

# ASX Announcement

19 August 2013

## Brookfield Prime Property Fund (ASX: BPA) Annual Results 2013

Brookfield Capital Management Limited (BCML) as Responsible Entity for Brookfield Prime Property Fund (the Fund) announces the Fund's annual results for the financial year ended 30 June 2013.

Key messages are:

- Net profit of \$55.8 million (30 June 2012: net loss of \$2.0 million);
- Net assets increased by 25.7% to \$287.9 million (30 June 2012: \$229.1 million) with the increase largely reflecting an uplift from revaluation of the property portfolio;
- NTA per unit of \$5.87 (30 June 2012: \$4.65);
- Distributions paid to investors for the twelve month period of 8.0 cents per unit; and
- The Fund is in compliance with all debt covenants.

### Portfolio update

The direct property portfolio performed well with 98.5% occupancy, a diversified tenant profile and a weighted average lease expiry by income of 5.2 years.

The property portfolio value at 30 June 2013 was \$880.1 million, reflecting a 6.6% increase from the 30 June 2012 value of \$825.3 million. The increase in value reflects strong market fundamentals in Perth and the recent capital expenditure at 108 St Georges Terrace, Perth. Investor demand continues to be strong for prime Sydney CBD and Melbourne CBD assets despite a slowdown in market leasing activity in both capital cities. This has contributed to the uplift in value of the portfolio's Sydney and Melbourne assets. A summary of the property valuations as at 30 June 2013 is as follows:

Property	Location	Interest (%)	30 June 2013 Valuation (\$m)	30 June 2012 Valuation (\$m)
Ernst & Young Centre and 50 Goulburn Street	Sydney	50	268.0	255.0
American Express House	Sydney	100	141.0	130.0
Southern Cross East Tower	Melbourne	25	163.1	155.8
Southern Cross West Tower	Melbourne	50	142.0	137.0
108 St Georges Terrace	Perth	50	166.0	147.5
<b>Total</b>			<b>880.1</b>	<b>825.3</b>

## Distributions and capital management

During the financial year ended 30 June 2013, the following distributions were paid by the Fund:

	Cents per unit	Total amount \$'000	Date of payment
<b>Distribution</b>			
September 2012 distribution	2.0	983	19 October 2012
December 2012 distribution	2.0	981	31 January 2013
March 2013 distribution	2.0	981	30 April 2013
June 2013 distribution	2.0	980	31 July 2013
Total distribution for the year ended 30 June 2013	8.0	3,925	

The Fund continues to utilise excess cash reserves to fund capital requirements of its properties.

No units were bought back by the Fund during the six month period from 1 January to 30 June 2013 under the on-market buy-back which commenced in September 2011 and has been extended to September 2013.

The Fund remains in compliance with all covenants in its debt facilities. At 30 June 2013 the senior debt facility's loan to value ratio was 54% compared to the covenant of 65%. An option to extend the subordinated debt facility provided by Brookfield Group to 1 July 2014 was exercised at no cost to the Fund during the year.

Within these parameters BCML continues to review the capital structure of the Fund and alternatives to increase value for investors.

## Further information

Further information regarding the Fund's annual results is available in the 2013 Annual Report. It is recommended that investors review this document. Additionally, the financial report for the year ended 30 June 2013 is now available at [www.au.brookfield.com](http://www.au.brookfield.com).

-- ends --

Brookfield Customer Service  
Ph: 1800 570 000



# BROOKFIELD PRIME PROPERTY FUND

ARSN 110 096 663

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## Annual Report 2013

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



**Net assets increased by 25.7% to \$287.9 million with net assets per unit of \$5.87.**

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Cover image: Southern Cross East, Melbourne

# Message from the Chairman

On behalf of the Board of Brookfield Capital Management Limited (BCML), enclosed is the Brookfield Prime Property Fund (Fund) annual report for the financial year ended 30 June 2013.

## FINANCIAL RESULTS

The Fund reported a net profit of \$55.8 million for the period, compared with a net loss of \$2.0 million for the same period to 30 June 2012.

Key financial results as at 30 June 2013 include:

- Net assets increased by 25.7% to \$287.9 million (30 June 2012: \$229.1 million) with net assets per unit of \$5.87 (30 June 2012: \$4.65).
- Property portfolio value of \$880.1 million (2012: \$825.3 million);
- Total revenue and other income of \$116.8 million (2012: \$72.4 million); and
- Earnings (loss) per unit of 113.65 cents (2012: (3.92) cents).

The Fund is currently in compliance with all its debt covenants.

## PROPERTY PORTFOLIO

During the year the property portfolio increased in value by 6.6%.

Major contributors to the increase in value were a 12.5% increase of 108 St Georges Terrace, Perth and an 8.5% increase of American Express House, Sydney.

All of the Fund's properties maintain strong lease profiles with the portfolio having an occupancy rate of 98.5% and a weighted average lease expiry by income of 5.2 years.

## OUTLOOK AND CAPITAL MANAGEMENT

The Fund continued to utilise excess cash reserves to fund the capital requirements of its properties, particularly those where current or pending vacancies require additional expenditure.

No units were bought back by the Fund during the 6 month period from 1 January to 30 June 2013 under the on-market buy-back which has been extended to September 2013. As at 30 June 2013, approximately 2.8% of units on issue were bought back and cancelled since implementation of the buy-back in September 2011.

The Fund remains within all covenants of its debt facilities, noting in particular a loan to value ratio of 54% compared to the senior debt facility covenant of 65%. In addition, an option to extend the subordinated debt facility provided by Brookfield Group to 1 July 2014 was exercised during the year.

Within these parameters BCML continues to review the capital structure of the Fund and alternatives to increase value for investors. Further updates will be provided to investors in due course.

On behalf of the Board, thank you for your ongoing support.



F. Allan McDonald,  
Independent Chairman



# Year in Review

Brookfield Capital Management Limited (BCML), the Responsible Entity of Brookfield Prime Property Fund (Fund) provides a review of the financial year ended 30 June 2013.

## MOVEMENT IN NET ASSETS

The Fund's underlying net tangible assets (NTA) increased from \$4.65 to \$5.87 per unit during the period. This increase was primarily due to an increase in value of the property portfolio from \$825.3 million to \$880.1 million and a decrease in fair value of the interest rate swap liability of \$7.8 million from June 2012.

## PROPERTY PORTFOLIO

During the year the property portfolio value increased by 6.6%. The property portfolio has a weighted average lease expiry (by income) of 5.2 years and an occupancy rate of 98.5% as at 30 June 2013.

The 12.5% uplift in value of 108 St Georges Terrace reflects strong market fundamentals in Perth since its purchase and recent capital expenditure to upgrade the property. However, growth in the mining sector has tempered from the growth rates experienced in the past few years. It is expected that the Western Australian economy will continue to benefit from the growth in demand and supply of resources, albeit at a more moderate and sustainable rate.

Management have been proactive in de-risking the upcoming vacancy at 108 St Georges Terrace when the BankWest lease expires in November 2014.

The uplift in value of American Express House reflects continuing strong investor demand for prime Sydney CBD assets. Although there has been a slowdown in leasing activity for prime CBD commercial space, investment demand remains strong supporting tightening yields and discount rates.

The Ernst & Young Centre and 50 Goulburn Street have also benefited from strong investor demand for prime grade CBD assets with a 5.1% increase in value over the period.

Although the Melbourne CBD office market continues to record an increase in vacancy rates due to the release of newly developed space and sub-lease space, investment demand for prime properties remains strong with yields and discount rates holding firm. Southern Cross East and West towers continue to maintain occupancy rates of 100% and 99.5% and relatively long weighted average lease expiries. The properties recorded an increase in value of 4.7% and 3.6% respectively.

## PROPERTY SUMMARY

PROPERTY	LOCATION	FUND SHARE (%)	VALUATION TYPE	VALUE AT 30 JUNE 2013 \$M	VALUE AT 30 JUNE 2012 \$M
Ernst & Young Centre and 50 Goulburn Street	Sydney	50	External	268.0	255.0
American Express House	Sydney	100	External	141.0	130.0
Southern Cross East Tower	Melbourne	25	External	163.1	155.8
Southern Cross West Tower	Melbourne	50	External	142.0	137.0
108 St Georges Terrace	Perth	50	External	166.0	147.5
Total				880.1	825.3

**DEBT**

The senior debt facility balance remains unchanged at \$478.8 million.

The Fund was in compliance with all debt covenants as at 30 June 2013.

The Fund entered into a subordinated bridge facility agreement (subordinated behind the senior debt facility) with a Brookfield Australia Investments Group entity for up to \$130 million for a one year term commencing 1 July 2011. On 29 June 2012, the facility was extended until 1 July 2013 with an option for a further twelve month period. On 18 June 2013, the Fund exercised its option to extend the facility until 1 July 2014.

The balance of the subordinated bridge facility, including capitalised interest as at 30 June 2013, was \$82.5 million (30 June 2012: \$76.6 million).

**DISTRIBUTIONS**

A total distribution of \$3.9 million or 8 cents per unit was paid for the twelve months ended 30 June 2013. This reflects a yield of 1.4% on the Fund's 30 June 2013 NTA of \$5.87 per unit.

**In the year the property portfolio value increased by 6.6%. The property portfolio has a weighted average lease expiry (by income) of 5.2 years and an occupancy rate of 98.5% as at 30 June 2013.**

**MARKET BUYBACK**

In September 2011, the Fund announced an on-market buy-back of its securities for up to 10% of the issued capital of the fund for the period to 19 September 2012. The buy-back was subsequently extended for 12 months to 18 September 2013. Since commencement of the buy-back, approximately 2.8% of units have been bought back and cancelled for an average price of \$3.95 per unit. No units were bought back during the six month period from 1 January to 30 June 2013.

**NET ASSETS RECONCILIATION**

Net assets per unit (\$)									
8									
7			0.47	0.16	(0.90)				
6		1.01				(0.12)	(0.08)	5.87	
5	4.65	0.68							
4									
3									
2									
1									
	Net assets July 12	Net Property Income	Share of profit in associates	Revaluation of investment properties	Change in fair value of derivatives	Finance costs	Management fees	Distributions paid	Net assets Jun 13

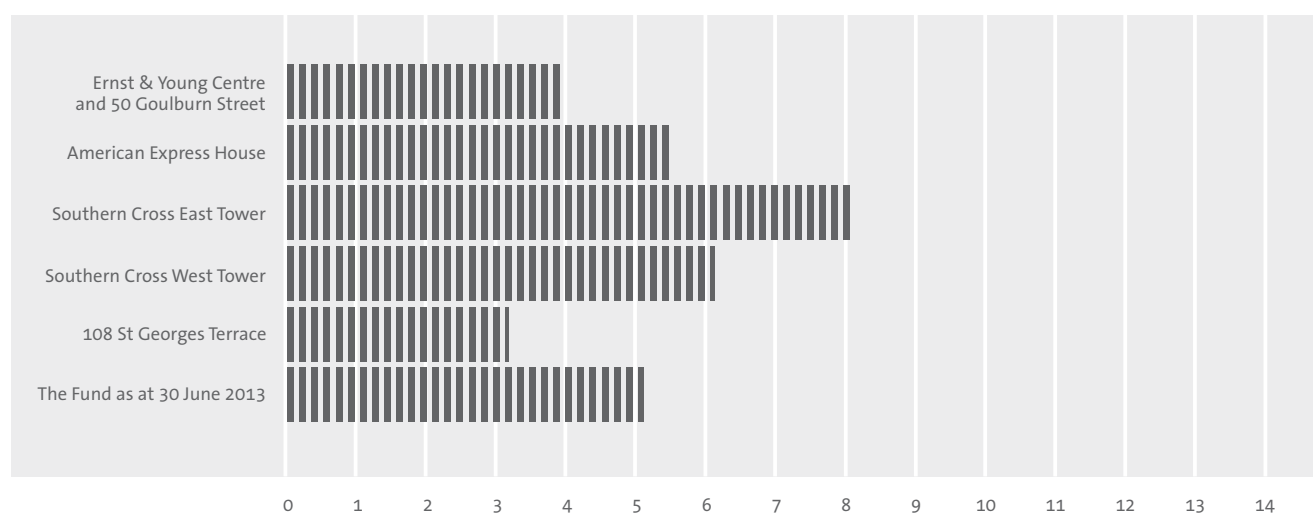
# Property Analysis

## FUND SNAPSHOT (as at 30 June 2013)

Market capitalisation	\$177.0 million
Funds under management	\$892.1 million
Listing date	15 September 2006
NTA per unit	\$5.87
Portfolio occupancy	98.5%
Portfolio weighted average lease term by income	5.2
Loan to value ratio – senior debt only	54.4%
Loan to value ratio – senior and subordinated debt	63.8%
Management fee	0.65% p.a. (excluding GST) of gross asset value
Performance fee	Tier 1 – 5%, Tier 2 – 15% (excluding GST) of benchmark <sup>1</sup> outperformance.

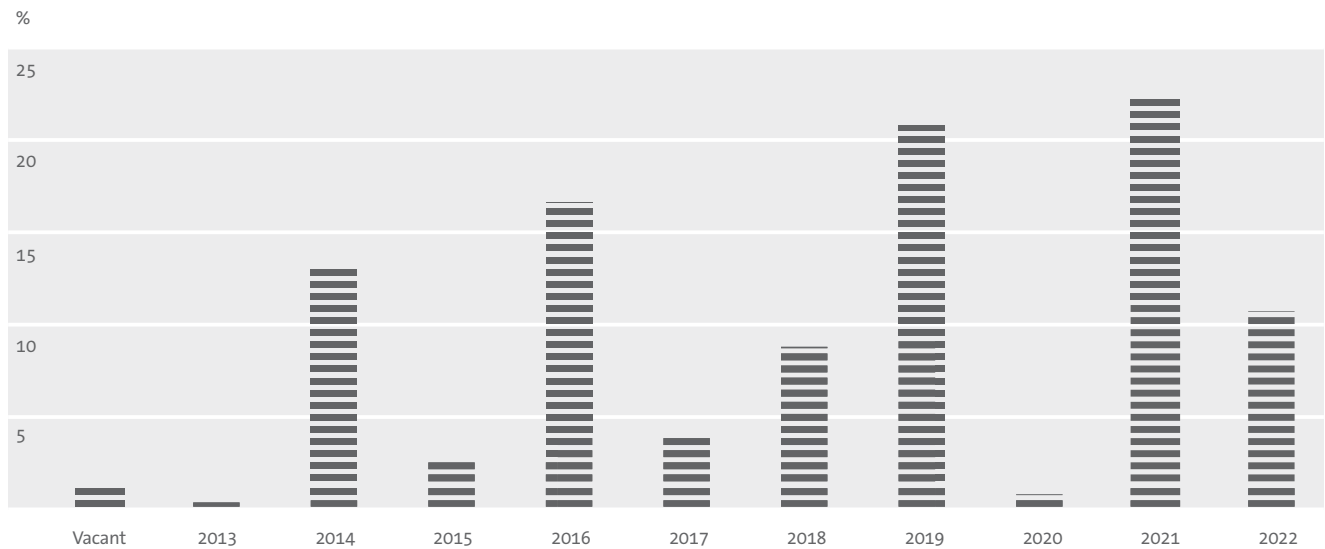
1 UBS Commercial Property Accumulation (200) Index.

## WEIGHTED AVERAGE LEASE EXPIRY PER PROPERTY (by income)





### PORTFOLIO WEIGHTED AVERAGE LEASE EXPIRY PROFILE (by income)



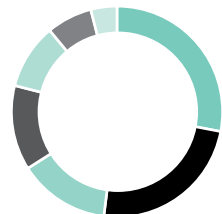
### GEOGRAPHIC ALLOCATION (by value)

- 46% New South Wales
- 35% Victoria
- 19% Western Australia



### TENANCY MIX (by income)

- 28% Victorian State Government
- 24% Other
- 14% Ernst & Young
- 13% Australia Post
- 10% Bankwest
- 7% American Express
- 4% Parsons Brinckerhoff



# Property Analysis

## PROPERTY DESCRIPTION

Ernst & Young Centre is a landmark commercial office tower within the southern periphery of the midtown precinct of the Sydney CBD. The property comprises a substantial lobby with two retail areas and 35 upper levels of office accommodation incorporating low, mid, high and sky rise. Surrounding the property is World Square Shopping Centre and public transport facilities.

50 Goulburn Street is an A-grade commercial building situated on the corner of George Street and Goulburn Street, incorporating ground floor, four levels of office accommodation, a small rooftop terrace and car parking for 28 vehicles. The property's services are integrated with the Ernst & Young Centre and the property is serviced with retail and transport facilities in close proximity.

## PROPERTY DETAILS

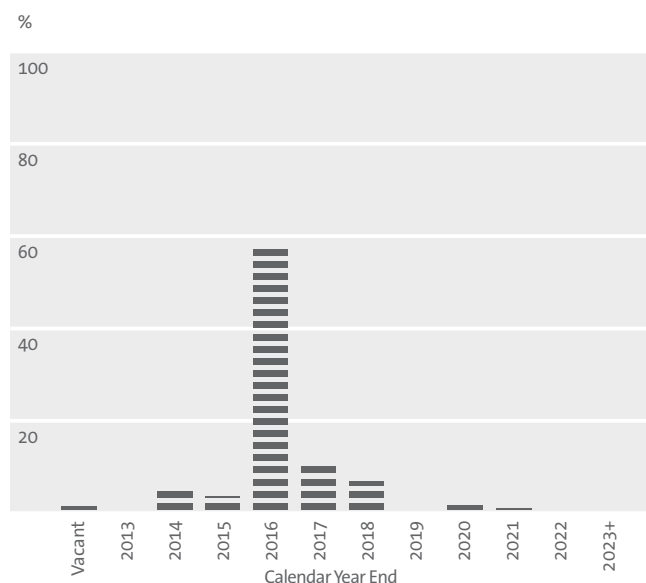
Ownership (%)	50
Net lettable area – whole building (sqm)	67,810
Occupancy (%)	96.7
Weighted average lease expiry (years by income)	3.9
Valuation (50%)	\$268.0 million
Valuation date	30 June 2013

## TENANCY MIX (by income)

54%	Ernst & Young
14%	Parsons Brinckerhoff
9%	Link Market Services
8%	Austereo
15%	Other



## LEASE EXPIRY (by area)



Ernst & Young Centre  
and 50 Goulburn Street,  
Sydney

## PROPERTY DESCRIPTION

Southern Cross East Tower is a landmark A-grade office building with premium grade services. The building comprises a ground level foyer and retail tenancies, 36 levels of office accommodation and basement parking for 950 vehicles.

The property is located at the eastern end of the Melbourne CBD bordering Exhibition, Bourke and Little Collins Streets. Public transport facilities include tram and bus services and Parliament Railway Station is situated 100 metres to the west.

## PROPERTY DETAILS

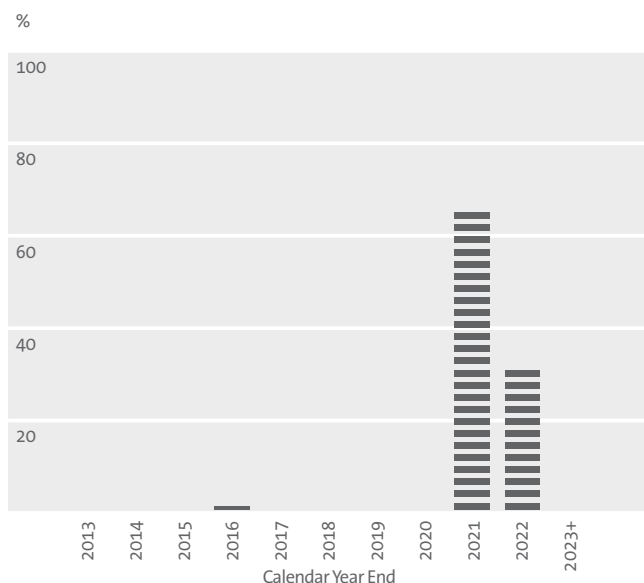
Ownership (%)	25
Net lettable area – whole building (sqm)	79,731
Occupancy (%)	100
Weighted average lease expiry (years by income)	8.2 <sup>1</sup>
Valuation (25%)	\$163.1 million
Valuation date	30 June 2013

## TENANCY MIX (by income)

- 58% Victorian State Government (Other)
- 30% Victorian State Government (DOI)
- 12% Other



## LEASE EXPIRY (by area)



# Southern Cross East Tower, Melbourne

Note: <sup>1</sup> The WALE by income reduced from 12.4 years at 30 June 2012 due to the change in methodology by the valuer regarding the car parking lease to Southern Cross West. The Valuer now assumes a 25 year lease as opposed to a 99 year lease.

# Property Analysis

## PROPERTY DESCRIPTION

American Express House is an A-grade commercial office building completed in late 2007. The property comprises 10 levels of commercial office, fully occupied by American Express, with ground floor retail and underground parking for 69 vehicles.

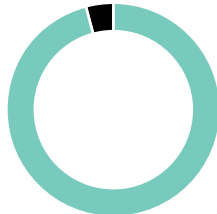
The property is located within the western corridor precinct of the Sydney CBD with frontage on Shelley Street. American Express House is proximate to Wynyard Railway Station and Bus Interchange, King Street Wharf public ferry terminal, and the retail and restaurants at King Street Wharf.

## PROPERTY DETAILS

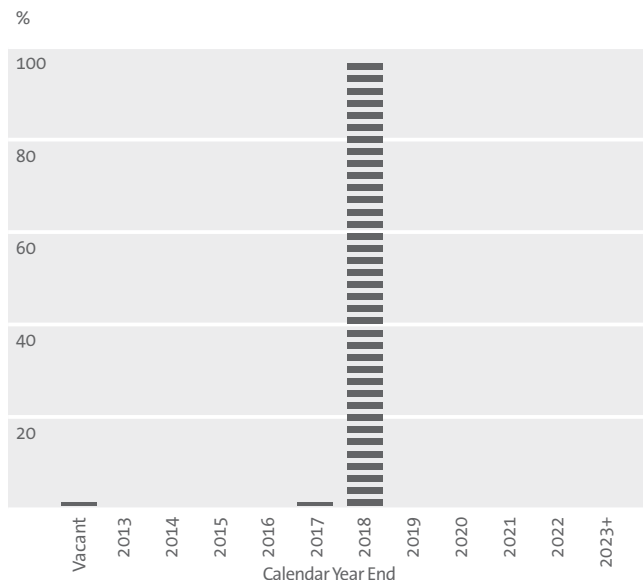
Ownership (%)	100
Net lettable area – whole building (sqm)	14,970
Occupancy (%)	99.4
Weighted average lease expiry (years by income)	5.4
Valuation (100%)	\$141.0 million
Valuation date	30 June 2013

## TENANCY MIX (by income)

- 97% American Express
- 3% Other



## LEASE EXPIRY (by area)



## American Express House, Sydney



### PROPERTY DESCRIPTION

Southern Cross West Tower forms part of the Southern Cross landmark development. The A-grade property was completed in 2009 and comprises ground floor retail tenancies, lobby, 20 upper levels of office accommodation and basement parking.

The property is located at the eastern end of the Melbourne CBD, bordering Bourke and Little Collins Streets. Public transport facilities include tram and bus services and Parliament Railway Station is situated 100 metres to the west.

### PROPERTY DETAILS

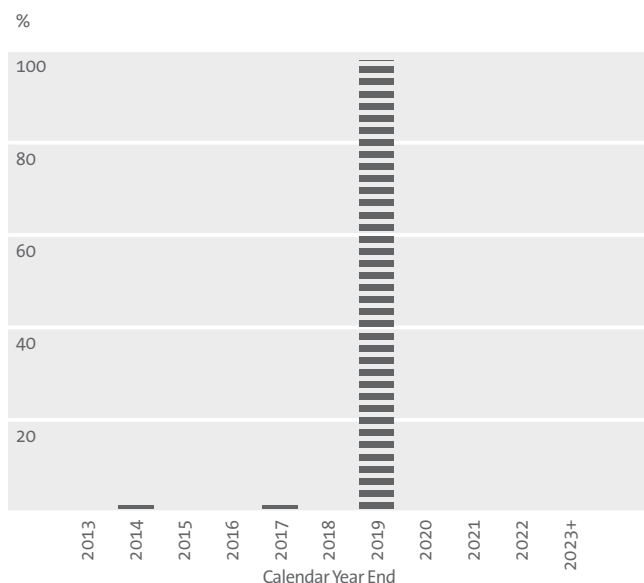
Ownership (%)	50
Net lettable area – whole building (sqm)	46,326
Occupancy (%)	99.5
Weighted average lease expiry (years by income)	6.2
Valuation (50%)	\$142.0 million
Valuation date	30 June 2013

### TENANCY MIX (by income)

- 95% Australia Post
- 5% Other



### LEASE EXPIRY (by area)



## Southern Cross West Tower, Melbourne

# Property Analysis

## PROPERTY DESCRIPTION

108 St Georges Terrace is an A-grade, 52-level commercial office tower and includes the four-level heritage listed Palace building, comprising ground floor banking chamber with associated offices on the upper levels.

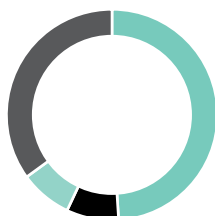
The building is prominently located on the corner of St Georges Terrace and William Street in the core of the Perth CBD and has expansive city views from the upper floors.

## PROPERTY DETAILS

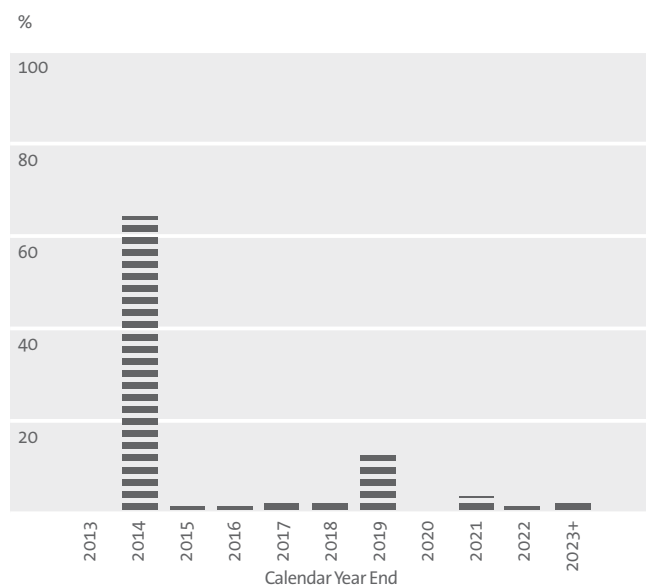
Ownership (%)	50
Net lettable area – whole building (sqm)	38,988
Occupancy by area (%)	99.8
Weighted average lease expiry (years by income)	3.1
Valuation (50%)	\$166.0 million
Valuation date	30 June 2013

## TENANCY MIX (by income)

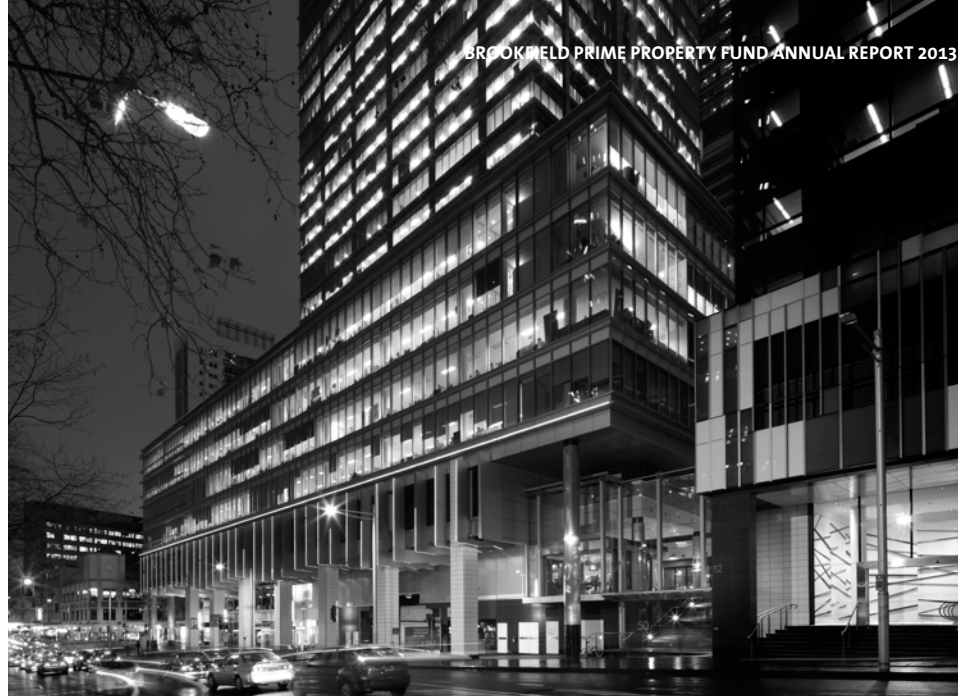
- 50% Bankwest
- 8% Norton Rose
- 9% Apache Energy
- 33% Other



## LEASE EXPIRY (by area)



108 St Georges Terrace,  
Perth



50 Goulburn Street, Sydney



108 St Georges Terrace, Perth



Ernst & Young Centre, Sydney



# ASX Additional Information

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below. The equity holder information set out below was applicable as at 2 August 2013.

## 1. SUBSTANTIAL HOLDERS

NAME	NUMBER OF UNITS	% OF ISSUED ORDINARY UNITS
Brookfield Asset Management Inc. <sup>1</sup>	39,452,437	79.775
Greig & Harrison Pty Ltd	2,451,606	5.000

1. The information is based on the ASX announcement dated 25 May 2012.

## 2. DISTRIBUTION OF ORDINARY UNITS

Analysis of numbers of unitholders by size of holding:

	UNITS	UNITHOLDERS
1–1,000	27,511	428
1,001–5,000	574,525	201
5,001–10,000	1,017,116	133
10,001–100,000	3,153,113	138
100,001 and over	44,256,885	21
Total	49,029,150	921

There were 390 holders with less than a marketable parcel of 149 securities (\$3.35 on 2 August 2013).

## 3. ON-MARKET BUY BACK

There is an on-market buy back program in operation.



#### 4. UNITHOLDERS

##### Twenty largest quoted unitholders

The twenty largest holders of ordinary units are listed below:

NAME	ORDINARY UNITS	
	NUMBER HELD	% OF ORDINARY UNITS
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	808,142	1.65
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
New City Holdings Pty Ltd	268,500	0.55
ANZ Trustees Limited	268,405	0.55
ANZ Trustees Limited	232,879	0.47
Navigator Australia Ltd	207,598	0.42
ANZ Trustees Limited	198,728	0.41
Stilwood Custodians Pty Ltd	161,736	0.33
ANZ Trustees Limited	136,577	0.28
Stilwood Pty Ltd	127,071	0.26
JP Morgan Nominees Australia Limited	124,578	0.25
Kelpador Pty Ltd	118,877	0.24
Indevco Group Holdings Pty Limited	118,554	0.24
Total	44,145,896	90.04

#### 5. CLASS OF UNITS

The only class of units on issue is ordinary fully paid units.

#### 6. VOTING RIGHTS

Refer to Note 15 of the financial statements for details of voting rights.

# Investor Relations

## ASX LISTING

Brookfield Prime Property Fund is listed on the ASX under the code BPA. Daily unit prices can be found in all major Australian newspapers, on the ASX website and at [www.au.brookfield.com](http://www.au.brookfield.com).

## ONLINE SERVICES

Accessing investments online is one of the many ways that Brookfield is ensuring convenience and accessibility to unitholder investment holdings. Links to the registry providers are available via the Brookfield website. Unitholders can access their account balance, transaction history and distribution details.

## E-COMMUNICATIONS

The default for Brookfield annual and interim reports is now electronic. Online versions of the annual and interim reports are available at [www.au.brookfield.com](http://www.au.brookfield.com).

Investors who have elected to receive hard copy reports will continue to receive them. Should you wish to change your preference, please contact the share registry on 1800 685 455.

## CONTACT THE REGISTRY

Queries relating to individual unit holdings or requests to change investment record details such as:

- change of address (issuer sponsored holdings only)
- update method of payment for receiving distributions
- tax file number notification
- annual report election
- 

should be addressed to:

Link Market Services Limited  
Level 12, 680 George Street  
Sydney NSW 2000  
Freecall: 1800 685 455  
Email: [registrars@linkmarketservices.com.au](mailto:registrars@linkmarketservices.com.au)

## INVESTOR SERVICES

Investors wishing to register a complaint should direct it to:

The Manager  
Brookfield  
GPO Box 172  
Sydney NSW 2001

## CONTACT US

Brookfield has personnel to assist with all investor and financial adviser enquiries.

There are several ways of accessing information about the fund and providing feedback to Customer Service:

### By post

GPO Box 172  
Sydney NSW 2001

### By phone

1800 570 000 (within Australia)  
+61 2 9322 2000 (outside Australia)

### By fax

+61 2 9322 2001

### By email

[clientenquiries@au.brookfield.com](mailto:clientenquiries@au.brookfield.com)

### By internet

The Brookfield website provides investors with up-to-date information on all funds as well as reports, media releases, fund performance, unit price information and corporate governance guidelines.

[www.au.brookfield.com](http://www.au.brookfield.com)



# BROOKFIELD PRIME PROPERTY FUND

ARSN 110 096 663

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## Financial Report for the year ended 30 June 2013

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

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# Directory

For the year ended 30 June 2013

**Responsible Entity**

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

**Directors of Brookfield Capital Management Limited**

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

**Company Secretary of Brookfield Capital Management Limited**

Neil Olofsson

**Registered Office of Brookfield Capital Management Limited**

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

**Custodian**

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

**Stock Exchange**

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

**Location of Share Registry**

Link Market Services Limited  
Level 12, 680 George Street  
Sydney NSW 2000  
Telephone: +61 2 8280 7111  
Facsimile: +61 2 9287 0303

**Auditor**

Deloitte Touche Tohmatsu  
Eclipse Tower  
Level 19, 60 Station St  
Parramatta NSW 2150  
Telephone: +61 2 9840 7000  
Facsimile: +61 2 9840 7001

# Director's Report

For the year ended 30 June 2013

## Introduction

The Directors of Brookfield Capital Management Limited (ABN 32 094 936 866), the Responsible Entity of Brookfield Prime Property Fund (ARSN 110 096 663) (Fund), present their report together with the financial statements of the Consolidated Entity, being the Fund, its subsidiaries and the Consolidated Entity's interest in associates for the year ended 30 June 2013 and the Independent Auditor's Report thereon.

The Fund was constituted on 16 July 2004 and was registered as a Managed Investment Scheme on 30 July 2004.

## Responsible Entity

The Responsible Entity of the Fund is Brookfield Capital Management Limited (BCML). BCML became the Responsible Entity on 5 July 2005. The registered office and principal place of business of the Responsible Entity and the Fund is Level 22, 135 King Street, Sydney NSW 2000.

## Directors

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

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

## Information on Directors

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

Allan was appointed the Non-Executive Independent Chairman of BCML on 1 January 2010 and also performs that role for Brookfield Funds Management Limited (BFML). Allan has had extensive experience in the role of Chairman and is presently associated with a number of companies as a consultant and Company Director. BCML is also the Responsible Entity for listed fund Multiplex European Property Fund (MUE). BFML is the Responsible Entity for the listed Multiplex SITES Trust. Allan's other directorships of listed entities are Astro Japan Property Management Limited (Responsible Entity of Astro Japan Property Trust) (appointed February 2005) and Brookfield Office Properties Inc. (appointed May 2011). During the past 3 years Allan has also served as a director of the following listed companies: Ross Human Directions Limited (April 2000 – February 2011) and Billabong International Limited (appointed July 2000 – October 2012).

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

Brian has in excess of 40 years of experience working in the area of finance and accounting. He has worked with international accounting firms, in his own private practice, and during the last 21 years in private enterprise in both the mining and property industries. He spent 8 years (from 1996 to 2004) as an executive of a Perth-based property company in the position of Chief Financial Officer and, later, as Financial Director. BCML is also the Responsible Entity for listed fund MUE. Brian is a fully qualified Chartered Accountant having trained with KPMG and Deloitte.

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

Barbara was appointed as a Non-Executive Independent Director of BCML on 1 January 2010 and also performs that role for BFML. Barbara has gained extensive business and finance experience through her role as Chief Executive Officer of Ansett Worldwide Aviation Services, as General Manager Finance for the TNT Group and as a Senior Ministerial Advisor. BCML is also the Responsible Entity for listed fund MUE. BFML is the Responsible Entity for the listed Multiplex SITES Trust. Barbara is a Director of Qantas Airways Limited. During the past 3 years Barbara has also served as Chair of Essential Energy (June 2001 – June 2012) and Director of Essential Energy, Ausgrid, Endeavour Energy (July 2012 – December 2012).

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

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

### Shane Ross (BBus), Executive Director

Shane is the Group General Manager of Treasury for Brookfield Australia Investments Limited and was appointed as an Executive Director of BCML on 16 May 2011. BCML is also the Responsible Entity for listed fund MUE. Shane joined the organisation in 2003 following a background in banking and has over 19 years experience in treasury and finance within the property industry.

# Director's Report Continued

For the year ended 30 June 2013

## Information on Company Secretary

### Neil Olofsson

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

## Directors' interests

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

Director	Brookfield Prime Property Fund units held
F. Allan McDonald	—
Brian Motteram	—
Barbara Ward	—
Russell Proutt	—
Shane Ross	—

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

## Directors' meetings

Director	Board Meetings		Audit Committee Meetings		Board Risk and Compliance Committee Meetings	
	A	B	A	B	A	B
F. Allan McDonald	6	6	2	2	2	2
Brian Motteram	6	6	2	2	2	2
Barbara Ward	6	6	2	2	2	2
Russell Proutt	5	6	n/a	n/a	n/a	n/a
Shane Ross	6	6	n/a	n/a	n/a	n/a

A – Number of meetings attended.

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

## Committee meetings

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

## Principal activities

The principal activity of the Consolidated Entity is the investment in a portfolio of CBD office assets and listed property trusts.

## Review of operations

The Consolidated Entity has recorded a net profit of \$55,784,000 for the year ended 30 June 2013 (2012: net loss of \$1,955,000). The reported net profit includes \$22,814,000 in unrealised gains on revaluations of the investment property portfolio directly held by the Consolidated Entity (2012: net gain of \$3,577,000). The Consolidated Entity's associates recognised an unrealised profit on underlying investment properties, of which the Consolidated Entity's share was \$21,586,000 (2012: unrealised loss of \$12,243,000).

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

- total revenue and other income of \$116,838,000 (2012: \$72,390,000);
- net profit of \$55,784,000 (2012: net loss of \$1,955,000);
- earnings per unit (EPU) of 113.65 cents (2012: (3.92) cents);
- net assets of \$287,944,000 as at 30 June 2013 (2012: \$229,140,000) and net assets per unit of \$5.87 (2012: \$4.65);
- interest rate swap liability of \$36,539,000 (2012: \$44,322,000). The change in fair value of \$7,783,000 from June 2012, has contributed to an increase in the NTA of the Fund by 15.9 cents per unit.
- property portfolio value of \$880,125,000 as at 30 June 2013 (2012: \$825,250,000), including \$44,400,000 in net gains on revaluations of investment properties recorded during the year (including investment properties held by associates) (2012: net loss of \$8,666,000);
- no disposals were recognised during the year (2012: disposal of the Defence Plaza investment property for net proceeds \$86,700,000).
- portfolio occupancy at 99% (2012: 98%) with a weighted average lease expiry by income and by ownership of 5.20 years as at 30 June 2013 (2012: 5.84 years).<sup>1</sup>

<sup>1</sup> During the current year, the valuer changed the methodology for determining the WALE associated with the car parking lease to Southern Cross West. The valuer has assumed a 25 year lease as opposed to a 99 year lease. The WALE as at 30 June 2012 has been revised using the new methodology to allow comparability.

# Director's Report Continued

For the year ended 30 June 2013

## Review of operations continued

The strategy of the Fund is to invest in prime commercial office properties in Australia. Consistent with the strategy, the Fund continues to review opportunities that arise in the sector to grow the Fund through the acquisition of quality assets.

## Corporate governance

BCML, in its capacity as Responsible Entity for the Fund, is required under the ASX Listing Rules to prepare a Corporate Governance Statement (the Statement) and include the Statement in its annual financial report.

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

The Principles have been adopted by BCML, where appropriate, to ensure stakeholder interests are protected, however, some of the Principles are neither relevant nor practically applicable to the investment structure of the Fund. This Statement outlines BCML's main governance policies and practices, and the extent of its compliance with the ASX Principles for the reporting period 1 July 2012 to 30 June 2013.

### Principle 1: Lay solid foundations for management and oversight

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

#### Role of the Board & Senior Executives

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

- approval of risk management strategy;
- approval of financial statements and any significant changes to accounting policies;
- approval of distribution payments;
- approval and monitoring of major investments or divestitures and strategic commitments;
- consideration of recommendations from the Audit Committee and Board Risk and Compliance Committee; and
- any matter which, according to law, is expressly reserved for Board determination.

A copy of the Board Charter is available on the Brookfield Australia website at [www.au.brookfield.com](http://www.au.brookfield.com).

In addition, the Board is responsible for:

- monitoring the implementation of the financial and other objectives of the Fund;
- overseeing and approving the risk, control and accountability systems;
- monitoring compliance with legal, constitutional and ethical standards; and
- ensuring there is effective communication with unitholders and other stakeholders of the Fund.

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

#### Process for evaluating the performance of senior executives

The Management team responsible for the operation of the Fund and BCML are employees of the Group and are subject to the Group's performance evaluation process.

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



# Director's Report Continued

For the year ended 30 June 2013

## Corporate governance continued

### Principle 2: Structure the Board to add value

#### Majority of Independent Directors

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

Name	Position held	Independent (Yes/No)	Date appointed to the Board
F. Allan McDonald	Non-Executive Independent Chairman	Yes	1 January 2010
Brian Motteram	Non-Executive Independent Director	Yes	21 February 2007
Barbara Ward	Non-Executive Independent Director	Yes	1 January 2010
Russell Proutt	Executive Director	No	1 January 2010
Shane Ross	Executive Director	No	16 May 2011

The Board considers that collectively, the Directors have an appropriate mix of skills, experience and expertise which allow it to meet the Fund's objectives. The composition of the Board is subject to continuous review. Profiles of each of the Directors may be found on page 4.

#### Chairperson and independence

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

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

#### Roles of the Chairman and CEO

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

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

#### Nomination Committee

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

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

#### Evaluation of the performance of the Board, its Committees and individual Directors

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

#### Induction and education

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

#### Access to information

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

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

#### The Board and the Company Secretary

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

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

# Director's Report Continued

For the year ended 30 June 2013

## Corporate governance continued

### Principle 3: Promote ethical and responsible decision making

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

#### Code of Business Conduct and Ethics

The Board acknowledges that all employees of the Group and Directors of BCML are subject to the Code and are required to act honestly and with integrity. The Code is designed to ensure that all directors, officers and employees conduct activities with the highest standards of honesty and integrity and in compliance with all legal and regulatory requirements. The Code is aligned to the Group's core values of teamwork, integrity and performance and is fully supported by the Board.

A copy of the Code is available on the Brookfield Australia website at [www.au.brookfield.com](http://www.au.brookfield.com).

#### Diversity Policy

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

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

### Principle 4: Safeguard integrity in financial reporting

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

#### Audit Committee

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

The Audit Committee is responsible for:

- overseeing financial reporting to ensure balance, transparency and integrity; and
- evaluating and monitoring the effectiveness of the external audit function.

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

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

The members of the Audit Committee are not substantial shareholders of BCML or the Fund or officers of, or otherwise associated directly with, a substantial shareholder of BCML or the Fund and therefore are deemed independent.

With three members, the Audit Committee satisfies all the requirements of ASX Recommendation 4.2 which suggests that an audit committee should have 'at least three members'. The structure of the Audit Committee satisfied the three other requirements of Recommendation 4.2.

The Board considers that during the reporting period the Audit Committee was of sufficient size, independence and technical expertise to discharge its mandate effectively.

#### Charter of the Audit Committee

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

A copy of the Audit Committee's Charter is available on the Brookfield Australia website at [www.au.brookfield.com](http://www.au.brookfield.com).

### Principle 5: Make timely and balanced disclosure

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

The Company Secretary is primarily responsible for the Fund's compliance with its continuous disclosure obligations and maintaining the Continuous Disclosure Policy. The Company Secretary is also the liaison between the Board and the ASX.

A copy of the Continuous Disclosure Policy is available on the Brookfield Australia website at [www.au.brookfield.com](http://www.au.brookfield.com).

# Director's Report Continued

For the year ended 30 June 2013

## Corporate governance continued

### Principle 6: Respect the rights of the Fund's unitholders

BCML's communication strategy is incorporated into the Continuous Disclosure Policy.

BCML is committed to timely and ongoing communication with the Fund's unitholders. The Annual Report also provides an update to investors on major achievements and the financial results of the Fund.

Up to date information on the Fund, including any continuous disclosure notices given by the Fund, financial reports and distribution information is available on the Brookfield Australia website at [www.au.brookfield.com](http://www.au.brookfield.com).

### Principle 7: Recognise and manage risk

#### Risk management and compliance framework

An important role of BCML is to effectively manage the risks inherent in its business while supporting the performance and success of the Fund. BCML is committed to ensuring that it has a robust system of risk oversight and management and internal controls in compliance with ASX Principle 7.

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

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

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

The Board Risk and Compliance Committee is governed by a formal Charter which is available on the Brookfield Australia website at [www.au.brookfield.com](http://www.au.brookfield.com).

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

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

#### Risk management and internal control system

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

A summary of BCML's policies on risk oversight and management is available on the Brookfield Australia website at [www.au.brookfield.com](http://www.au.brookfield.com).

#### Chief Executive Officer and Chief Financial Officer Assurance

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

### Principle 8: Remunerate fairly and responsibly

The ASX Corporate Governance Council suggests that Companies should establish a dedicated Remuneration Committee. The Directors receive a fee for service and BCML does not directly employ staff, therefore no remuneration committee has been established.

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

# Director's Report Continued

For the year ended 30 June 2013

## Interests of the Responsible Entity

### Management fees

For the year ended 30 June 2013, the Consolidated Entity incurred \$5,803,000 in management fees to the Responsible Entity (2012: \$6,372,000). \$1,446,000 of management fees remain payable as at year end (2012: \$1,361,000).

### Investments held

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

- Multiplex Colt Investments Pty Ltd as trustee for Multiplex Colt Investment Trust holds 10,893,945 units or 22.2% of the Fund at year end (2012: 10,893,945 units or 22.1%);
- Brookfield Securities (Australia) Pty Ltd holds 2,663,073 units or 5.4% of the Fund at year end (2012: nil)
- JP Morgan Chase Bank N.A. as custodian for Brookfield Australian Opportunities Fund disposed of its holdings in the Fund during the year (2012: 2,521,890 units or 5.1%); and
- Brookfield Capital Securities Limited as trustee of Brookfield Multiplex PPF Investment No 2 Trust holds 25,895,419 units or 52.8% of the Fund at year end (2012: 25,895,419 units or 52.6%).

## Significant changes in the state of affairs

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

## Events subsequent to reporting date

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

## Likely developments

Other than the matters already included in the Directors' Report, information on likely developments in the operations of the Consolidated Entity in future financial years and the expected results of those operations have not been included in this report because the Directors believe that to do so would be likely to result in unreasonable prejudice to the Consolidated Entity.

## Environmental regulation

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

## Distributions

Distributions paid/payable to unitholders were as follows:

	Cents per unit	Total amount \$'000	Date of payment
<b>Ordinary units</b>			
September 2012 distribution	2.0	983	19 October 2012
December 2012 distribution	2.0	981	31 January 2013
March 2013 distribution	2.0	981	30 April 2013
June 2013 distribution	2.0	980	31 July 2013
<b>Total distribution for the year ended 30 June 2013</b>	<b>8.0</b>	<b>3,925</b>	
<b>Ordinary units</b>			
September 2011 distribution	2.0	1,009	26 September 2011
December 2011 distribution	2.0	1,001	31 January 2012
March 2012 distribution	2.0	997	30 April 2012
June 2012 distribution	2.0	985	31 July 2012
<b>Total distribution for the year ended 30 June 2012</b>	<b>8.0</b>	<b>3,992</b>	

Distributions paid for the years ended 30 June 2013 and 30 June 2012 were paid out of the Consolidated Entity's realised revenues and expenses.

# Director's Report Continued

For the year ended 30 June 2013

## Indemnification and insurance of officers and auditors

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

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

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

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

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

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

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

## Contract of insurance

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

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

## Non-audit services

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

No fees for non-audit services were incurred by the Consolidated Entity and Fund to Deloitte during the current year (2012: nil).



# Director's Report Continued

For the year ended 30 June 2013

## Remuneration report

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

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

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

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

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

### Loans to Directors and Key Management Personnel of the Responsible Entity

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

### Other transactions with Directors and Specified Executives of the Responsible Entity

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

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

### b Management fees

The management fees incurred by the Consolidated Entity and paid or payable to the Responsible Entity for the year ended 30 June 2013 were \$5,803,000 (2012: \$6,372,000).

## Rounding of amounts

The Consolidated Entity is of a kind referred to in ASIC Class Order 98/100, dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand dollars, unless otherwise stated.

## Lead auditor's independence declaration under Section 307C of the *Corporations Act 2001*

The lead auditor's independence declaration is set out on page 13 and forms part of the Directors' Report for the year ended 30 June 2013.

Dated at Sydney this 19th day of August 2013.

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



**Russell Proutt**

Director

Brookfield Capital Management Limited

# Auditor's Independence Declaration

For the year ended 30 June 2013

**Deloitte.**

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Deloitte Touche Tohmatsu  
A.B.N. 74 490 121 060

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

19 August 2013

Dear Directors

## **BROOKFIELD PRIME PROPERTY FUND**

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

As lead audit partner for the audit of the financial statements of Brookfield Prime Property Fund for the year ended 30 June 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully



DELOITTE TOUCHE TOHMATSU



Helen Hamilton-James  
Partner  
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.  
Member of Deloitte Touche Tohmatsu Limited.

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2013

	Note	Consolidated Year ended 30 June 2013 \$'000	Year ended 30 June 2012 \$'000
<b>Revenue and other income</b>			
Property rental income		43,955	47,957
Share of net profit of investments accounted for using the equity method	6	49,588	19,092
Net gain on revaluation of investment properties	11	22,814	3,577
Interest income		372	1,425
Other income		109	339
<b>Total revenue and other income</b>		<b>116,838</b>	<b>72,390</b>
<b>Expenses</b>			
Property expenses		10,393	10,532
Finance costs to external parties		44,307	49,570
Net loss on revaluation of financial derivatives		—	4,731
Management fees		5,803	6,372
Other expenses		551	3,140
<b>Total expenses</b>		<b>61,054</b>	<b>74,345</b>
<b>Net profit/(loss) for the year</b>		<b>55,784</b>	<b>(1,955)</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Change in cash flow hedge reserve		7,783	(26,686)
Changes in fair value of available for sale financial assets		14	(2)
<b>Other comprehensive income/(loss) for the year</b>		<b>7,797</b>	<b>(26,688)</b>
<b>Total comprehensive income/(loss) for the year</b>		<b>63,581</b>	<b>(28,643)</b>
<b>Net profit/(loss) attributable to ordinary unitholders</b>		<b>55,784</b>	<b>(1,955)</b>
<b>Total comprehensive income/(loss) attributable to ordinary unitholders</b>		<b>63,581</b>	<b>(28,643)</b>
<b>Earnings per unit</b>			
Basic and diluted earnings per ordinary unit (cents)	8	113.65	(3.92)

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



# Consolidated Statement of Financial Position

For the year ended 30 June 2013

	Note	Consolidated 2013 \$'000	2012 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		12,210	17,866
Trade and other receivables	10	812	889
<b>Total current assets</b>		<b>13,022</b>	<b>18,755</b>
<b>Non-current assets</b>			
Investment properties	11	449,000	414,500
Investments accounted for using the equity method	6	430,047	410,149
<b>Total non-current assets</b>		<b>879,047</b>	<b>824,649</b>
<b>Total assets</b>		<b>892,069</b>	<b>843,404</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	13	7,281	16,548
<b>Total current liabilities</b>		<b>7,281</b>	<b>16,548</b>
<b>Non-current liabilities</b>			
Interest bearing liabilities	14	560,305	553,394
Fair value of financial derivatives	14	36,539	44,322
<b>Total non-current liabilities</b>		<b>596,844</b>	<b>597,716</b>
<b>Total liabilities</b>		<b>604,125</b>	<b>614,264</b>
<b>Net assets</b>		<b>287,944</b>	<b>229,140</b>
<b>Equity</b>			
Units on issue	15	302,047	302,899
Reserves	16	(18,872)	(26,669)
Undistributed profits/(losses)	17	4,769	(47,090)
<b>Total equity</b>		<b>287,944</b>	<b>229,140</b>

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

# Consolidated Statement of Changes in Equity

For the year ended 30 June 2013

Consolidated Entity	Attributable to unitholders of the Fund			Total \$'000
	Ordinary units \$'000	Undistributed profits/(losses) \$'000	Reserves \$'000	
<b>Opening equity – 1 July 2012</b>	<b>302,899</b>	<b>(47,090)</b>	<b>(26,669)</b>	<b>229,140</b>
Change in cash flow hedge reserve	–	–	7,783	7,783
Changes in fair value of available for sale financial assets	–	–	14	14
<b>Other comprehensive loss for the year</b>	<b>–</b>	<b>–</b>	<b>7,797</b>	<b>7,797</b>
Net profit for the year	–	55,784	–	55,784
<b>Total comprehensive profit for the year</b>	<b>–</b>	<b>55,784</b>	<b>7,797</b>	<b>63,581</b>
<b>Transactions with unitholders in their capacity as unitholders:</b>				
Units reacquired	(852)	–	–	(852)
Distributions paid / payable	–	(3,925)	–	(3,925)
<b>Total transactions with unitholders in their capacity as unitholders</b>	<b>(852)</b>	<b>(3,925)</b>	<b>–</b>	<b>(4,777)</b>
<b>Closing equity – 30 June 2013</b>	<b>302,047</b>	<b>4,769</b>	<b>(18,872)</b>	<b>287,944</b>

Consolidated Entity	Attributable to unitholders of the Fund			Total \$'000
	Ordinary units \$'000	Undistributed profits/(losses) \$'000	Reserves \$'000	
<b>Opening equity – 1 July 2011</b>	<b>307,610</b>	<b>(41,143)</b>	<b>19</b>	<b>266,486</b>
Change in cash flow hedge reserve	–	–	(26,686)	(26,686)
Changes in fair value of available for sale financial assets	–	–	(2)	(2)
<b>Other comprehensive loss for the year</b>	<b>–</b>	<b>–</b>	<b>(26,688)</b>	<b>(26,688)</b>
Net loss for the year	–	(1,955)	–	(1,955)
<b>Total comprehensive loss for the year</b>	<b>–</b>	<b>(1,955)</b>	<b>(26,688)</b>	<b>(28,643)</b>
<b>Transactions with unitholders in their capacity as unitholders:</b>				
Units reacquired	(4,711)	–	–	(4,711)
Distributions paid / payable	–	(3,992)	–	(3,992)
<b>Total transactions with unitholders in their capacity as unitholders</b>	<b>(4,711)</b>	<b>(3,992)</b>	<b>–</b>	<b>(8,703)</b>
<b>Closing equity – 30 June 2012</b>	<b>302,899</b>	<b>(47,090)</b>	<b>(26,669)</b>	<b>229,140</b>

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

# Consolidated Statement of Cash Flows

For the year ended 30 June 2013

	Note	Consolidated	
		Year ended 30 June 2013 \$'000	Year ended 30 June 2012 \$'000
<b>Cash flows from operating activities</b>			
Cash receipts in the course of operations		42,123	48,429
Cash payments in the course of operations		(19,543)	(29,169)
Interest received		358	1,498
Financing costs paid		(37,323)	(48,274)
<b>Net cash flows used in operating activities</b>	19	<b>(14,385)</b>	<b>(27,516)</b>
<b>Cash flows from investing activities</b>			
Purchases of investment property		–	(263,507)
Proceeds from sale of properties		–	86,700
Capital expenditure		(15,764)	(7,257)
Distributions received from investments in ASX listed property trusts		9	8
Distributions received from associates		29,266	29,148
<b>Net cash flows from/(used in) investing activities</b>		<b>13,511</b>	<b>(154,908)</b>
<b>Cash flows from financing activities</b>			
Payment for units bought back		(852)	(4,711)
Debt establishment costs paid		–	(3,005)
Proceeds from final equity call		–	741
Proceeds from interest bearing liabilities		–	271,336
Repayments of interest bearing liabilities		–	(78,954)
Distributions paid		(3,930)	(3,007)
<b>Net cash flows (used in)/from financing activities</b>		<b>(4,782)</b>	<b>182,400</b>
Net decrease in cash and cash equivalents		(5,656)	(24)
Cash and cash equivalents at beginning of year		17,866	17,890
<b>Cash and cash equivalents at 30 June</b>		<b>12,210</b>	<b>17,866</b>

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

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2013

## 1 Reporting entity

Brookfield Prime Property Fund (Fund) is an Australian registered managed investment scheme under the *Corporations Act 2001*. Brookfield Capital Management Limited (BCML), the Responsible Entity of the Fund, is incorporated and domiciled in Australia. The consolidated financial statements of the Fund as at and for the year ended 30 June 2013 comprise the Fund and its subsidiaries and the Consolidated Entity's interest in associates.

## 2 Basis of preparation

### a Statement of compliance

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

The financial statements were authorised for issue by the Directors on this 19th day of August 2013.

### b Basis of measurement

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

- derivative financial instruments which are measured at fair value;
- investment properties which are measured at fair value;
- equity accounted investments which are measured using the equity method;
- available for sale financial assets which are measured at fair value; and
- interest bearing liabilities which are measured at amortised cost.

The methods used to measure the above are discussed further in Note 3.

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

The Consolidated Entity is of a kind referred to in ASIC Class Order 98/100, dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand dollars, unless otherwise stated.

### c Use of estimates and judgements

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

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

## 3 Significant accounting policies

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

### a Principles of consolidation

#### Subsidiaries

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

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

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

# Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2013

## 3 Significant accounting policies continued

### a Principles of consolidation continued

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

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

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

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

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

### Associates

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

### b Revenue recognition

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

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

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

#### Property rental revenue

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

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

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

#### Dividends and distributions

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

Dividends and distributions received from associates reduce the carrying amount of the investment of the Consolidated Entity in that associate and are not recognised as revenue.

#### Interest revenue

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

# Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2013

## 3 Significant accounting policies continued

### b Revenue recognition continued

#### Gain or losses on available for sale financial assets

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

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

### c Leases

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

#### Operating leases

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

#### Leasing fees

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

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

#### Leasing incentives

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

### d Expense recognition

#### Finance costs

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

Finance costs include:

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

#### Management fees

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

#### Performance fee

A performance fee of 5.125% to 15.375% (including GST less any reduced input tax credits) of the outperformance of the Consolidated Entity against benchmark returns is recognised on an accrual basis unless waived by the Responsible Entity. The benchmark return is the annualised compound return of the UBS Commercial Property Accumulation (200 Index). Where the Consolidated Entity exceeds the benchmark return, the performance fee will be 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; and
- a Tier 2 performance fee which is applicable only where the Fund produces a total return outperformance in excess of 1% per six month period above benchmark. 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 for the six month period (for a year, approximately equivalent to the returns over the benchmark plus 2% per annum).

# Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2013

## 3 Significant accounting policies continued

### d Expense recognition continued

#### Performance fee continued

Any previous underperformance must be recovered before a performance fee becomes payable.

#### Other expenditure

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

### e Goods and services tax (GST)

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

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

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

### f Income tax – funds

Under current income tax legislation, the Consolidated Entity is not liable for Australian income tax provided that the taxable income is fully distributed to unitholders each year. The Consolidated Entity fully distributes its taxable income each year, calculated in accordance with the Trust Constitution and applicable tax law, to unitholders who are presently entitled to income under the Constitution. The fund had no taxable income.

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

### g Cash and cash equivalents

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

### h Trade and other receivables

Trade debtors and other receivables, including equity receivable, are stated at their amortised cost using the effective interest rate method less any identified impairment losses. Impairment charges are brought to account as described in Note 3n. Non-current receivables are measured at amortised cost using the effective interest rate method.

### i Investment property

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

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

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

#### Valuations

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

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

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

- without any deduction for transaction costs the entity may incur on sale or other disposal;
- reflecting market conditions at the reporting date;

# Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2013

## 3 Significant accounting policies continued

### i Investment property continued

#### Valuations continued

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

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

### j Available for sale financial assets

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

### k Associates

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

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

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

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

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

### l Derivative financial instruments

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

The Consolidated Entity may designate certain hedging instruments, which includes derivatives, as cash flow hedges. At the inception of the hedge relationship, the relationship between the hedging instrument and the hedged item will be documented, along with the risk management objectives and the strategy for undertaking various hedge transactions. The Consolidated Entity also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in cash flows of hedged items.

For cash flow hedges, the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the cash flow hedging reserve.



# Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2013

## 3 Significant accounting policies continued

### l Derivative financial instruments continued

The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to the income statement in the periods when the hedged item is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Hedge accounting is discontinued when the Consolidated Entity revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. For cash flow hedges, any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

### m Non-derivative financial instruments

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

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

A financial instrument is recognised if the Consolidated Entity becomes a party to the contractual provisions of the instrument.

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

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

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

### n Impairment

#### Financial assets

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

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

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

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

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

#### Non-financial assets

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

Impairment losses recognised in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount.

# Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2013

## 3 Significant accounting policies continued

### n Impairment continued

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### o Earnings per unit

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

### p Trade and other payables

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

### q Interest bearing liabilities

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

### r Distributions

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

### s Units on issue

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

### t Segment reporting

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

### u New and amended standards adopted

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

*AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income* introduces new terminology for the statement of comprehensive income and income statement and groups items in other comprehensive income and associated tax on the basis of whether items are potentially reclassifiable to profit and loss subsequently. Under the amendments to AASB 101, the statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to AASB 101 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

### v New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2013 but have not been applied in preparing this financial report:

*AASB 9 Financial Instruments*, *AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9*, *AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* and *AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures* (effective for annual reporting periods beginning on or after 1 January 2015)

*AASB 9 Financial Instruments* addresses the classification, measurement and derecognition of financial assets and liabilities and will replace the existing *AASB 139 Financial Instruments: Recognition and Measurement*. The standard is not applicable until 1 January 2015 but is available for early adoption.

# Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2013

## 3 Significant accounting policies continued

### v New standards and interpretations not yet adopted continued

Under AASB 9, financial assets will be measured at either amortised cost or fair value based on the objective of an entity's business model for managing financial assets and the characteristics of the contractual cash flows. This will replace the categories of financial assets under AASB 139, where each had its own classification criteria. For example, AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading and an irrevocable election is made upon initial recognition. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in the profit or loss of the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Financial assets may also be designated and measured at fair value through profit or loss if doing so eliminates or significantly reduces certain inconsistencies. For financial liabilities, the new requirements under AASB 9 only affect the accounting for financial liabilities designated at fair value through profit or loss. The Consolidated Entity does not expect to adopt AASB 9 before its operative date and therefore will apply the new standard for the annual reporting period ending 30 June 2016. The Consolidated Entity is still assessing the consequential impact of the amendments.

AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities*, revised AASB 127 *Separate Financial Statements*, AASB 128 *Investments in Associates and Joint Ventures* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* and AASB 2012-10 *Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments* (effective for annual reporting periods beginning on or after 1 January 2013)

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements*, and Interpretation 12 *Consolidation – Special Purpose Entities*. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities, whereby an investor controls an investee only if the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns. There is also new guidance on participating and protective rights and on agent/principal relationships.

AASB 11 replaces AASB 131 'Interests in Joint Ventures'. AASB 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under AASB 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under AASB 131, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under AASB 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under AASB 131 can be accounted for using the equity method of accounting or proportionate accounting.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept.

The Consolidated Entity does not expect to adopt the new standards and amendments before their operative date and therefore will apply the amendments for the annual reporting period ending 30 June 2014.

AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* (effective for annual reporting periods beginning on or after 1 January 2013)

AASB 13 was released in September 2011 and sets out in a single standard a framework for measuring fair value, including related disclosure requirements in relation to fair value measurement. The Consolidated Entity does not expect to adopt AASB 13 before its operative date and therefore will apply the amendments for the annual reporting period ending 30 June 2014.

# Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2013

## 3 Significant accounting policies continued

### v New standards and interpretations not yet adopted continued

AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* (effective for annual reporting periods beginning on or after 1 July 2013).

The amendments from AASB 2011-4 remove the individual key management personnel disclosure requirements from AASB 124 *Related Party Disclosures*, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the *Corporations Act 2001*. The Consolidated Entity will adopt the amendments from AASB 2011-4 for the annual reporting period ending 30 June 2014.

AASB 2012-2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to AASB 7)* (effective for annual reporting periods beginning on or after 1 January 2013).

AASB 2012-2 amends AASB 7 *Financial Instruments: Disclosures* to require an entity to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement. The Consolidated Entity will adopt the amendments from AASB 2012-2 for the annual reporting period ending 30 June 2014.

AASB 2012-3 *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (Amendments to AASB 132)* (effective for annual reporting periods beginning on or after 1 January 2014)

AASB 2012-3 address inconsistencies in current practice when applying the offsetting criteria in AASB 132 *Financial Instruments: Presentation*. Clarifies the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'. The Consolidated Entity will adopt the amendments from AASB 2012-2 for the annual reporting period ending 30 June 2015.

AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle* (effective for annual reporting periods beginning on or after 1 January 2013).

AASB 2012-5 amends a number of pronouncements as a result of the 2009-2011 annual improvements cycle. The Consolidated Entity will adopt the amendments from AASB 2012-2 for the annual reporting period ending 30 June 2014.

With the exception of AASB 9, where the Consolidated Entity is still assessing the consequential impact of the amendments, the Consolidated Entity does not expect any impact on the financial results from the adoption of the new standards and interpretations detailed above.

## 4 Parent entity disclosures

	Fund	
	2013 \$'000	2012 \$'000
<b>Assets</b>		
Current assets	63,765	43,281
Non-current assets	824,954	827,171
<b>Total assets</b>	<b>888,719</b>	<b>870,452</b>
<b>Liabilities</b>		
Current liabilities	76,351	79,111
Non-current liabilities	596,844	597,716
<b>Total liabilities</b>	<b>673,195</b>	<b>676,827</b>
<b>Equity</b>		
Units on issue	302,047	302,899
Reserves	(18,902)	(26,686)
Undistributed losses	(67,622)	(82,589)
<b>Total equity</b>	<b>215,523</b>	<b>193,624</b>
	Fund	
	Year ended 30 June 2013 \$'000	Year ended 30 June 2012 \$'000
Net profit for the year	18,892	2,263
Other comprehensive income/(loss) for the year	7,783	(26,686)
<b>Total comprehensive income/(loss) for the year</b>	<b>26,675</b>	<b>(24,423)</b>

# Notes to the Consolidated Financial Statements

## Continued

For the year ended 30 June 2013

### 5 Segment reporting

Management have identified that the Chief Operating Decision Maker function is performed by the Board of Directors of the Responsible Entity (The Board). The Board assesses the performance of the Consolidated Entity in its entirety. The allocation of resources is not performed in separate segments by the Board. The Board reviews and assesses the information in relation to the performance of the Consolidated Entity as set out in the Consolidated Statement of Comprehensive Income and Consolidated Statement of Financial Position. All property income is derived from entities domiciled in Australia.

### 6 Investments accounted for using the equity method

	Consolidated 2013 \$'000	2012 \$'000
Brookfield Developments No. 6A Unit Trust	161,916	155,810
Latitude Landowning Trust	268,131	254,339
<b>Total investments accounted for using the equity method</b>	<b>430,047</b>	<b>410,149</b>
Share of profit in the year from investments accounted for using the equity method is as follows:		
Brookfield Developments No. 6A Unit Trust	18,146	16,077
Latitude Landowning Trust	31,442	3,015
<b>Total share of net profit of investments accounted for using the equity method</b>	<b>49,588</b>	<b>19,092</b>
Fair value adjustments from the revaluation of investment property included in the share of profit above is as follows:		
Brookfield Developments No. 6A Unit Trust	6,925	4,902
Latitude Landowning Trust	14,661	(17,145)
<b>Total fair value adjustments</b>	<b>21,586</b>	<b>(12,243)</b>

The Fund owns 50% of Latitude Landowning Trust and 25% of Brookfield Development No. 6A Unit Trust (2012: 50% and 25% respectively).

Summary financial information for equity accounted investees, not adjusted for the percentage ownership held by the Consolidated Entity, is as follows:

	Consolidated 2013 \$'000	2012 \$'000
Current assets	8,010	13,928
Non-current assets	1,188,500	1,133,000
<b>Total assets</b>	<b>1,196,510</b>	<b>1,146,928</b>
Current liabilities	7,227	8,883
Non-current liabilities	5,360	6,128
<b>Total liabilities</b>	<b>12,587</b>	<b>15,011</b>

	Year ended 30 June 2013 \$'000	Year ended 30 June 2012 \$'000
Revenues	155,546	130,411
Expenses	(20,078)	(65,596)
<b>Net profit for the year</b>	<b>135,468</b>	<b>64,815</b>

# Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2013

## 7 Auditor's remuneration

	Consolidated Year ended 30 June 2013 \$	Consolidated Year ended 30 June 2012 \$
<b>Auditors of the Fund:</b>		
Audit and review of financial reports	38,265	37,150
Non-audit services	–	–
<b>Total auditor's remuneration</b>	<b>38,265</b>	<b>37,150</b>

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

## 8 Earnings per unit

### Classification of securities as ordinary units

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

### Earnings per unit

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

		Consolidated Year ended 30 June 2013	Consolidated Year ended 30 June 2012
Net profit/(loss) attributable to unitholders	\$'000	55,784	(1,955)
Weighted average number of ordinary units used in the calculation of basic and diluted EPU	'000	49,084	49,900
Basic and diluted weighted earnings per ordinary unit	cents	113.65	(3.92)

## 9 Distributions

Distributions paid/payable to unitholders were as follows:

	Cents per unit	Total amount \$'000	Date of payment
<b>Ordinary units</b>			
September 2012 distribution	2.0	983	19 October 2012
December 2012 distribution	2.0	981	31 January 2013
March 2013 distribution	2.0	981	30 April 2013
June 2013 distribution	2.0	980	31 July 2013
<b>Total distribution for the year ended 30 June 2013</b>	<b>8.0</b>	<b>3,925</b>	

<b>Ordinary units</b>			
September 2011 distribution	2.0	1,009	26 September 2011
December 2011 distribution	2.0	1,001	31 January 2012
March 2012 distribution	2.0	997	30 April 2012
June 2012 distribution	2.0	985	31 July 2012
<b>Total distribution for the year ended 30 June 2012</b>	<b>8.0</b>	<b>3,992</b>	

Distributions paid for the years ended 30 June 2013 and 30 June 2012 were paid out of the Consolidated Entity's realised revenues and expenses.

## 10 Trade and other receivables

	Consolidated 2013 \$'000	2012 \$'000
Prepayments and accrued income	660	662
Distributions receivable	4	4
Investments – available for sale	122	109
Other receivables	26	114
<b>Total trade and other receivables</b>	<b>812</b>	<b>889</b>



# Notes to the Consolidated Financial Statements

## Continued

For the year ended 30 June 2013

### 11 Investment properties

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

Description	Latest external valuation \$'000	Latest external valuation date	Valuation cap rate	2013 book value \$'000	2012 book value \$'000
American Express Building, Sydney	141,000	Jun-13	7.00%	141,000	130,000
108 St Georges Terrace, Perth	166,000	Jun-13	7.50%	166,000	147,500
Southern Cross West Tower, Melbourne	142,000	Jun-13	6.75%	142,000	137,000
<b>Total investment properties held directly</b>	<b>449,000</b>			<b>449,000</b>	<b>414,500</b>

The Consolidated Entity owns 50% of Latitude Landowning Trust and 25% of Brookfield Development No. 6A Unit Trust. These investments are accounted for using the equity method. The Consolidated Entity's proportionate value ownership of properties held through these associates is as follows:

Description	Latest external valuation \$'000	Latest external valuation date	Valuation cap rate	2013 book value \$'000	2012 book value \$'000
Ernst & Young Centre and 50 Goulburn St, Sydney	268,000	Jun-13	7.71%	268,000	255,000
Southern Cross East Tower, Melbourne	163,125	Jun-13	6.63%	163,125	155,750
<b>Total investment property held by associates</b>	<b>431,125</b>			<b>431,125</b>	<b>410,750</b>

#### Independent valuations

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

At 30 June 2013, the Southern Cross East Tower and Ernst & Young Centre are the properties held through associates. Southern Cross East Tower and E&Y Centre were both independently valued by Jones Lang LaSalle. The properties directly held are American Express Building, 108 St Georges Terrace and Southern Cross West Tower. The American Express Building and Southern Cross West Tower were independently valued by Jones Lang LaSalle, whilst 108 St Georges Terrace was independently valued by CBRE Valuations. They have been valued in accordance with the Australian Property Institute's Code of Professional Practice 2002.

The valuations have been undertaken using a discounted cash flow (DCF) approach. The key assumptions adopted under these methods include assessment of the capitalisation rate, discount rate, terminal yield, current passing/market rental and forecast net annual cash flows receivable from the properties. The capitalisation rates in the 30 June 2013 valuations range from 6.63% to 7.71%.

	Consolidated Year ended 30 June 2013 \$'000	Year ended 30 June 2012 \$'000
Reconciliation of carrying amount of investment properties is set out below:		
Carrying amount at beginning of year	414,500	207,000
Purchase of investment properties	—	276,007
Impact of straight lining	1,654	1,908
Capital expenditure	10,032	3,008
Sale of Defence Plaza	—	(77,000)
Net gain on fair value adjustment of investment property	22,814	3,577
<b>Carrying value at year end</b>	<b>449,000</b>	<b>414,500</b>

# Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2013

## 11 Investment properties *continued*

### Leasing arrangements

Investment properties are leased to tenants under long term operating leases with rentals receivable monthly. The weighted average lease term of the investment properties (as calculated by income and by ownership) is 5.20 years (2012: 5.84 years). <sup>1</sup> Minimum lease payments under non cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:

<sup>1</sup> During the current year, the valuer changed the methodology for determining the WALE associated with the car parking lease to Southern Cross West. The valuer has assumed a 25 year lease as opposed to a 99 year lease. The WALE as at 30 June 2012 has been revised using the new methodology to allow comparability.

	Consolidated 2013 \$'000	2012 \$'000
Within one year	66,144	63,747
Later than one year but not later than five years	222,090	229,714
Later than five years	127,093	152,697
<b>Total</b>	<b>415,327</b>	<b>446,158</b>

The above table includes information for both directly held, and property held through associates based on the relevant ownership percentage that the Fund holds in the underlying investment property.

## 12 Investments in controlled entities

	2013 Ownership %	Fund 2013 \$'000	2012 Ownership %	2012 \$'000
Multiplex Southern Cross East Investment Trust	100	132,104	100	132,104
Multiplex Acumen Latitude Investment Trust	100	260,513	100	260,513
Brookfield Defence Plaza Investment Trust	100	66,785	100	69,003
Brookfield King Street Wharf Site 3B Landowning Trust	100	89,234	100	89,234
Brookfield Prime 108 St George's Terrace Holdings Trust	100	142,148	100	142,148
Brookfield Prime 111 Bourke Street Holdings Trust	100	132,241	100	132,241
Brookfield Multiplex LPS Investment Trust	100	1,929	100	1,929
<b>Total Investments in controlled entities</b>		<b>824,954</b>		<b>827,172</b>

## 13 Trade and other payables

	Consolidated 2013 \$'000	2012 \$'000
Capital expenditure accruals	1,951	6,916
Deferred revenue and income in advance	2,124	5,807
Distribution payable	980	985
Interest payable	409	336
Management fees payable	1,446	1,361
Other payables and accruals	371	1,143
<b>Total trade and other payables</b>	<b>7,281</b>	<b>16,548</b>

## 14 Interest bearing liabilities

	Consolidated 2013 \$'000	2012 \$'000
<b>Non-current</b>		
Secured bank debt	478,800	478,800
Subordinated debt	82,506	76,596
Debt establishment fees	(1,001)	(2,002)
<b>Total interest bearing liabilities – non-current</b>	<b>560,305</b>	<b>553,394</b>
<b>Total interest bearing liabilities</b>	<b>560,305</b>	<b>553,394</b>

# Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2013

## 14 Interest bearing liabilities continued

		Consolidated	
	Expiry Date	2013 \$'000	2012 \$'000
<b>Finance arrangements</b>			
<b>Facilities available</b>			
Bank debt facilities			
- Senior debt facility	5 July 2014	478,800	478,800
- Subordinated debt facility	1 July 2014	130,000	130,000
<b>Total available interest bearing liabilities</b>		<b>608,800</b>	<b>608,800</b>
Less: facilities utilised			
- Senior debt facility		478,800	478,800
- Subordinated debt facility		82,506	76,596
<b>Total facilities utilised</b>		<b>561,306</b>	<b>555,396</b>
Unused facilities at reporting date			
- Senior debt facility		–	–
- Subordinated debt facility		47,494	53,404
<b>Total unused facilities</b>		<b>47,494</b>	<b>53,404</b>

### Senior debt facility

The Fund has a debt facility with its financiers for \$478,800,000. On 25th June 2013 the Fund extended the term of the facility until 5 July 2014. The key terms of the 3 year bullet non-revolving facility remain unchanged and are as follows:-

- the repayment of the debt by 5 July 2014;
- covenants reflecting 65% LVR requirements;
- interest cover (ratio of EBIT to total interest expense) covenant requirement at least 1.4 times for the preceding 6 month period.
- margin 2.15% above Bank Bill Rate (BBR)
- establishment fee of 0.5% of facility limit.
- unused/Commitment Fee of 50% of the margin per year calculated on the daily balance of the available facility

### Subordinated debt facility

A subordinated bridge facility agreement was entered into on 29 June 2011 between the Fund and a related entity of the Consolidated Entity, BPPF Financier Pty Ltd, with a total facility limit of \$130,000,000. On 18th June 2013 the Fund exercised its option to extend the term of the facility until 1 July 2014. The key terms of the facility remain unchanged and are as follows:-

- the debt is subordinated behind the Senior Debt Facility;
- the repayment of the debt is due by 1 July 2014;
- margin of 4.15% above Bank Bill Rate (BBR); and
- a default under the terms of the Senior Debt Facility also causes the Subordinated Debt Facility to be in default.

### Derivatives

The Fund and Consolidated Entity have entered into interest rate swaps to hedge the interest rate risk on the floating rate interest bearing liabilities above. Fair value movements of the interest rate swap assets are recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. The Fund's and Consolidated Entity's holdings in derivatives are detailed below.

Type of contract	Expiration	Underlying instrument	Fixed rate %	Floating rate %	Notional amount of contracts outstanding \$'000	Fair value (assets) \$'000	Fair value (liabilities) \$'000
As at 30 June 2013	July 2016	Floating to fixed	5.88	BBSW	434,202	–	36,539
As at 30 June 2012	July 2016	Floating to fixed	5.88	BBSW	429,570	–	44,322

# Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2013

## 15 Units on issue

	Year ended 30 June 2013 \$'000	Year ended 30 June 2013 Units	Year ended 30 June 2012 \$'000	Year ended 30 June 2012 Units
<b>Units on issue</b>				
Opening balance	327,337	49,252,677	332,038	50,435,806
Units reacquired	(850)	(223,527)	(4,701)	(1,183,129)
<b>Closing balance</b>	<b>326,487</b>	<b>49,029,150</b>	<b>327,337</b>	<b>49,252,677</b>
<b>Unit issue costs</b>				
Opening balance	24,438	–	24,428	–
Unit buy back costs	2	–	10	–
<b>Closing balance</b>	<b>24,440</b>	<b>–</b>	<b>24,438</b>	<b>–</b>
<b>Total units on issue</b>	<b>302,047</b>	<b>49,029,150</b>	<b>302,899</b>	<b>49,252,677</b>

### Ordinary units

Ordinary units entitle the holder to participate in distributions and the proceeds on winding up of the Fund in proportion to the number of units held. On a show of hands, every holder of units present at a meeting of unitholders, in person or by proxy, is entitled to one vote and upon a poll each unit is entitled to one vote.

### Unit buyback

As advised to the Australian Securities Exchange (ASX) on 2 September 2011, the Directors of BCML, as Responsible Entity of the Fund, commenced a buy back program of up to 10% of the Fund's issued units. During the year 223,527 units, at a cost of \$849,829, were redeemed (2012: 1,183,129 units, at a cost of \$4,701,076).

## 16 Reserves

	Consolidated 2013 \$'000	2012 \$'000
Available for sale reserve	31	17
Hedge reserve	(18,903)	(26,686)
<b>Total reserves</b>	<b>(18,872)</b>	<b>(26,669)</b>

### Available for sale reserve

	Consolidated Year ended 30 June 2013 \$'000	Year ended 30 June 2012 \$'000
Opening balance	17	19
Fair value movement in relation to listed investments	14	(2)
<b>Closing balance</b>	<b>31</b>	<b>17</b>

### Hedge reserve

	Consolidated Year ended 30 June 2013 \$'000	Year ended 30 June 2012 \$'000
Opening balance	(26,686)	–
Fair value movement in relation to interest rate swap hedges	7,783	(26,686)
<b>Closing balance</b>	<b>(18,903)</b>	<b>(26,686)</b>

# Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2013

## 17 Undistributed profits/(losses)

	Consolidated	
	Year ended 30 June 2013 \$'000	Year ended 30 June 2012 \$'000
Opening balance	(47,090)	(41,143)
Net profit/(loss)	55,784	(1,955)
Distributions to unitholders	(3,925)	(3,992)
<b>Closing balance</b>	<b>4,769</b>	<b>(47,090)</b>

## 18 Financial instruments

### Significant accounting policies

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

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

#### a Capital risk management

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

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

There were no changes in the Consolidated Entity's approach to capital management during the year. Neither the Fund nor any of its subsidiaries are subject to externally imposed capital requirements.

#### b Financial risk management

##### Overview

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

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

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

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

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

##### Investment mandate

The Consolidated Entity's investment mandate, as disclosed in its Constitution and Product Disclosure Statement, is to invest in A-grade commercial property assets in Australia and listed property trust securities.

##### Derivative financial instruments

Whilst the Consolidated Entity utilises derivative financial instruments, it does not enter into or trade derivative financial instruments for speculative purposes. The use of derivatives is governed by the Consolidated Entity's investment policies, which provide written principles on the use of financial derivatives. These principles permit the use of derivatives to mitigate financial risks associated with financial instruments utilised by the Consolidated Entity.

# Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2013

## 18 Financial instruments continued

### c Credit risk

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

#### Sources of credit risk and risk management strategies

The Consolidated Entity is exposed to both direct and indirect credit risk in the normal course of their operations. Direct credit risk arises principally from the Consolidated Entity's property tenants, investments in listed property trusts and derivative counterparties. Other credit risk also arises for the Consolidated Entity from cash and cash equivalents and distributions receivable from listed property trusts.

Indirect credit risk arises principally from the Underlying Funds' property tenants and derivative counterparties.

#### Trade and other receivables

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

- securing well known and long term tenants, with strong lease covenants;
- obtaining bank guarantees from tenants;
- managing and minimising exposures to individual tenants; and
- monitoring receivables balances on an ongoing basis.

#### Investments – available for sale

Credit risk arising from investments is mitigated by investing in securities in accordance with the Consolidated Entity's Constitution and Product Disclosure Statement. The Consolidated Entity invests in listed investments with the following characteristics:

- the securities are included in the S&P/ASX 300 Property Index;
- greater than 75% of the fund's earnings must be from rent and funds management income;
- the investment portfolio must contain a minimum of five different funds to ensure diversity; and
- the portfolio is not to have an exposure greater than 50% to a single fund manager, 50% to a single property security or 30% to a single tenant.

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

#### Fair value of financial derivatives

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

The Consolidated Entity's overall strategy of credit risk management remains unchanged from 2012.

#### Exposure to credit risk

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

	Consolidated	
	Year ended 30 June 2013 \$'000	Year ended 30 June 2012 \$'000
Cash and cash equivalents	12,210	17,866
Trade and other receivables	812	889
<b>Total exposure to credit risk</b>	<b>13,022</b>	<b>18,755</b>

#### Concentrations of credit risk exposure

There are no other significant exposures of credit risk to the Consolidated Entity at 30 June 2013.

#### Collateral obtained/held

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

The Consolidated Entity did not call on any collateral during the year ended 30 June 2013 (2012: nil).



# Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2013

## 18 Financial instruments continued

### c Credit risk continued

#### Financial assets past due but not impaired

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

	Consolidated Year ended 30 June 2013 \$'000	Year ended 30 June 2012 \$'000
Current	812	889
Past due 0-30 days	—	—
Past due 31-120 days	—	—
Past due 121 days to one year	—	—
More than one year	—	—
<b>Total trade and other receivables</b>	<b>812</b>	<b>889</b>

Amounts recognised above are not deemed to be impaired. There are no significant financial assets that have had their terms renegotiated that would otherwise have rendered the financial assets past due or impaired (2012: nil). During the year ended 30 June 2013, no receivables were written off by the Consolidated Entity (2012: nil).

### d Liquidity risk

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

#### Sources of liquidity risk and risk management strategies

The Consolidated Entity is exposed to direct and indirect liquidity risk in the normal course of its operations. The main sources of liquidity risk for the Consolidated Entity are the timing of repayment and refinancing of interest bearing liabilities. The Consolidated Entity's approach to managing liquidity risk is to monitor the timing of its interest bearing liabilities and ensure that discussions with financiers are commenced well in advance of any scheduled maturity date.

The Consolidated Entity also manages liquidity risk by maintaining adequate banking facilities, through continuous monitoring of forecast and actual cash flows and matching maturity profiles of financial assets and liabilities. The main sources of indirect liquidity risk for the Consolidated Entity is the timing of repayment and refinancing of interest bearing liabilities held by the Underlying Funds, as this can directly impact the amount of distributions the Underlying Funds can pay. The Consolidated Entity's approach to managing this risk forms part of the investment selection process. The Consolidated Entity will only invest in Underlying Funds with investment strategies consistent with the investment objectives of the Consolidated Entity and will monitor the performance of those funds.

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

#### Interest bearing liabilities

The Consolidated Entity is exposed to liquidity risk (refinancing risk) on its interest bearing loans. The Consolidated Entity manages this risk by ensuring debt maturity dates and loan covenants are regularly monitored and negotiations with counterparties are commenced well in advance of the debt's maturity date. Refer to interest bearing liabilities (Note 14) for details of facilities available.

#### Investments – available for sale

The Consolidated Entity's listed investments are considered readily realisable as they are listed on the ASX. The Consolidated Entity's liquidity risk is also managed in accordance with its investment strategy, as disclosed in the Product Disclosure Statement. The Consolidated Entity's overall strategy to liquidity risk management remains unchanged from 2012.

#### Maturity analysis of financial liabilities

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

# Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2013

## 18 Financial instruments continued

### d Liquidity risk continued

	Carrying amount	Contractual cash flows	Consolidated \$'000			
			0 to 12 months	1 to 2 years	2 to 5 years	Greater than 5 years
<b>Consolidated 2013</b>						
Trade and other payables	5,892	5,892	5,892	–	–	–
Interest bearing liabilities	560,305	561,306	–	561,306	–	–
Distribution payable	980	980	980	–	–	–
Interest payable on debt	409	30,383	30,037	346	–	–
Effect of interest rate swap	36,539	40,676	13,247	13,270	14,159	–
<b>Total financial liabilities</b>	<b>604,125</b>	<b>639,237</b>	<b>50,156</b>	<b>574,922</b>	<b>14,159</b>	<b>–</b>
<b>Consolidated 2012</b>						
Trade and other payables	15,227	15,227	15,227	–	–	–
Interest bearing liabilities	553,394	555,396	–	555,396	–	–
Distribution payable	985	985	985	–	–	–
Interest payable on debt	336	68,518	34,259	34,259	–	–
Effect of interest rate swap	44,322	40,427	9,852	9,957	20,618	–
<b>Total financial liabilities</b>	<b>614,264</b>	<b>680,553</b>	<b>60,323</b>	<b>599,612</b>	<b>20,618</b>	<b>–</b>

### Defaults and breaches

During the financial years ended 30 June 2013 and 30 June 2012, the Consolidated Entity was not in default or breach of any terms of its loan amounts or covenants.

### e Market risk

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

#### Sources of market risk and risk management strategies

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

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

#### Interest rate risk

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

# Notes to the Consolidated Financial Statements

## Continued

For the year ended 30 June 2013

### 18 Financial instruments continued

#### e Market risk continued

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

	Floating rate \$'000	Fixed rate \$'000	Non-interest bearing \$'000	Total \$'000
<b>Consolidated 2013</b>				
<b>Financial assets</b>				
Cash and cash equivalents	12,210	–	–	12,210
Trade and other receivables	–	25	787	812
<b>Total financial assets</b>	<b>12,210</b>	<b>25</b>	<b>787</b>	<b>13,022</b>
<b>Financial liabilities</b>				
Trade and other payables	–	409	6,872	7,281
Interest bearing liabilities	561,306	–	(1,001)	560,305
Financial derivatives	36,539	–	–	36,539
<b>Total financial liabilities</b>	<b>597,845</b>	<b>409</b>	<b>5,871</b>	<b>604,125</b>
<b>Consolidated 2012</b>				
<b>Financial assets</b>				
Cash and cash equivalents	17,866	–	–	17,866
Trade and other receivables	–	12	877	889
<b>Total financial assets</b>	<b>17,866</b>	<b>12</b>	<b>877</b>	<b>18,755</b>
<b>Financial liabilities</b>				
Trade and other payables	–	336	16,212	16,548
Interest bearing liabilities	555,396	–	(2,002)	553,394
Financial derivatives	44,322	–	–	44,322
<b>Total financial liabilities</b>	<b>599,718</b>	<b>336</b>	<b>14,210</b>	<b>614,264</b>

#### Sensitivity analysis

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

	2013		2013		2012		2012	
	+ 1% Profit and loss \$'000	+ 1% Equity \$'000	- 1% Profit and loss \$'000	- 1% Equity \$'000	+ 1% Profit and loss \$'000	+ 1% Equity \$'000	- 1% Profit and loss \$'000	- 1% Equity \$'000
<b>Consolidated</b>								
Interest on cash	122	122	(122)	(122)	179	179	(179)	(179)
Interest bearing liabilities	(5,613)	(5,613)	5,613	5,613	(5,554)	(5,554)	5,554	5,554
Swap proceeds	4,342	4,342	(4,342)	(4,342)	4,296	4,296	(4,296)	(4,296)
Fair value of derivatives	–	8,387	–	(8,814)	–	12,196	–	(12,948)
<b>Total (decrease)/increase</b>	<b>(1,149)</b>	<b>7,246</b>	<b>1,149</b>	<b>(7,673)</b>	<b>(1,079)</b>	<b>11,126</b>	<b>1,079</b>	<b>(11,878)</b>

#### Foreign currency risk

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

During the current year, the Consolidated Entity has not been exposed to direct foreign currency risk (2012: nil). The Consolidated Entity is exposed to indirect foreign currency risk due to its investment in entities that are exposed to foreign currency risk related to their overseas operations. The Consolidated Entity manages this risk by ensuring the Consolidated Entity only invests in funds with investment strategies consistent with the investment objectives of the Consolidated Entity and monitoring the performance of those funds.

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

# Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2013

## 18 Financial instruments continued

### e Market risk continued

#### Other market risk

Other market risk is the risk that the total value of investments will fluctuate as a result of changes in market prices. The primary source of other market risk for the Consolidated Entity is associated with its listed property trust portfolio. The Consolidated Entity is not exposed to other similar market risk.

The Responsible Entity manages the Consolidated Entity's market risk on a daily basis in accordance with the Consolidated Entity's investment objectives and policies. These are detailed in the Consolidated Entity's constitution and Product Disclosure Statement.

#### Sensitivity analysis

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

	2013		2013		2012		2012	
	+ 10% Profit and loss \$'000	+ 10% Equity \$'000	- 10% Profit and loss \$'000	- 10% Equity \$'000	+ 10% Profit and loss \$'000	+ 10% Equity \$'000	- 10% Profit and loss \$'000	- 10% Equity \$'000
<b>Consolidated Entity</b>								
Listed investments	12	12	(12)	(12)	11	11	(11)	(11)

### f Fair values

#### Methods for determining fair values

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

#### Cash and cash equivalents and trade and other receivables

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

#### Investments – available for sale

Fair value for listed investments is calculated based on the closing bid price of the security at the reporting date.

#### Derivatives

The fair value of derivative contracts is based on present value of future cash flows, discounted at the market rate of interest at the reporting date.

#### Non-derivative financial liabilities

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

#### Fair values versus carrying amounts

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

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

The following table presents the Consolidated Entity's assets and liabilities measured and recognised at fair value at 30 June 2013. The carrying amounts of cash and cash equivalents, trade and other receivables, and trade and other payables are assumed to reasonably approximate their fair values due to their short-term nature. Accordingly, fair value disclosures are not provided for such assets and liabilities.

# Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2013

## 18 Financial instruments continued

### f Fair values continued

Consolidated Entity – at 30 June 2013	Level 1 \$'000	Level 2 \$'000	Total \$'000
<b>Liabilities</b>			
Financial derivatives	–	36,539	36,539
<b>Total liabilities</b>	<b>–</b>	<b>36,539</b>	<b>36,539</b>

Consolidated Entity – at 30 June 2012	Level 1 \$'000	Level 2 \$'000	Total \$'000
<b>Liabilities</b>			
Financial derivatives	–	44,322	44,322
<b>Total liabilities</b>	<b>–</b>	<b>44,322</b>	<b>44,322</b>

As at 30 June 2013 and 30 June 2012, there were no financial assets or liabilities in level 3. During the current and prior years, there were no financial assets or liabilities which transferred between levels 1, 2 or 3.

## 19 Reconciliation of cash flows from operating activities

	Consolidated Year ended 30 June 2013 \$'000	Year ended 30 June 2012 \$'000
<b>Net profit/(loss) for the year</b>	<b>55,784</b>	<b>(1,955)</b>
Adjustments for:		
<i>Items classified as investing activities</i>		
- Share of net profit of investments accounted for using the equity method	(49,588)	(19,092)
- Distribution income from listed property trusts	(9)	(9)
<i>Non cash items</i>		
- Amortisation expense	1,577	2,525
- Straightlining of rental income	(1,654)	(3,297)
- Net gain from revaluation of investment properties	(22,814)	(3,577)
- Net loss on revaluation of financial derivatives	–	4,731
<b>Operating loss before changes in working capital</b>	<b>(16,704)</b>	<b>(20,674)</b>
Changes in assets and liabilities during the year:		
Increase in trade and other receivables	(12)	(416)
Increase/(decrease) in trade and other payables	2,331	(6,426)
<b>Net cash flows used in operating activities</b>	<b>(14,385)</b>	<b>(27,516)</b>

## 20 Related parties

### Responsible Entity

The Responsible Entity of the Fund is Brookfield Capital Management Limited.

### Key management personnel

The Fund is required to have an incorporated Responsible Entity to manage the activities of the Fund and the Consolidated Entity. The Directors of the Responsible Entity are Key Management Personnel of that entity.

F. Allan McDonald (appointed 1 January 2010)

Brian Motteram (appointed 21 February 2007)

Barbara Ward (appointed 1 January 2010)

Russell Proutt (appointed 1 January 2010)

Shane Ross (appointed 16 May 2011)

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

No compensation is paid to any of the Key Management Personnel of the Responsible Entity directly by the Fund or Consolidated Entity.

# Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2013

## 20 Related parties continued

### Directors' interests

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

Director	Brookfield Prime Property Fund units held
F. Allan McDonald	—
Brian Motteram	—
Barbara Ward	—
Russell Proutt	—
Shane Ross	—

### Parent entities

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

### Responsible Entity's fees and other transactions

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

#### Performance fee

A performance fee of 5.125%-15.375% (including GST less any reduced input tax credits) of the out-performance of the Consolidated Entity against the benchmark return is payable to the Responsible Entity half yearly. The benchmark return is the annualised compound return of the UBS Commercial Property Accumulation (200 Index). Where the Consolidated Entity exceeds the benchmark return, the performance fee will be 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; 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 benchmark. 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 for the 6 month period (for a year, roughly equivalent to returns over the benchmark plus 2% per annum).

Any previous underperformance must be recovered before a performance fee becomes payable. The benchmark return for June 2013 has not been met.

During the current year and as at 30 June 2013, no performance fee has been paid or is payable (2012: nil).

#### Management fee

A management fee based on the gross value of assets is payable to the Responsible Entity. The fee is payable by the Consolidated Entity quarterly in arrears. The management fee expense for the year ended 30 June 2013 was \$5,803,000 (2012: \$6,372,000).

### Related party unitholders

The following related parties held units in the Fund during the year:

- Multiplex Colt Investments Pty Ltd as trustee for Multiplex Colt Investment Trust holds 10,893,945 units or 22.2% of the Fund at year end (2012: 10,893,945 units or 22.1%);
- Brookfield Securities (Australia) Pty Ltd holds 2,663,073 units or 5.4% of the Fund at year end (2012: nil)
- JP Morgan Chase Bank N.A. as custodian for Brookfield Australian Opportunities Fund disposed of its holdings in the Fund during the year (2012: 2,521,890 units or 5.1%); and
- Brookfield Capital Securities Limited as trustee of Brookfield Multiplex PPF Investment No 2 Trust holds 25,895,419 units or 52.8% of the Fund at year end (2012: 25,895,419 units or 52.6%).

### Irrevocable offers and right of first and last refusal

As disclosed in the Fund's Product Disclosure Statement (PDS) dated 22 June 2006, certain rights exist between the consolidated entity and Brookfield. In certain circumstances Brookfield has the right to acquire assets from the consolidated entity and its subsidiary trusts. No assets have been acquired by Brookfield under these rights since the inception of the fund.

### Subordinal debt facility

A subordinated debt facility has been entered into between the Consolidated Entity and a related party BPPF Financier Pty Ltd. See interest bearing liabilities (Note 14) for further details.



# Notes to the Consolidated Financial Statements Continued

For the year ended 30 June 2013

## 20 Related parties continued

	Consolidated	
	Year ended 30 June 2013 \$'000	Year ended 30 June 2012 \$'000
<b>Transactions with associates</b>		
Distribution income	29,690	26,887
<b>Transactions with the Responsible Entity</b>		
Management fees	5,803	6,372
Management fees payable (included in trade and other payables)	1,446	1,361
Asset acquisition fee	–	12,500
Property sale fee	–	1,541
<b>Transactions with related parties of the Responsible Entity</b>		
Distributions paid	3,158	3,186
Distribution payable	789	786
Custody fees	36	51
Custody fees payable	9	8
Property services fees	1,946	2,484
Subordinated debt facility:-		
Debt drawn	–	101,000
Interest paid / payable	5,910	8,351
Debt repaid	–	(32,755)
Debt outstanding	82,506	76,596

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

## 21 Contingent liabilities and assets

No contingent liabilities or assets existed at 30 June 2013 (30 June 2012:nil).

## 22 Capital and other commitments

No capital or other commitments exist at 30 June 2013 (30 June 2012: nil).

## 23 Events subsequent to the reporting date

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

# Directors' Declaration

For the year ended 30 June 2013

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

- a The consolidated financial statements and notes, set out in pages 14 to 41, are in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of the financial position of the Consolidated Entity as at 30 June 2013 and of its performance for the financial year ended on that date; and
  - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
  - iii complying with International Financial Reporting Standards, as stated in note 2 to the consolidated financial statements.
- b There is reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and the Chief Financial Officer for the financial year ended 30 June 2013.

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

Dated at Sydney this 19th day of August 2013.



**Russell Proutt**

Director

Brookfield Capital Management Limited

# Independent Auditor's Report

For the year ended 30 June 2013

**Deloitte.**

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## Independent Auditor's Report to the Unitholders of Brookfield Prime Property Fund

We have audited the accompanying financial report of Brookfield Prime Property Fund ('the Fund'), which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the Fund and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 14 to 42.

### *Directors' Responsibility for the Financial Report*

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

### *Auditor's Responsibility*

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

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

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Member of Deloitte Touche Tohmatsu Limited

# Independent Auditor's Report Continued

For the year ended 30 June 2013

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


## *Auditor's Independence Declaration*

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

## *Opinion*

In our opinion:

- (a) the financial report of Brookfield Prime Property Fund is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Fund's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.



DELOITTE TOUCHE TOHMATSU



Helen Hamilton-James  
Partner  
Chartered Accountants  
Parramatta, 19 August 2013

# 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  
Brian Motteram  
Russell Proutt  
Shane Ross

## **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  
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Facsimile: (02) 9840 7001



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