Brookfield Capital
Management Limited
ABN 32 094 936 866
Level 22, 135 King Street
Sydney NSW 2000

Brookfield Prime Property Fund
ARSN 110 096 663

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Sydney NSW 2001

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ASX Announcement

22 August 2012

Brookfield Prime Property Fund (ASX: BPA)
Annual Results 2012

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 2012.

Key messages are:

- Property portfolio value is $825.3 million (2011: $627.0 million) reflecting the acquisitions of interests in two properties and disposal of a property during the year; and
- Net assets of $229.1 million (30 June 2011: $266.5 million) and per unit of $4.65 (30 June 2011: $5.28). The reduction largely reflects an unrealised movement in the Fund's interest rate derivatives (a reduction in net assets of 64.2 cents per unit);
- Net loss of $2.0 million (30 June 2011: net profit of $37.5 million);
- Earnings (loss) per unit of (3.92) cents (2011: 74.43 cents);and
- the Fund is in compliance with all debt covenants.

Portfolio update

The property portfolio performed well with 98% occupancy, a diversified tenant profile and a weighted average lease expiry (by income) of 6.42 years as at 30 June 2012.

The Fund's existing property portfolio was valued at $825.3 million resulting in an increase of $198.3 million or 31.6% compared to the 30 June 2011 valuation. This includes the Fund's acquisitions of a 50% interest in 108 St George's Terrace, Perth and Southern Cross West Tower, Melbourne for a combined value of $284.5 million at 30 June 2012, and the sale of Defence Plaza, Melbourne which was valued at $77.0 million at 30 June 2011.

A summary of the property valuations as at 30 June 2012 is as follows:

Property	Location	Interest (%)	30 June 2011 Valuation ($m)	30 June 2012 Valuation ($m)
Ernst & Young Centre and 50 Goulburn Street	Sydney	50	270.0	255.0
American Express House	Sydney	100	130.0	130.0
Southern Cross East Tower	Melbourne	25	150.0	155.8
108 St Georges Terrace	Perth	50	n/a	147.5
Southern Cross West Tower	Melbourne	50	n/a	137.0
Total			**550.0**	**825.3**

Distributions and capital management

During the financial year ended 30 June 2012, the following distributions were paid by the Fund:

Distribution	Cents per unit	Total amount $'000	Date of payment
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
Total distribution for the year ended 30 June 2012	**8.0**	**3,992**	

In September 2011, a buyback was initiated, which resulted in approximately 2.5% of units on issue being cancelled by the Fund in the period to 30 June 2012. BCML will continue to focus on strategies to enhance value for investors and to narrow the discount which exists between the Fund's trading price and underlying net asset value.

Further information

Further information regarding the Fund's annual results is available in the form of an Annual Report. It is recommended that investors review this document. The financial report for the year ended 30 June 2012 is available at www.au.brookfield.com.

-- ends –

Brookfield Customer Service
Ph: 1800 570 000

Brookfield

BROOKFIELD PRIME PROPERTY FUND

ARSN 110 096 663

Annual Report 2012

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

The acquisition of Southern Cross West Tower and Bankwest Tower is in keeping with our strategy of long-term ownership and operation of high quality assets in dynamic and resilient markets.

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 2012.

FINANCIAL RESULTS

The Fund reported a net loss of $2.0 million for the period, compared with a net profit of $37.5 million for the same period to 30 June 2011.

Key financial results as at 30 June 2012 include:

- Property portfolio value of $825.3 million (2011: $627.0 million) including $8.7 million in unrealised losses on property revaluations (2011: $37.2 million unrealised profit);
- Net assets of $229.1 million (30 June 2011: $266.5 million) and net assets per unit of $4.65 (30 June 2011: $5.28) with the reduction largely reflecting an unrealised movement in the Fund's interest rate derivatives (a reduction in net assets of 64.2 cents per unit);
- Total revenue and other income of $72.4 million (2011: $92.5 million); and
- Earnings (loss) per unit of (3.92) cents (2011: 74.43 cents).

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

PROPERTY PORTFOLIO

In July 2011, the Fund completed its acquisition of 50% interests in Southern Cross West Tower, Melbourne and 108 St Georges Terrace, Perth (formerly Bankwest Tower). In March 2012, the Fund settled on the sale of Defence Plaza, Melbourne.

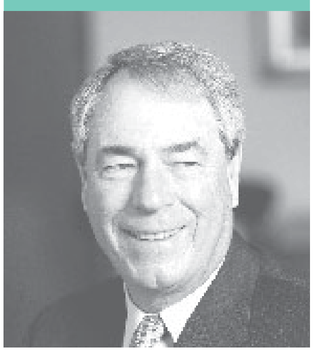
OUTLOOK

The Fund's properties have strong leasing profiles with portfolio occupancy of 97.8% and a weighted average lease expiry (by income) of 6.42 years. Immediate vacancies that arise in the Fund's Perth property are expected to be filled through the resources sector driven demand existing in that market. Whilst Sydney and Melbourne prime office markets have stabilised in terms of growth, the quality of the Fund's properties should continue to provide long-term benefits to investors.

From a capital management perspective, a buyback was implemented in September 2011, which has resulted in approximately 2.5% of the units on issue being cancelled by the Fund in the period to 30 June 2012. BCML will continue to focus on initiatives to enhance value for unitholders and to narrow the discount which exists between the Fund's trading price and underlying net asset value.

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 2012.

MOVEMENT IN NET ASSETS

The Fund's underlying net assets per unit decreased from $5.28 to $4.65 per unit over the period. The fall in net assets is primarily based on the revaluation of the Fund's interest rate derivatives, which have moved to a liability of $44.3 million, compared to a liability of approximately $12.7 million at 30 June 2011 (a reduction in net assets of 64.2 cents per unit). This movement in value reflects lower interest rates presently existing in the market and there is currently no intention to close out the derivatives and realise this loss.

PROPERTY PORTFOLIO

As at 30 June 2012 the property portfolio value was $825.3 million (30 June 2011: $627.0 million). During the period, the Fund acquired a 50% interest in 108 St Georges Terrace, Perth and a 50% interest in Southern Cross West Tower, Melbourne.

During the period, the Fund also sold Defence Plaza Melbourne for net proceeds of $86.7 million. As part of the sale terms, the Fund was required to meet certain obligations, including undertaking capital works. The total cost of these works during the year was $3.0 million, with remaining costs estimated at $5.5 million.

The portfolio value declined by 0.6% during the period, with a 5.6% decline in value of the Ernst & Young Centre and 50 Goulburn Street, Sydney largely offset by circa 2.0% increases in the value of Southern Cross East Tower and Southern Cross West Tower, Melbourne and 108 St Georges Terrace, Perth.

The property portfolio has a weighted average lease expiry (by income) of 6.42 years and occupancy rate of 97.8% at 30 June 2012.

DEBT

The Fund entered into a new three year senior debt facility with a limit of $525.0 million in June 2011. During the 2012 financial year, the Fund repaid $46.2 million of the senior debt following the sale of Defence Plaza, reducing the senior debt facility balance to $478.8 million.

PROPERTY SUMMARY

PROPERTY	LOCATION	FUND SHARE (%)	VALUATION TYPE	VALUE AT 30 JUNE 2012 $M	VALUE AT 30 JUNE 2011 $M
Ernst & Young Centre and 50 Goulburn Street	Sydney	50	External	255.0	270.0
American Express House	Sydney	100	Internal	130.0	130.0
Southern Cross East Tower	Melbourne	25	External	155.8	150.0
Southern Cross West Tower	Melbourne	50	External	137.0	135.0[2]
108 St Georges Terrace	Perth	50	Internal	147.5	145.0[2]
Total				**825.3**	**830.0**

2. Acquisition of the interests in the two properties was settled after 30 June 2011. These values reflect their valuations as at 31 December 2011.

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 $130.0 million for a one year term commencing 1 July 2011. On 29 June 2012, the facility was extended until 1 July 2013 and an option has been granted to the Fund for this to be extended for an additional 12 months until 1 July 2014.

Following the sale of Defence Plaza, the Fund repaid a portion of the subordinated debt facility, reducing the balance from $107.8 million to $75.0 million.

The Fund was in compliance with all debt covenants as at 30 June 2012 and the Loan to Value Ratio (LVR) for the senior debt facility only was 58.0%. Including the subordinated debt facility, it was 67.0%.

MARKET BUYBACK

In September 2011, the Fund announced an on-market buyback of its securities for up to 10% of the issued capital of the Fund for the period up to 19 September 2012. During the period to 3 July 2012, 1,220,165 units were bought back within a price range from a low of $3.35 to a high of $4.25. The average price paid of $3.98 per unit reflects a discount of approximately 14.4% on the NTA of $4.65 per unit as at 30 June 2012.

DISTRIBUTIONS

The Fund paid total distributions of $4.0 million, or 8 cents per unit for the 12 months ended 30 June 2012.

The Fund's properties have strong leasing profiles with portfolio occupancy of 97.8% and a weighted average lease expiry (by income) of 6.42 years.

NET ASSETS RECONCILIATION

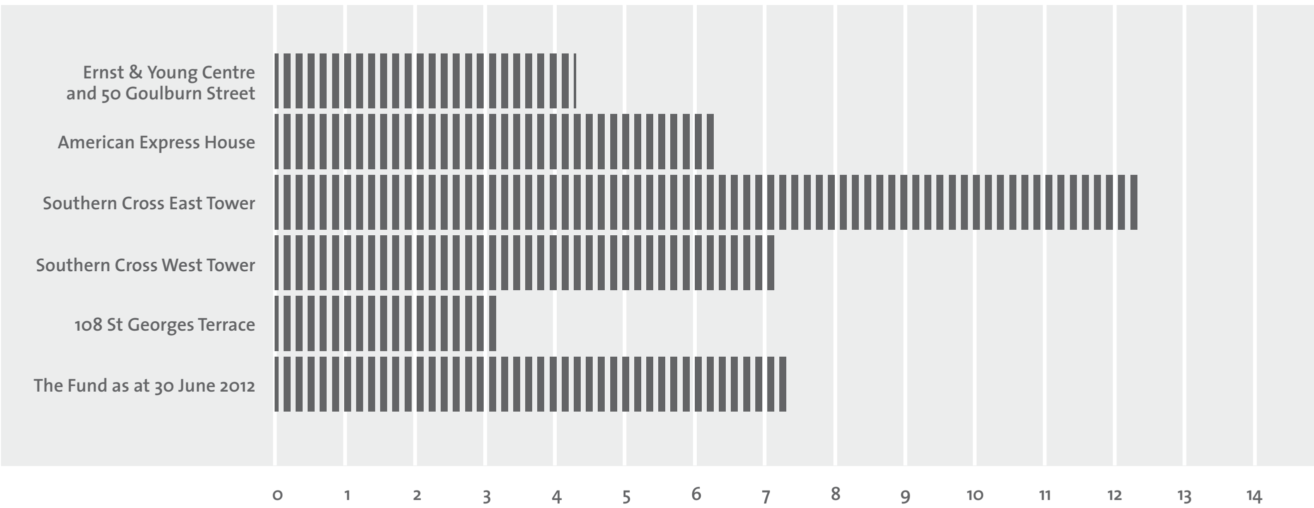
Property Analysis

FUND SNAPSHOT (as at 30 June 2012)

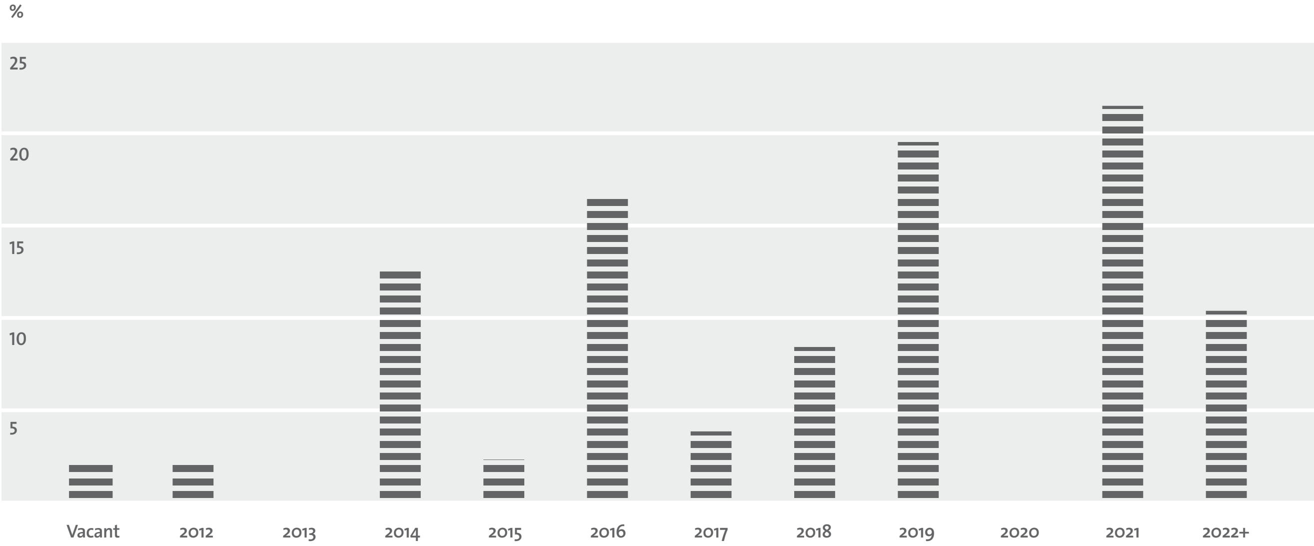
Market capitalisation	$204.4 million
Funds under management	$843.4 million
Listing date	15 September 2006
NTA per unit	$4.65
Portfolio occupancy	97.8%
Portfolio weighted average lease term by income	6.42
Loan to value ratio – senior debt only	58.0%
Loan to value ratio – senior and subordinated debt	67.0%
Management fee	0.65% p.a. (excluding GST) of gross asset value
Performance fee	Tier 1 – 5%, Tier 2 – 15% (excluding GST) of benchmark[1] outperformance.

1 UBS Commercial Property Accumulation (2008) Index.

WEIGHTED AVERAGE LEASE EXPIRY PER PROPERTY (by income)



PORTFOLIO WEIGHTED AVERAGE LEASE EXPIRY PROFILE (by income)



GEOGRAPHIC ALLOCATION (by value)

47% New South Wales
35% Victoria
18% Western Australia

TENANCY MIX (by income)

30% Victorian State Government
20% Other
15% Ernst & Young
14% Australia Post
12% Bankwest
6% American Express
3% Parsons Brinckerhoff

Property Analysis

Ernst & Young Centre and 50 Goulburn Street, Sydney

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.

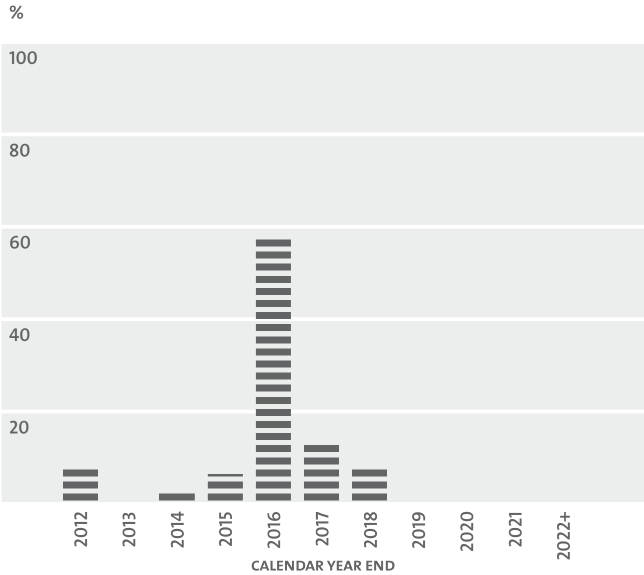
PROPERTY DETAILS

Ownership (%)	50
Net lettable area – whole building (sqm)	67,998
Occupancy (%)	94
Weighted average lease expiry (years by income)	4.3
Valuation (50%)	$255.0 million
Valuation date	30 June 2012

TENANCY MIX (by income)

- 54% Ernst & Young
- 12% Parsons Brinckerhoff
- 7% Link Market Services
- 7% Austereo
- 5% Flairview Travel
- 15% Other

LEASE EXPIRY (by area)



Southern Cross East Tower, Melbourne

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.

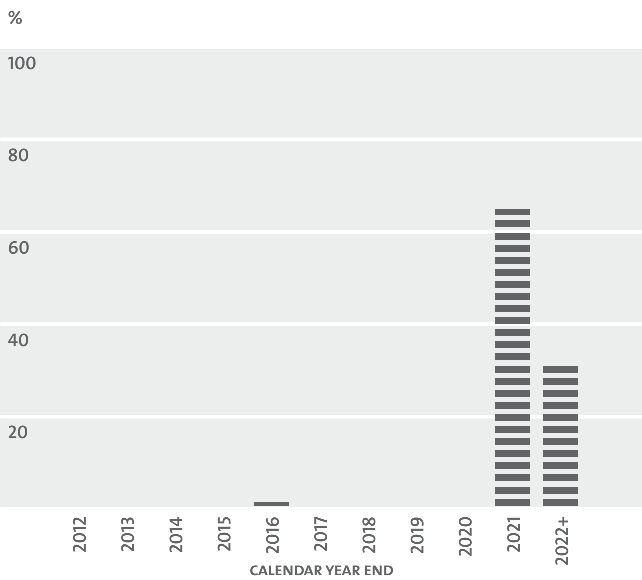
PROPERTY DETAILS

Ownership (%)	25
Net lettable area – whole building (sqm)	79,733
Occupancy (%)	100
Weighted average lease expiry (years by income)	12.4
Valuation (25%)	$155.8 million
Valuation date	30 June 2012

TENANCY MIX (by income)

- 64% Victorian State Government (Other)
- 27% Victorian State Government (DOI)
- 9% Other

LEASE EXPIRY (by area)



Property Analysis

American Express House, Sydney

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.

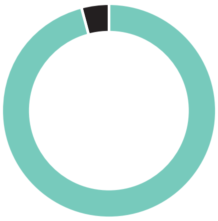
The property is located within the western corridor precinct of the Sydney CBD with frontage on Shelley Street. American Express House is proximate to Wynyard Railway Station and Bus Interchange, King Street Wharf public ferry terminal, and the retail and restaurants at King Street Wharf.

PROPERTY DETAILS

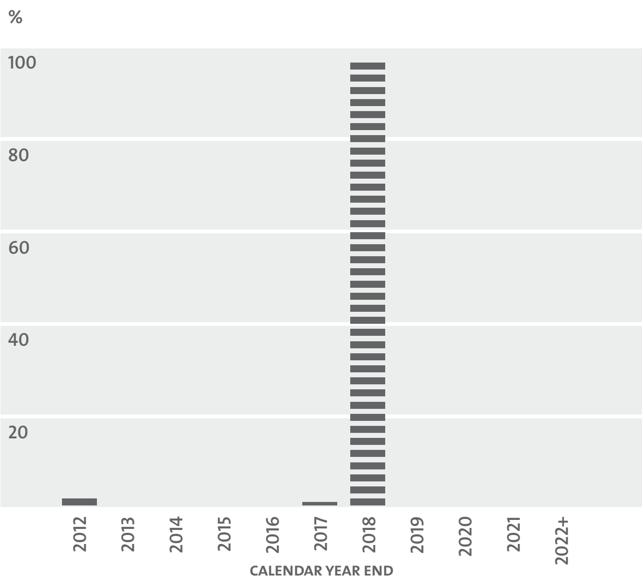
Ownership (%)	100
Net lettable area – whole building (sqm)	14,974
Occupancy (%)	100
Weighted average lease expiry (years by income)	6.3
Valuation (100%)	$130.0 million
Valuation date	30 June 2012

TENANCY MIX (by income)

96% American Express
4% Other



LEASE EXPIRY (by area)



Southern Cross West Tower, Melbourne

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.

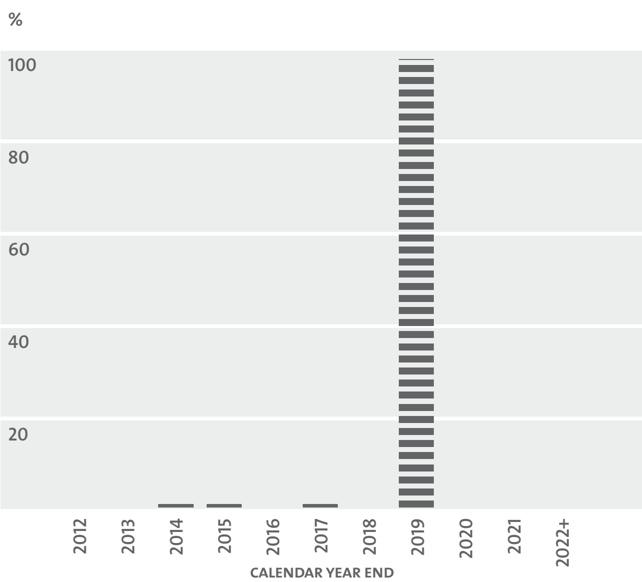
PROPERTY DETAILS

Ownership (%)	50
Net lettable area – whole building (sqm)	47,367
Occupancy (%)	100
Weighted average lease expiry (years by income)	7.2
Valuation (50%)	$137.0 million
Valuation date	30 June 2012

TENANCY MIX (by income)

94% Australia Post
6% Other

LEASE EXPIRY (by area)



Property Analysis

108 St Georges Terrace, Perth

PROPERTY DESCRIPTION

108 St Georges Terrace (formerly Bankwest Tower) is an A-grade, 52-level commercial office tower and includes the four-level Palace Hotel, a heritage listed 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.

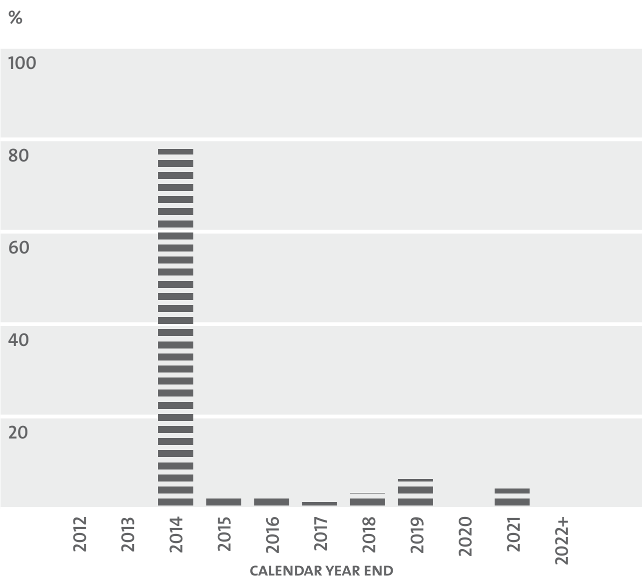
PROPERTY DETAILS

Ownership (%)	50
Net lettable area – whole building (sqm)	39,024
Occupancy by area (%)	96.0
Weighted average lease expiry (years by income)	3.2
Valuation (50%)	$147.5 million
Valuation date	30 June 2012

TENANCY MIX (by income)

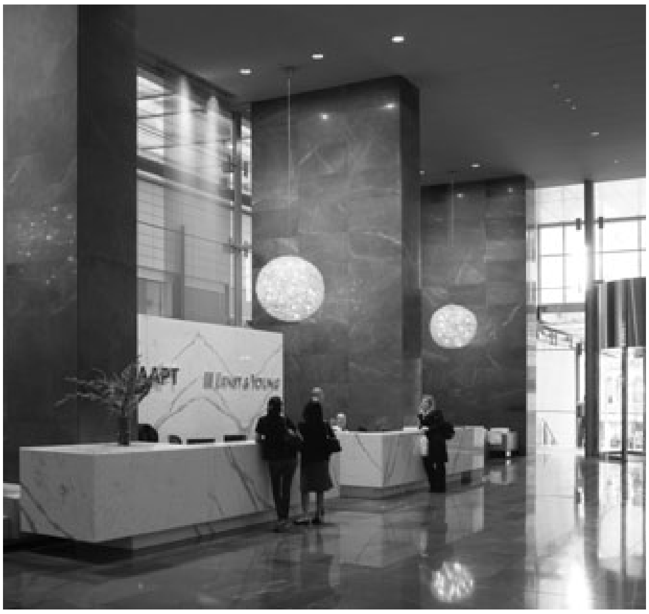
- 65% Bankwest
- 9% Norton Rose
- 26% Other

LEASE EXPIRY (by area)



American Express House, Sydney

Southern Cross West, Melbourne



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 14 August 2012.

1. SUBSTANTIAL HOLDERS

NAME	NUMBER OF UNITS	% OF ISSUED ORDINARY UNITS
Brookfield Asset Management Inc.	39,452,437	79.775

2. DISTRIBUTION OF ORDINARY UNITS

Analysis of numbers of unitholders by size of holding:

	UNITS	UNITHOLDERS
1–1,000	31,327	469
1,001–5,000	543,910	194
5,001–10,000	1,024,826	137
10,001–100,000	3,619,364	152
100,001 and over	43,996,214	20
Total	**49,215,641**	**972**

There were 426 holders with less than a marketable parcel of 143 securities ($3.50 on 13 August 2012).

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:

	ORDINARY UNITS	
NAME	NUMBER HELD*	% OF ORDINARY UNITS
Brookfield Capital Securities Limited	25,895,419	52.62
Trust Company Limited	10,893,945	22.14
J P Morgan Nominees Australia Limited	2,521,890	5.12
Horrie Pty Ltd	755,000	1.53
ANZ Trustees Limited	459,836	0.93
ANZ Trustees Limited	441,860	0.90
Mrs Helene Neuman	400,000	0.81
Geoffrey Gardiner Dairy Foundation Ltd	353,569	0.72
Hillmorton Custodians Pty Ltd	291,910	0.59
New City Holdings Pty Ltd	268,500	0.55
ANZ Trustees Limited	268,405	0.55
Navigator Australia Limited	247,647	0.50
ANZ Trustees Limited	232,879	0.47
ANZ Trustees Limited	198,728	0.40
Stilwood Custodians Pty Ltd	161,736	0.33
ANZ Trustees Limited	136,577	0.28
Stilwood Pty Ltd	127,071	0.26
Kelpador Pty Ltd	118,877	0.24
Indevco Group Holdings Pty Limited	118,554	0.24
Brookfield Securities (Australia) Pty Ltd	103,811	0.21
Total	**43,996,214**	**89.39**

* Amounts are pre-consolidated units.

5. CLASS OF UNITS

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

6. VOTING RIGHTS

Refer to Note 16 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.

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.

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

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

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

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
The Barrington
Level 10
10 Smith Street
Parramatta NSW 2150
Telephone: (02) 9840 7000
Facsimile: (02) 9840 7001

www.au.brookfield.com

Brookfield

BROOKFIELD PRIME PROPERTY FUND

ARSN 110 096 663

Financial Report for the year ended 30 June 2012

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

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Brookfield Prime Property Fund
For the year ended 30 June 2012

Directory
Brookfield Prime Property Fund
For the year 30 June 2012

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
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Sydney NSW 2000
Telephone: +61 2 9322 2000
Facsimile: +61 2 9322 2001

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

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 and its subsidiaries and the Consolidated Entity's interest in associates for the year ended 30 June 2012 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, FCIS), 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 funds Brookfield Australian Opportunity Fund (BAO) and 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), Billabong International Limited (appointed July 2000), and Brookfield Office Properties Inc. (appointed May 2011). During the past 3 years, Allan has also served as a director of the following listed company: Ross Human Directions Limited (April 2000 – February 2011).

Brian Motteram (BBus, CA), Non-Executive Independent Director
Brian has in excess of 40 years of experience working in the area of finance and accounting. He has worked with international accounting firms, in his own private practice, and during the last 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 funds BAO and MUE. Brian is a fully qualified Chartered Accountant having trained with KPMG and Deloitte.

Barbara Ward, AM (BEcon, MPolEcon, MAICD), Non-Executive Independent Director
Barbara was appointed as a Non-Executive Independent Director of BCML on 1 January 2010 and also performs that role for BFML. Barbara has gained extensive business and finance experience through her role as Chief Executive Officer of Ansett Worldwide Aviation Services, as General Manager Finance for the TNT Group and as a Senior Ministerial Advisor. BCML is also the Responsible Entity for listed funds BPA and MUE. BFML is the Responsible Entity for the listed Multiplex SITES Trust. Barbara is a Director of Essential Energy, Ausgrid, Endeavour Energy and Qantas Airways Limited. During the past 3 years Barbara has also served as a director of Lion Nathan Limited (February 2003 to October 2009) and Chair of Essential Energy (June 2001 to June 2012).

Russell Proutt (BComm, CA, CBV), Executive Director
Russell Proutt 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 funds BAO and MUE. BFML is the Responsible Entity for the listed Multiplex SITES Trust. Russell joined Brookfield Asset Management Inc, the ultimate parent company of BCML, in 2006 and has held various senior management positions within Brookfield.

Shane Ross (BBus), Executive Director
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 BAO and MUE. Shane joined the organisation in 2003 following a background in banking and has over 17 years experience in treasury and finance within the property industry.

Information on Company Secretary

Neil Olofsson

Neil has over 16 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/have been issued to Directors.

Directors' meetings

	Board Meetings		Audit Committee Meetings		Board Risk and Compliance Committee Meetings	
Director	A	B	A	B	A	B
F. Allan McDonald	6	6	2	2	2	2
Brian Motteram	6	6	2	2	2	2
Barbara Ward	6	6	2	2	2	2
Russell Proutt	6	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 loss of $1,955,000 for the year ended 30 June 2012 (2011: net profit of $37,539,000). The reported net loss includes $3,577,000 in unrealised gains on revaluations of the investment property portfolio directly held by the Consolidated Entity (2011: gain of $18,509,000) with no impairment losses on the listed property trust portfolio (2011: $93,000). The Consolidated Entity's associates recognised an unrealised loss on underlying investment properties, of which the Consolidated Entity's share was $12,243,000 (2011: gain of $18,647,000).

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

- total revenue and other income of $72,390,000 (2011: $92,465,000);
- net loss of $1,955,000 (2011: net profit of $37,539,000);
- earnings per unit (EPU) of (3.92) cents (2011: 74.43 cents);
- net assets of $229,140,000 as at 30 June 2012 (2011: $266,486,000) and net assets per unit of $4.65 (2011: $5.28);
- interest rate swap liability of $44,322,000 (2011: $12,774,000). The change in fair value of $31,548,000 from June 2011, has contributed to a decline in the NTA of the Fund by 64.1 cents per unit.
- property portfolio value of $825,250,000 as at 30 June 2012 (2011: $627,000,000), including $8,666,000 in net losses on revaluations of investment properties recorded during the year (including investment properties held by associates) (2011: net gain of $37,156,000);
- disposal of the Defence Plaza investment property for net proceeds $86,700,000.
- disposal of investments for total consideration of nil (2011: $5,262,000);
- portfolio occupancy at 98% (2011: 100%) with a weighted average lease expiry by income and by ownership of 6.42 years as at 30 June 2012 (2011: 8.09 years).

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 take advantage of opportunities that arise in the sector to grow the Fund through the acquisition of quality assets. Capital initiatives for the Fund have been implemented to reduce the discount between the Fund's trading price and the NTA.

Partial Repayment of Debt Facility

The Fund repaid $46,200,000 of the senior debt following the sale of Defence Plaza during the year. This brought the amount outstanding under the debt facility from $525,000,000 to $478,800,000. The key terms of the 3 year bullet non-revolving facility remain the same.

Subordinated Debt Facility

The Fund repaid a portion of the subordinated debt facility following the sale of Defence Plaza during the year. This brought the amount outstanding under the debt facility from $107,754,000 to $75,000,000. On 29th June 2012 the facility was extended until 1 July 2013 and an option has been granted to the Fund to enable this to be extended for a further period of up to 12 months until 1 July 2014.

Sale of Defence Plaza

The Fund sold the Defence Plaza investment property to Real I.S. AG during the year for net proceeds of $86,700,000. In addition to this, as part of the sale, the Fund is required to meet certain obligations in relation to the investment property, including undertaking capital works. The total cost of these works during the year was $3,000,000 and the remaining cost of these works is estimated at $5,600,000 Cash is held in escrow by the fund to cover the cost of these works of $5,600,000.

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 2011 to 30 June 2012.

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.

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.

Corporate governance continued

Principle 1: Lay solid foundations for management and oversight continued

Role of the Board & Senior Executives continued

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.

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.

Corporate governance continued
Principle 2: Structure the Board to add value continued

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.

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.

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.

Corporate governance continued

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.

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.

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.

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.

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.

Corporate governance continued

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.

Interests of the Responsible Entity

Management fees

For the year ended 30 June 2012, the Consolidated Entity incurred $6,372,000 in management fees to the Responsible Entity (2011: $4,096,000). $1,361,000 of management fees remain payable as at year end (2011: $12,020,000).

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 22.1% of the Fund at year end (2011: 10,893,945 units or 21.6%);
- JP Morgan Chase Bank N.A. as custodian for Brookfield Australian Opportunities Fund holds 2,521,890 units or 5.1% of the Fund at year end (2011: 2,521,890 units or 5.0%); and
- Brookfield Capital Securities Limited as trustee of Brookfield Multiplex PPF Investment No 2 Trust holds 25,895,419 units or 52.6% of the Fund at year date (2011: 25,895,419 units or 51.3%).

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

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

Environmental regulation

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

Distributions

Distributions paid/payable to unitholders were as follows:

	Cents per unit	Total amount $'000	Date of payment
Ordinary units			
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
Total distribution for the year ended 30 June 2012	**8.0**	**3,992**	
Ordinary units			
Total distribution for the year ended 30 June 2011	**1.5**	**756**	**28 April 2011**

Distributions paid for the years ended 30 June 2012 and 30 June 2011 were paid out of the Consolidated Entity's realised revenues and expenses.

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.

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

	Consolidated 2012 $	2011 $
Services other than statutory audit		
Non-audit services	-	–
Total fees related to non-audit services	**-**	–

Remuneration report

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

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

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

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

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

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 to the Responsible Entity for the year ended 30 June 2012 was $6,372,000 (2011: $4,096,000).

Rounding of amounts

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

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 2012.

Dated at Sydney this 22nd day of August 2012.

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

Russell Proutt
Director
Brookfield Capital Management Limited

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
Brookfield Capital Management Limited
(as Responsible Entity for Brookfield Prime Property Fund)
135 King Street
SYDNEY, NSW 2000

22 August 2012

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 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Helen Hamilton-James
Partner
Chartered Accountants

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

Statement of Comprehensive Income

Brookfield Prime Property Fund

For the year ended 30 June 2012

	Note	Consolidated Year ended 30 June 2012 $'000	Year ended 30 June 2011 $'000
Revenue and other income			
Share of net profit of investments accounted for using the equity method	6	19,092	45,239
Property rental income		47,957	19,675
Distribution income from listed property trusts		9	3
Interest income		1,425	1,011
Net gain on revaluation of financial derivatives		–	6,884
Net gain on revaluation of investment properties	11	3,577	18,509
Net gain on sale of investments - available for sale		–	990
Other income		330	154
Total revenue and other income		**72,390**	**92,465**
Expenses			
Property expenses		10,532	3,154
Net loss on revaluation of financial derivatives		4,731	–
Impairment expense		–	93
Finance costs to external parties		49,570	34,049
Finance costs – amortisation of cash flow hedge reserves		–	13,097
Management fees		6,372	4,096
Other expenses		3,140	437
Total expenses		**74,345**	**54,926**
Net (loss)/profit for the year		**(1,955)**	**37,539**
Other comprehensive income			
Change in cash flow hedge reserve		(26,686)	13,097
Changes in fair value of available for sale financial assets		(2)	(658)
Other comprehensive (loss)/income for the year		**(26,688)**	**12,439**
Total comprehensive (loss)/income for the year		**(28,643)**	**49,978**
Net (loss)/profit attributable to ordinary unitholders		**(1,955)**	**37,539**
Total comprehensive (loss)/income attributable to ordinary unitholders		**(28,643)**	**49,978**
Earnings per unit			
Basic and diluted earnings per ordinary unit (cents)	8	(3.92)	74.43

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

Statement of Financial Position

Brookfield Prime Property Fund

As at 30 June 2012

	Note	Consolidated 2012 $'000	2011 $'000
Assets			
Current assets			
Cash and cash equivalents		17,866	17,890
Trade and other receivables	10	889	13,614
Total current assets		**18,755**	**31,504**
Non-current assets			
Investment properties	11	414,500	207,000
Investments accounted for using the equity method	6	410,149	417,945
Total non-current assets		**824,649**	**624,945**
Total assets		**843,404**	**656,449**
Liabilities			
Current liabilities			
Trade and other payables	13	16,548	14,175
Fair value of financial derivatives	14	–	12,774
Total current liabilities		**16,548**	**26,949**
Non-current liabilities			
Interest bearing liabilities	14	553,394	363,014
Fair value of financial derivatives	14	44,322	–
Total non-current liabilities		**597,716**	**363,014**
Total liabilities		**614,264**	**389,963**
Net assets		**229,140**	**266,486**
Equity			
Units on issue	15	302,899	307,610
Reserves	16	(26,669)	19
Undistributed losses	17	(47,090)	(41,143)
Total equity		**229,140**	**266,486**

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

Statement of Changes in Equity
Brookfield Prime Property Fund
For the year ended 30 June 2012

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

Consolidated Entity	Ordinary units $'000	Attributable to unitholders of the Fund Undistributed profits/(losses) $'000	Reserves $'000	Total $'000
Opening equity – 1 July 2010	**303,182**	**(77,926)**	**(12,420)**	**212,836**
Change in cash flow hedge reserve	–	–	13,097	**13,097**
Changes in fair value of available for sale financial assets	–	–	(658)	**(658)**
Other comprehensive income for the year	**–**	**–**	**12,439**	**12,439**
Net profit for the year	–	37,539	–	**37,539**
Total comprehensive income for the year	–	**37,539**	**12,439**	**49,978**
Transactions with unitholders in their capacity as unitholders:				
Equity receivable	4,428	–	–	**4,428**
Distributions paid	–	(756)	–	**(756)**
Total transactions with unitholders in their capacity as unitholders	**4,428**	**(756)**	**–**	**3,672**
Closing equity – 30 June 2011	**307,610**	**(41,143)**	**19**	**266,486**

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

Statement of Cash Flows

Brookfield Prime Property Fund

For the year ended 30 June 2012

	Note	Consolidated Year ended 30 June 2012 $'000	Year ended 30 June 2011 $'000
Cash flows from operating activities			
Cash receipts in the course of operations		48,429	20,383
Cash payments in the course of operations		(29,169)	(3,496)
Interest received		1,498	927
Financing costs paid		(48,274)	(30,232)
Net cash flows used in operating activities	19	**(27,516)**	**(12,418)**
Cash flows from investing activities			
Purchases of investment property		(263,507)	(12,500)
Proceeds from sale of properties		86,700	–
Proceeds from sale of listed property trust investments		–	5,262
Capital expenditure		(7,257)	(2,977)
Distributions received from investments in ASX listed property trusts		8	140
Distributions received from associates		29,148	30,883
Net cash flows (used in)/from investing activities		**(154,908)**	**20,808**
Cash flows from financing activities			
Issue costs		(10)	(2,258)
Debt establishment costs paid		(3,005)	–
Proceeds from final equity call		741	112,083
Payment for units bought back		(4,701)	–
Proceeds from interest bearing liabilities		271,336	–
Repayments of interest bearing liabilities		(78,954)	(112,800)
Distributions paid		(3,007)	(756)
Net cash flows from/(used in) financing activities		**182,400**	**(3,731)**
Net increase in cash and cash equivalents		(24)	4,659
Cash and cash equivalents at beginning of year		17,890	13,231
Cash and cash equivalents at 30 June		**17,866**	**17,890**

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

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 2012 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 22nd day of August 2012.

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;
- equity receivable which is measured at amortised cost; 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 (updated by CO 05/641 effective 28 July 2005 and CO 06/51 effective 31 January 2006), and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand dollars, unless otherwise stated.

c Use of estimates and judgements

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

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

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are provided in investments accounted for using the equity method (Note 6), trade and other receivables (Note 10), investment properties (Note 11), investments – available for sale (Note 10), and financial instruments (Note 18).

3 Significant accounting policies

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

a Principles of consolidation

Subsidiaries

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

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

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

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 Statement of Comprehensive Income on a straight-line basis over the term of the lease.

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

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

Dividends and distributions

Revenue from dividends and distributions is recognised when the right of the Consolidated Entity 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.

3 Significant accounting policies continued

b Revenue recognition continued

Interest revenue

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

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 Statement of Financial Position, except for impairment losses, which are recognised directly in the Statement of Comprehensive Income. Where these investments are derecognised, the cumulative gain or loss previously recognised directly in equity in the Statement of Financial Position is recognised in the Statement of Comprehensive Income.

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

c 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).

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 Statement of Financial Position.

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

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 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;

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 Statement of 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 Statement of Comprehensive Income. Where listed investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in the Statement of 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 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 a cash flow hedging reserve.

3 Significant accounting policies continued

l Derivative financial instruments continued

The gain or loss relating to the ineffective portion is recognised immediately in the income statement. 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 income statement.

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 income statement. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in the income statement.

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

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

Non-financial assets

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

3 Significant accounting policies continued

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 Statement of Comprehensive Income over the period of the borrowings on an effective interest rate basis. Interest bearing loans and borrowings are classified as current liabilities unless the Consolidated Entity has an unconditional right to defer settlement of the liability to at least 12 months after period end.

r Distributions

A provision for distribution is recognised in the 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 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 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 2012 but have not been applied in preparing this financial report:

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

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and liabilities and will replace the existing AASB 139 *Financial Instruments: Recognition and Measurement*. The standard is not applicable until 1 January 2013 but is available for early adoption. Under AASB 9, financial assets will be classified as subsequently 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 Statement of 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 2014. 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* and 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* (effective for annual reporting periods beginning on or after 1 January 2013)

3 Significant accounting policies continued

u New standards and interpretations not yet adopted continued

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 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

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. The Consolidated Entity is still assessing the consequential impact of the new standards and amendments.

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. The Consolidated Entity is still assessing the consequential impact of the new standard.

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. The Consolidated Entity is still assessing the consequential impact of the amendments.

AASB 2011-9 *Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income* (effective for annual reporting periods beginning on or after 1 July 2012)
The main change resulting from the amendments in AASB 2011-9 is a requirement for entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss in the future.
The Consolidated Entity does not expect to adopt AASB 2011-9 before its operative date and therefore will apply the amendments for the annual reporting period ending 30 June 2013. The Consolidated Entity is still assessing the consequential impact of the amendments.

4 Parent entity disclosures

	Fund 2012 $'000	2011 $'000
Assets		
Current assets	43,281	88,788
Non-current assets	827,171	565,283
Total assets	**870,452**	**654,071**
Liabilities		
Current liabilities	79,111	64,307
Non-current liabilities	597,716	363,014
Total liabilities	**676,827**	**427,321**
Equity		
Units on issue	302,899	307,610
Reserves	(26,686)	–
Undistributed losses	(82,589)	(80,860)
Total equity	**193,624**	**226,750**

	Fund Year ended 30 June 2012 $'000	Year ended 30 June 2011 $'000
Net (loss)/profit for the year	2,263	896
Other comprehensive (loss)/income for the year	(26,686)	13,098
Total comprehensive (loss)/income for the year	**(24,423)**	**13,994**

5 Segment reporting

Management have identified that the Chief Operating Decision Maker function is performed by the Board of Directors of the Responsible Entity (Board). The 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 Statement of Comprehensive Income and Statement of Financial Position. All property income is derived from entities domiciled in Australia. Therefore no further segment reporting is required.

6 Investments accounted for using the equity method

	Consolidated 2012 $'000	2011 $'000
Brookfield Developments No. 6A Unit Trust	155,810	149,280
Latitude Landowning Trust	254,339	268,665
Total investments accounted for using the equity method	**410,149**	**417,945**
Share of profit/(loss) in the year from investments accounted for using the equity method is as follows:		
Brookfield Developments No. 6A Unit Trust	16,077	18,046
Latitude Landowning Trust	3,015	27,193
Total share of net profit of investments accounted for using the equity method	**19,092**	**45,239**
Fair value adjustments from the revaluation of investment property included in the share of profit/(loss) above is as follows:		
Brookfield Developments No. 6A Unit Trust	4,902	11,398
Latitude Landowning Trust	(17,145)	7,249
Total fair value adjustments	**(12,243)**	**18,647**

The Fund owns 50% of Latitude Landowning Trust and 25% of Brookfield Development No. 6A Unit Trust (2011: 50% and 25% respectively).

6 Investments accounted for using the equity method continued

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

	Consolidated 2012 $'000	2011 $'000
Current assets	13,928	8,404
Non-current assets	1,133,000	1,140,303
Total assets	**1,146,928**	**1,148,707**
Current liabilities	8,883	10,569
Non-current liabilities	6,128	5,309
Total liabilities	**15,011**	**15,878**

	Year ended 30 June 2012 $'000	Year ended 30 June 2011 $'000
Revenues	130,411	165,540
Expenses	(65,596)	(26,993)
Net profit for the year	**64,815**	**138,547**

7 Auditor's remuneration

	Consolidated Year ended 30 June 2012 $	Year ended 30 June 2011 $
Auditors of the Fund:		
Audit and review of financial reports	37,150	36,050
Non-audit services	-	–
Total auditor's remuneration	**37,150**	**36,050**

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 2012	Year ended 30 June 2011
Net (loss)/profit attributable to unitholders	$'000	(1,955)	37,539
Weighted average number of ordinary units used in the calculation of basic and diluted EPU	'000	49,900	50,436
Basic and diluted weighted earnings per ordinary unit	cents	(3.92)	74.43

9 Distributions

Distributions paid/payable to unitholders were as follows:

	Cents per unit	Total amount $'000	Date of payment
Ordinary units			
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
Total distribution for the year ended 30 June 2012	**8.0**	**3,992**	
Ordinary units			
Total distribution for the year ended 30 June 2011	**1.5**	**756**	**28 April 2011**

Distributions paid for the years ended 30 June 2012 and 30 June 2011 were paid out of the Consolidated Entity's realised revenues and expenses.

10 Trade and other receivables

	Consolidated 2012 $'000	2011 $'000
Prepayments and accrued income	662	141
Distributions receivable	4	4
Equity receivable	–	741
Investments – available for sale	109	111
Other receivables	114	12,617
Total trade and other receivables	**889**	**13,614**

11 Investment properties

During the period, the Consolidated Entity undertook the following transactions:

- On 1 July 2011, purchased a 50% interest in a property at 108 St George's Terrace, Perth, Western Australia ("Bankwest" building).
- On 15 July 2011, purchased a 50% interest in a property at 111 Bourke Street, Melbourne, Victoria ("Southern Cross West" building).
- On 28 November 2011, entered into a contract to sell the Defence Plaza building. Settlement occurred on 30 March 2012.

There are no investment properties held by the Fund. The Consolidated Entity holds the following investment properties at the reporting date:

Description	Cost including additions $'000	Latest external valuation $'000	Latest external valuation date	Valuation cap rate	2012 book value $'000	2011 book value $'000
Defence Plaza	–	–	–	–	–	77,000
American Express Building	124,824	130,000	Jun-11	7.50%	130,000	130,000
BankWest Tower	147,203	147,500	–	8.00%	147,500	–
Southern Cross West Tower	132,748	137,000	Jun-12	7.00%	137,000	–
Total investment properties	**404,775**	**414,500**			**414,500**	**207,000**

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	Valuation cap rate range	2012 book value $'000	2011 book value $'000
Total commercial investment properties	7.00% - 7.50%	410,750	420,000
Total investment properties held by associates		**410,750**	**420,000**

11 Investment properties continued

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 2012, the Southern Cross East Tower and E&Y centre are the properties held through associates. E&Y centre was independently valued by CBRE Valuations, whilst Southern Cross East Tower was internally valued. The properties directly held are American Express building, Bank West Tower and Southern Cross West Tower. Southern Cross West Tower was independently valued by Jones Lang LaSalle (Victoria), whilst the remaining properties were internally valued. 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 2012 valuations range from 7.00% to 8.00%.

	Consolidated	
Reconciliation of carrying amount of investment properties is set out below:	Year ended 30 June 2012 $'000	Year ended 30 June 2011 $'000
Carrying amount at beginning of year	207,000	185,000
Purchase of investment properties	276,007	–
Impact of straight lining	1,908	514
Capital expenditure	3,008	2,977
Sale of Defence Plaza	(77,000)	–
Net gain on fair value adjustment of investment property	3,577	18,509
Carrying amount at year end	**414,500**	**207,000**

Investment property comprises two commercial properties that are leased to third parties. Each of the leases contains an initial non-cancellable period, which varies across tenants. Subsequent renewals are negotiated with the lessee.

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 6.42 years (2011: 8.09 years). Minimum lease payments under non cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:

	Consolidated	
	2012 $'000	2011 $'000
Within one year	63,747	47,280
Later than one year but not later than five years	229,714	178,978
Later than five years	152,697	191,372
Total	**446,158**	**417,630**

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. The comparative information has been updated to reflect both directly and indirectly held property.

12 Investments in controlled entities

	Fund			
	2012 Ownership %	2012 $'000	2011 Ownership %	2011 $'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	69,003	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	6,500
Brookfield Prime 111 Bourke Street Holdings Trust	100	132,241	100	6,000
Brookfield Multiplex LPS Investment Trust	100	1,929	100	1,929
Total Investments in controlled entities		**827,172**		**565,283**

A review of the carrying value of the investment in controlled entities at 30 June 2012 indicated that the investment in the units of Brookfield Multiplex LPS Investment Trust remains impaired. No further provision was recorded against the carrying value of this investment during the year.

13 Trade and other payables

	Consolidated	
	2012 $'000	2011 $'000
Management fees payable	1,361	12,020
Interest payable	336	175
Other payables and accruals	14,851	1,980
Total trade and other payables	**16,548**	**14,175**

14 Interest bearing liabilities

	Consolidated	
	2012 $'000	2011 $'000
Non-current		
Secured bank debt	478,800	363,014
Subordinated debt	76,596	–
Debt establishment fees	(2,002)	–
Total interest bearing liabilities – non-current	553,394	363,014
Total interest bearing liabilities	**553,394**	**363,014**

		Consolidated	
	Expiry Date	2012 $'000	2011 $'000
Finance arrangements			
Facilities available			
Bank debt facilities			
- Term facility	30 June 2014	478,800	363,014
- Subordinated bank facility	30 June 2014	130,000	-
Total available interest bearing liabilities		**608,800**	**363,014**
Less: facilities utilised			
- Term facility		478,800	363,014
- Subordinated bank facility		76,596	-
Total facilities utilised		**555,396**	**363,014**
Unused facilities at reporting date			
- Term facility		–	–
- Subordinated debt facility		53,404	–
Total unused facilities		**53,404**	**–**

14 Interest bearing liabilities continued

New senior debt facility

The Fund had a debt facility with its financiers for an initial limit of $525,000,000. This was entered into on 23 June 2011. This facility was used post year end to repay the existing principal debt (of $363,000,000) on 1 July 2011. The facility was utilised in the purchase of the additional assets of the 50% ownership in the Bankwest building (on 1 July 2011) and 50% ownership of SX West building (on 15 July 2011). The Fund repaid $46,200,000 of the senior debt following the sale of Defence Plaza during the year. This brought the amount outstanding under the debt facility from $525,000,000 to $478,800,000 along with an equal reduction in the facility limit. The key terms of the 3 year bullet non-revolving facility remain the same.

The key terms of this 3 year bullet non-revolving facility involve:-

- the repayment of the debt by 30 June 2014;
- revised covenants to reflect 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 has been entered into on 29 June 2011 between the Fund and a related entity of the parent, BPPF Financier Pty Ltd. Total facility limit of $130,000,000. The first draw on the debt was 1 July 2011 as part of the Fund's purchase of the Bankwest building. A further draw was made on 15 July 2011 as part of the Fund's purchase of SX West building. The rate is a margin of 2% above the facility margin on the Senior Debt Facility. The Fund repaid a portion of the subordinated debt facility following the sale of Defence Plaza during the year. This brought the amount outstanding under the debt facility from $107,754,000 to $75,000,000. On 29th June 2012 the facility was extended until 1 July 2013 and an option has been granted to the Fund to enable this to be extended for a further period of up to 12 months until 1 July 2014.

The key terms of the facility are:-

- the debt is subordinated behind the Senior Debt Facility;
- the repayment of the debt is due by 1 July 2014, should the unconditional option held by the Fund be exercised;
- Interest cover (ratio of EBIT to total interest expense) covenant requirement at least 1.4 times for the preceding 6 month period;
- 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 Statement of 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 2012	July 2016	Floating to fixed	5.88	BBSW	429,570	–	44,322
As at 30 June 2011	July 2011	Floating to fixed	5.68	BBSW	470,000	–	263

The Fund and Consolidated Entity were party to swaption agreements which provided the existing financier the option to extend the existing interest rate swap agreements to 2016 at a rate of 5.88%. During the period both the Australia and New Zealand Bank and the National Australia Bank exercised their options under the swaption.

15 Units on issue

	Year ended 30 June 2012 $'000	Year ended 30 June 2012 Units	Year ended 30 June 2011 $'000	Year ended 30 June 2011 Units
Units on issue				
Opening balance	332,038	50,435,806	327,610	50,435,806
Units reacquired	(4,701)	(1,183,129)	–	–
Movement in equity receivable	–	–	4,428	–
Closing balance	**327,337**	**49,252,677**	**332,038**	**50,435,806**
Unit issue costs				
Opening balance	24,428	–	24,428	–
Unit buyback costs	10	–	–	–
Closing balance	**24,438**	**–**	**24,428**	**–**
Total units on issue	**302,899**	**49,252,677**	**307,610**	**50,435,806**

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 buyback program of up to 10% of the Fund's issued units. During the year 1,183,129 units, at a cost of $4,701,076, were redeemed.

16 Reserves

	Consolidated 2012 $'000	2011 $'000
Available for sale reserve	17	19
Hedge reserve	(26,686)	–
Total reserves	**(26,669)**	**19**

Available for sale reserve

	Consolidated Year ended 30 June 2012 $'000	Year ended 30 June 2011 $'000
Opening balance	19	677
Fair value movement in relation to listed investments	(2)	(658)
Closing balance	**17**	**19**

The Consolidated Entity recognised an impairment loss on its listed property trust portfolio during the year.

Hedge reserve

	Consolidated Year ended 30 June 2012 $'000	Year ended 30 June 2011 $'000
Opening balance	–	(13,097)
Fair value movement in relation to interest rate swap hedges	(26,686)	13,097
Closing balance	**(26,686)**	**–**

17 Undistributed losses

	Consolidated Year ended 30 June 2012 $'000	Year ended 30 June 2011 $'000
Opening balance	(41,143)	(77,926)
Net (loss)/profit	(1,955)	37,539
Distributions to unitholders	(3,992)	(756)
Closing balance	**(47,090)**	**(41,143)**

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.

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 2011.

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 2012 $'000	Year ended 30 June 2011 $'000
Cash and cash equivalents	17,866	17,890
Trade and other receivables	889	373
Equity receivable	-	741
Other receivable	-	12,500
Total exposure to credit risk	**18,755**	**31,504**

Concentrations of credit risk exposure

In previous periods, the Consolidated Entity was exposed to credit risk on the equity receivable. Following repayment of the equity receivable the concentration of credit risk to the Consolidated Entity no longer exists. There are no other significant exposures of credit risk to the Consolidated Entity at 30 June 2012.

18 Financial instruments continued

c Credit risk continued

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 2012 (2011: nil).

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 2012 $'000	Year ended 30 June 2011 $'000
Current	889	13,613
Past due 0-30 days	–	1
Past due 31-120 days	–	–
Past due 121 days to one year	–	–
More than one year	–	–
Total trade and other receivables	**889**	**13,614**

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 (2011: nil). During the year ended 30 June 2012, no receivables were written off by the Consolidated Entity (2011: 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 2011.

Defaults and breaches

During the financial years ended 30 June 2012 and 30 June 2011, the Consolidated Entity was not in default or breach of any terms of its loan amounts or covenants.

18 Financial instruments continued

d Liquidity risk continued

Maturity analysis of financial liabilities

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

	Consolidated $'000					
	Carrying amount	Contractual cash flows	0 to 12 months	1 to 2 years	2 to 5 years	Greater than 5 years
Consolidated 2012						
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	–
Total financial liabilities	**614,264**	**680,553**	**60,323**	**599,612**	**20,618**	**–**
Consolidated 2011						
Trade and other payables	14,175	14,175	14,175	–	–	–
Interest bearing liabilities	363,014	363,014	–	–	363,014	–
Distribution payable	–	–	–	–	–	–
Interest payable on debt	–	–	–	–	–	–
Effect of interest rate swap	12,774	12,774	12,774	–	–	–
Total financial liabilities	**389,963**	**389,963**	**26,949**	**–**	**363,014**	**–**

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 and unlisted property securities investment portfolio. Indirect market risk arises in the form of equity price risk, interest rate risk and foreign currency risk.

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

18 Financial instruments continued

e Market risk continued

Interest rate risk continued

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

	Floating rate $'000	Fixed rate $'000	Non-interest bearing $'000	Total $'000
Consolidated 2012				
Financial assets				
Cash and cash equivalents	17,866	–	–	17,866
Trade and other receivables	–	12	877	889
Total financial assets	**17,866**	**12**	**877**	**18,755**
Financial liabilities				
Trade and other payables	–	336	16,212	16,548
Interest bearing liabilities	555,396	–	(2,002)	553,394
Financial derivatives	44,322	–	–	44,322
Total financial liabilities	**599,718**	**336**	**14,210**	**614,264**
Consolidated 2011				
Financial assets				
Cash and cash equivalents	17,890	–	–	17,890
Trade and other receivables	–	–	13,614	13,614
Total financial assets	**17,890**	**–**	**13,614**	**31,504**
Financial liabilities				
Trade and other payables	–	–	14,175	14,175
Interest bearing liabilities	363,014	–	–	363,014
Financial derivatives	12,774	–	–	12,774
Total financial liabilities	**375,788**	**–**	**14,175**	**389,963**

Sensitivity analysis

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

	2012 + 1% Profit and loss $'000	2012 + 1% Equity $'000	2012 - 1% Profit and loss $'000	2012 - 1% Equity $'000	2011 + 1% Profit and loss $'000	2011 + 1% Equity $'000	2011 - 1% Profit and loss $'000	2011 - 1% Equity $'000
Consolidated								
Interest on cash	179	179	(179)	(179)	179	179	(179)	(179)
Trade and other receivables	–	9	–	(9)	–	135	–	(135)
Interest bearing liabilities	(5,554)	(5,554)	5,554	5,554	3,630	3,630	(3,630)	(3,630)
Swap proceeds	4,296	4,296	(4,296)	(4,296)	4,700	4,700	(4,700)	(4,700)
Fair value of derivatives	–	12,196	–	(12,948)	6,187	6,187	(11,261)	(11,261)
Total increase/(decrease)	**(1,079)**	**11,126**	**1,079**	**(11,878)**	**14,696**	**14,831**	**(19,770)**	**(19,905)**

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 (2011: 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.

18 Financial instruments continued

e Market risk continued

Foreign currency risk continued

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.

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.

	2012		2012		2011		2011	
	+ 10% Profit and loss $'000	+ 10% Equity $'000	- 10% Profit and loss $'000	- 10% Equity $'000	+ 10% Profit and loss $'000	+ 10% Equity $'000	- 10% Profit and loss $'000	- 10% Equity $'000
Consolidated Entity								
Listed investments	11	11	(11)	(11)	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. Fair value for unlisted investments is calculated based on the latest available net asset values.

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:

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

The following table presents the Consolidated Entity's assets and liabilities measured and recognised at fair value at 30 June 2012. 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.

18 Financial instruments continued

f Fair value continued

Fair values versus carrying amounts continued

Consolidated Entity – at 30 June 2012	Level 1 $'000	Level 2 $'000	Total $'000
Liabilities			
Financial derivatives at fair value through profit or loss	–	44,322	44,322
Total liabilities	**–**	**44,322**	**44,322**

Consolidated Entity – at 30 June 2011	Level 1 $'000	Level 2 $'000	Total $'000
Liabilities			
Financial derivatives at fair value through profit or loss	–	12,774	12,774
Total liabilities	**–**	**12,774**	**12,774**

As at 30 June 2012 and 30 June 2011, 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 2012 $'000	Year ended 30 June 2011 $'000
Net (loss)/profit for the year	**(1,955)**	**37,539**
Adjustments for:		
Items classified as investing activities		
- Share of net profit of investments accounted for using the equity method	(19,092)	(45,239)
- Gain on sale of investments	–	(990)
- Distribution income from listed property trusts	(9)	(3)
Non cash items		
- Amortisation expense	2,525	16,230
- Impairment expense	–	93
- Net gain from revaluation of investment properties	(6,874)	(19,023)
- Net loss/(gain) on revaluation of financial derivatives	4,731	(6,884)
- Other	–	12
Operating loss before changes in working capital	**(20,674)**	**(18,265)**
Changes in assets and liabilities during the year:		
(Increase)/decrease in trade and other receivables	(416)	642
(Decrease)/increase in trade and other payables	(6,426)	5,205
Net cash flows used in operating activities	**(27,516)**	**(12,418)**

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.

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 2012 has not been met.

During the current year and as at 30 June 2012, no performance fee has been paid or is payable (2011: 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 2012 was $6,372,000 (2011: $4,096,000).

20 Related parties continued

Responsible Entity's fees and other transactions continued

Asset acquisition fee

An asset acquisition fee of 5.5% (including GST) of the value of assets acquired or agreed to be acquired by the Fund is payable to the Responsible Entity. During the year the Fund acquired two new assets, being a 50% interest in the Bankwest building (108 St Georges terrace, Perth) and a 50% interest in the Southern Cross West building (111 Bourke Street, Melbourne). The total fees payable to the Responsible Entity as a result of these transactions are $12,500,000 (excluding GST).

Property sale fee

A property sale fee to which the Responsible Entity is entitled (including GST) is calculated as the lesser of:

- 2.2% of the gross sale price of real property in which the Fund has a interest; and
- the difference between the net sale proceeds and the purchase price of the property plus its acquisition costs,

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

In each case the amounts are to be adjusted if relevant based on the proportion of the value of the property which the Fund's direct or indirect interest represents.

Due to the sale of Defence Plaza (661 Bourke Street, Melbourne), the Responsible Entity received a fee of $1,541,000 (excluding GST).

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 22.1% of the Fund at year end (2011: 10,893,945 units or 21.6%);
- JP Morgan Chase Bank N.A. as custodian for Brookfield Australian Opportunities Fund holds 2,521,890 units or 5.1% of the Fund at year end (2011: 2,521,890 units or 5.0%); and
- Brookfield Capital Securities Limited as trustee of Brookfield Multiplex PPF Investment No 2 Trust holds 25,895,419 units or 52.6% of the Fund at year end (2011: 25,895,419 units or 51.3%).

	Consolidated	
	Year ended 30 June 2012 $'000	Year ended 30 June 2011 $'000
Transactions with associates		
Distribution income	26,887	30,883
Transactions with the Responsible Entity		
Management fees	6,372	4,096
Management fees payable (included in trade and other payables)	1,361	12,020
Asset acquisition fee	12,500	–
Property sale fee	1,541	–
Transactions with related parties of the Responsible Entity		
Distributions paid	3,186	589
Custody fees	51	25
Custody fees payable	8	48
Property services fees	2,484	1,606
Subordinated debt facility:-		
Debt drawn	101,000	–
Interest paid / payable	8,351	–
Debt repaid	(32,755)	–
Debt outstanding	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.

20 Related parties continued

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.

21 Contingent liabilities and assets

No contingent liabilities or assets existed at 30 June 2012 (30 June 201:nil).

22 Capital and other commitments

No capital or other commitments exist at 30 June 2012 (30 June 2011: 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
Brookfield Prime Property Fund
For the year ended 30 June 2012

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 42, 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 2012 and of its performance for the financial year ended on that date; and

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

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

b There 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 2012.

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 22nd day of August 2012.

Russell Proutt
Director
Brookfield Capital Management Limited

Deloitte.

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

Report on the Financial Report

We have audited the accompanying financial report of Brookfield Prime Property Fund ('the Fund'), which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the Fund and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 14 to 43.

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

Deloitte.

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 2012 and of its performance for the year ended on that date; and

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

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Helen Hamilton-James
Partner
Chartered Accountants
Parramatta, 22 August 2012

www.au.brookfield.com