interest rate swaps

BPPF's interest rate swaps are carried at fair value and at 30 June 2014 represented a liability of $28.0 million.

Between 30 June 2014 and the Valuation Date, the fair value of the interest rate swaps fell to $24.1 million. We have therefore adjusted for this variance when determining the value of BPPF.

Further information on BPPF's interest rate swaps is provided in Section 8.8.

9.4 Adjustments to NTA

9.4.1 Corporate overhead costs

The independent property valuations underlying the value of BPPF's property portfolio reflect only costs associated with the management of the individual properties. They do not reflect either corporate overhead costs associated with operating the Fund or fees associated with the management of the Fund. It is therefore appropriate to adjust BPPF's NTA for such ongoing costs.

Current cost structure

In FY14, the costs associated with the management of the Fund were as follows:

- management fees of $6.1 million payable to the Fund Manager. This reflected the payment of base management fees, which are calculated as a function of the gross asset value of the Fund, as detailed in Section 8.4.1. No performance fees were payable during the period
- other expenses amounting to $358,000, which primarily consisted of share registry costs and legal and professional fees.

Ongoing operating and overhead costs

For the purpose of our valuation, we have considered the ongoing operating and overhead costs that would be incurred by an acquirer in relation to the management of the Fund, assuming it is acquired as part of a control transaction. In this regard, we note:

- the existing MSA covers an initial term of 10 years from the date upon which the Units were first quoted on the ASX, being 15 September 2006
- under certain conditions, as set out in Section 8.4, the Responsible Entity is able to terminate the MSA. However, it is not currently foreseen that any of these circumstances will arise before the initial term of the MSA is completed in September 2016
- after the initial term, the Unitholders have the ability to remove or replace the Fund Manager upon passing an ordinary resolution.

Having regard to the above, we have assumed a potential acquirer would be unable to terminate the MSA before 15 September 2016. An acquirer would therefore assume the obligation to pay the management fees in accordance with the existing MSA up until this date, unless an early termination settlement could be agreed with Brookfield Group. Accordingly, an adjustment is made to the Fund's NTA to reflect this obligation, as detailed in Section 9.4.2.

At the end of the initial term, the acquirer would have the ability to remove or replace the Fund Manager, and would likely pursue one of the following options:

- renegotiate the terms on which Brookfield Group provides the management services
- appoint another party to provide these services
- develop an internalised management structure within BPPF
- integrate the management of the Fund within the acquirer's existing fund management structure, if applicable.

Management fees would be payable by BPPF to the extent that it is externally managed. Alternatively, if the Fund became internally managed, it would need to incur additional operating expenses and overhead costs to deliver these services in-house.

We consider it most likely that an acquirer would be an A-REIT or another type of property fund, and is therefore likely to have either external management arrangements or its own existing management platform. In this case, it is likely the incremental costs incurred by an acquirer in relation to the management of the Fund would be significantly less than the management fees payable under the existing MSA, particularly given investment property management is highly scalable, with an acquirer likely to benefit from significant economies of scale.

In assessing the market value of BPPF, we have assumed ongoing operating and overhead costs of $0.5 million to $1.5 million per annum. In determining this range, we have considered:

- the estimated operating and overhead costs associated with managing the Fund from the perspective of an internalised management structure
- the relatively narrow scope of BPPF's portfolio, which is concentrated exclusively on office properties in the CBDs in Sydney, Melbourne and Perth
- the level of synergies which are likely to be available to an acquirer with an existing fund management structure.

We have applied a capitalisation multiple of 7.5 times to 8.5 times to the assumed ongoing corporate overheads. As summarised in the table below, this results in assessed capitalised costs of between $3.8 million and $12.8 million.

Table 19: Capitalised overhead expenses

$ million	Low	High
Overhead expenses	0.5	1.5
Capitalisation multiple (times)	7.5	8.5
Capitalised overhead expenses	**3.8**	**12.8**

Source: KPMG Corporate Finance analysis

9.4.2 Fee obligation under BPPF's existing MSA

As noted above, we have assumed a potential acquirer would be unable to terminate the existing MSA before 15 September 2016. An acquirer would therefore be obligated to pay management fees in accordance with the existing MSA up until this date, unless an early termination settlement could be agreed with Brookfield Group. In assessing the market value of BPPF in a control transaction, it is therefore necessary to factor in this obligation.

In assigning a value to the obligation under BPPF's existing MSA, we have:

- assumed the MSA is terminated on 15 September 2016, being the end of the 10 year initial period. The management fees are therefore only payable for the period between the Valuation Date and 15 September 2016
- calculated the base management fee by applying the rate of 0.666% per annum to the projected gross assets of the Fund, in accordance with the terms of the MSA. In estimating the future gross assets of the Fund, we utilised forecasts provided by the management of BPPF and considered the potential for market-driven value accretion in respect of the Fund's property portfolio
- assumed performance fees won't be payable between 30 June 2014 and 15 September 2016. This reflects the Fund's cumulative underperformance against the Benchmark Index, which means BPPF's Unit price would need to substantially outperform the Benchmark Return during this period. For further information on the conditions relating to the performance fees and the degree of cumulative underperformance, refer to Section 8.4.1
- discounted the projected management fee payments at an appropriate discount rate. In this regard, we note the impact of discounting is limited by the relatively short time period

- considered the potential for an acquirer of the Fund to reach a settlement regarding early termination of the MSA, having regard to the costs the Fund Manager could avoid if it was not required to provide management services over this period.

Based on the assumptions above, we have assessed the value of the obligation at the Valuation Date to be in the range of $9.0 million to $12.0 million.

9.4.3 Undistributed net cash earnings

The net assets of the Fund at 30 June 2014 do not include the net cash flows generated in the period between 1 July 2014 and the Valuation Date. We have therefore adjusted for the estimated net cash flow generated by the Fund during this period.

In determining the appropriate adjustment, we have:

- considered BPPF's actual net cash flow between 1 July 2014 and the Valuation Date. During this period, the Fund experienced a net inflow, with earnings from operations exceeding capital expenditure, interest payable and distributions made in the period
- excluded the outflow associated with the distribution made by BPPF in July 2014, since this was accrued for at 30 June 2014 and hence was reflected in the Fund's NTA at this date
- included outflows associated with the payment of base management fees relating to the quarter ending 30 September 2014. As these are settled quarterly, we also provided for the base management fees due in respect of October 2014. No performance fee has been payable during this period, reflecting the cumulative underperformance of the Fund against the Benchmark Index.

9.5 Other considerations

9.5.1 Control premium

The adopted Net Assets valuation approach inherently assumes 100% ownership of BPPF, reflecting that the property valuations completed by external valuers are undertaken on a 100% control basis. Our valuation of BPPF therefore incorporates a premium for control, in accordance with the requirements of RG111.

9.5.2 Tax losses

At 30 June 2014, the Fund had carried forward income tax losses of approximately $80 million, the benefit of which was not reflected in the Fund's balance sheet at this date.

The existence of the tax losses means the quarterly cash distributions being paid by the Fund are currently greater than its taxable income, which enables the Fund to pay tax deferred distributions to Unitholders. For Australian resident Unitholders this means that, under the current tax legislation in Australia, they may not be required to pay income tax on the component of the distributions received as tax deferred income. For Australian capital gains tax purposes, the amount of the deferred tax distribution received then results in an equivalent reduction to the cost base of the Units.

Under the existing structure of the Fund and the current tax legislation in Australia, this benefit will be available to qualifying Unitholders until the tax losses are fully utilised. However, use of the tax losses for the purpose of making tax deferred distributions is subject to the satisfaction of various tests, one of which relates to a change of ownership.

In assessing the market value of the BPPF Units, we have assumed a control transaction. This implies a change of ownership of BPPF which means that, under the current tax legislation, the losses could not be transferred to the acquirer. We would therefore not expect an acquirer to assign any value to the tax losses carried forward by the Fund, and hence have excluded any potential benefits associated with the tax losses for the purpose of the valuation.

9.6 Valuation cross-check

In considering the reasonableness of the assessed value of the Units derived from our primary valuation approach, we have completed valuation cross-checks by:

- analysing the recent trading history of the Units
- comparing the premium/discount to NTA implied by KPMG Corporate Finance's valuation of BPPF with those of listed A-REITs and transactions in the property industry.

We also considered the earnings multiples implied by KPMG Corporate Finance's valuation of BPPF with those observed for listed A-REITs. However, for the following reasons, we do not consider this to provide a meaningful cross check, and have therefore excluded this from our analysis:

- a number of the A-REITs in the comparable company peer group generate a varying proportion of their earnings from joint ventures and associates accounted for using the equity method. This is also the case for BPPF, as two of its five property interests are held via associates. This limits the comparability of multiples based on pre-tax, pre-financing earnings metrics between A-REITs, since the profits and losses generated from equity accounted investments are recognised net of financing costs and tax
- like BPPF, a significant proportion of the earnings of A-REITs is typically related to unrealised gains resulting from property revaluations. The inclusion of these unrealised gains results in significant volatility in earnings metrics, as the change in valuation of the properties is highly dependent on the dynamics of the property market and the stage of the valuation cycle, which can make it difficult to observe meaningful patterns in the multiples observed for the comparable A-REITs. Whilst the issue can be overcome by excluding unrealised gains, this may lead to a distortion, since some A-REITs have a greater focus on value growth rather than realising cash earnings. Equity-accounted investments provide a further issue when excluding unrealised gains and losses, since not all A-REITs disclose the components of the net profit earned from their associates and joint ventures
- BPPF's historic earnings are distorted by its fee obligations under its existing MSA, as payment of the management fees compresses the Fund's earnings. Whilst some of the other A-REITs have similar externally managed structures, the management fee payable by the A-REITs can vary significantly

- BPPF does not issue earnings guidance and there is limited analyst coverage of the Fund. The absence of forward looking earnings measures limits the usefulness of this cross-check, since the Fund's historic earnings may not be representative of the current market conditions.

9.6.1 Recent trading history of BPPF Units

In analysing the recent trading history of BPPF Units, we have considered the Unit price and volumes observed in the 12 month period prior to the Valuation Date, as set out in the table below.

Table 20: Recent trading history of BPPF Units

Period	Price (low) $	Price (high) $	Price VWAP $	Cumulative value $m	Cumulative volume m	% of issued capital
1 week	4.56	4.75	4.69	0.0	0.0	0.0
1 month	4.56	4.79	4.73	0.1	0.0	0.0
2 month	4.50	4.79	4.67	0.5	0.1	0.2
3 months	4.50	4.90	4.67	0.8	0.2	0.4
6 months	4.30	4.90	4.53	1.8	0.4	0.8
12 months	4.00	4.99	4.38	2.7	0.6	1.2

Source: S&P Capital IQ; KPMG Corporate Finance analysis

Our assessed valuation range per Unit is $5.99 to $6.24, which represents a premium of 28.3% and 33.6%, respectively, to the three-month VWAP outlined above of $4.67. Our valuation range also represents a premium of 20.0% to 25.1% over the highest Unit price observed over this period ($4.99), and a premium of 31.4% to 36.8% over the Unit price at the Valuation Date ($4.56).

As discussed further in Section 8.11, BPPF's Units are subject to relatively low trading activity, largely reflecting the small free float of the Fund. The low level of liquidity likely impacts the Unit price observed in the market, and thereby limits the reliability of the market price comparison.

Nevertheless, the large premium to the current and historic Unit price implied by our valuation is consistent with the following:

- the Unit price observed is that at which minority parcels are traded, and hence excludes a premium for control. By contrast, our valuation range incorporates a premium for control as it assumes 100% ownership of BPPF
- our valuation assumes an acquirer would be able to reduce the cost base of the Fund
- the low level of trading activity of the Units likely results in a liquidity discount being reflected in the observed Unit price.

9.6.2 Premium/discount to NTA

The table below compares the assessed equity value range of BPPF to its NTA.

Table 21: Implied discount to NTA

$ million unless otherwise stated	Low	High
NTA as at 30 June 2014	312.5	312.5
Change in fair value of interest rate swaps	3.9	3.9
Undistributed net cash earnings	2.2	2.2
Adjusted NTA	318.6	318.6
Assessed value of BPPF	293.9	305.9
Implied premium/(discount) to NTA (%)	**(7.8%)**	**(4.0%)**

Source: KPMG Corporate Finance analysis

The assessed equity value range of BPPF implies a discount to adjusted NTA in the range of 4.0% to 7.8%. The adjusted NTA is based on the Fund's reported NTA at 30 June 2014, adjusted to reflect the change in the fair value of the Fund's interest rate swaps between 30 June 2014 and the Valuation Date and the undistributed net cash earnings accrued during this period. These are consistent with the adjustments made as part of the Net Assets valuation approach, as set out in Section 9.4.

Compared to the reported NTA at 30 June 2014, the discount implied by our valuation is in the range of 2.1% to 6.0%.

In assessing the reasonableness of the implied discount range, we have considered the premiums and discounts implied by the trading prices of other listed A-REITs as well as those implied from transactions in the property industry. This analysis is set out below.

Further details on the comparable A-REITs and comparable transactions are provided in Appendix 3.

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Table 22: Premium/discount to NTA for selected A-REITs

	Security price ($)	NTA per security ($)	Premium / (discount) to NTA[1]	Dividend yield[2] (%)	Gearing[3] (%)
Office REITs					
Cromwell Property Group	0.99	0.73	36%	8%	42%
GDI Property Group	0.87	0.93	(7)%	n/a[4]	21%
Investa Office Fund	3.56	3.35	6%	6%	30%
360 Capital Office Fund	1.98	2.14	(7)%	6%	32%
Diversified REITs					
Abacus Property Group	2.70	2.38	13%	7%	29%
Aspen Group	1.24	1.50	(17)%	8%	nmf[5]
Astro Japan Property Group	4.40	5.94	(26)%	5%	nmf[5]
Charter Hall Group	4.37	2.38	84%	6%	nmf[5]
DEXUS Property Group	1.21	1.06	14%	6%	33%
GPT Group	4.12	3.82	8%	6%	25%
Growthpoint Properties Australia	2.86	2.16	32%	8%	40%
Mirvac Group	1.80	1.66	8%	5%	26%
Stockland	4.24	3.53	20%	6%	17%
Retail REITs					
CFS Retail Property Trust Group[6]	2.10	1.90	11%	7%	30%
Charter Hall Retail REIT	4.07	3.40	20%	7%	29%
Federation Centres	2.72	2.37	15%	6%	24%
Scentre Group	3.54	2.80	26%	nmf[5]	38%
Shopping Centres Australasia Property Group	1.81	1.64	10%	7%	32%
Westfield Corporation	7.92	3.80	108%	nmf[5]	38%
Industrial REITs					
BWP Trust	2.52	2.07	22%	6%	24%
Goodman Group	5.54	2.88	92%	4%	20%
Industria REIT	2.00	2.00	(0)%	n/a[4]	33%
360 Capital Industrial Fund	2.28	2.21	3%	9%	42%
Low			**(26)%**	**4%**	**17%**
High (excluding outliners)[7]			**36%**	**9%**	**42%**
Median (excluding outliers)[7]			**10%**	**6%**	**30%**

Source: Financial reports of each entity; S&P Capital IQ; KPMG Corporate Finance analysis
Note 1: NTA per share is based on the most recent financial information available
Note 2: Dividend yield is calculated as the last twelve months of distributions divided by the average share price for the twelve months to 31 October 2014
Note 3: Gearing has been calculated as total interest bearing liabilities less cash and cash equivalents divided by total assets less cash and cash equivalents for each comparable
Note 4: n/a = not available
Note 5: nmf = not meaningful
Note 6: On 29 September 2014, CFS Retail Property Trust Group announced its intention to change its name to Novion Property Group. The change in entity name became effective on 3 November 2014
Note 7: Figures shaded in grey are considered to be outliers
Note 8: Security prices are at the close of trade 31 October 2014

In relation to the above, we note:

- security prices are based on market prices at 31 October 2014. They reflect the prices at which minority parcels have traded and exclude a premium for control
- the premiums and discounts to NTA observed for the peer group range between a discount of 26% to a premium of 36%, with a median premium of 10% (excluding outliers)
- A-REITs with premiums to NTA at the higher end of the range typically generate a greater proportion of earnings from active income, with the passive investment REITs tending to trade closer to NTA
- we consider IOF to be the most comparable A-REIT to BPPF, as IOF is also an externally managed, passive investment fund and it has the most comparable investment portfolio, with interests in premium grade office properties and a portfolio WACR of 7.3%. At 31 October 2014, IOF was trading at a premium to NTA of approximately 6%. In this regard, we note IOF has recently seen an uplift in its share price, which has led to it trading at a premium to NTA. This may reflect market rumours that IOF is either a potential takeover target or will seek to internalise its management structure. In addition, IOF has indicated its intention to expand its portfolio, with the company targeting accretive acquisitions
- the other Office REITs are Cromwell Property Group (Cromwell), GDI Property Group (GDI) and 360 Capital Office Fund (360 Office), in relation to which, we note:
  - Cromwell and GDI are considered to be less comparable than IOF as they each have active business components and, to different degrees, have exposure to sub-prime office properties. Cromwell's significant premium to NTA may be influenced by its consistent outperformance and relatively high dividend yield, which is at the upper end of all A-REITs. In contrast, GDI was trading at a discount to NTA of 7%, which may reflect the Fund's underperformance since it listed in December 2013. Recent price targets published by market analysts indicate that GDI's unit price is expected to recover in the near term
  - although a passive, externally managed property fund, the comparability of 360 Office is limited by its focus on suburban A and CBD B grade properties. The discount to NTA implied by 360 Office's trading price may reflect that it is a passive fund with an externally managed structure. However, we note the level of discount observed may be influenced by a lack of trading history, with 360 Office only listing in April 2014. Furthermore, we note 360 Office plans to dispose of a residential development in the latter half of 2014 for a price of $80.0 million. This property represents a significant proportion of 360 Office's property portfolio, which had a carrying value of $253.5 million at 30 June 2014.

The table below sets out the premium/discount to NTA implied by transactions in the property industry.

9. Independent Expert's Report Continued

Table 23: Premium/discount to NTA for comparable transactions

Date	Target	Consideration ($ millions)	Premium/ (discount) to NTA[1]
Jun 2014	Australand Property Group	2,606	21.7%
Apr 2014	Challenger Diversified Property Group	587	1.1%
Jan 2014	Commonwealth Property Office Fund	2,910	5.2%
Jun 2012	Thakral Holdings Ltd	507	(15.6)%
Feb 2012	Charter Hall Office REIT	1,228	(3.9)%
Jan 2012	Abacus Storage Fund	132	(8.2)%
Apr 2011	Valad Property Group	209	(22.1)%
Apr 2011	Rabinov Property Trust	50	(4.3)%
Feb 2011	ING Industrial Fund	1,395	(1.5)%
Aug 2010	MacarthurCook Industrial Property Fund	43	(32.1)%
Apr 2010	Westpac Office Trust	417	3.1%
Oct 2009	Mirvac Real Estate Investment Trust	373	(29.9)%

Source: Company financial statements, announcements and related independent expert reports; S&P Capital IQ; KPMG Corporate Finance analysis
Note 1: NTA relates to the last reported NTA for each company prior to the transaction

In relation to the above, we note:

- typically, for entirely passive investment REITs, a significant premium above NTA would not be expected on the basis that independent valuations for each property would already incorporate control values. We note, however, that a number of company specific factors could lead to premiums over NTA being observed, including specific synergies available to the acquirer, diversification benefits of property portfolio, economies of scale achieved, value of development pipelines and value of operating businesses acquired
- in relation to the Australand Property Group (Australand) transaction, we note Australand was subject to an extended period of corporate activity prior to the completion of the takeover bid by Frasers Centrepoint Limited. As such, the Australand security price was influenced by the competitive tension of competing bidders. For example, Australand's premium to NTA on 18 March 2014 was only 5.7%. Additionally, we note Australand derived a significant proportion of its earnings from development income, which would therefore support a premium to its NTA
- a number of the transactions above occurred at significant discounts to NTA as they involved entities that were in financially distressed situations. These transactions include those involving Valad Property Group, MacarthurCook Industrial Property Fund, Mirvac Real Estate Investment Trust and Orchard Industrial Property Fund. The transaction involving Thakral Holdings Ltd was also at a significant discount to NTA, however, this may have been a result of the bidder's existing 38.5% interest, which potentially deterred market participants from making competing bids
- transactions involving Challenger Diversified Property Group, Commonwealth Office Property Fund, Charter Hall Office REIT, ING Industrial Fund and Westpac Office Trust, took place at or about NTA. The earnings of these entities was primarily generated from passive investments.

Having compared the premiums/discounts implied by the listed A-REITs and transactions outlined above, we consider a discount to NTA to be appropriate for BPPF for the following reasons:

- BPPF is a passive investment vehicle that offers limited opportunity for growth beyond the accretion in value of its existing property portfolio
- BPPF's recent distribution yield is notably lower than that observed for the comparable A-REIT's and near term capital expenditure requirements mean the Fund's relatively low distribution yield is likely to persist in the near-term
- the Fund's relatively high gearing level means it is also subject to a significant degree of finance risk
- whilst our valuation of BPPF assumes an acquirer can significantly reduce the operating and overhead cost structure of the Fund, it is also necessary to factor in the obligation that would need to be assumed by an acquirer to pay management fees under the Fund's existing MSA (either until September 2016 or earlier if a settlement agreement can be agreed with Brookfield Group). This obligation is not reflected in the Fund's NTA, and hence contributes to the discount implied by our valuation.

On this basis, we consider that the implied discount to NTA based on our valuation of BPPF is appropriate and supports the reasonableness of our assessed valuation range.

9. Independent Expert's Report Continued

Appendix 1 – KPMG Corporate Finance Disclosures

Qualifications

The individuals responsible for preparing this report on behalf of KPMG Corporate Finance are Ian Jedlin and Sean Collins. Ian is an Associate of the Institute of Chartered Accountants Australia and New Zealand and a Senior Fellow of the Financial Securities Institute of Australasia and holds a Master of Commerce from the University of New South Wales. Sean is a Fellow of the Institute of Chartered Accountants Australia and New Zealand, a Fellow of the Chartered Institute of Securities and Investments in the UK and holds a Bachelor of Commerce degree from the University of Queensland. Both Ian and Sean have a significant number of years of experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of expert reports.

Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than KPMG Corporate Finance's opinion as to whether the Proposal is in the best interests of BPPF Unitholders. KPMG Corporate Finance expressly disclaims any liability to any BPPF Unitholder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

Other than this report, neither KPMG Corporate Finance nor the KPMG Partnership has been involved in the preparation of the Explanatory Memorandum or any other document prepared in respect of the Proposal. Accordingly, we take no responsibility for the content of the Explanatory Memorandum as a whole or other documents prepared in respect of the Proposal.

We note that the forward-looking financial information prepared by the BCML does not include estimates as to the potential impact of any future changes in taxation legislation in Australia and New Zealand. Future taxation changes are unable to be reliably determined at this time.

Independence

In addition to the disclosures in our Financial Services Guide, it is relevant to a consideration of our independence that, during the course of this engagement, KPMG Corporate Finance provided draft copies of this report to management of BPCML for comment as to factual accuracy, as opposed to opinions which are the responsibility of KPMG Corporate Finance alone. Changes made to this report as a result of those reviews have not altered the opinions of KPMG Corporate Finance as stated in this report.

Consent

KPMG Corporate Finance consents to the inclusion of this report in the form and context in which it is included with the Explanatory Memorandum to be issued to the BPPF Unitholders. Neither the whole nor the any part of this report nor any reference thereto may be included in any other document without the prior written consent of KPMG Corporate Finance as to the form and context in which it appears.

Declarations

Our report has been prepared in accordance with professional standard APES 225 "Valuation Services" issued by the Accounting Professional & Ethical Standards Board (APESB). KPMG Corporate Finance and the individuals responsible for preparing this report have acted independently.

Appendix 2 – Sources of information

In preparing this report we have been provided with and considered the following sources of information:

Publicly available information:

- the Explanatory Memorandum
- BPPF annual reports for the four years ended 30 June 2011, 2012, 2013 and 2014
- BPPF interim financial reports for the half years ended 31 December 2011, 2012, 2013 and 2014
- BPPF ASX announcements
- annual reports, company presentations and news releases of comparable companies
- various broker and analyst reports
- industry reports including:
  - *IBISWorld industry reports*
  - *Savills Research – Spotlight Sydney, Melbourne and Perth CBD Office August 2014*
  - *Colliers International – Research and Forecast Report Second Half 2014 Australia & New Zealand*
  - *Property Council of Australia industry data*
- data providers including S&P, Capital IQ and Connect 4
- other publicly sourced information made available by the Australian Bureau of Statistics (ABS) and Oxford Economics.

Non-public information provided by BPPF:

- Board papers and other internal briefing papers prepared by BPPF and their advisers in relation to the Proposal
- Other confidential documents, presentations and workpapers
- external property valuations for BPPF properties.

In preparing this report, we have held discussions with, and obtained information from, senior management of BPPF and their advisers.

Appendix 3 – Industry overview

Overview

BPPF is a property investment trust that owns office properties in the CBDs of Sydney, Melbourne and Perth. As outlined in Section 7 of this report, BPPF's core activities involve holding a portfolio of office properties and generating rental revenue from these properties.

In order to provide context regarding the current economic and industry factors which are relevant to BPPF, we have set out below an overview of the A-REIT sector and the Australian office property sectors within which BPPF operates.

A-REIT sector

A-REITs are trust structures that provide securityholders with the opportunity to invest in a vehicle which holds investments in property assets, both domestically and internationally.

A-REITs invest in a range of properties in various sub-sectors and geographic locations. Investors generally evaluate A-REITs by assessing the security of the income, the quality of the individual properties and tenants, the length of tenant leases, the level of gearing and the quality of management. The relative risk of these elements will generally be reflected in the yield of individual A-REITs.

Often sector-specific, a number of A-REITs concentrate on a particular sector of the property market. A-REITs investing across several sectors are known as diversified A-REITs. The sectors within property market and the type of properties within each are as follows:

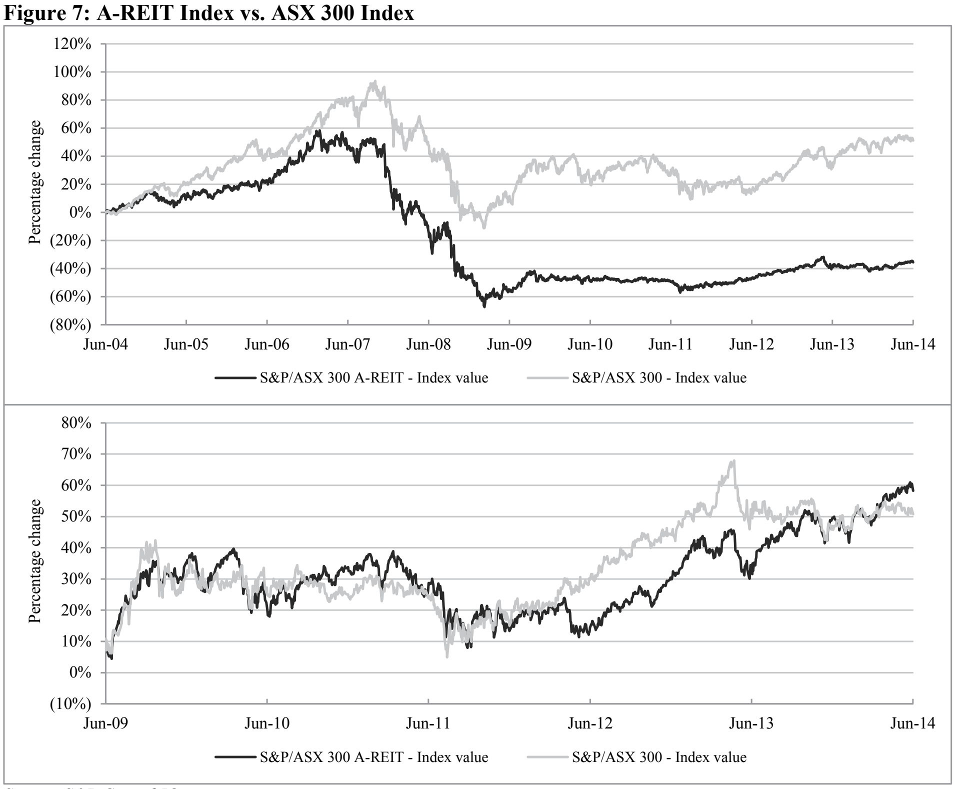
- Industrial: investment in industrial warehouse and distribution properties
- Office: investment in office buildings and office parks
- Residential: investment in residential properties including housing, apartments and student housing properties
- Retail: investment in shopping malls, outlet malls, neighbourhood and community shopping centres
- Hotel: investment in properties that provide accommodation on a room and/or suite basis
- Bulky goods: investment in retail warehouse which contain white goods and hardware.

A-REITs may be able to access tax concessions (such as capital allowances and tax deferral on rental income) which are generally passed onto securityholders through tax deferred distributions.

Historical performance

The diagrams below illustrate the relative performance of the A-REIT Index and the ASX 300 Index between the periods 30 June 2004 to 30 June 2014 and the relative performance rebased from 30 June 2009 to 30 June 2014.

Figure 7: A-REIT Index vs. ASX 300 Index



Source: S&P Capital IQ

The A-REIT Index performed in-line with the ASX 300 Index between June 2004 and June 2005.

During the period from January 2006 to March 2009, the A-REIT Index significantly underperformed the ASX 300 Index. This underperformance is largely attributable to the GFC which influenced changes in debt markets resulting in tighter gearing requirements and stringent debt covenant conditions, leading to declines in property valuations and higher debt costs. These changes had a particularly negative impact on A-REITs, many of which were highly geared, having to raise equity capital at significant discounts to their NTA in order to reduce gearing to more sustainable levels.

During the period from June 2009 to the present, the A-REIT Index has performed reasonably in-line with the ASX 300 Index.

Australian office property sector

The office property sector comprises funds engaged in the ownership and management of office properties. This includes office properties located in CBD, suburban and regional offices, and other major market offices. Rental revenue is generated from letting office space to commercial and non-commercial tenants, typically through long-term lease arrangements. Participants in this market also seek to benefit from long-term value growth of their portfolio or properties.

Recent performance

During the past five years, the operating environment of this sector has been negatively impacted by low business confidence, subdued white-collar employment and rising vacancy rates. The sector experienced a severe downturn during 2008-09 as demand for office space fell sharply and investment demand fell, resulting in property devaluations. In response to this, a number of A-REITs had to raise capital in order to reduce gearing to a sustainable level.

During the past two years, conditions in the sector have improved. Some of the key recent trends are set out below.

Demand for CBD office space

As general economic conditions improved between 2010 and 2012, tenant demand returned, which decreased vacancy rates and contributed to stabilisation in property values. However, this trend stalled in 2013-14 due to weak growth in service-based businesses.

The level of demand for prime CBD assets has been maintained, as tenants continue to seek to upgrade to better quality buildings. A shortage of supply is forecast in this segment of the market, which is expected to reduce vacancy rates and support future value growth.

Level of investment demand for high-quality assets

Strong investor demand has emerged for Australian office real estate assets, and in particular, prime CBD assets. These assets are considered attractive to both local and foreign investors, reflecting Australia's stable economic performance relative to other developed nations and the yields available from these assets relative to current borrowing rates.

Competition for these assets from local and foreign investors is anticipated to support the appreciation of property values and contribute to further compression in capitalisation rates.

Growth in non-manual labour and changes in working environments

Growth in non-manual labour employment is a fundamental driver of demand for office space. During the five years to 2013-14, employment in this segment is estimated to have grown at an annualised rate of 1.4%[8].

[8] IBISWorld – Office Property Operators in Australian June 2014

The current trend in working environments is a shift from single-person desks to communal spaces. Several large organisations have made or are in the process of making this transition. The impact of this is that current tenants will require less space per employee.

In addition, improvements in technology are enabling employees to work from various locations, supporting a trend towards decentralised business districts and less reliance on office space in CBD areas.

While growth in non-manual labour is forecast to grow at an annualised rate of 1.7%[9] through the five years to 2018-19, this may not translate directly to an increase in demand for office space, as the trends outlined are expected to put downward pressure on the office space required per employee.

Outlook

IBISWorld estimates that Australian office sector revenue will grow at an annualised rate of 5.0%[10] during the five years to 2018-19. Growth is expected to be greater in the latter part of this forecast period and be supported by positive growth in white-collar employment as a result of improving business confidence.

The Australian office property industry is expected to continue to attract strong interest from local and offshore investors.

Sydney CBD office property sector

Sydney CBD is the largest office market in Australia, with approximately 53% of space being occupied by prime grade properties (Premium and A-grade)[11]. During the twelve months to June 2014, the Sydney CBD office property market experienced mixed indicators regarding overall performance. Net absorption[12] improved during this period, which was primarily driven by pre-commitments from new developments, with a large proportion coming from the Barangaroo redevelopment. However, as the majority of developments are not expected to become available until the second half of 2015, net supply over the short to medium term appears relatively constrained[13].

The performance of the Sydney CBD office property sector has been driven by a number of key factors, which include, but are not limited to, the following:

- **Tenant demand**: tenant demand in the Sydney CBD office market has been driven by tenants in the field of finance and insurance, property and business services, and IT & communications. These three sectors accounted for approximately 76% of signed leases in the twelve months to June 2014[14]
- **Rental growth**: growth in rent during the twelve months to June 2014 remained relatively flat, with rental inflation being largely offset by increases in lease incentives. Incentives are used by property owners in lease renewals and negotiations for new leases which provide the tenant with certain

[9] BISWorld – Office Property Operators in Australian June 2014
[10] BISWorld – Office Property Operators in Australian June 2014
[11] Savills Research – Spotlight Sydney CBD Office August 2014
[12] Net absorption is defined as the total amount of available space leased during a predetermined period of time.
[13] Savills Research – Spotlight Sydney CBD Office August 2014
[14] Savills Research – Spotlight Sydney CBD Office August 2014

benefits for entering into the lease (e.g. provision of rent free periods, contributions to space fit outs etc). The current level of incentives for Sydney CBD A-grade office properties is approximately 31%[15]. However, as business confidence improves, it is expected that the currently high level of incentives will begin to decline, supporting improvements in rental growth

- **Vacancy rate**: The vacancy rate in the Sydney CBD office market at June 2014 was 8.4%, slightly below the 8.9% recorded in the prior year[16]. However, we note that as a number of major tenant's leases are due to expire over the next two years, with a number of these tenants pre-committed to spaces in new developments. It is expected that the resulting backfill will place increased pressure on the vacancy rate over the medium term for premium grade office properties
- **Foreign investment**: The continued interest and demand from foreign investors can be seen as foreign investors accounted for approximately $2.1 billion of stock sold in the twelve months to June 2014, representing approximately 62% of the total stock sold[17]. Foreign investment in Sydney CBD office properties is expected to continue over the short to medium term, resulting in increased competitive tension and supporting yield compression for prime commercial assets.

Melbourne CBD office property sector

The Melbourne CBD office market contains a range of office properties, with prime properties comprising approximately 58% of total lettable space[18]. The Melbourne CBD office market, although in a relatively constrained environment, has experienced positive net absorption over the past twelve months. This has been supported by a number of significant developments increasing net supply of spaces, primarily driven by the Docklands precinct developments.

The performance of the Melbourne CBD office property sector has been driven by a number of key factors, which include, but are not limited to, the following:

- **White-collar employment rates**: the level of white-collar employment has been strong, and Melbourne is expected to outperform other Australian cities in the near term. Over the next five years, it is expected that approximately 35,000 white-collar jobs will be generated in Melbourne[19]
- **Tenant demand**: the Melbourne CBD office market has been driven by the property and business services and government & community sectors. These two sectors accounted for approximately 67% of signed leases in the twelve months to June 2014[20]
- **Rental growth**: in terms of rental growth, the Melbourne CBD office market has been relatively subdued, as increases in rent have been largely offset by continued increases in incentive levels. Average incentives for Melbourne CBD office properties has remained at approximately 30%[21]

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[15] Colliers International – Research and Forecast Report Second Half 2014 Australia & New Zealand
[16] Property Council of Australia
[17] Savills Research – Spotlight Sydney CBD Office August 2014
[18] Savills Research – Spotlight Melbourne CBD Office August 2014
[19] Colliers International – Research and Forecast Report Second Half 2014 Australia & New Zealand
[20] Savills Research – Spotlight Melbourne CBD Office August 2014
[21] Colliers International – Research and Forecast Report Second Half 2014 Australia & New Zealand

- **Vacancy rates**: as a result of a number of developments completed in the second half of 2013, net supply has increased relative to leasing activity. At June 2014, the average vacancy rate for Melbourne CBD offices was 8.5%, slightly below the vacancy rate of the prior corresponding period of 8.7%[22]
- **CBD office demand from metropolitan tenants**: a key driver for leasing activity has been the increased migration of metropolitan tenants to CBD offices. The high level of incentives and the increased supply of prime offices resulting from major tenants relocating to new developments has supported the influx of metropolitan tenants into the CBD.

Perth CBD office property sector

The slowdown in the Australian resources sector in recent years has impacted the Perth CBD office market, with an increase seen in both vacancy rates and lease incentives. This slowdown is also reflected in the continued negative net absorption in the Perth CBD office sector. The economic outlook in Western Australia, remains relatively uncertain, but population growth is expected to partially offset the currently weak conditions.

The performance of the Perth CBD office property sector has been driven by a number of key factors, which include, but are not limited to, the following:

- **Strong population growth**: Western Australia has experienced strong population growth over the past few years, and this is expected to continue to increase a rate of approximately 2.9% annually[23]. The growth in the population is expected to drive housing construction activity, helping to support the transition resources related industries. Increases in population and improvements in economic conditions are expected to positively influence demand in the office property market
- **Vacancy rates**: the slowdown in the resources sector has led to increasing vacancy rates through subdued tenant demand. Potentially compounding this, a number of office developments are due to be completed in 2015. The combination of subdued tenant demand and increases in supply will further put pressure on the Perth CBD office property vacancy rates
- **Rental growth**: in combination with the increases in the vacancy rates for Perth CBD offices, the level of lease incentives have increased as well. This has put pressure on rental growth for offices, particularly over the past 18 months
- **Foreign investment**: recent transaction activity in the Perth CBD office sector has been dominated by foreign investors, as investors are capitalising on the prevailing spread between office yields and the cost of capital. The level of foreign investment in the Perth CBD office sector is expected to remain constant with the continuing cost and availability of capital supporting continued foreign investment.

[22] Colliers International – Research and Forecast Report Second Half 2014 Australia & New Zealand
[23] Savills Research – Spotlight Perth CBD Office August 2014

Appendix 4 – Comparable companies and transactions

Comparable companies

In selecting an appropriate comparable company peer group, we have had regard to the following:

- BPPF's primary activities involve investing in investment properties in the Australian office property sector. As such, the adopted comparable company peer group primarily features the key listed participants in this sector in Australia
- BPPF operates in the A-REIT sector with a market capitalisation of $240 million at 31 October 2014. Given the sufficiently large number of listed A-REIT comparable companies, we have focussed the peer group on selected S&P/ASX 300 A-REIT Index companies.

A brief description of each company is outlined below.

Office REITs

Cromwell Property Group

Cromwell Property Group is an internally managed REIT that specialises in direct and fund-of-fund investments, with a portfolio valued at $2.2 billion as at 30 June 2014. Cromwell Property Group had a WACR of 8.2% at 30 June 2014, with 96.0% occupancy and a WALE of 5.9 years. Cromwell primarily invests in the office sector in Australia (98.8%), but also has some investments in the Australian retail sector (1.2%).

GDI Property Group

GDI Property Group (GDI) is an internally managed property and funds management group, which primarily engages in the ownership, management, refurbishment, leasing and syndication of office and industrial properties. At 30 June 2014, GDI owned five office properties across CBD locations in Australia, with total value of $694.4 million, occupancy of 89%, WALE of 3.3 years and WACR of 8.1%.

Investa Office Fund

Investa Office Fund (IOF) is an externally managed office REIT. At 30 June 2014, IOF owned 23 properties in Australia and one property in Belgium, with a total value of $3.1 billion and €55.0 million, respectively. IOF's investments are located in core CBD market. At 30 June 2014, its Australian portfolio had occupancy of 93% and WALE of 5.0 years.

360 Capital Office Fund

360 Capital Office Fund (360 Office) listed on the ASX in April 2014 and is an externally managed passive investment fund, with a primary focus of investments in suburban office and sub-prime CBD office properties. At 30 June 2014, 360 Office had four properties across NSW, Queensland and the ACT, with total value of $253.5 million, portfolio WACR of 8.7%, WALE of 4.2 years and 99.6% occupancy.

Diversified REITs

Abacus Property Group

Abacus Property Group (Abacus) is a diversified REIT that is involved in property investment, funds management, property finance, and projects and investments activities across the eastern seaboard, focussing on major metropolitan areas in Australia. The company holds a diversified investment portfolio of retail, commercial and industrial properties. As at 30 June 2014, Abacus' investment property portfolio had a value of $1.3 billion, with occupancy of 95% and a WALE of 3.9 years.

Aspen Group

Aspen Group (Aspen) is a diversified REIT that is involved in commercial property investment and funds management. Its property investment division specialises primarily in the Australian accommodation sector. Its fund management division focuses on investment opportunities across tourist parks, residential land subdivisions and CBD office developments, with its largest fund, Aspen Parks Property Fund, specialising in Australian accommodation parks. As at 30 June 2014, Aspen's investment property portfolio comprised of four properties along Western Australia and Victoria, and had a portfolio value of $248.2 million.

Astro Japan Property Group

Astro Japan Property Group (Astro Group) is a diversified REIT that invests in office, retail and residential properties in Japan. As at 30 June 2014, Astro Group's investment property portfolio had a carrying value of ¥83.9 billion, representing 32 properties with occupancy of 97.7% and a WALE of 5.5 years.

Charter Hall Group

Charter Hall Group is an internally managed REIT which provides property and funds management services with total assets under management (AUM) of $11.5 billion. As at 30 June 2014, Charter Hall Group's property investment portfolio was valued at $720 million and featured properties across the office (42%), retail (33%) and industrial (25%) sectors. The property portfolio had a WALE of 6.5 years and total occupancy of 96.8%.

DEXUS Property Group

DEXUS Property Group (DEXUS) is an internally managed diversified REIT with AUM of $17.8 billion, at 30 June 2014, across the office ($11.9 billion), retail ($3.4 billion) and industrial (2.5 billion) sectors. It also develops and manages office, industrial, and retail properties on behalf of third party investors, with a development pipeline of $3.3 billion. DEXUS had 145 properties at 30 June 2014, with a net lettable area of 4.2 million square meters and occupancy of 95.2% and 93.0% for its office and industrial properties respectively.

GPT Group

GPT Group (GPT) operates as an internally managed diversified real estate investment property trust. GPT's portfolio consists of retail (53%), office (34%) and logistics (13%), with a total portfolio value of $8.3 billion as at 31 December 2013. The occupancy for retail properties was 99.6% with property investments across regional, sub-regional and neighbourhood areas.

Growthpoint Properties Australia

Growthpoint Properties Australia (Growthpoint) is the 15th largest listed A-REIT by market capitalisation and is primarily involved in the investment in properties in the retail, office, industrial, childcare, and healthcare sectors. At 30 June 2014, Growthpoint had a property portfolio which comprised of 51 properties, with a total value of $2.1 billion, portfolio WACR of 7.9% and WALE of 6.9 years.

Mirvac Group

Mirvac Group (Mirvac) is an internally managed diversified REIT which invests in and manages office, retail, industrial and residential assets. As at 30 June 2014, Mirvac's property portfolio was comprised of 61 properties valued at $6.7 billion with a WALE of 6.4 years and 97.6% occupancy. Mirvac has properties across Australia, with the majority in NSW (59.4%).

Stockland

Stockland is an internally managed diversified REIT which develops and operates commercial, residential and retirement properties. As at 30 June 2014, Stockland had 41 retail centres (two being owned through associates and joint ventures), 24 industrial properties (one being owned through associates and joint ventures) and 13 office buildings (three being owned through associates and joint ventures). Its office properties had a total value of $983 million, a WALE of 4.5 years, WACR of 7.7% and 90.3% occupancy. Stockland's assets are geographically spread across Australia.

Retail REITs

CFS Retail Property Trust Group (known as Novion Property Group from 3 November 2014)

CFS Retail Property Trust (CFS) is an internally managed retail A-REIT. As at 30 June 2014, CFS' direct portfolio had AUM of $8.9 billion comprising 29 retail assets with occupancy of 99.2% and a WACR of 6.25%. CFS also provides funds management and asset management services to wholesale funds, mandates and partners with AUM of $5.3 billion comprising 17 retail assets. CFS was formed in 1994 and is domiciled in Australia where it makes investments in retail assets, primarily in shopping centres and retail outlet centres. In July 2013, CFS announced a proposal to internalise its management function, which was approved at the Extraordinary General Meeting on 7 March 2014.

Charter Hall Retail REIT

Charter Hall Retail REIT is an externally managed REIT managed by Charter Hall Retail Management Limited. Charter Hall Retail REIT invests predominantly in the eastern seaboard, Western Australia and Queensland. As at 30 June 2014, Charter Hall Retail REIT's investment portfolio, comprised of 77 sub-regional and anchored neighbourhood shopping centres, valued at $2.0 billion, and had occupancy of 98.2% and a WACR of 7.65%.

Federation Centres

Federation Centres provides property management, development, leasing and fund management services, and has an investment portfolio of sub-regional, regional and convenience centres. As at 30 June 2014, Federation Centres had 46 wholly owned centres valued at $2.6 billion and 17 co-owned shopping centres valued at $2.1 billion. Including syndicate and externally managed properties, at 30 June 2014, Federation

Centres had 70 managed centres with retail space of 1.4 million square metres, annual retail sales of $8.7 billion and WALE of 5.8 years.

Scentre Group

Scentre Group is an internally managed retail REIT which was formed in June 2014 from the merger of Westfield Retail Trust and Westfield Group's Australia and New Zealand business. Scentre Group has an ownership interest in 47 shopping centres in Australia and New Zealand, and provides property management, leasing, design, development, construction, marketing and funds management services.

Shopping Centres Australasia Property Group

Shopping Centres Australasia Property Group (Shopping Centres Australasia) is an internally managed REIT. As at 30 June 2014, Shopping Centres Australasia operated 75 properties across Australia (87%) and New Zealand (13%) valued at $1.7 billion. The completed asset portfolio had a WALE of 13.6 years, gross lettable area of 461,036 square metres, and 97.8% occupancy.

Westfield Corporation

Westfield Corporation is an internally managed retail REIT which formed in June 2014 through the demerger of Westfield Group, which separated its Australia and New Zealand business from its international operations. Westfield Corporation, although a listed A-REIT, has ownership interests in 43 shopping centres in the United States and United Kingdom, and provides property management, leasing, design, development, construction, marketing, digital and funds management services.

Industrial REITs

BWP Trust

BWP Trust is an internally managed REIT which has 87 properties spread across Australia in the form of Bunnings Warehouses, development sites, retail showrooms and industrial properties. As at 30 June 2014, BWP had 87 properties with a total value of $1.8 billion.

Goodman Group

Goodman Group is an internally managed diversified REIT with AUM of $26.8 billion as at 30 June 2014. Goodman Group operates, develops and manages properties across Australia and internationally. The Goodman Group has a direct portfolio comprised of 38 properties across Australia and the UK and are valued at $2.2 billion, with 93% occupancy, WACR of 7.8% and WALE of 4.0 years.

Industria REIT

Industria REIT is a recently listed REIT specialising in industrial, technology park and business park assets across Melbourne, Sydney, Brisbane and Adelaide. As at 30 June 2014, the portfolio was comprised of 18 assets with total portfolio value of $404 million, occupancy of 93% and a WALE of 5.0 years.

360 Capital Industrial Fund

360 Capital Industrial Fund is an externally managed REIT with interests in industrial properties across Australia. As at 30 June 2014, the portfolio was comprised of 21 assets, with a total portfolio value of $461.6 million, occupancy of 96.9% and a WALE of 6.1 years.

Comparable transactions

We have also considered transactions involving comparable companies.

Between 2009 and 2011, market conditions for REITs were particularly challenging with limited access to debt and equity funding, declines in property values and generally weaker economic conditions. As a result, a number of transactions took place under financially distressed situations for the target. More recently, REITs have undertaken numerous strategic initiatives, for example divestment of non-core assets, internalising management and other refocusing strategies, which have led to stabilising market conditions and increases in investment.

Outlined in the table below is a summary of a number of transactions which have taken place since 2009 involving A-REITs and sets out the premium or discount to NTA. We note that it is difficult to make direct comparisons between the Proposal and recent transactions as not all transactions were in the form of a Scheme and the targets differ from BPPF in terms of service mix and sector exposure.

Table 24: Comparable transaction evidence

Date	Target	Consideration ($ millions)	Premium/ (discount) to NTA[1]
Jun 2014	Australand Property Group	2,606	21.7%
Apr 2014	Challenger Diversified Property Group	587	1.1%
Jan 2014	Commonwealth Property Office Fund	2,910	5.2%
Jun 2012	Thakral Holdings Ltd	507	(15.6)%
Feb 2012	Charter Hall Office REIT	1,228	(3.9)%
Jan 2012	Abacus Storage Fund	132	(8.2)%
Apr 2011	Valad Property Group	209	(22.1)%
Apr 2011	Rabinov Property Trust	50	(4.3)%
Feb 2011	ING Industrial Fund	1,395	(1.5)%
Aug 2010	MacarthurCook Industrial Property Fund	43	(32.1)%
Apr 2010	Westpac Office Trust	417	3.1%
Oct 2009	Mirvac Real Estate Investment Trust	373	(29.9)%

Source: Company financial statements, announcements and related independent expert reports; S&P Capital IQ; KPMG Corporate Finance analysis
Note 1: NTA from last reported financial result for each target company

A brief description of each transaction is outlined below.

Acquisition of Australand Property Group by Frasers Centrepoint Limited

On 4 June 2014, Australand Property Group (Australand) received a conditional proposal from Frasers Centrepoint Limited for the acquisition of all of Australand's securities. The offer consideration was $4.48 per security for a total of $2.6 billion. Australand is a diversified REIT that is involved in property investment and development, property trust management and property management. Its primary focus is around commercial and industrial sectors with some focus on residential development. Australand's property investment division was comprised of 68 industrial and office assets located mostly in Melbourne, Sydney and Brisbane.

Acquisition of Challenger Diversified Property Group by Challenger Life Company Limited

On 11 April 2014, Challenger Australia Listed Property Holding Trust, a related entity of Challenger Life Company Limited, announced an off-market takeover offer for all units of Challenger Diversified Property Group (CDI), for cash consideration of $2.74 per unit. CDI is a diversified REIT with interests in 27 office, retail and industrial properties located in Australia and France. CDI also holds the lease on Sydney's Domain car park and engages in property development activities. CDI is largely a passive investment vehicle, with the majority of earnings generated from its investment properties. As at 31 December 2013, CDI had total asset value of $888 million. CDI's property portfolio is diversified across the office (59%), retail (19%), industrial (18%) and hi-tech office (4%) sectors predominantly focussed in Victoria, NSW and ACT.

Acquisition of Commonwealth Property Office Fund by DEXUS Property Group and CPPIB

On 11 December 2013, DEXUS Property Group, in conjunction with CPPIB, announced its intention to make a conditional off-market takeover offer for all of the outstanding units in Commonwealth Property Office Fund (CPA) for cash and scrip consideration for approximately $1.24 per CPA unit. As at 31 December 2013, CPA had 25 office assets with a total value of $3.8 billion and WACR of 7.3%. CPA's property portfolio was concentrated in NSW and Victoria, comprising 46.0% and 30.7% of the total portfolio value respectively.

Acquisition of Thrakal Holdings Limited by Brookfield Asset Management Inc.

On 19 April 2012, Brookfield Asset Management Inc (Brookfield) announced a takeover offer of Thakral Holdings Limited (Thrakal) at $0.70 per stapled security. On the same date, Brookfield enforced security under debentures which provided Brookfield with a relevant interest 38.6% in Thakral. The offer was unanimously recommended by directors to reject the Brookfield offer. On 22 August 2012, Brookfield and Thakral entered into an implementation deed whereby Brookfield agreed to increase its offer to $0.81 per stapled security if it became entitled to 90% of Thakral securities, which occurred on 11 September 2012. Thakral's primary activity was investment in hotel, leisure, retail and commercial properties and the management of hotels in Australia. In addition, Thakral was engaged in property development activities. For the year ended 30 June 2012, Thakral's revenue comprised 79% from hotel, retail and commercial investments, and 21% from property development activities.

Acquisition of Charter Hall Office REIT by a Consortium including Charter Hall Group

On 3 January 2012, the Charter Hall Office REIT's (CQO) independent directors announced they had entered into a scheme implementation agreement with a consortium including Charter Hall Group, under which CQO, would receive a cash payment of $2.49 per CQO unit. CQO invests predominantly in high grade office buildings and at 31 December 2011, had an Australian property portfolio with total value of $1.8 billion, geographically diversified across NSW, Victoria, Queensland, South Australia and the ACT.

Merger of Abacus Storage Fund with Abacus Property Group

On 13 January 2012, Abacus Property Group (APG) announced its intention to merge with Abacus Storage Fund (Abacus). APG is an internally managed listed stapled entity, with exposure to a diversified portfolio of commercial, retail and industrial property, mortgage investments and property development ventures and property funds management activities. Abacus is an unlisted stapled entity and is one of the largest participants in the Australasian self-storage sector, owning a portfolio of 41 self-storage facilities (30 in Australia and 11 in New Zealand) and a commercial property with total value of approximately $332 million. Abacus' income was generated from storage rental income, which is subject to fluctuations as a result of the short term nature of the contracts. As such, the discount to NTA in part reflected this inherent risk in Abacus' income stream.

Acquisition of Valad Property Group by Blackstone Real Estate Advisors LLC

On 29 April 2011, Valad Property Group (Valad) announced that it had entered into a scheme of arrangement with Blackstone Real Estate Advisors LLC to acquire all of the issued shares in Valad for $1.80 per Valad security. At 31 December 2013, Valad's property portfolio which was valued at $569 million, consisted of 27 properties across the office (31%), industrial (28%), bulky goods (24%) and hotel and residential sectors in Australia (88%) and New Zealand (12%).

Acquisition of Rabinov Property Trust by Growthpoint Properties Australia

On 13 April 2011, Growthpoint Properties Australia and Rabinov Property Trust (Rabinov) jointly announced an off-market takeover by Growthpoint Properties Australia for 100% of Rabinov via a scrip offer. Rabinov is a diversified property investment vehicle which, as at 31 December 2010, had a portfolio of 12 properties valued at $235 million comprised of office (69.8%), industrial (28.3%) and retail (2.1%) properties. Properties were spread across Australia, however were heavily concentrated in Victoria, constituting 70.6% of the property portfolio.

Acquisition of ING Industrial Fund by a Consortium led by Goodman Group

On 24 December 2010, ING Industrial Fund (ING) announced that it had entered into an implementation agreement with Goodman Group and a Consortium, to acquire all units in ING for cash consideration of $0.546 per ING unit. ING develops, owns and manages a diversified portfolio of industrial properties and business parks, and as at 31 December 2010, had a portfolio of 61 properties valued at $2.5 billion, WALE of 4.5 years and a portfolio WACR of 8.4%

Acquisition of MacarthurCook Industrial Property Fund by CommonWealth REIT

On 12 July 2010, MacarthurCook Industrial Property Fund (Macarthur) announced that it had received a proposal from CommonWealth REIT to acquire all units in Macarthur for cash consideration of $0.44 per unit. Macarthur, an unlisted property fund had, as at 30 June 2010, a portfolio of 10 industrial properties valued at $106.1 million across Australia and WALE of 4.6 years.

Acquisition of Westpac Office Trust by Mirvac Group

On 28 April 2010, Westpac Office Trust (WOT) announced it had entered into a scheme implementation agreement with Mirvac Group in relation to an offer by Mirvac Group to acquire all WOT units and instalment receipts for cash or scrip. At 31 December 2009, WOT had a portfolio of 7 properties with a total value of $1.1 billion, WALE of 8.7 years and portfolio WACR of 7.39%. Sydney CBD properties comprised the majority of WOT's property portfolio value, representing 62% of the total portfolio value.

Acquisition of Mirvac Real Estate Investment Trust by Mirvac Group

On 12 October 2009, Mirvac Real Estate Investment Trust (Mirvac REIT) announced that it had received a proposal from Mirvac Group to acquire all the issued units in Mirvac REIT for scrip, or a combination of cash and scrip. As at 30 June 2009, Mirvac REIT had a total portfolio value of $1.0 billion across the retail (36%), commercial (31%), industrial (17%) and hotel (16%) sectors and a WALE of 4.8 years. At the time, Mirvac REIT was in financial distress.

Appendix 5 – Property portfolio

Table 25: Property summary as at 30 June 2014

Property	Ownership interest	Carrying value (A$m)	WALE[1] (years)	Occupancy (%)	Net lettable area (sqm)	Tenancy mix	Description
Ernst & Young Centre 50 Goulburn Street, Sydney	50%[2]	265.0	4.0	99.3[4]	67,810	• E&Y: 55% • Link Market Services: 8% • Austereo: 7% • Parsons Brinckerhoff: 6% • Other: 24%	• Ernst & Young Centre is a commercial office tower located within the southern periphery of the Sydney CBD. Completed in 2004, the property comprises a lobby, two retail areas and 36 office levels • 50 Goulburn Street is an A-grade commercial building located on the corner of George Street and Goulburn Street. It comprises a ground floor, four office levels, rooftop terrace and car parking with 28 vehicle capacity • Property services for both properties are integrated within the Ernst & Young Centre
American Express House, Sydney	100%	145.0	4.5	100.0	14,969	• American Express - 97% • Other - 3%	• A-grade commercial building completed in 2007 • Comprises 10 levels of commercial office space, ground floor retail, and underground car park with 69 vehicle capacity • Located within the western corridor precinct of the Sydney CBD
Southern Cross East Tower, Melbourne	25%[2]	171.3	7.0	100.0	79,731	• Victorian State Government: 91% (DOTF: 61%; DOT: 30%) • Other - 9%	• A-grade office building completed in 2006 • Comprises ground level foyer and retail tenancies, 36 office levels and basement car park with 950 vehicle capacity • Located at eastern end of Melbourne CBD, bordering Exhibition, Bourke and Little Collins Streets
Southern Cross West Tower, Melbourne	50%	147.5	5.3	100.0	46,326	• Australia Post: 95% • Other: 5%	• A-grade property completed in 2009 • Comprises ground floor retail tenancies, lobby, 20 office levels and basement parking • Located at east end of Melbourne CBD, bordering Bourke and Little Collins Streets
108 St Georges Terrace, Perth	50%	166.0	3.4	96.5	38,988	• Bankwest: 46% • Norton Rose Fulbright: 9% • Apache Energy: 8% • Other: 37%	• A-grade commercial office tower completed in 1988 • Comprises 52 levels of office accommodation and includes 4-level heritage listed Palace building • Located on corner of St Georges Terrace and William Street in Perth CBD
BPPF Portfolio		**894.8**	**4.7**	**99.3**	**247,824**		

Source: Annual report 2014; External valuation reports; Brookfield Prime Property Fund website
Note 1: Average lease expiry weighted by income years
Note 2: Interests in Ernst & Young Centre and Southern Cross East Tower owned indirectly via Latitude Landowning Trust and Brookfield Developments No. 6A Unit Trust, respectively, which are treated as associates for accounting purposes
Note 3: Capitalisation rate of Ernst & Young Centre and 50 Gouburn Street reflects average, weighted by carrying value
Note 4: Occupancy includes committed leases with lease commencement dates post 30 June 2014
Note 5: Portfolio capitalisation rate reflects average weighted by carrying value

Appendix 6 – Valuation methodology

Capitalisation of earnings

An earnings based approach estimates a sustainable level of future earnings for a business ('maintainable earnings') and applies an appropriate multiple to those earnings, capitalising them into a value for the business. The earnings bases to which a multiple is commonly applied include Revenue, EBITDA, EBIT and NPAT.

In considering the maintainable earnings of the business being valued, factors to be taken into account include whether the historical performance of the business reflects the expected level of future operating performance, particularly in cases of development, or when significant changes occur in the operating environment, or the underlying business is cyclical.

With regard to the multiples applied in an earnings based valuation, they are generally based on data from listed companies and recent transactions in a comparable sector, but with appropriate adjustment after consideration has been given to the specific characteristics of the business being valued. The multiples derived for comparable quoted companies are generally based on share prices reflective of the trades of small parcels of shares. As such, multiples are generally reflective of the prices at which portfolio interests change hands. That is there is no premium for control incorporated within such pricing. They may also be impacted by illiquidity in trading of the particular stock. Accordingly, when valuing a business en bloc (100 percent) we would also reference the multiples achieved in recent mergers and acquisitions, where a control premium and breadth of purchaser interest are reflected.

An earnings approach is typically used to provide a market cross-check to the conclusions reached under a theoretical DCF approach or where the entity subject to valuation operates a mature business in a mature industry or where there is insufficient forecast data to utilise the DCF methodology.

Discounted cash flow

Under a DCF approach, forecast cash flows are discounted back to the Valuation Date, generating a net present value for the cash flow stream of the business. A terminal value at the end of the explicit forecast period is then determined and that value is also discounted back to the Valuation Date to give an overall value for the business.

In a DCF analysis, the forecast period should be of such a length to enable the business to achieve a stabilised level of earnings, or to be reflective of an entire operation cycle for more cyclical industries. Typically a forecast period of at least five years is required, although this can vary by industry and by sector within a given industry.

The rate at which the future cash flows are discounted ('the Discount Rate') should reflect not only the time value of money, but also the risk associated with the business' future operations. This means that in order for a DCF to produce a sensible valuation figure, the importance of the quality of the underlying cash flow forecasts is fundamental.

The Discount Rate most generally employed is the Weighted Average Cost of Capital (WACC), reflecting an optimal (as opposed to actual) financing structure, which is applied to unleveraged cash flows and results in an Enterprise Value for the business. Alternatively, for some sectors it is more appropriate to apply an equity approach instead, applying a cost of equity to leveraged cash flows to determine equity value.

In calculating the terminal value, regard must be had to the business' potential for further growth beyond the explicit forecast period. This can be calculated using either a capitalisation of earnings methodology or the 'constant growth model', which applies an expected constant level of growth to the cash flow forecast in the last year of the forecast period and assumes such growth is achieved in perpetuity.

Net assets or cost based

Under a net assets or cost based approach, total value is based on the sum of the net asset value or the costs incurred in developing a business to date, plus, if appropriate, a premium to reflect the value of intangible assets not recorded on the balance sheet.

Net asset value is determined by marking every asset and liability on (and off) the company's balance sheet to current market values. A premium is added, if appropriate, to the marked-to-market net asset value, reflecting the profitability, market position and the overall attractiveness of the business. The net asset value, including any premium, can be matched to the 'book' net asset value, to give a price to net assets, which can then be compared to that of similar transactions or quoted companies.

A net asset or cost based methodology is most appropriate for businesses where the value lies in the underlying assets and not the ongoing operations of the business (e.g. real estate holding companies). A net asset approach is also useful as a cross check to assess the relative riskiness of the business (e.g. through measures such as levels of tangible asset backing).

Enterprise or equity value

Depending on the valuation approach selected and the treatment of the business' existing debt position, the valuation range calculated will result in either an enterprise value or an equity value being determined.

An enterprise value reflects the value of the whole of the business (i.e. the total assets of the business including fixed assets, working capital and goodwill/intangibles) that accrues to the providers of both debt and equity. An enterprise value will be calculated if a multiple is applied to unleveraged earnings (i.e. revenue, EBITDA, EBITA or EBIT) or unleveraged free cash flow.

An equity value reflects the value that accrues to the equity holders. To compare an enterprise value to an equity value, the level of net debt must be deducted from the enterprise value. An equity value will be calculated if a multiple is applied to leveraged earnings (i.e. NPAT) or free cash flow, post debt servicing.

Appendix 7 – Glossary

Definitions

Abbreviation	Description
360 Office	360 Capital Office Fund
ABS	means the Australian Bureau of Statistics
Acquisition Price	an amount equal to $5.50 per Unit
AFSL	means Australian Financial Services Licence issued by ASIC under section 913B of the Corporations Act
APESB	means the Accounting Professional and Ethical Standards Board
A-REIT	means an Australian Real Estate Investment Trust
A-REIT Index	means the S&P/ASX 300 A-REIT Index
ASIC	means the Australian Securities and Investments Commission
ASX	means ASX Limited or, as the context requires, the financial market known as the Australian Securities Exchange operated by it
ASX Guidelines	means the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, as amended
ATO	means the Australian Taxation Office
AUM	means Assets Under Management
BCML	means Brookfield Capital Management Limited
Benchmark Index	means the UBS Commercial Property Accumulation (200 Index)
Benchmark Return	means the annualised compound return of the UBS Commercial Property Accumulation (200 Index)
BPPF or the Fund	means Brookfield Prime Property Fund
Brookfield Group	means the group of entities comprising Brookfield Australia Investments Limited and its related entities
CAGR	means Compound Annual Growth Rate
Capitalised Earnings	means the capitalisation of maintainable earnings valuation methodology
CBD	means the Central Business District for the respective Australian and/or New Zealand State
CGT	means the Capital Gains Tax
Constitution	means the document setting out the rules governing the operation of the Fund, dated 16 July 2004
Corporations Act or the Act	means the *Corporations Act 2001* (Cth)
CPI	means Consumer Price Index
Cromwell	Cromwell Property Group
DCF	means the Discounted Cash Flow valuation method
DOT	means Department of Transport
DOTF	means Department of Treasury and Finance

Abbreviation	Description
E&Y	means Ernst & Young
EBIT	means Earnings Before Interest and Tax
FFO	means Funds from Operations
FIRB	means the Foreign Investment Review Board
Fund Manager	means Brookfield Multiplex Capital Pty Limited, being the appointed manager of Brookfield Prime Property Fund
FY11	means the financial year ended 30 June 2011
FY12	means the financial year ended 30 June 2012
FY13	means the financial year ended 30 June 2013
FY14	means the financial year ending 30 June 2014
GDI	GDI Property Group
GFC	means the Global Financial Crisis that commenced in 2007
GST	means the Goods and Services Tax
IER	means the Independent Expert's Report
Independent Expert	means KPMG Financial Advisory Services (Australia) Pty Ltd
IOF	Investa Office Fund
JV	means Joint Venture
KPMG Corporate Finance	means KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Corporate Finance is a division)
LVR	means Loan to Value Ratio
Meeting Date	8 December 2014
Meeting Record Date	6 December 2014
MSA	means the Management Services Agreement
Net Assets	means the net realisable valuation methodology
NTA	means Net Tangible Assets
PDS	means a Product Disclosure Statement for the purposes of Chapter 7 of the Corporations Act
Proposal	means the proposal by Brookfield BPPF Investments Trust to acquire all of the units of Brookfield Prime Property Fund via a trust scheme, as set out in the Explanatory Memorandum
REIT	means Real Estate Investment Trust
Responsible Entity	means the appointed responsible entity of Brookfield Prime Property Fund, which is currently Brookfield Capital Management Limited
RG111	means the guidance set out in the ASIC Regulatory Guide 'Content of Expert Reports'
Scheme Implementation Date	24 December 2014
Valuation Date	means the date used for valuation, being the 31st October 2014
VWAP	means the Volume Weighted Average Price
WACC	means the Weighted Average Cost of Capital

Abbreviation	Description
WACR	means Weighted Average Capitalisation Rate
WALE	means Weighted Average Lease Expiry

KPMG Corporate Finance
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Australian Financial Services Licence No. 246901
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PART TWO – FINANCIAL SERVICES GUIDE

Dated 10 November 2014

What is a Financial Services Guide (FSG)?

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by KPMG Financial Advisory Services (Australia) Pty Ltd **ABN 43 007 363 215**, Australian Financial Services Licence Number 246901 (of which KPMG Corporate Finance is a division) **(KPMG Corporate Finance)** and Ian Jedlin as an authorised representative of KPMG Corporate Finance **(Authorised Representative)**, authorised representative number 404177, and Sean Collins as an authorised representative of KPMG Corporate Finance, authorised representative number 404189.

This FSG includes information about:

- KPMG Corporate Finance and its Authorised Representative and how they can be contacted
- the services KPMG Corporate Finance and its Authorised Representative are authorised to provide
- how KPMG Corporate Finance and its Authorised Representative are paid
- any relevant associations or relationships of KPMG Corporate Finance and its Authorised Representative
- how complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and the compensation arrangements that KPMG Corporate Finance has in place.

The distribution of this FSG by the Authorised Representative has been authorised by KPMG Corporate Finance.
This FSG forms part of an Independent Expert's Report (Report) which has been prepared for inclusion in a disclosure document or, if you are offered a financial product for issue or sale, a Product Disclosure Statement (PDS). The purpose of the disclosure document or PDS is to help you make an informed decision in relation to a financial product. The contents of the disclosure document or PDS, as relevant, will include details such as the risks, benefits and costs of acquiring the particular financial product.

Financial services that KPMG Corporate Finance and the Authorised Representative are authorised to provide

KPMG Corporate Finance holds an Australian Financial Services Licence, which authorises it to provide, amongst other services, financial product advice for the following classes of financial products:

- deposit and non-cash payment products;
- derivatives;
- foreign exchange contracts;
- government debentures, stocks or bonds;
- interests in managed investment schemes including investor directed portfolio services;
- securities, and
- superannuation,

to retail and wholesale clients. We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of financial products. The Authorised Representative is authorised by KPMG Corporate Finance to provide financial product advice on KPMG Corporate Finance's behalf.

KPMG Corporate Finance and the Authorised Representative's responsibility to you

KPMG Corporate Finance has been engaged by Brookfield Capital Management Limited (Client), as responsible entity of Brookfield Prime Property Fund, to provide general financial product advice in the form of a Report to be included in the Explanatory Memorandum (Document) prepared by Brookfield Capital Management Limited in relation to a proposal by Brookfield BPPF Investments Pty Limited, as trustee for Brookfield BPPF Investments Trust, to acquire all of the Units of Brookfield Prime Property Fund via a trust scheme (Transaction). You have not engaged KPMG Corporate Finance or the Authorised Representative directly but have received a copy of the Report because you have been provided with a copy of the Document. Neither KPMG Corporate Finance nor the Authorised Representative are acting for any person other than the Client.
KPMG Corporate Finance and the Authorised Representative are responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

General Advice

As KPMG Corporate Finance has been engaged by the Client, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.
You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report. You should also consider the other parts of the Document before making any decision in relation to the Transaction.

Fees KPMG Corporate Finance may receive and remuneration or other benefits received by our representatives

KPMG Corporate Finance charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay KPMG Corporate Finance $120,000 for preparing the Report. KPMG

Corporate Finance and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of the Report.
KPMG Corporate Finance officers and representatives (including the Authorised Representative) receive a salary or a partnership distribution from KPMG's Australian professional advisory and accounting practice (the KPMG Partnership). KPMG Corporate Finance's representatives (including the Authorised Representative) are eligible for bonuses based on overall productivity. Bonuses and other remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the Report.
Further details may be provided on request.

Referrals

Neither KPMG Corporate Finance nor the Authorised Representative pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

Associations and relationships

Through a variety of corporate and trust structures KPMG Corporate Finance is controlled by and operates as part of the KPMG Partnership. KPMG Corporate Finance's directors and Authorised Representatives may be partners in the KPMG Partnership. The Authorised Representative is a partner in the KPMG Partnership. The financial product advice in the Report is provided by KPMG Corporate Finance and the Authorised Representative and not by the KPMG Partnership.
From time to time KPMG Corporate Finance, the KPMG Partnership and related entities (KPMG entities) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.

KPMG entities have provided, and continue to provide, a range of tax and advisory services to the Client for which professional fees are received. Over the past two years professional fees in the order of $1.6 million have been received from the Client. None of those services have related to the Offer or alternatives to the Offer.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, the Client or has other material financial interests in the transaction.

Complaints resolution

Internal complaints resolution process

If you have a complaint, please let either KPMG Corporate Finance or the Authorised Representative know. Formal complaints should be sent in writing to The Complaints Officer, KPMG, PO Box H67, Australia Square, Sydney NSW 1213. If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer on 02 9335 7000 and they will assist you in documenting your complaint.
Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than 45 days after receiving the written complaint, the response to your complaint will be advised in writing.

External complaints resolution process

If KPMG Corporate Finance or the Authorised Representative cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Financial Ombudsman Service (FOS). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.
Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly at:

Address: Financial Ombudsman Service Limited,
GPO Box 3, Melbourne Victoria 3001
Telephone: 1300 78 08 08
Facsimile: (03) 9613 6399 Email: info@fos.org.au.

The Australian Securities and Investments Commission also has a freecall infoline on 1300 300 630 which you may use to obtain information about your rights.

Compensation arrangements

KPMG Corporate Finance has professional indemnity insurance cover as required by the Corporations Act 2001(Cth).

Contact Details

You may contact KPMG Corporate Finance or the Authorised Representative using the contact details:

KPMG Corporate Finance
A division of KPMG Financial Advisory Services (Australia) Pty Ltd
10 Shelley St
Sydney NSW 2000

PO Box H67
Australia Square
NSW 1213
Telephone: (02) 9335 7000
Facsimile: (02) 9335 7200

Ian Jedlin
C/O KPMG
PO Box H67
Australia Square
NSW 1213
Telephone: (02) 9335 7000
Facsimile: (02) 9335 7000

10. Glossary

In this Explanatory Memorandum, and in the Notice, the following expressions have the meanings set out below unless stated otherwise or the context otherwise requires:

$	Australian dollars.
Acquisition Price	An amount equal to $5.50 per Unit.
ABN	Australian Business Number.
AEDT	Australian Eastern Daylight Time.
AFSL	Australian Financial Services Licence.
A-REIT	An Australian real estate investment trust listed on ASX.
ARSN	Australian Registered Scheme Number.
ASIC	Australian Securities and Investments Commission.
ASX	ASX Limited or the market operated by it as the context requires.
ASX Listing Rules	The listing rules of ASX as amended or replaced from time to time, except as waived or modified by ASX.
BAIL	Brookfield Australia Investments Limited (ABN 96 008 687 063).
BCML	Brookfield Capital Management Limited (ABN 32 094 936 866).
Board	The board of directors of the Responsible Entity, being the Independent Directors and Russell Proutt.
BPA	Brookfield Prime Property Fund (ARSN 110 096 663).
Brookfield	Brookfield BPPF Investments Pty Limited (ACN 110 184 006) as trustee for Brookfield BPPF Investments Trust.
Brookfield Group	Brookfield Australia Pty Limited (ABN 95 126 164 145) and its related entities.
Business Day	A day that is not a Saturday, Sunday or public holiday in Sydney, Australia.
Chair of the Meeting	Mr Allan McDonald, or, failing him, Ms Barbara Ward, who will act as the chair of the Meeting or any replacement appointed by the Manager to chair the Meeting.
Conditions	Each of the conditions set out in Section 5.
Constitution	The constitution of the Fund.
Corporations Act	The Corporations Act 2001 (Cth).
End Date	28 February 2015.
Explanatory Memorandum	This document, which forms part of the Notice of Meeting issued by the Responsible Entity and dated 10 November 2014.
Financiers	Australia and New Zealand Banking Group Limited, National Australia Bank Limited, ING Bank (Australia) Limited and DekaBank Deutsche Girozentrale.
Fund	Brookfield Prime Property Fund (ARSN 110 096 663).
Fund Register	The register of Unitholders maintained by Link Market Services Limited.
GST	Goods and Services Tax.
Implementation Deed	The deed dated 31 October 2014 between the Responsible Entity, Brookfield BPPF Investments Pty Limited (ACN 110 184 006) as trustee for Brookfield BPPF Investments Trust and Brookfield Australia Investments Limited.
Implementation Record Date	5.00pm on 15 December 2014.
Independent Board Committee	The committee of the Board comprising Mr Allan McDonald and Ms Barbara Ward.
Independent Directors	Mr Allan McDonald and Ms Barbara Ward.
Independent Expert	KPMG Financial Advisory Services (Australia) Pty Ltd.
Independent Expert Report	The report prepared by the Independent Expert set out in Section 9 to this Explanatory Memorandum.

Insolvency Event	In relation to an entity: 1. a liquidator, provisional liquidator, receiver or receiver and manager is appointed in relation to the whole or a substantial part of the undertaking or property of the entity; 2. a court order is made or an effective resolution is passed for the winding up or dissolution without winding up (otherwise than for the purposes of reconstruction or amalgamation) of the entity; or 3. an administrator is appointed under section 436A, 436B or 436C of the Corporations Act.
LVR	Loan to Value Ratio, being the proportion which the Fund's debt bears to the value of the Fund's properties as set out in the latest valuations obtained by the Responsible Entity.
Manager	BCML in its capacity as responsible entity of the Fund.
Material Acquisition	BCML or any subsidiary of the Fund acquires or enters into an agreement to acquire any entity or asset (or interest in any entity, business or asset) for consideration in excess of $5 million for any individual item.
Material Adverse Change	An event, change or condition which has, or could reasonably be expected to have, either individually or in aggregate with other events, changes and conditions: 1. an adverse financial effect of $5 million or more on the net profit or loss of the Fund in any financial year (calculated on a basis consistent with that applied in the audited financial report of the consolidated Fund for the financial year ended 30 June 2014); or 2. an adverse financial effect of $10 million or more on the value of the net assets of the Fund, other than: 1. mark to market movements relating to investment properties and financial derivatives (including those reflected in the Fund's share of net profit or loss on investments accounted for using the equity method); or 2. events, changes and conditions publicly announced by the Fund to ASX prior to 31 October 2014 or otherwise disclosed in public filings by BCML in relation to the Fund or any of its subsidiaries prior to 31 October 2014, in each case where the relevant disclosure is not, and is not likely to be, incomplete, incorrect, untrue or misleading.
Material Commitment	BCML on behalf of the Fund commits to a new development project requiring funding in excess of $5 million.
Material Disposal	BCML or any subsidiary of the Fund disposes or offers or agrees to dispose of any entity or asset (or interest in any entity, business or asset): 1. for consideration in excess of $5 million for any individual item; or 2. in respect of which the book value (as recorded in the Fund's statement of financial position as at 30 June 2014) is in excess of $5 million for any individual item.
Meeting	The meeting of Unitholders to be held on 8 December 2014.
Meeting Date	3.00pm on 8 December 2014.
Meeting Record Date	7.00pm on 6 December 2014.
NAV	Net Asset Value.

10. Glossary Continued

Notice or Notice of Meeting	The Notice of Meeting dated 10 November 2014 included as Section 3 and includes the Explanatory Memorandum.
Permitted Distribution	A quarterly distribution payable to Unitholders in accordance with the Constitution up to a maximum of $0.02 per Unit.
Prescribed Occurrence	1. conversion of any Units into a larger or smaller number of Units; 2. the Fund resolves to reduce its capital in any way; 3. the Fund enters into a buy-back agreement or resolves to approve the terms of a buy-back agreement under section 257C(1) or 257D(1) of the Corporations Act or otherwise; 4. the Fund or a subsidiary of the Fund issues or agrees to issue units or shares, or grants or agrees to grant an option over its units or shares, other than an issue of Units as a result of the exercise of options which are on issue at 31 October 2014; 5. the Fund or a subsidiary of the Fund issues or agrees to issue convertible notes (or any other securities convertible into units or shares); 6. the Fund or a subsidiary of the Fund disposes or agrees to dispose of the whole or a substantial part of its business or undertaking; 7. the Fund or a subsidiary of the Fund grants or agrees to grant an encumbrance over the whole or a substantial part of its business or property; or 8 an Insolvency Event occurs in respect of the Fund or a subsidiary of the Fund.
Proxy Form	The proxy form included with this Notice of Meeting.
Resolutions	The resolutions proposed to be put to Unitholders as set out in Section 3.
Responsible Entity	Brookfield Capital Management Limited (ABN 32 094 936 866, AFSL No. 223809).
Scheme	The trust scheme under which Brookfield will acquire all the units that it and its related bodies corporate do not presently hold.
Scheme Implementation Date	24 December 2014.
Subordinated Debt Facility	The debt facility provided to the Fund by a member of the Brookfield Group.
Syndicated Debt Facility	The term debt facility provided to the Fund by the Financiers.
Transaction Steps	The steps to implement the Scheme, as defined in the Implementation Deed.
Unit	An undivided share in the beneficial interest in the Fund as provided in the Constitution.
Unitholder	The registered holder of a Unit.
VWAP	Volume Weighted Average Price.
WACR	Weighted Average Capitalisation Rate.
WALE	Weighted Average Lease Expiry.

Corporate Directory

RESPONSIBLE ENTITY
Brookfield Capital Management Limited
Level 22
135 King Street
Sydney NSW 2000
Telephone: (02) 9322 2000
Facsimile: (02) 9322 2001

DIRECTORS
F. Allan McDonald
Barbara Ward
Russell Proutt

COMPANY SECRETARY
Neil Olofsson

REGISTERED OFFICE
Level 22
135 King Street
Sydney NSW 2000
Telephone: (02) 9322 2000
Facsimile: (02) 9322 2001

CUSTODIAN
Brookfield Funds Management Limited
Level 22
135 King Street
Sydney NSW 2000
Telephone: (02) 9322 2000

STOCK EXCHANGE
The Fund is listed on the Australian
Securities Exchange (ASX Code: BPA)
The Home Exchange is Sydney

AUDITOR
Deloitte Touche Tohmatsu
Eclipse Tower
Level 19
60 Station Street
Parramatta NSW 2150
Telephone: (02) 9840 7000
Facsimile: (02) 9840 7001

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