

# ASX Announcement

23 March 2012

## **BROOKFIELD SECURED BONDS SERIES A (ASX: BZA) ANNUAL FINANCIAL REPORTS AND INTEREST PAYMENT RECORD DATE**

### **31 December 2011 Annual Financial Reports**

Please find attached for release to the market the 31 December 2011 Annual Financial Report of Brookfield Secured Bonds Series A Issuer Limited (Issuer) as issuer of Brookfield Secured Bonds Series A (BSB-sA).

Also attached is the 31 December 2011 special purpose financial report of Brookfield Latitude Site C Landowning Trust to be released to the market in accordance with Listing Rule 4.7A.1.

### **Interest Payment Record Date**

The Issuer advises, in accordance with Rule 3.20 and Appendices 3A and 6A of the Listing Rules, that:

1. The Record Date for the interest payment for the 91 day period from 1 January 2012 and ending 31 March 2012 will be 5.00pm, 5 April 2012 EST.
2. It is expected that BSB-sA will be traded on an ex-distribution basis on 30 March 2012.
3. As advised on 8 July 2009, the interest rate for BSB-sA is 7.82% p.a. (this equates to \$1.95 per BSB-sA held).
4. Payment of the distribution will be made on or before 16 April 2012.

For securityholder enquiries relating to BSB-sA, please contact the security registry on 1300 737 760 between 9.00am and 5.00pm (Australian Eastern Standard time) on business days.

-- ends --

Brookfield Secured Bonds Series A Issuer Limited  
Annual financial statements  
For the year ended  
31 December 2011

# Brookfield Secured Bonds Series A Issuer Limited

ABN 38 136 866 969

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# Directory

## Brookfield Secured Bonds Series A Issuer Limited

For the year ended 31 December 2011

### **Directors of Brookfield Secured Bonds Series A Issuer Limited**

Mr Ross A McDiven

Mr Russell T Proutt

Mr Ricky Tang (Appointed 25 May 2011)

Mr Timothy M Harris (Resigned 25 May 2011)

### **Registered Office**

Level 22, 135 King Street

Sydney NSW 2000

Telephone: +61 (02) 9322 2000

Facsimile: +61 (02) 9322 2001

### **Auditor**

Deloitte Touche Tohmatsu

Grosvenor Place, 225 George Street

Sydney NSW 2000

Telephone: +61 (02) 9322 7000

Facsimile: +61 (02) 9322 7001

# Directors' Report

## Brookfield Secured Bonds Series A Issuer Limited

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For the year ended 31 December 2011

### Introduction

The Directors of Brookfield Secured Bonds Series A Issuer Limited (the Company) present their report together with the annual financial statements for the year ended 31 December 2011 and the Independent Auditor's Report thereon.

The company was incorporated and commenced operations on 30 April 2009.

### Directors

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

Name	Title
Mr Ross A McDiven (Director since 30 April 2009)	Chairman
Mr Russell T Proutt (Director since 30 April 2009)	Executive Director
Mr Ricky Tang (Appointed 25 May 2011)	Executive Director
Mr Timothy M Harris (Resigned 25 May 2011)	Executive Director

### Information on Directors

Director	Experience	Special responsibilities
Ross A McDiven	<p>Mr Ross A McDiven is the Chief Executive Officer of the Brookfield Australia Investments Group (the Group).</p> <p>Mr McDiven was appointed as an executive director of Brookfield Australia Investments Limited on 18 January 1986 and Brookfield Funds Management Limited on 18 August 2003 respectively. Mr McDiven has over 39 years experience with the Brookfield Australia Investments Group.</p> <p>He spent his early years at the Brookfield Australia Investments Group in the Construction business and for 18 years led the company's operations in New South Wales. Mr McDiven was also responsible for overseeing significant growth of the Brookfield Australia Investments Group Development operations and is now responsible for the Brookfield Australia Investments Group's Construction, Development and Services businesses worldwide.</p> <p>During the past three years Mr McDiven has served as a Director of Brookfield Australia Investments Limited (delisted December 2007).</p>	Executive Director / Chairman
Russell T Proutt	<p>Mr Russell T Proutt is the Chief Financial Officer of Brookfield Australia Pty Ltd. Mr Proutt joined Brookfield Asset Management (Brookfield), the ultimate parent company, in 2006 and has held various senior management positions within Brookfield, including managing the Bridge Lending Fund, mergers and acquisitions involving subsidiaries as well as transactions involving Brookfield's restructuring fund, Tricap Partners.</p>	Executive Director
Ricky Tang	<p>Mr Ricky Tang was appointed Chief Financial Officer of Brookfield's Australian Commercial Property Operations in 2011, prior to which he spent four years as Vice President and Controller of BPO Properties Ltd and its public subsidiary Brookfield Office Properties Canada. Mr Tang has also held various finance positions with Chartwell Seniors Housing REIT, including Associate Vice President and Director of Finance, and has worked in the Transactions Advisory Group with PricewaterhouseCoopers LLP.</p>	Executive Director

# Directors' Report continued

## Brookfield Secured Bonds Series A Issuer Limited

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For the year ended 31 December 2011

### Information on Directors continued

#### Company Secretary

Neil Olofsson	Mr Neil Olofsson has over 15 years' international company secretarial experience, and has been with the Brookfield Australia Investments Group since 2005.
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#### Directors' and executives' equity interests

	Securities held at the start of the year	Changes during the year	Securities held at the end of the year
Mr Ross A McDiven	Nil	Nil	Nil
Mr Russell T Proutt	Nil	Nil	Nil
Mr Ricky Tang	Nil	Nil	Nil
Mr Neil Olofsson	Nil	Nil	Nil
Mr Timothy M Harris	Nil	Nil	Nil

#### Principal activities

The principal activities of the Company relate to the issue of the Brookfield Secured Bonds Series A (BSBsA). The BSBsA are limited recourse mortgage debentures which are secured by a first ranking mortgage over a 50% interest in an A grade office building located in the Sydney CBD.

The face value of the BSBsA is \$100 per bond and totals \$57 million.

The Company did not have any employees during the year.

#### Review of operations

On 30 April 2009 the Company issued 570,000 BSBsA with a face value of \$100 per bond. The BSBsA have a three year term and interest rate of 7.82% per annum. Official quotation of the BSBsA on the Australian Securities Exchange (ASX) commenced on 10 July 2009.

The Company earned a net profit attributable to members of \$46,925 for the year ended 31 December 2011 (year ended 31 December 2010: \$62,086).

Total interest paid or payable in respect of the year ended 31 December 2011 was \$4,449,787 (year ended 31 December 2010: \$4,457,400). The value of the Company's net assets at the end of the financial year was \$155,740 (31 December 2010: \$62,096).

The interest bearing loans and borrowings is due to extinguish on 9 July 2012 and have been classified as a current liability. The interest bearing receivables are on the same terms and has been classified as a current asset. Management will assess the future of the Company at that time and therefore the accounts have been prepared as a going concern basis.

#### Likely developments and expected results of operations

In the opinion of the Directors, further information 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 Company.

#### Dividends from the Company

There were no dividends paid or declared during the year ended 31 December 2011 (year ended 31 December 2010: \$nil).

#### Events subsequent to the reporting date

To the best knowledge of the Directors, there has been no matter or circumstance that has arisen since the end of the year that has significantly affected, or may affect, the Company's operations in future financial years, the results of those operations or the Company's state of affairs in future financial years.

#### Indemnification and insurance of officers and auditors

Brookfield Australia Investments Limited has entered into deeds of access and indemnity with each of the Company's 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 Company.

# Directors' Report continued

## Brookfield Secured Bonds Series A Issuer Limited

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For the year ended 31 December 2011

### **Indemnification and insurance of officers and auditors** continued

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

- liabilities incurred as a director or officer of the Company 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*.

Brookfield Australia Investments Limited has also agreed to effect, maintain and pay the premium on the director's and officer's insurance policy.

This policy does not seek to insure against liabilities (other than for legal costs) arising out of:

- conduct involving a wilful breach of duty in relation to the Company or a company in the Brookfield Australia Investments Group; or
- a contravention of sections 182 or 183 of the *Corporations Act 2001*.

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.

### **Contract of insurance**

Brookfield Australia Investments Limited has paid or agreed to pay a premium in respect of a contract insuring the Directors and officers of the Company against a liability. The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the Directors' and officers' liabilities, as such disclosure is prohibited under the terms of the contract.

The Company 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 the Company or of any related body corporate against a liability incurred as such an officer or auditor.

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

The lead auditor's independence declaration is set out on page 7 and forms part of the Directors' Report for the year ended 31 December 2011.

Dated at Sydney this 23rd day of March 2012.

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



**Ricky Tang**  
Executive Director  
Brookfield Secured Bonds Series A Issuer Limited



**Russell T Proutt**  
Executive Director  
Brookfield Secured Bonds Series A Issuer Limited

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The Board of Directors  
Brookfield Secured Bonds Series A Issuer Limited  
Level 22  
135 King Street  
SYDNEY, NSW 2000

23 March 2012

Dear Directors

**Brookfield Secured Bonds Series A Issuer Limited**

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 Secured Bonds Series A Issuer Limited.

As lead audit partner for the audit of the financial statements of Brookfield Secured Bonds Series A Issuer Limited for the financial year ended 31 December 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully

DELOITTE TOUCHE TOHMATSU  
DELOITTE TOUCHE TOHMATSU



A G Collinson  
Partner  
Chartered Accountants



# Statement of Comprehensive Income

## Brookfield Secured Bonds Series A Issuer Limited

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For the year ended 31 December 2011

	Note	Year ended 31-Dec-11 \$	Year ended 31-Dec-10 \$
Interest income		4,517,305	4,546,094
Interest expense		(4,449,787)	(4,457,400)
Other expenses		(482)	-
Net profit before income tax		67,036	88,694
Income tax expense	5	(20,111)	(26,608)
Net profit for the year		46,925	62,086
Other comprehensive income for the year		-	-
<b>Total comprehensive income for the year</b>		<b>46,925</b>	<b>62,086</b>

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

# Statement of Financial Position

## Brookfield Secured Bonds Series A Issuer Limited

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As at 31 December 2011

	Note	31-Dec-11 \$	31-Dec-10 \$
<b>Current assets</b>			
Cash and cash equivalents		2,203,306	2,209,291
Trade and other receivables	6	3,083,736	516,297
Interest bearing receivables	7	57,000,000	-
<b>Total current assets</b>		<b>62,287,042</b>	<b>2,725,588</b>
<b>Non-current assets</b>			
Interest bearing receivables	7	-	57,000,000
<b>Total non-current assets</b>		<b>-</b>	<b>57,000,000</b>
<b>Total assets</b>		<b>62,287,042</b>	<b>59,725,588</b>
<b>Current liabilities</b>			
Trade and other payables	8	1,121,297	1,275,117
Interest bearing loans and borrowings	10	57,000,000	-
Non-interest bearing loans and borrowings	9	4,010,005	1,388,375
<b>Total current liabilities</b>		<b>62,131,302</b>	<b>2,663,492</b>
<b>Non-current Liabilities</b>			
Interest bearing loans and borrowings	10	-	57,000,000
<b>Total non-current liabilities</b>		<b>-</b>	<b>57,000,000</b>
<b>Total liabilities</b>		<b>62,131,302</b>	<b>59,663,492</b>
<b>Net assets</b>		<b>155,740</b>	<b>62,096</b>
<b>Equity</b>			
Issued capital	12	10	10
Reserves	13	46,719	-
Retained earnings		109,011	62,086
<b>Total equity</b>		<b>155,740</b>	<b>62,096</b>

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

# Statement of Changes in Equity

## Brookfield Secured Bonds Series A Issuer Limited

For the year ended 31 December 2011

	Year ended 31 December 2011			
	Shares on issue	Reserves	Retained earnings	Total equity
	\$	\$	\$	\$
Opening equity – 1 January 2011	10	-	62,086	62,096
Tax payable to Brookfield Holdco (Australia) Pty Ltd	-	46,719	-	46,719
<b>Income and expense recognised directly in equity</b>	-	<b>46,719</b>	-	<b>46,719</b>
Net profit for the year	-	-	46,925	46,925
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the year</b>	-	-	<b>46,925</b>	<b>46,925</b>
<b>Transactions with owners in their capacity as owners</b>	-	-	-	-
<b>Closing equity – 31 December 2011</b>	<b>10</b>	<b>46,719</b>	<b>109,011</b>	<b>155,740</b>

	Year ended 31 December 2010			
	Shares on issue	Reserves	Retained earnings	Total equity
	\$	\$	\$	\$
Opening equity – 1 January 2010	10	-	-	10
Net profit for the year	-	-	62,086	62,086
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>10</b>	-	<b>62,086</b>	<b>62,096</b>
<b>Transactions with owners in their capacity as owners</b>	-	-	-	-
<b>Closing equity – 31 December 2010</b>	<b>10</b>	-	<b>62,086</b>	<b>62,096</b>

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

# Statement of Cash Flows

## Brookfield Secured Bonds Series A Issuer Limited

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For the year ended 31 December 2011

	Note	Year ended 31-Dec-11 \$	Year ended 31-Dec-10 \$
Cash flows from operating activities			
Interest received		4,644,516	4,430,219
Interest paid		(4,576,998)	(4,341,525)
Other expenses		(2,073)	-
<b>Net cash from operating activities</b>	<b>11</b>	<b>65,445</b>	<b>88,694</b>
Cash flows from financing activities			
Net loans (to)/from related entities		(71,430)	1,015,951
<b>Net cash from financing activities</b>		<b>(71,430)</b>	<b>1,015,951</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(5,985)</b>	<b>1,104,645</b>
Cash and cash equivalents at the beginning of the financial year		2,209,291	1,104,646
<b>Cash and cash equivalents at the end of the financial year</b>		<b>2,203,306</b>	<b>2,209,291</b>

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

# Notes to the Financial Statements

## Brookfield Secured Bonds Series A Issuer Limited

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For the year ended 31 December 2011

### 1 Reporting entity

Brookfield Secured Bonds Series A Issuer Limited (the Company) is a public company incorporated and domiciled in Australia. The parent entity of the Company is Brookfield Latitude Site C Investments Trust (Holding Trust). The ultimate parent entity is Brookfield Asset Management Inc. (BAM), domiciled in Canada.

The Company was incorporated on 30 April 2009.

The Company has issued Brookfield Secured Bonds Series A (BSBsA), which are limited recourse mortgage debentures secured by a first property mortgage over a 50% interest in an A-grade office building located in the Sydney CBD.

The face value of the BSBsA is \$100 per bond and totals \$57 million.

The annual financial statements of the Company for the year ended 31 December 2011 were authorised for issue in accordance with a resolution of the Directors on 23 March 2012.

### 2 Basis of preparation

#### Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards. Accounting standards include Australian equivalents to International Financial Reporting Standards (IFRS). Compliance with Australian equivalents to IFRS ensures that the financial statements and notes of the Company comply with IFRS.

The financial report has been prepared on the historical cost basis.

The interest bearing loans and borrowings is due to extinguish on 9 July 2012 and have been classified as a current liability. The interest bearing receivables are on the same terms and has been classified as a current asset. Management will assess the future of the Company at that time and therefore the accounts have been prepared as a going concern basis.

#### Use of estimates and judgements

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

### 3 Significant accounting policies

#### a Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific criteria must also be met before revenue is recognised. Where amounts do not meet the recognition criteria, they are deferred and recognised in the period in which the recognition criteria are met.

#### Interest revenue

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

#### b Expenses

##### Finance costs

Finance costs are recognised as expensed using the effective interest method. Financing costs are recognised as expenses in the period in which they are incurred.

Financing costs include:

- interest on borrowings;
- amortisation of discounts or premiums relating to borrowings; and
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings.

##### c Income tax

The Company is a member of the Brookfield Holdco (Australia) Pty Ltd (Holdco Australia) income tax consolidated group.

Upon entry to the Holdco Australia tax consolidated group, the Company entered into a tax sharing agreement which, in the opinion of the Directors, limits the joint and several liability of the Company in the case of default by Holdco Australia head company.

The tax sharing agreement also contains tax funding provisions. Pursuant to the tax funding provisions, the Company fully compensates the Holdco Australia head company for any current tax payable assumed. The Holdco Australia head company is not required to compensate wholly-owned Australian entities for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to the Holdco Australia head company under the tax consolidation legislation.

# Notes to the Financial Statements continued

## Brookfield Secured Bonds Series A Issuer Limited

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For the year ended 31 December 2011

### 3 Significant accounting policies *continued*

The amounts payable under the tax funding provisions are due upon receipt of the tax funding advice from the head entity which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay income tax instalments.

#### d Cash and cash equivalents

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

#### e Trade and other receivables

Trade debtors and other receivables are stated at their amortised cost less any identified impairment losses.

#### f Calculation of recoverable amount

The recoverable amount of loans and receivables carried at amortised cost is calculated as the present value of the estimated future cash flows, discounted at the original effective interest rate (being the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment of receivables is not recognised until objective evidence is available that an impairment event has occurred. Significant receivables are individually assessed for impairment. Receivables that are not assessed as impaired or are not significant are placed into portfolios of assets with similar risk profiles and a collective assessment of impairment is performed.

#### g Trade and other payables

Payables are stated at amortised cost and represent liabilities for goods and services provided to the Company prior to the end of the financial period and which are unpaid. The amounts are unsecured and are payable when called.

#### h Interest bearing loans and borrowings

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 basis.

#### i Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new units are shown in equity as a deduction, net of tax, from the proceeds.

#### j 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 but have not been applied preparing these financial statements.

AASB 9 *Financial Instruments* effective date annual periods beginning on or after 1 January 2013 introduces new requirements for classifying and measuring financial assets. Debt instruments meeting both a business model test and a cash flow characteristics test are measured at amortised cost and investments in equity instruments can be designated as fair value through other comprehensive income with only dividends being recognised in profit or loss. This standard is not expected to have a material impact on the company.

### 4 Segment reporting

The Company has adopted AASB 8 Operating Segments with effect from 1 January 2009. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. AASB 8 is a disclosure standard which has no impact on the reported results or financial position of the Company.

The Company operates in a single segment, being the issuer of BSBsA in Australia. All items of the Statement of Comprehensive Income and Statement of Financial Position are derived from this single segment therefore no further segment reporting is required. The chief operating decision maker of the Company, being the Board of Directors, reviews and assesses performance using information display as set out in these financial statements.

# Notes to the Financial Statements continued

## Brookfield Secured Bonds Series A Issuer Limited

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For the year ended 31 December 2011

	Year ended 31 Dec 2011 \$	Year ended 31 Dec 2010 \$
<b>5 Income tax</b>		
<b>a Income tax expense</b>		
Current income tax		
Current income tax expense	(20,111)	(26,608)
<b>Income tax expense</b>	<b>(20,111)</b>	<b>(26,608)</b>
<b>b Numerical reconciliation of income tax benefit to prima facie tax payable</b>		
<b>Accounting profit before income tax</b>	<b>67,036</b>	<b>88,694</b>
Prima facie income tax expense on profit using the domestic corporation tax rate of 30% (2010 : 30%)	(20,111)	(26,608)
<b>Income tax expense</b>	<b>(20,111)</b>	<b>(26,608)</b>
	31 Dec 2011 \$	31 Dec 2010 \$
<b>6 Trade and other receivables</b>		
Amounts due from Brookfield Australia Investments Limited and its controlled entities <sup>1</sup>	3,083,111	515,051
Other receivables	625	1,246
<b>Total trade and other receivables</b>	<b>3,083,736</b>	<b>516,297</b>
<sup>1</sup> Amounts classified as current receivables from Brookfield Australia Investments Limited, a related party, and its controlled entities are unsecured, non-interest bearing and are repayable when called.		
	31 Dec 2011 \$	31 Dec 2010 \$
<b>7 Interest bearing receivables</b>		
<b>Current</b>		
Amounts due from Brookfield Latitude Site C Landowning Trust <sup>1</sup>	57,000,000	-
<b>Non-Current</b>		
Amounts due from Brookfield Latitude Site C Landowning Trust <sup>1</sup>	-	57,000,000
<b>Total interest bearing receivables</b>	<b>57,000,000</b>	<b>57,000,000</b>
<sup>1</sup> Interest is charged on amounts due from Brookfield Latitude Site C Landowning Trust, a related party, at a rate of 7.82% p.a. Maturity date is 9 July 2012.		
	31 Dec 2011 \$	31 Dec 2010 \$
<b>8 Trade and other payables</b>		
Interest accrual	1,121,297	1,123,509
Other payables	-	151,608
<b>Total trade and other payables</b>	<b>1,121,297</b>	<b>1,275,117</b>

# Notes to the Financial Statements continued

## Brookfield Secured Bonds Series A Issuer Limited

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For the year ended 31 December 2011

	31 Dec 2011 \$	31 Dec 2010 \$
<b>9 Non-interest bearing loans and borrowings</b>		
Amounts due to Brookfield Australia Investments Limited and its controlled entities <sup>1</sup>	4,010,005	1,388,375
<b>Total non-interest bearing loans and borrowings</b>	<b>4,010,005</b>	<b>1,388,375</b>

	31 Dec 2011 \$	31 Dec 2010 \$
<b>10 Interest bearing loans and borrowings</b>		
<b>Current</b>		
Brookfield Secured Bonds Series A	57,000,000	-
<b>Non-current</b>		
Brookfield Secured Bonds Series A	-	57,000,000
<b>Total interest bearing loans and borrowings</b>	<b>57,000,000</b>	<b>57,000,000</b>

Brookfield Secured Bonds Series A are limited recourse mortgage debentures which are secured by a first ranking mortgage over a 50% interest in an A grade office building located at 52 Goulburn Street, Sydney, and various fixed and/or floating charges over the Company, Holding Trust and Brookfield Latitude Site C Landowning Trust (Property Owner), a related party.

The Company operates a collection bank account whereby the Property Owner is required to deposit its share of all rental income, net of certain expenses and taxes, so that the Trustee of the BSBsA can apply the funds towards meeting amounts due and payable in respect of the BSBsA.

The BSBsA have a face value of \$100, are denominated in Australian dollars and mature on 9 July 2012. Interest on the BSBsA is charged at 7.82% p.a.

	Year ended 31 Dec 2011 \$	Year ended 31 Dec 2010 \$
<b>11 Reconciliation of cash flows from operating activities</b>		
Profit after tax	46,925	62,086
<b>Add:</b>		
Income tax expense	20,111	26,608
	67,036	88,694
Decrease/(increase) in receivables	621	150,002
(Decrease)/increase in payables	(2,212)	(150,002)
<b>Net cashflow from operating activities</b>	<b>65,445</b>	<b>88,694</b>

	31 Dec 2011 \$	31 Dec 2010 \$
<b>12 Issued capital</b>		
Ordinary shares	10	10

The number of ordinary securities on issue at 31 December 2011 is 10 shares, (31 December 2010: 10 shares) with a total value of \$10. Each ordinary share entitles the shareholder to one vote.

	31 Dec 2011 \$	31 Dec 2010 \$
<b>13 Reserves</b>		
<b>Reserves</b>		
Tax consolidation reserve	(46,719)	-
<b>Total reserves</b>	<b>(46,719)</b>	<b>-</b>

#### Movements in reserves:

<b>Tax consolidation reserve</b>		
Balance at the beginning of the financial year	-	-
Tax and taxable income	(46,719)	-
<b>Balance at the end of the year</b>	<b>(46,719)</b>	<b>-</b>



# Notes to the Financial Statements continued

## Brookfield Secured Bonds Series A Issuer Limited

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For the year ended 31 December 2011

### 14 Related party disclosure

#### Key management personnel

The Company does not employ in its own right.

Key management personnel are remunerated by BAM or its controlled entities.

During or since the end of the financial year, none of the key management personnel held shares in the Company or BSBsA, either directly, indirectly, or beneficially.

#### Directors' loans

No loans were made by the Company to the key management personnel and/or their related parties.

#### Transactions with related parties

Details of dealings with related parties not already disclosed elsewhere in the financial statements are set out below:

	Year ended 31 Dec 2011 \$	Year ended 31 Dec 2010 \$
Interest received or receivable by the Company from Brookfield Latitude Site C Landowning Trust		
Interest income	4,449,787	4,457,400

### 15 Financial instruments

The Company's activities expose it to a variety of financial risks: market risk (including interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company. It is the Company's policy that no trading in financial instruments shall be undertaken nor will the Company enter into transactions that could be construed as speculative.

The Company's principal financial instruments, comprise receivables, limited recourse mortgage debentures and cash.

The main purpose of these financial instruments is to provide funds for the Company's operations. The Company has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Company's financial instruments are cash flow interest rate risk, liquidity risk and credit risk.

These financial risks are the responsibility of the following groups and policies in the context outlined below:

- Group Treasury – responsible for centrally managing the above risks both on a regional and global basis in accordance with the Group Policy, which contains the written principles for management of the above risks. Transactions relating to debt funding, bonding facilities or exposures to other material financial risks should be signed off by Group Treasury.
- Signing Authorities and Delegation Policy (SADP) – this policy aims to regulate the risk and expenditure approval framework for the Group by setting approval levels for all expenditures and represents the minimum required approvals that have been delegated to the employees of the Group.
- Credit risk is actively managed as detailed within the 'credit risk' section of Note 14.

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

#### Market risk

##### Interest rate risk

The income, expenses and associated operating cash flows of the Company's financial assets and liabilities are substantially independent of changes in market interest rates. The Company's loans are provided to related parties. Interest bearing loans provided to related parties are at a fixed interest rate. The BSBsA are also issued at a fixed interest rate.

For the year ended 31 December 2011, the Company did not undertake any specific hedging of loan receivables or interest bearing liabilities.

The Company's exposure to interest rate risk at the reporting date and the periods in which they mature or, if earlier, reprice, for classes of financial assets and financial liabilities is set out below:

# Notes to the Financial Statements continued

## Brookfield Secured Bonds Series A Issuer Limited

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For the year ended 31 December 2011

### 15 Financial instruments continued

#### Market risk continued

#### Interest rate risk continued

	Non-interest bearing \$	Floating interest rate \$	Fixed interest maturing in		Over 5 years \$	Total \$m
			Less than 1 year \$	Between 1 – 5 years \$		
<b>31 December 2011</b>						
<b>Financial assets</b>						
Cash and cash equivalents	-	2,203,306	-	-	-	2,203,306
Receivables	3,083,736	-	-	-	-	3,083,736
Interest-bearing receivables	-	-	57,000,000	-	-	57,000,000
<b>Total financial assets</b>	<b>3,083,736</b>	<b>2,203,306</b>	<b>57,000,000</b>	<b>-</b>	<b>-</b>	<b>62,287,042</b>
<b>Financial liabilities</b>						
Payables	1,121,297	-	-	-	-	1,121,297
Non-interest bearing liabilities	4,010,005	-	-	-	-	4,010,005
Interest-bearing liabilities	-	-	57,000,000	-	-	57,000,000
<b>Total financial liabilities</b>	<b>5,131,302</b>	<b>-</b>	<b>57,000,000</b>	<b>-</b>	<b>-</b>	<b>62,131,302</b>
<b>31 December 2010</b>						
<b>Financial assets</b>						
Cash and cash equivalents	-	2,209,291	-	-	-	2,209,291
Receivables	516,297	-	-	-	-	516,297
Interest-bearing receivables	-	-	-	57,000,000	-	57,000,000
<b>Total financial assets</b>	<b>516,297</b>	<b>2,209,291</b>	<b>-</b>	<b>57,000,000</b>	<b>-</b>	<b>59,725,588</b>
<b>Financial liabilities</b>						
Payables	1,275,117	-	-	-	-	1,275,117
Non-interest bearing liabilities	1,388,375	-	-	-	-	1,388,375
Interest-bearing liabilities	-	-	-	57,000,000	-	57,000,000
<b>Total financial liabilities</b>	<b>2,663,492</b>	<b>-</b>	<b>-</b>	<b>57,000,000</b>	<b>-</b>	<b>59,663,492</b>

#### Interest rate sensitivity

The Company's sensitivity to a 1% movement in Australian dollar interest rates in relation to cash and cash equivalents:

	31 Dec 2011				31 Dec 2010			
	Impact on Profit		Impact on Equity		Impact on Profit		Impact on Equity	
	+100 bps	-100 bps	+100 bps	-100 bps	+100 bps	-100 bps	+100 bps	-100 bps
Australian Dollar	22,033	(22,033)	-	-	22,093	(22,093)	-	-

#### Credit risk

Credit risk represents the loss that would be recognised if a counterparty failed to perform as contracted. Credit risk principally arises from the Company's loans to related parties within the Brookfield Australia Investments Group.

The Company's maximum exposure to credit risk at the reporting date, in relation to each recognised financial asset, is the carrying value of the asset recognised in the Statement of Financial Position.

#### Liquidity risk

The Company is exposed to liquidity risk, being the risk of encountering difficulties in meeting obligations relating to the Company's financial liabilities. The Company's principal financial instruments relate to the BSBsA, the face value of which is secured by a first ranking mortgage over a 50% interest in an A grade office building located at 52 Goulburn Street, Sydney and various fixed and/or floating charges over the Company, Holding Trust and Property Owner.

# Notes to the Financial Statements continued

## Brookfield Secured Bonds Series A Issuer Limited

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For the year ended 31 December 2011

### 15 Financial instruments continued

As part of its liquidity risk management, the Company operates a collection bank account whereby the Property Owner is required to deposit its share of all rental income, net of certain expenses and taxes, so that the Trustee of the BSBsA can apply the funds towards meeting amounts due and payable in respect of the BSBsA.

#### Liquidity risk continued

Liquidity risks for which the Company may be exposed are regularly reviewed and monitored as part of the Brookfield Australia Investments Group's capital management policy.

The Company had no undrawn borrowing facilities at the reporting date.

#### Maturities of financial liabilities

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. The table includes both interest and principal cash flows.

	Less than 1 year \$	Between 1 – 2 years \$	Between 2 – 3 years \$	Over 3 years \$	Total \$
<b>31 December 2011</b>					
Payables	1,121,297	-	-	-	1,121,297
Non-interest bearing liabilities	4,010,005	-	-	-	4,010,005
Interest bearing loans and borrowings	59,320,290	-	-	-	59,320,290
<b>Total</b>	<b>64,451,592</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>64,451,592</b>
<b>31 December 2010</b>					
Payables	1,275,117	-	-	-	1,275,117
Non-Interest bearing liabilities	1,388,375	-	-	-	1,388,375
Interest bearing loans and borrowings	4,457,400	59,344,715	-	-	63,802,115
<b>Total</b>	<b>7,120,892</b>	<b>59,344,715</b>	<b>-</b>	<b>-</b>	<b>66,465,607</b>

#### Fair value

No financial assets or liabilities have been designated at fair value through the Statement of Comprehensive Income. After initial recognition, loans and receivables and interest bearing liabilities are measured at amortised cost using the effective interest rate method.

### 16 Auditor's remuneration

During the current year, all amounts paid to the auditor of the Company, Deloitte Touche Tohmatsu, were borne by Brookfield Australia Investments Limited.

### 17 Contingent liabilities and assets

No contingent liabilities or assets existed at 31 December 2011.

### 18 Capital and other commitments

No capital or other commitment existed at 31 December 2011.

### 19 Events occurring after the reporting date

To the best knowledge of the Directors, there has been no matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may affect, the Company's operations in future financial years, the results of those operations or the Company's state of affairs in future financial years.

# Directors' Declaration

## Brookfield Secured Bonds Series A Issuer Limited

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For the year ended 31 December 2011

In the opinion of the Directors of Brookfield Secured Bonds Series A Issuer Limited:

- a the financial statements and notes set out on pages 8 to 18 are in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of the financial position of the Company as at 31 December 2011 and of its performance for the year ended on that date; and
  - ii the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 2 to the financial statements; and
  - iii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- b there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors of Brookfield Secured Bonds Series A Issuer Limited as required by Section 295(5) of the *Corporations Act 2001*.

Dated at Sydney, this 23rd day of March 2012.



**Ricky Tang**  
Executive Director  
Brookfield Secured Bonds Series A Issuer Limited



**Russell T Proutt**  
Executive Director  
Brookfield Secured Bonds Series A Issuer Limited

Deloitte Touche Tohmatsu  
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## **Independent Auditor's Report to the members of Brookfield Secured Bonds Series A Issuer Limited**

We have audited the accompanying financial report of Brookfield Secured Bonds Series A Issuer Limited, which comprises the statement of financial position as at 31 December 2011, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 8 to 19.

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

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

### *Auditor's Responsibility*

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

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



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

*Auditor's Independence Declaration*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Brookfield Secured Bonds Series A Issuer Limited, 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 Secured Bonds Series A Issuer Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of Brookfield Secured Bonds Series A Issuer Limited's financial position as at 31 December 2011 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

DELOITTE TOUCHE TOHMATSU  
DELOITTE TOUCHE TOHMATSU



A G Collinson  
Partner  
Chartered Accountants  
Sydney, 23 March 2012

Brookfield Latitude Site C Landowning Trust  
Special purpose financial report  
For the financial year ended  
31 December 2011

# Brookfield Latitude Site C Landowning Trust

ABN: 83 927 919 636

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# Directory

## Brookfield Latitude Site C Landowning Trust

For the financial year ended 31 December 2011

### **Directors of Brookfield Latitude Site C Landowning Pty Ltd**

Mr Mark J Clapham

Mr Thomas F Farley

Mr Kurt A Wilkinson

### **Registered Office of Brookfield Latitude Site C Landowning Pty Ltd**

Level 22, 135 King Street,

Sydney, NSW 2000

Telephone: +61 (02) 9322 2000

Facsimile: +61 (02) 9322 2001

### **Auditor**

Deloitte Touche Tohmatsu

Grosvenor Place, 225 George Street

Sydney NSW 2000

Telephone: + 61 (02) 9322 7000

Facsimile: + 61 (02) 9322 7001

# Statement of Comprehensive Income

## Brookfield Latitude Site C Landowning Trust

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For the financial year ended 31 December 2011

	Note	Year ended 31 Dec 2011 \$'000	Year ended 31 Dec 2010 \$'000
Revenue	4	8,901	9,127
Other income	4	18	16
Net gain on revaluation of investment property		2,773	144
Rates, taxes and property outgoings		(1,271)	(1,230)
Finance costs	4	(4,471)	(4,525)
Other expenses		(31)	(437)
<b>Net profit attributable to unitholders</b>		<b>5,919</b>	<b>3,095</b>
Other comprehensive income for the financial year		-	-
<b>Total comprehensive income for the financial year attributable to unitholders</b>		<b>5,919</b>	<b>3,095</b>

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

# Statement of Financial Position

## Brookfield Latitude Site C Landowning Trust

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As at 31 December 2011

	Note	31 Dec 2011 \$'000	31 Dec 2010 \$'000
<b>Current assets</b>			
Cash and cash equivalents		1,139	997
Trade and other receivables	5	4,033	1,028
Other assets	6	61	56
<b>Total current assets</b>		<b>5,233</b>	<b>2,081</b>
<b>Non-current assets</b>			
Investment property	7	100,000	96,450
<b>Total non-current assets</b>		<b>100,000</b>	<b>96,450</b>
<b>Total assets</b>		<b>105,233</b>	<b>98,531</b>
<b>Current liabilities</b>			
Trade and other payables	8	847	53
Non-interest bearing loans and borrowings	9	8,237	5,825
Interest bearing loans and borrowings	10	57,000	-
<b>Total current liabilities</b>		<b>66,084</b>	<b>5,878</b>
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings	10	-	57,000
<b>Total non-current liabilities</b>		<b>-</b>	<b>57,000</b>
<b>Total liabilities</b>		<b>66,084</b>	<b>62,878</b>
<b>Net assets</b>		<b>39,149</b>	<b>35,653</b>
<b>Equity</b>			
Units on issue	11	37,200	37,200
Undistributed income / (losses)	12	1,949	(1,547)
<b>Total equity</b>		<b>39,149</b>	<b>35,653</b>

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

# Statement of Changes in Unitholder Interests

## Brookfield Latitude Site C Landowning Trust

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For the financial year ended 31 December 2011

	Units on issue (Note 11) \$'000	Undistributed income (Note 12) \$'000	Total \$'000
<b>As at 1 January 2011</b>	<b>37,200</b>	<b>(1,547)</b>	<b>35,653</b>
Profit for the financial year	-	5,919	<b>5,919</b>
Other comprehensive income	-	-	-
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>5,919</b>	<b>5,919</b>
<b>Transactions with unitholders in their capacity as unitholders:</b>			
Distributions	-	(2,423)	<b>(2,423)</b>
<b>Total transactions with unitholders in their capacity as unitholders</b>	<b>-</b>	<b>(2,423)</b>	<b>(2,423)</b>
<b>As at 30 December 2011</b>	<b>37,200</b>	<b>1,949</b>	<b>39,149</b>

	Units on issue (Note 11) \$'000	Undistributed income (Note 12) \$'000	Total \$'000
<b>As at 1 January 2010</b>	<b>37,200</b>	<b>473</b>	<b>37,673</b>
Profit for the financial year	-	3,095	<b>3,095</b>
Other comprehensive income	-	-	-
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>3,095</b>	<b>3,095</b>
<b>Transactions with unitholders in their capacity as unitholders:</b>			
Distributions	-	(5,115)	<b>(5,115)</b>
<b>Total transactions with unitholders in their capacity as unitholders</b>	<b>-</b>	<b>(5,115)</b>	<b>(5,115)</b>
<b>As at 31 December 2010</b>	<b>37,200</b>	<b>(1,547)</b>	<b>35,653</b>

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

# Statement of Cash Flows

## Brookfield Latitude Site C Landowning Trust

For the financial year ended 31 December 2011

	Note	Year ended 31 Dec 2011 \$'000	Year ended 31 Dec 2010 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		8,909	9,540
Payments to suppliers		(1,331)	(2,590)
Interest received		18	16
Finance costs paid		(4,471)	(4,525)
<b>Net cash inflow from operating activities</b>	14	<b>3,125</b>	<b>2,441</b>
<b>Cash flows from investing activities</b>			
Payments for investment properties		(1)	(1,306)
<b>Net cash outflow from investing activities</b>		<b>(1)</b>	<b>(1,306)</b>
<b>Cash flows from financing activities</b>			
(Repayment) of / proceeds from related parties		(559)	6,085
Distributions paid to unitholders		(2,423)	(7,416)
<b>Net cash outflow from financing activities</b>		<b>(2,982)</b>	<b>(1,331)</b>
Net increase / (decrease) in cash held		142	(196)
Cash at the beginning of the financial year		997	1,193
<b>Cash at the end of the financial year</b>		<b>1,139</b>	<b>997</b>

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

# Notes to the Financial Statements

## Brookfield Latitude Site C Landowning Trust

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For the financial year ended 31 December 2011

### 1 Reporting entity

Brookfield Latitude Site C Landowner Pty Ltd (Trustee) is the Trustee of Brookfield Latitude Site C Landowning Trust (Trust). The Trust operates in Australia. The beneficial unit holder of the Trust is Brookfield Latitude Site C Investments Trust. The ultimate Parent of the Trust in Australia is Brookfield Holdco (Australia) Pty Limited.

Brookfield Asset Management Inc. (BAM), the ultimate Parent of the Trust and the Trustee, is domiciled in Canada.

The financial report of the Trust for the financial year ended 31 December 2011 was authorised for issue in accordance with a resolution of the Directors of the Trustee on 23 March 2012.

The registered office and principal place of the Trust and the Trustee is Level 22, 135 King Street, Sydney, NSW 2000.

### 2 Basis of preparation

#### Statement of compliance

In the opinion of the Directors of the Trustee, the Trust is not a reporting entity because there are no users dependent on the Trust's general purpose financial reports.

The financial report is a special purpose financial report prepared for the sole purpose of complying with reporting requirements to prepare and distribute a financial report to the unitholders and must not be used for any other purpose. The Directors of the Trustee have determined that the accounting policies adopted are appropriate to meet the needs of the relevant users.

This report has been prepared in accordance with the recognition and measurement requirements specified by all Accounting Standards and Interpretations, and the disclosure requirements of Accounting Standards AASB 101 *Presentation of Financial Statements*, AASB 107 *Statement of Cash Flows* and AASB 108 *Accounting policies, Changes in Accounting Estimates and Errors*.

Due to the classification of certain intercompany loan balances as current at 31 December 2011, the Trust is in a net current liability position of \$60,851,000 (2010: \$3,797,000). The Trust has non-current assets of \$100,000,000 and a net asset position of \$39,149,000. The interest bearing loans and borrowings is due to extinguish on 9 July 2012 and have been classified as a current liability. Management are currently in discussions with financiers on options to refinance this balance. In addition, the ultimate Parent of the Trust in Australia, Brookfield Holdco (Australia) Pty Limited, has sufficient undrawn facilities available to fund this repayment if required.

In accordance with AASB 101, an entity shall prepare financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. As the net current liability position is due to classification of related party loans and the deficit will be funded by the net cash inflow from operating activities that the Trust generates, the financial statements have been prepared on a going concern basis.

#### Basis of measurement

The report has been prepared on the historical cost basis except for investment property, which is stated at fair value.

All financial information presented in the report is presented in Australian dollars and has been rounded to the nearest thousand dollars, unless otherwise stated.

#### Use of estimates and judgements

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

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

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements is provided in Note 7, investment property.

# Notes to the Financial Statements continued

## Brookfield Latitude Site C Landowning Trust

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For the financial year ended 31 December 2011

### 3 Significant accounting policies

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

#### a Revenue recognition

##### Property rental revenue

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

In accordance with Interpretation 115 *Operating Leases – Incentives*, lease incentives granted are recognised by the Trust as an integral part of the total rental income and are amortised on a straight-line basis and deducted from rental income over the term of the lease.

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

##### Interest revenue

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

#### b Expenses

Expenses including rates, taxes and other property outgoings are brought to account on an accruals basis, and any related payables are carried at amortised cost.

##### Finance costs

Finance costs are recognised as expenses using the effective interest method. Financing costs are recognised as expenses in the period in which they are incurred, except where they are included in the costs of investment properties under development. Where borrowings are specific to investment properties under development, the rate at which borrowing costs are capitalised is determined by reference to the actual borrowing costs incurred.

Financing costs include:

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

#### c Investment property

Investment property are properties held to earn long-term rental yields and/or for capital appreciation.

Land and buildings is considered to have the function of an investment and are therefore regarded as a composite asset, the overall value of which is influenced by many factors, the most prominent being income yield, rather than diminution in the value of the building component due to the passing of time. Accordingly, the buildings and all components thereof, including integral plant and equipment, are not depreciated.

Investment property acquired is initially recorded at their cost of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. 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 Trust if a similar borrowing were obtained from an independent financier under comparable terms and conditions.

##### Valuations

Investment properties are stated at their fair value at the reporting date.

The investment properties of the Trust are internally valued at every reporting date and independently valued once every three years 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. These valuations are considered by the Directors when determining fair value.

# Notes to the Financial Statements continued

## Brookfield Latitude Site C Landowning Trust

10

For the financial year ended 31 December 2011

### 3 Significant accounting policies continued

#### c Investment property continued

##### Valuations continued

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

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

Investment property is derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal.

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

#### d Trade and other receivables

Trade debtors and other receivables are stated at their amortised cost less any identified impairment losses.

Non-current receivables are measured at amortised cost using the effective interest rate method.

#### e Trade and other payables

Payables are stated at amortised cost and represent liabilities for goods and services provided to the Trust 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.

#### f 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 basis.

#### g Non-interest bearing loans

All non-interest bearing loans are recognised at fair value of the consideration received less directly attributable transaction costs. Borrowings are classified as current liabilities unless the Trust has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. These borrowings are non-interest bearing loans from related parties and are callable on demand.

#### h Distributions

The Trust seeks to fully distribute its taxable income to its unitholders. Under current income tax legislation, the Trust is not liable for Australian income tax provided that the taxable income is fully distributed to unitholders each financial year, and any taxable capital gain derived from the sale of an asset acquired after 19 September 1985 is fully distributed to unitholders. Distributions may also include capital gains arising from the disposal of investments and tax deferred income. Unrealised gains and losses on investments that are recognised as income (for example, fair value adjustments relating to investment properties) are usually retained and are generally not assessable or distributed until realised. Capital losses are not distributed to unitholders but are retained to be offset against any future realised capital gains.



# Notes to the Financial Statements continued

## Brookfield Latitude Site C Landowning Trust

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For the financial year ended 31 December 2011

### 3 Significant accounting policies *continued*

#### i 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 31 December 2011 but have not been applied preparing these financial statements:

AASB 9 *Financial Instruments* is effective from annual periods beginning on or after 1 January 2013 introduces new requirements for classifying and measuring financial assets, as follows, debt instruments meeting both a business model test and a cash flow characteristics test are measured at amortised cost and investments in equity instruments can be designated as fair value through other comprehensive income with only dividends being recognised in the Statement of Comprehensive Income. The Trust has not yet decided when to adopt AASB 9 or determined the consequential impact of the amendment.

AASB 124 *Related Party Disclosures* modifies the definition of a related party and simplifies some disclosures for government related entities. As the Trust is not a government related entity these disclosure are not expected to have an impact and therefore the Trust have not opted for early adoption. The changes may however affect counterparties of the Trust which previously did not fall within the scope of a related party. The Trust has not yet decided when to adopt the AASB 124 changes or determined the consequential impact of the amendment.

AASB 132 *Classification of Rights Issues* addresses the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. To date, the Trust has not entered into any arrangements that would fall within the scope of the amendments. However, if the Trust does enter into any rights issues within the scope of the amendments in future accounting periods, the amendments to AASB 132 will have an impact on the classification of those rights issues.

IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. To date, the Trust has not entered into transactions of this nature. However, if the Trust does enter into any such transactions in the future, IFRIC 19 will affect the required accounting. In particular, under IFRIC 19, equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss.

There have been no new and revised Standards and Interpretations adopted in these financial statements that have affected the reported results, financial position or disclosure in the current year.

At the date of authorisation of the financial report there are a number of new standards and interpretations in issue but not yet effective for which the initial application is not expected to have any material impact on the financial report of the Trust.

#### j Comparatives

Where deemed necessary, the comparatives have been reclassified to achieve consistency with the current financial year.

	Year ended 31 Dec 2011 \$'000	Year ended 31 Dec 2010 \$'000
<b>4 Revenues and expenses</b>		
<b>Revenues</b>		
Property rental revenue	7,818	8,103
Recoverable outgoings	1,083	1,024
<b>Total revenues</b>	<b>8,901</b>	<b>9,127</b>
<b>Other income</b>		
Interest received	18	16
<b>Total other income</b>	<b>18</b>	<b>16</b>
<b>Finance costs</b>		
Interest and finance charges - related parties	4,450	4,525
Interest and finance charges - external parties	21	-
<b>Total finance costs</b>	<b>4,471</b>	<b>4,525</b>

# Notes to the Financial Statements continued

## Brookfield Latitude Site C Landowning Trust

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For the financial year ended 31 December 2011

	31 Dec 2011 \$'000	31 Dec 2010 \$'000
<b>5 Trade and other receivables</b>		
<b>Current</b>		
Trade receivables <sup>1</sup>	5	-
Amounts due from related entities	4,000	1,028
Other debtors	28	-
<b>Total trade and other receivables</b>	<b>4,033</b>	<b>1,028</b>

<sup>1</sup>Trade receivables are non-interest bearing and generally on 30 day terms. An allowance for impairment is made when there is objective evidence that a trade receivable is impaired.

	31 Dec 2011 \$'000	31 Dec 2010 \$'000
<b>6 Other assets</b>		
<b>Current</b>		
Prepayments	61	56
<b>Total other assets</b>	<b>61</b>	<b>56</b>

	31 Dec 2011 \$'000	31 Dec 2010 \$'000
<b>7 Investment property</b>		
<b>Partial ownership</b>		
52 Goulburn Street, Sydney, NSW (50% ownership) <sup>1</sup>	100,000	96,450
<b>Total investment property</b>	<b>100,000</b>	<b>96,450</b>

<sup>1</sup>Formerly named Latitude Commercial (ATO)

### Independent valuations

Property investments are investments in properties which are held either to earn rental income or for capital appreciation or both. Property investments are stated at fair value. An external valuation company, having an appropriately recognised professional qualification and recent experience in the location and category of the property being valued, values the investment property 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 internal valuation was carried out at 31 December 2011. The fair value is based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller, in an arm's length transaction after appropriate marketing wherein the parties have each acted knowledgeably, prudently and without compulsion.

Valuations reflect, where appropriate, the type of tenants, future rent reviews and market conditions. A change in any of these factors could have a significant impact on the value of the Trust's property investment. The valuation has been undertaken using a discounted cash flow approach and a capitalisation method. The key assumptions adopted under these methods include assessment of the capitalisation rate, discount rate, terminal yield, current passing/market rent and forecast net annual cash flows receivable from properties. The capitalisation rate utilised in the 31 December 2011 valuation is 7.05%.

Any gain or loss from a change in fair value is recognised in the Statement of Comprehensive Income. All property acquisition costs in respect of properties acquired are capitalised into the value of the property investments at the time of purchase to reflect the total acquisition cost in the Statement of Financial Position. Additions and other expenditure on property investments which are capital in nature are capitalised as incurred. Where independent valuations are undertaken prior to the reporting date, the assumptions on which the valuation is based are reviewed in light of the prevailing market conditions at the reporting date to ensure that any material change is reflected in the valuation.

# Notes to the Financial Statements continued

## Brookfield Latitude Site C Landowning Trust

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For the financial year ended 31 December 2011

	31 Dec 2011 \$'000	31 Dec 2010 \$'000
<b>8 Trade and other payables</b>		
<b>Current</b>		
Property accruals	39	44
Other creditors and accruals	808	9
<b>Total trade and other payables</b>	<b>847</b>	<b>53</b>

	31 Dec 2011 \$'000	31 Dec 2010 \$'000
<b>9 Non-interest bearing loans and borrowings</b>		
<b>Current</b>		
Amounts due to related entities	8,237	5,825
<b>Total non-interest bearing loans and borrowings</b>	<b>8,237</b>	<b>5,825</b>

	31 Dec 2011 \$'000	31 Dec 2010 \$'000
<b>10 Interest bearing loans and borrowings</b>		
<b>Current</b>		
Amounts due to related entities	57,000	-
<b>Non-current</b>		
Amounts due to related entities	-	57,000
<b>Total interest bearing loans and borrowings</b>	<b>57,000</b>	<b>57,000</b>

	31 Dec 2011 \$'000	31 Dec 2010 \$'000
<b>11 Units on issue</b>		
16,100,100 Ordinary Units issued at \$1 each	16,100	16,100
8,828,329 Ordinary Units issued at \$2.39 each	21,100	21,100
<b>Total units on issue</b>	<b>37,200</b>	<b>37,200</b>

### Terms and conditions of ordinary capital

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

	31 Dec 2011 \$'000	31 Dec 2010 \$'000
<b>12 Undistributed income</b>		
Undistributed (losses) / income at the beginning of the financial year	(1,547)	473
Net profit attributable to unitholders	5,919	3,095
Distributions recognised during the financial year	(2,423)	(5,115)
<b>Undistributed income / (losses) at the end of the financial year</b>	<b>1,949</b>	<b>(1,547)</b>

### 13 Distributions

During the financial year ended 31 December 2011 distributions paid or payable to unitholders of the Trust amounted to \$2,423,043 (2010: \$5,115,000)

# Notes to the Financial Statements continued

## Brookfield Latitude Site C Landowning Trust

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For the financial year ended 31 December 2011

	Year ended 31 Dec 2011 \$'000	Year ended 31 Dec 2010 \$'000
<b>14 Reconciliation of net profit to net cash flows from operating activities</b>		
Net profit for the financial year	5,919	3,095
Amortisation	5	-
Fair value adjustments	(2,773)	(144)
Straightlining of rental income	(772)	-
<b>Change in operating assets and liabilities:</b>		
(Increase)/decrease in trade debtors	(33)	211
Increase/(decrease) in trade and other payables	784	(719)
(Increase) in prepayments	(5)	(2)
<b>Net cash inflow from operating activities</b>	<b>3,125</b>	<b>2,441</b>

#### 14 Remuneration of auditors

During the current and comparative financial years, all amounts paid to the auditor of the Trust were borne by Brookfield Australia Investments Limited, a related party.

#### 15 Contingent liabilities and assets

There are no contingent liabilities or assets requiring recognition at 31 December 2011 (2010: \$nil).

#### 16 Capital and other commitments

There is no capital or other commitments at reporting date for the investment property (2010: \$1,230,000).

#### 17 Events occurring after the reporting date

There have been no significant events or transactions that have arisen since the end of the financial year which, in the opinion of the Trustee, would significantly affect the operations of the Trust, the results of those operations, or the state of affairs of the Trust in future financial years.

# Directors' Declaration

## Brookfield Latitude Site C Landowning Trust

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For the financial year ended 31 December 2011

As detailed in Note 2 to the financial statements, the Trust is not a reporting entity because, in the opinion of the Directors, there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs. Accordingly, this special purpose financial report has been prepared to satisfy the Directors' reporting requirements under the Trust Constitution.

In the opinion of the Directors of Brookfield Latitude Site C Landowning Pty Limited, the trustee of the Trust:

- a the Financial Statements and the notes to the Financial Statements, as set out on pages 4 to 14, are in accordance with the Trust Constitution, including:
  - i giving a true and fair view of the financial position of the Trust as at 31 December 2011 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date; and
  - ii complying with Australian Accounting Standards;
- b there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable;
- c the Trust has operated during financial year ended 31 December 2011 in accordance with the provisions of the Trust Constitution dated 30 June 2003; and
- d the register of unitholders has, during the financial year ended 31 December 2011, been properly drawn up and maintained so as to give a true account of the unitholders of the Trust.

Signed in accordance with a resolution of the Directors of the Trustee.

Dated at Sydney this 23rd day of March 2012



**Kurt A Wilkinson**  
Executive Director  
Brookfield Latitude Site C Landowning Pty Limited



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## **Independent Auditor's Report to the Unitholders of Brookfield Latitude Site C Landowning Trust**

We have audited the accompanying financial report, being a special purpose financial report, of Brookfield Latitude Site C Landowning Trust, which comprises the statement of financial position as at 31 December 2011, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 4 to 15.

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

The directors of the Trustee, Brookfield Latitude Site C Landowner Pty Ltd, the responsible entity of Brookfield Latitude Site C Landowning Trust, are responsible for the preparation and fair presentation of the financial report and have determined that the basis of preparation described in Note 2, is appropriate to meet the financial reporting requirements of the Trust Constitution and is appropriate to meet the needs of the unitholders. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

### *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 and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

*Opinion*

In our opinion, the financial report presents fairly, in all material respects, the financial position of Brookfield Latitude Site C Landowning Trust as at 31 December 2011 and its financial performance for the period then ended in accordance the financial reporting requirements of the Trust Constitution.

*Basis of Accounting*

Without modifying our opinion, we draw attention to Note 2 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the Trust constitution. As a result, the financial report may not be suitable for another purpose.

DELOITTE TOUCHE TOHMATSU  
DELOITTE TOUCHE TOHMATSU



A G Collinson  
Partner  
Chartered Accountants  
Sydney, 23 March 2012