BROOKFIELD PRIME PROPERTY FUND

ARSN 110 096 663

Annual Report 2011

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

Collecting the final instalment and securing a ten year lease extension on Defence Plaza were important milestones for the Fund during the year.

Cover image: Bankwest Tower, Perth

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 2011.

FINANCIAL RESULTS

The Fund reported a net profit of $37.5 million for the year, which is an improvement on the comparable financial year to 30 June 2010 of $14.8 million.

Key financial results as at 30 June 2011 include:

– direct property portfolio increased in value by $42 million to $627 million reflecting revaluation gains and capital expenditure for the period
– net assets of $266.5 million (30 June 2010: $212.8 million)
– NTA per unit of $5.28 as at 30 June 2011 ($4.22 as at 30 June 2010 including the final instalment paid 15 June 2011)

The increase in NTA is largely due to the increase in value of the Fund's properties which is indicative of stronger conditions in the prime office market.

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

BOARD AND MANAGEMENT

Tim Harris resigned from the Board and has been replaced by Shane Ross, Brookfield Australia Investments Group General Manager, Treasury. The Board is otherwise unchanged with a majority of independent directors. Details of the directors of BCML are included in the Fund's financial report.

OUTLOOK

Collecting the final instalment and securing a ten year lease extension on Defence Plaza were important milestones for the Fund during the year. Together with a new three year Debt Facility with an increased facility limit of $525 million, the Fund is in a strong position to benefit from its high quality portfolio in improving market conditions.

It was announced in June 2011 that the Fund would acquire a 50% interest in Southern Cross West Tower in Melbourne and a 50% interest in Bankwest Tower in Perth. Both properties represent high quality additions to the Fund's property portfolio. Including these acquisitions, the portfolio is 98% leased and has a weighted average lease expiry (by income) of 8.05 years.

The acquisitions, at a total price of $250 million (excluding transaction costs), are being funded through a combination of available liquidity, bank debt and an acquisition bridge facility provided by Brookfield Group.

As with other property funds in the Australian market, the Fund's trading price reflects a significant discount to the underlying net asset value. BCML recognises and shares investor frustration with this discount. BCML will continue to focus on enhancing values and is considering capital initiatives that will assist to reduce this discount.

A distribution of 2.0 cents per unit has been announced and will be paid on or around 26 September 2011. BCML will advise investors with regard to further distributions in due course.

Please visit www.au.brookfield.com for the Fund's annual financial report. 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 (the Fund) provides a review of the financial year ended 30 June 2011.

FINANCIAL RESULTS

The Fund reported a net profit of $37.5 million which is primarily due to an increase in value of the direct property portfolio by $42 million.

As at 30 June 2011, the Fund's Net Assets were $266.5 million with Net Tangible Asset (NTA) per unit of $5.28.

Earnings per unit for the year were 74.43 cents (June 2010: 46.36 cents per unit).

ASSET MANAGEMENT

All properties were independently valued at 30 June 2011. The portfolio was valued at $627 million, representing an increase of 7.2% on the value at 30 June 2010.

The portfolio's weighted average capitalisation rate has firmed from 7.27% at 30 June 2010 to 7.09% reflecting a strengthening in office market fundamentals especially in those locations in which the Fund's assets reside.

The portfolio is 100% occupied with a weighted average lease expiry (by income) of 9.1 years.

DEBT

The Fund is currently in compliance with all debt covenants.

The Fund has entered into a new facility for a total limit of $525 million. This facility was used post year end to repay the existing principal debt (of $363 million) on 1 July 2011. In addition, the facility was utilised in part to purchase the 50% interest in Bankwest Tower (on 1 July 2011) and 50% interest in the Southern Cross West Tower (on 15 July 2011).

Key terms of the new facility include:

- three year term;
- 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 six month period;
- margin 2.15% above Bank Bill Rate (BBR);
- establishment fee of 0.5% of facility limit; and
- no restrictions in the facility on distributions to investors whilst no default exists.

PROPERTY SUMMARY

PROPERTY	LOCATION	FUND SHARE (%)	VALUATION DATE	VALUATION $M	VALUATION CAP RATE %	VALUE AT 30 JUNE 2010
Ernst & Young Centre and 50 Goulburn Street	Sydney	50	30 June 11	270.0	7.27	262.5
American Express House	Sydney	100	30 June 11	130.0	7.00	127.0
Southern Cross East Tower	Melbourne	25	30 June 11	150.0	6.75	137.5
Defence Plaza	Melbourne	100	30 June 11	77.0	7.25	58.0
Total as at 30 June 2011				**627.0**	**7.09**	585.0
Southern Cross West Tower	Melbourne	50		120.0*		n/a
Bankwest Tower	Perth	50		130.0*		n/a
Total post settlement of Southern Cross West Tower and Bankwest Tower				**877.0**		n/a

* Purchase price excluding stamp duty and acquisition costs.

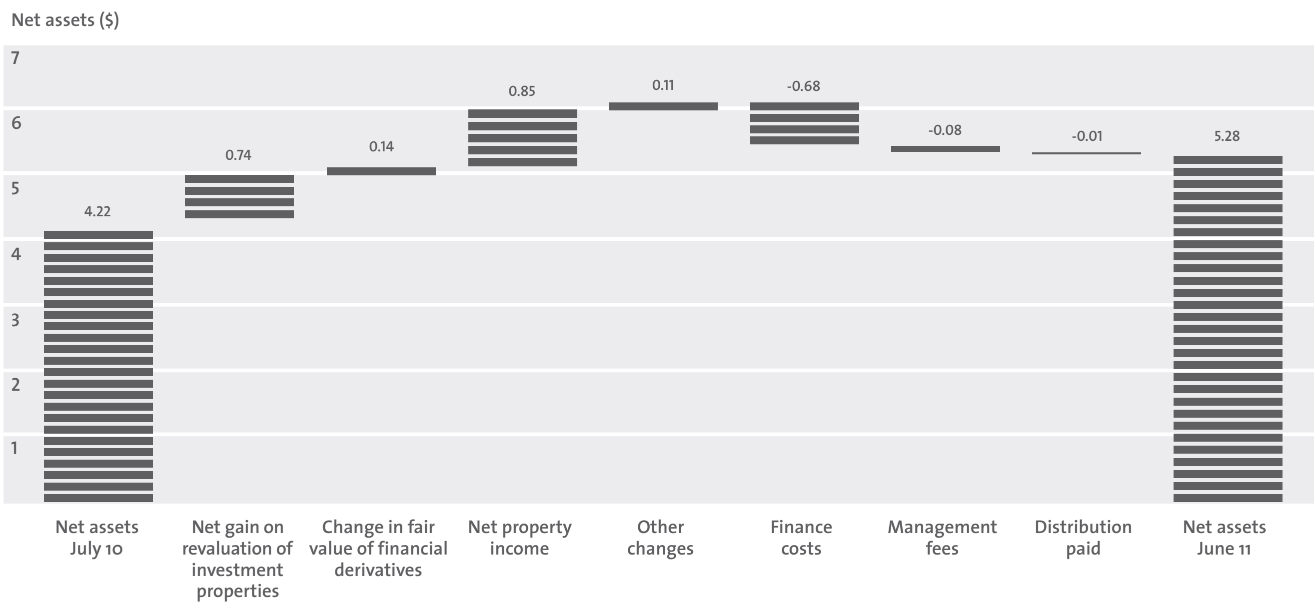
The Fund is currently party to interest rate derivatives under which $419 million is swapped with an applicable rate of 5.88% plus 2.15%. The balance of the facility is unhedged.

A subordinated bridge facility agreement has been entered into between the Fund and a Brookfield Group entity. Total facility limit is $130 million with a term of one year (with the Fund having an option to extend that term for a further period of one year). The first draw on the debt was 1 July 2011 as part of the Fund's purchase of the 50% interest in the Bankwest Tower. A further draw was made on 15 July 2011 as part of the Fund's purchase of the 50% interest in the Southern Cross West Tower. As at the date of this report a total of $101 million has been drawn under this facility post year end. The interest rate is a margin of 2% above the rate payable under the new facility with the Fund's financiers. There are no additional financial covenants or restrictions in the subordinated facility.

DISTRIBUTIONS
A distribution of 1.5 cents per unit was paid in April 2011.
A distribution of 2 cents per unit has been announced and will be paid on or around 26 September 2011.

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.

NET ASSETS RECONCILIATION



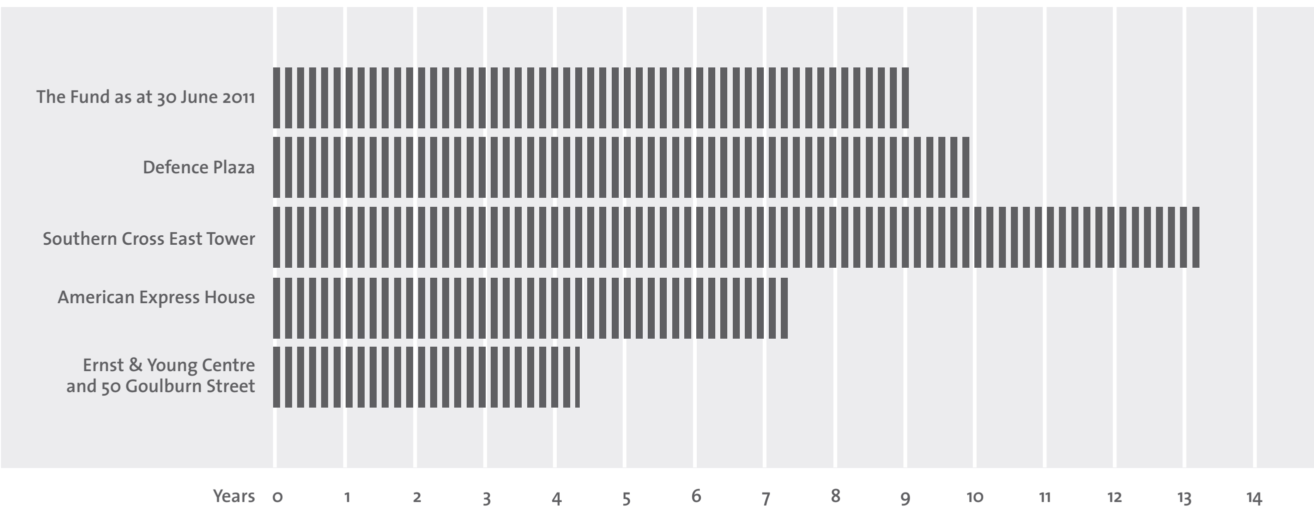
Property Analysis

FUND SNAPSHOT (as at 30 June 2011)

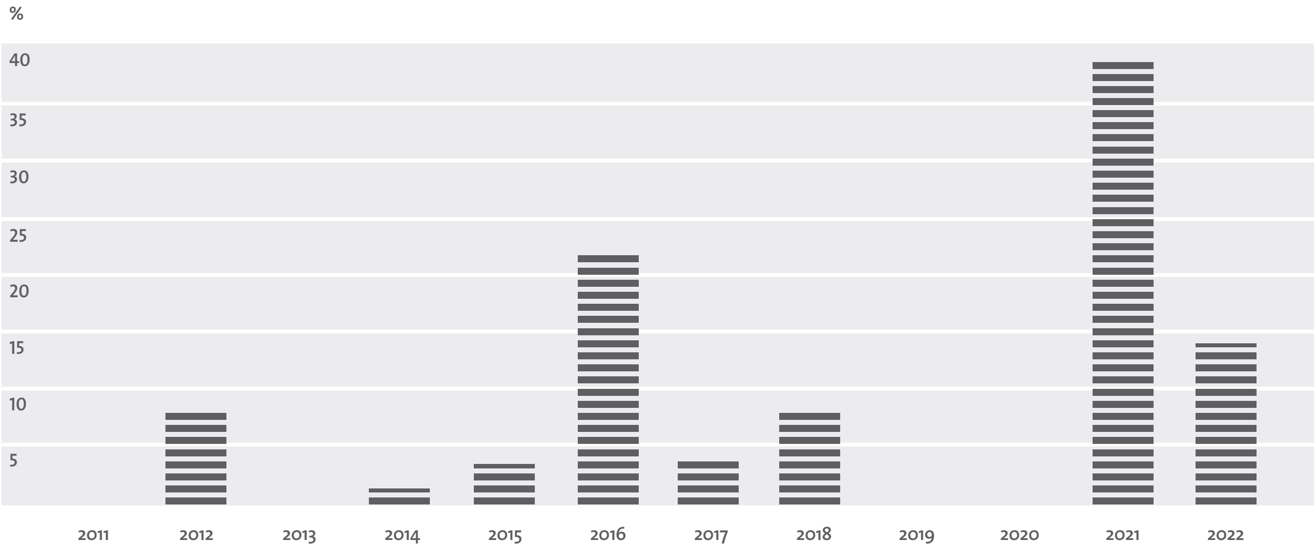
Market capitalisation	$165.65 million
Funds under management	$656.4 million
Listing date	15 September 2006
NTA per unit	$5.28
Portfolio weighted average capitalisation rate	7.09%
Portfolio occupancy	100.0%
– post settlement of Southern Cross West Tower and Bankwest Tower	98.2%
Portfolio weighted average lease term (by income)	9.10
– post settlement of Southern Cross West Tower and Bankwest Tower	8.05
Loan to value ratio	58%
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)

- 64% New South Wales
- 36% Victoria

TENANCY MIX (by income)

- 41% Victorian State Government
- 20% Ernst & Young
- 16% Other
- 8% Commonwealth Government
- 6% AAPT
- 4% Parsons Brinckerhoff
- 3% Link Market Services
- 2% Austereo

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.

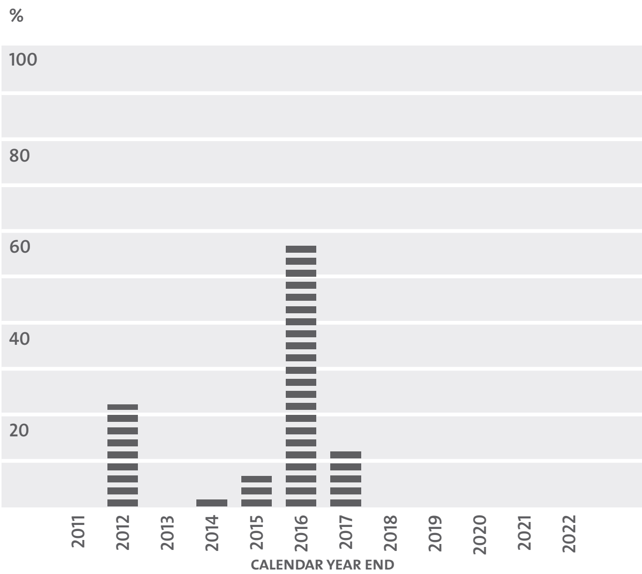
PROPERTY DETAILS

Ownership (%)	50
Net lettable area – whole building (sqm)	67,998
Occupancy (%)	100
Weighted average lease expiry (years by income)	4.4
Valuation (50%)	$270 million
Valuation date	30 June 2011

TENANCY MIX (by income)

- 50% Ernst & Young
- 15% AAPT
- 8% Link Market Services
- 10% Parsons Brinckerhoff
- 6% Austereo
- 11% 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.

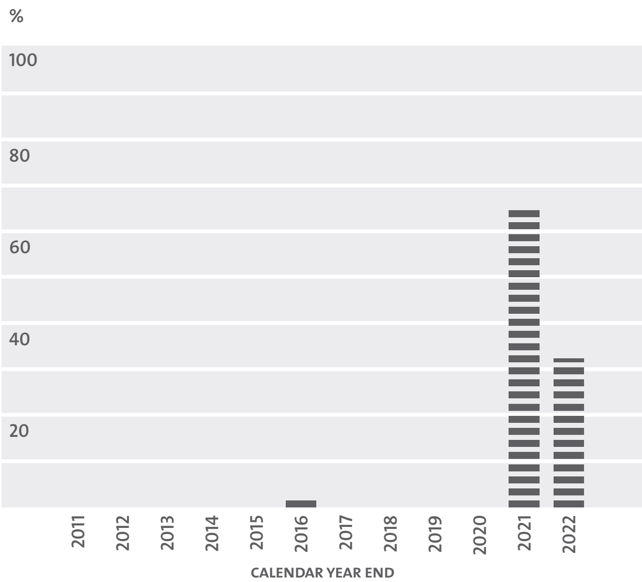
PROPERTY DETAILS

Ownership (%)	25
Net lettable area – whole building (sqm)	79,731
Occupancy (%)	100
Weighted average lease expiry (years by income)	13.3
Valuation (25%)	$150 million
Valuation date	30 June 2011

TENANCY MIX (by income)

- 68% Victorian State Government (Other)
- 26% Victorian State Government (DOI)
- 6% Other

LEASE EXPIRY (by area)



Property Analysis

Defence Plaza, Melbourne

PROPERTY DESCRIPTION

This A-grade property is a commercial building constructed in circa 1990 consisting of ground floor retail and other accommodation, together with nine upper levels of office accommodation.

The property has two street frontages, with the main entrance on Bourke Street, and the floors provide good natural light. The property is situated in the western fringe of the Melbourne CBD within 100 metres of Southern Cross Railway Station. Also located nearby are Docklands and Etihad Stadium.

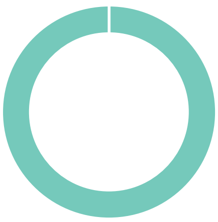
A 10 year lease renewal for 100% of the building was signed with the Commonwealth of Australia commencing in June 2011.

PROPERTY DETAILS

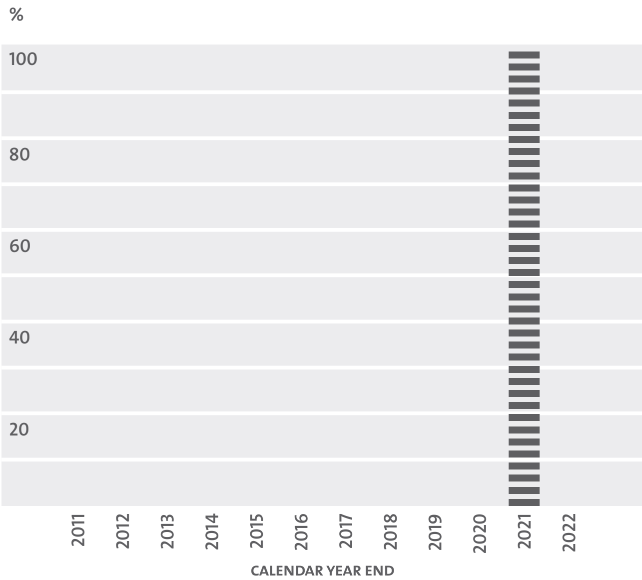
Ownership (%)	100
Net lettable area – whole building (sqm)	19,089
Occupancy (%)	100
Weighted average lease expiry (years by income)	9.96
Valuation (100%)	$77 million
Valuation date	30 June 2011

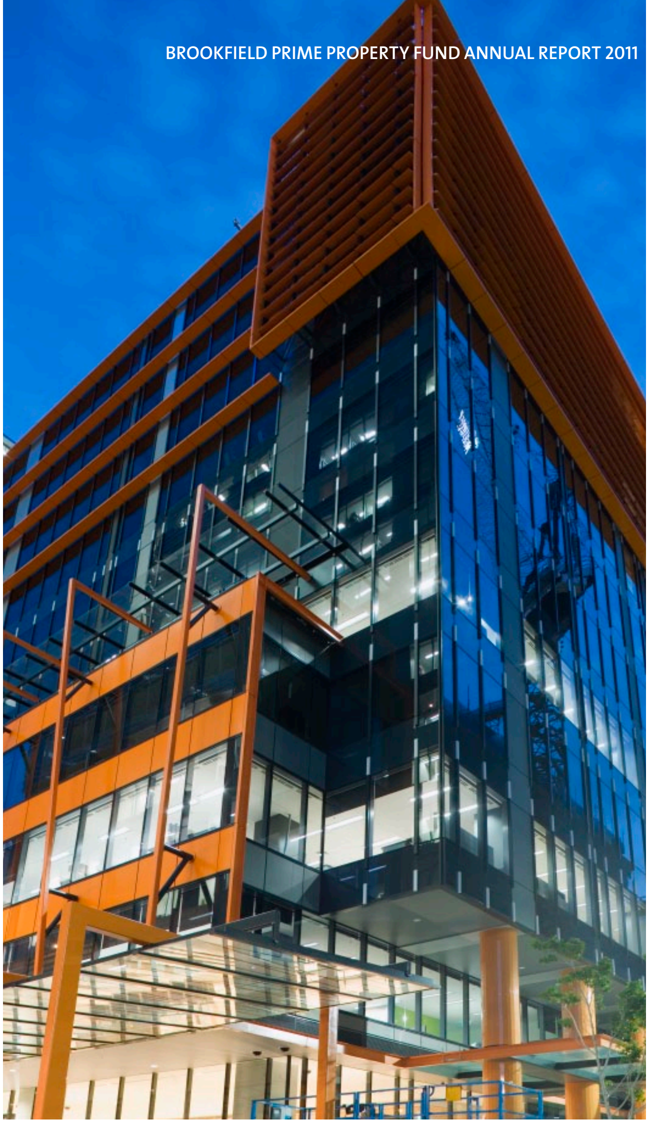
TENANCY MIX (by income)

100% Commonwealth Government of Australia



LEASE EXPIRY (by area)





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.

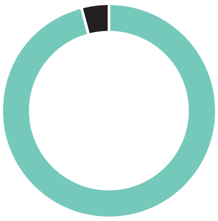
The property is located within the western corridor precinct of the Sydney CBD with frontage on Shelley Street. American Express House is proximate to Wynyard Railway Station and Bus Interchange, King Street Wharf public ferry terminal, and the retail and restaurants at King Street Wharf.

PROPERTY DETAILS

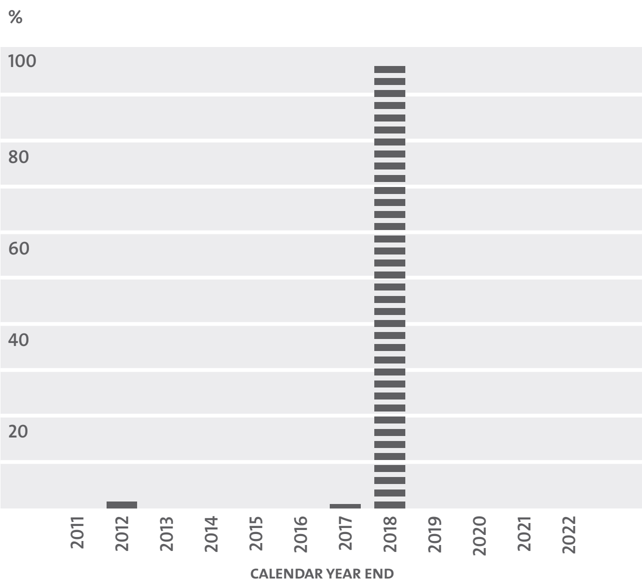
Ownership (%)	100
Net lettable area – whole building (sqm)	14,974
Occupancy (%)	100
Weighted average lease expiry (years by income)	7.33
Valuation (100%)	$130 million
Valuation date	30 June 2011

TENANCY MIX (by income)

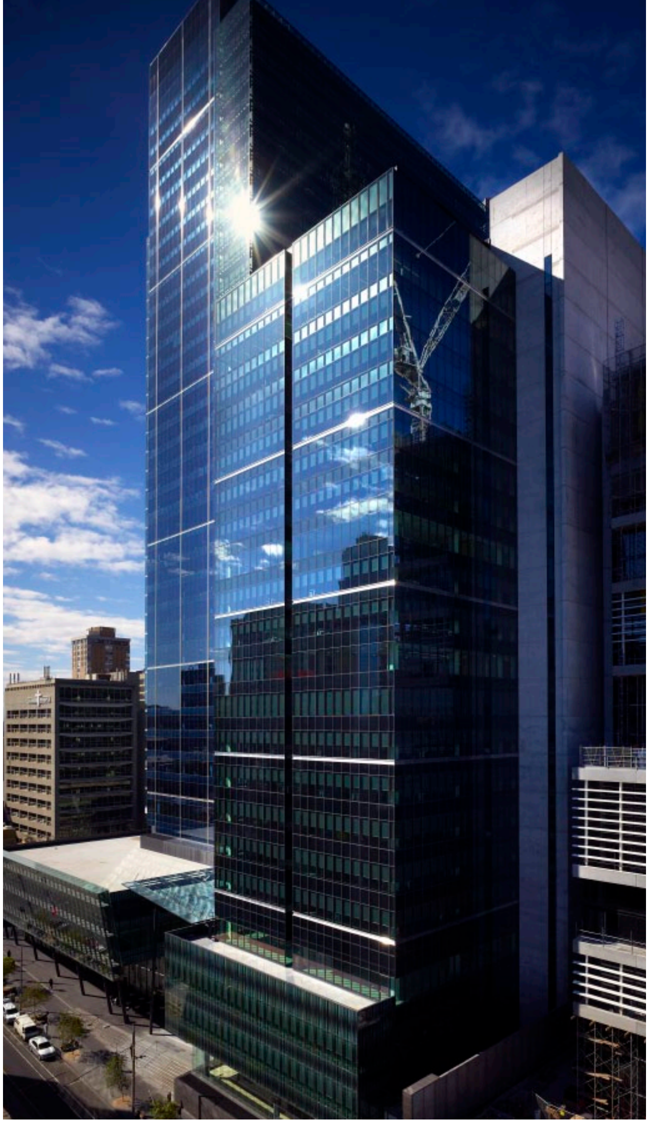
96% American Express
4% Other



LEASE EXPIRY (by area)



Property Analysis



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.

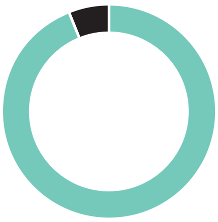
The property is located at the eastern end of the Melbourne CBD, bordering Bourke and Little Collins Streets. Public transport facilities include tram and bus services and Parliament Railway Station is situated 100 metres to the west.

PROPERTY DETAILS

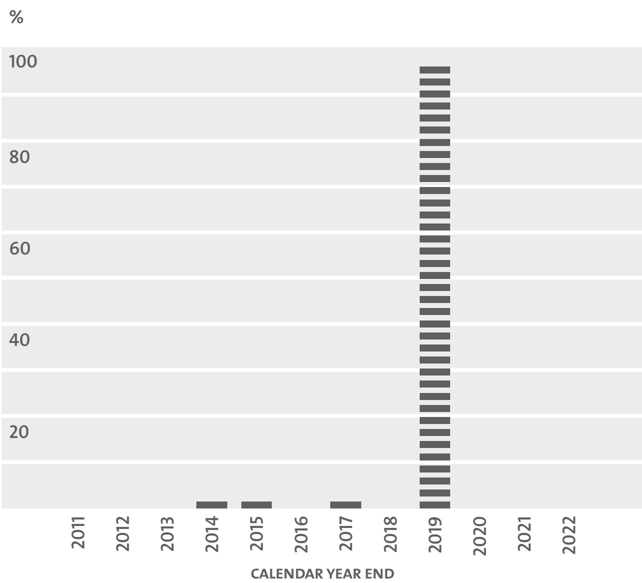
Ownership (%)	50
Net lettable area – whole building (sqm)	47,370
Occupancy by area (%)	100
Weighted average lease expiry (years by income)	8.2
Purchase price	$120[1] million

TENANCY MIX (by income)

94% Australia Post
6% Other



LEASE EXPIRY (by area)



1 Excluding Acquisition Costs and stamp duty.

Bankwest Tower, Perth

PROPERTY DESCRIPTION

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.

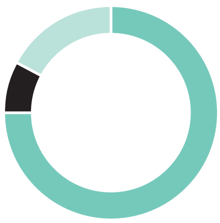
The building is prominently located on the corner of St Georges Terrace and William Street in the core of the Perth CBD and has expansive city views from the upper floors.

PROPERTY DETAILS

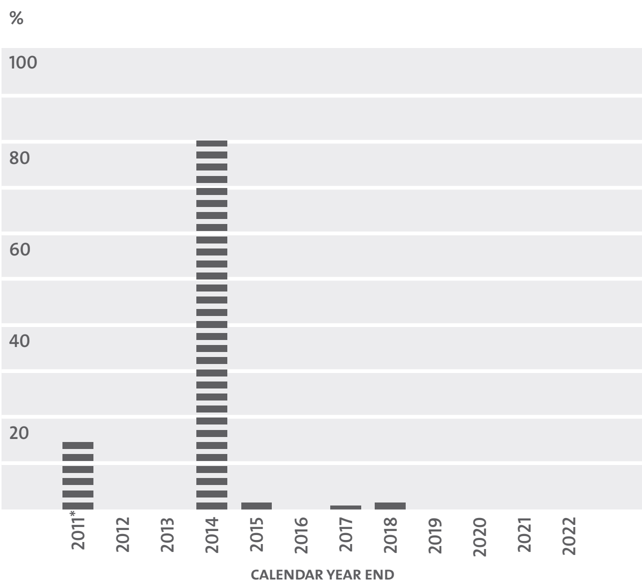
Ownership (%)	50
Net lettable area – whole building (sqm)	39,117
Occupancy by area (%)	88.0
Weighted average lease expiry (years by income)	3.1
Purchase price	$130[1] million

TENANCY MIX (by income)

- 75% Bankwest
- 8% Norton Rose
- 17% Other



LEASE EXPIRY (by area)



* Includes 4,714 sqm of space which is currently vacant and 1,255 sqm which is coming up for expiry during the second half of 2011.

1 Excluding Acquisition Costs and stamp duty.

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 22 August 2011.

1. SUBSTANTIAL HOLDERS

NAME	NUMBER OF UNITS	% OF ISSUED ORDINARY UNITS
Brookfield Asset Management Inc.	39,452,437	78.22

2. DISTRIBUTION OF ORDINARY UNITS

Analysis of numbers of unitholders by size of holding:

	UNITS	UNITHOLDERS
1–1,000	33,329	503
1,001–5,000	608,116	218
5,001–10,000	1,265,331	172
10,001–100,000	4,609,558	180
100,001 and over	43,919,472	22
Total	**50,435,806**	**1,095**

There were 465 holders with less than a marketable parcel of 167 securities ($3.00 on 15 August 2011).

3. ON-MARKET BUY BACK

There is no current on-market buy back program.

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	51.34
Trust Company Limited	10,893,945	21.60
J P Morgan Nominees Australia Limited	2,521,890	5.00
ANZ Trustees Limited	459,836	0.91
ANZ Trustees Limited	441,860	0.88
Mrs Helene Neuman	400,000	0.79
Horrie Pty Ltd	370,000	0.73
Geoffrey Gardiner Dairy Foundation Ltd	353,569	0.70
Hillmorton Custodians Pty Ltd	291,910	0.58
RBC Dexia Investor Services Australia Nominees Pty Limited	283,305	0.56
New City Holdings Pty Ltd	268,500	0.53
ANZ Trustees Limited	268,405	0.53
ANZ Trustees Limited	232,879	0.46
ANZ Trustees Limited	198,728	0.39
Stilwood Custodians Pty Ltd	161,736	0.32
Mr David Gavin Greig	140,000	0.28
ANZ Trustees Limited	136,577	0.27
ANZ Trustees Limited	132,600	0.26
Stilwood Pty Ltd	127,071	0.25
Kelpador Pty Ltd	118,877	0.24
Total	**43,697,107**	**86.64**

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

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Brookfield

BROOKFIELD PRIME PROPERTY FUND

ARSN 110 096 663

Financial Report 2011

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

Table of Contents

Brookfield Prime Property Fund

For the year ended 30 June 2011

Directory
Brookfield Prime Property Fund
For the year 30 June 2011

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

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

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

Location of Share Registry
Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000
Telephone: +61 2 8280 7100
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) (formerly Brookfield Multiplex Capital Management Limited), the Responsible Entity of Brookfield Prime Property Fund (formerly Multiplex 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 2011 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) (formerly Brookfield Multiplex Capital Management Limited). 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
Tim Harris (appointed 17 March 2010 – resigned 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 Brookfield Capital Management Limited (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 19 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 BAO and MUE. BFML is the Responsible Entity for the listed Multiplex SITES Trust. Barbara is Chairman of Essential Energy and a Director of Qantas Airways Limited (appointed June 2008). During the past 3 years Ms Ward has also served as a Director of Lion Nathan Limited (February 2003 to October 2009) and Allco Finance Group Limited (April 2005 to January 2008).

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

Russell Proutt is the Chief Financial Officer of Brookfield Australia and was appointed as an Executive Director of BCML on 1 January 2010 and also performs that role for BFML and for debt listed companies Brookfield Secured Bonds Series A Issuer Limited and Brookfield Secured Bonds Series B Issuer Limited. BCML is also the Responsible Entity for the listed funds BAO and MUE. Russell joined Brookfield Asset Management Inc, the parent company of BCML, 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.

Information on Directors continued

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 16 years experience in treasury and finance within the property industry.

Information on Company Secretary

Neil Olofsson

Neil has over 15 years 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
Tim Harris	5	5	n/a	n/a	n/a	n/a
Russell Proutt	6	6	n/a	n/a	n/a	n/a
Shane Ross	1	1	n/a	n/a	n/a	n/a

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

Committee meetings

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

Principal activities

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

Review of operations

The Consolidated Entity has recorded a net profit of $37,539,000 for the year ended 30 June 2011 (2010: net profit of $14,846,000). The reported net profit includes $93,000 in impairment losses on the listed property trust portfolio (2010: $679,000) and $18,509,000 in unrealised gains on revaluations of the investment property portfolio directly held by the Consolidated Entity (2010: gain of $2,663,000). The Consolidated Entity's associates recognised the full amount of unrealised gains on underlying investment properties, of which the Consolidated Entity's share was $18,647,000 (2010: gain of $13,683,000).

Review of operations continued

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

- total revenue and other income of $92,465,000 (2010: $71,469,000);
- net profit of $37,539,000 (2010: net profit of $14,846,000);
- earnings per unit (EPU) of 74.43 cents (2010: 46.36 cents);
- net assets of $266,486,000 as at 30 June 2011 (2010: $212,836,000) and net tangible assets per unit (NTA) of $5.28 (2010: $4.22);
- property portfolio value of $627,000,000 as at 30 June 2011 (2010: $585,000,000), including $37,156,000 in gains on revaluations of investment properties recorded during the year (including investment properties held by associates) (2010: net gain of $16,346,000);
- listed property trust portfolio value of $111,000 as at 30 June 2011 (2010: $5,145,000), including $93,000 of impairment losses recorded during the year (2010: $679,000);
- disposal of investments for total consideration of $5,262,000 (2010: nil);
- portfolio occupancy at 100% (2010: 100%) with a weighted average lease expiry by income and by ownership of 9.10 years (2010: 6.89 years) as at 30 June 2011.

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 limitations for the Fund are being considered to reduce the discount between the fund's trading price and the NTA.

Capital call

On the 15 June 2011, the Fund completed the call on the partially paid units held by investors. The proceeds of this call were used to repay in full the partly paid debt facility of $112,800,000. At 30 June 2011, $741,000 remained outstanding from individual investors in relation to the partly paid call. All outstanding monies were recovered through July 2011 and the successful completion of a public auction on 26 July 2011.

Corporate governance

This section outlines the main corporate governance practices that are currently in place for Brookfield Capital Management Limited (Company) in its capacity as Responsible Entity for the Brookfield Prime Property Fund (Fund). The Company as Responsible Entity of the Fund is committed to maintaining the required standards of corporate governance.

The Fund was listed on the Australian Securities Exchange on 15 September 2006. The Company, as the Fund's Responsible Entity, has operated within a corporate governance system that the Board and management have developed over time. Corporate governance is an area that keeps evolving and for that reason, our systems, policies and procedures are regularly reviewed and tailored to changing circumstances.

The Company is a wholly owned subsidiary of Brookfield Asset Management Inc. (BAM). BAM is listed on the New York, Toronto and Euronext Stock Exchanges.

Best practice principles

The ASX has established best practice guidelines that are embodied in eight principles (the Principles). The Board is supportive of the Principles and has applied these Principles to the extent relevant to the Fund. The Board's approach has been guided by the Principles and practices which are in the best interests of investors while ensuring compliance with legal requirements. In pursuing its commitment to these governance standards, the Board will continue to review and improve its governance practices.

The Principles as set out by the Corporate Governance Council are intended only as guidelines. The ASX Listing Rules require listed companies (or in the case of a listed fund, the Responsible Entity of that fund) to include in their annual report a statement disclosing the extent to which they have followed the Principles during the financial period.

The Principles have been adopted, where appropriate, to ensure that the Company as Responsible Entity of the Fund continues to protect stakeholder interests. This Corporate Governance Statement sets out each Principle and provides details of how the Principle has been addressed by the Company as Responsible Entity of the Fund.

Principle 1: Lay solid foundations for management and oversight

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

Role of the Board

The Board has adopted a board charter that details its functions and responsibilities, a summary of which is available at www.au.brookfield.com.

Principle 1: Lay solid foundations for management and oversight continued
The Company holds Australian Financial Services Licence (AFSL) No. 223809 and is an experienced Responsible Entity. It is subject to duties imposed by its AFSL, the Fund's constitution, the Corporations Act, the ASX Listing Rules, the Fund's compliance plan and the law. The Company has appointed Key Persons and Responsible Managers and they are named on its AFSL. Their duties are to assist with and ensure the Company's ongoing compliance with the conditions of the AFSL and the law.

Management responsible for the operation of the Fund are employees of BAM or its associated entity (Associate), and are therefore subject to the Associate's performance evaluation.

Principle 2: Structure the Board to add value
The ASX views independence of Board members as a key element of an effective corporate governance regime. It recommends that a majority of the Board be independent, that the Chairperson be independent, that the roles of Chairperson and the Chief Executive Officer be split and further that the Board establish a Nomination Committee with a charter in line with best practice recommendations.

The Board believes that sound corporate governance is crucial to protecting the interests of investors. The Board has a broad range of relevant financial and other skills, experience, expertise and gender diversification necessary to meet its objectives and is subject to a continuous review of its composition. The Board meets formally at least four times per year and whenever necessary to deal with specific matters needing attention between scheduled meetings. As at 30 June 2011 the Board consists of five Directors.

Profiles of each of the Directors may be found on pages 4 to 5.

Independence
The Chairman of the Board is an independent director. The roles of Chairman and Executive Directors are not exercised by the same individual. This is in line with the ASX best practice principle. Mr Allan McDonald is the Chairman of the Board. The Board also identified non-executive Directors Mr Brian Motteram and Ms Barbara Ward as being independent in accordance with the relationships affecting independent status listed by the ASX Corporate Governance Principles.

As a wholly owned subsidiary of BAM, the Board has not established a nomination committee as it believes the consideration of Director appointments is a matter for BAM in conjunction with the views of the Board.

The Board conducted a self evaluation of its performance and that of individual Directors for the year ended 30 June 2011 by way of a survey of each Director, followed by an analysis and discussion of responses by the Board. As part of the review, consideration was given to the skills and competency of Board members as well as the appropriate mix of skills required for managing the Company and the Fund. An assessment of Board, committee and individual Director performance is intended to occur on an annual basis.

Access to information and advice
All Directors have unrestricted access to records of the Company and the Fund and receive regular detailed financial and operational reports from management to enable them to carry out their duties. Non-executive Directors may obtain independent professional advice at the expense of the Company or the Fund with the prior approval of the Chairman.

The Company Secretary supports the effectiveness of the Board by monitoring adherence to Board policies and procedures, and co-ordinating the timely completion and dispatch of Board agenda and briefing material. All Directors have access to the Company Secretary.

Principle 3: Promote ethical and responsible decision making
The Board has established both a Code of Business Conduct and Ethics and a Security Trading Policy.

Code of Business Conduct and Ethics
All Directors and management involved in the operation of the Fund are employees of the Associate. In accordance with the Code of Business Conduct and Ethics and statutory obligations all employees of the Associate are required to act honestly, with integrity and in relation to financial products, to give priority to the investors' interests over the Company's interests when there is a conflict. The Board is committed to recognising the interests of investors and other stakeholders as well as all employees involved in the management and operation of the Company and the Fund. The Board acknowledges that all the Associate's employees are subject to a Code of Business Conduct and Ethics that governs workplace and human resource practices, risk management and legal compliance. The Code is aligned to BAM's core values of teamwork, integrity and performance and is fully supported by the Board. A summary of the Code is available at www.au.brookfield.com.

Employees are encouraged to report any breaches of the Code. Access to an "Ethics Hotline" which is managed independently of BAM is provided to facilitate reporting in situations where the person making the report does not feel comfortable doing so through normal channels.

Principle 3: Promote ethical and responsible decision making continued

Security Trading Policy

All Directors of the Company and the Associate's employees are subject to restrictions under the law relating to dealing in certain financial products, including securities in a company, if they are in possession of inside information. A Security Trading Policy has been disclosed to the Australian Securities Exchange and is available at www.au.brookfield.com.

BCML also has a Conflicts of Interest and Related Party Dealings Policy to minimise potential conflicts of interest in accordance with ASIC Regulatory Guide 181 – "Licensing: Managing conflicts of interest."

Principle 4: Safeguard integrity in financial reporting

The approach adopted by the Board is consistent with Principle 4. The Board requires the Executive Directors 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 meetings:

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

The duties and responsibilities of the Audit Committee are set out in the Committee Charter, a summary of which appears at www.au.brookfield.com. The Audit Committee has rights of access to management, including the right to seek any explanations or additional information and access to auditors (internal and external), without management present. The audit committee reports to the Board in relation to the financial statements and notes, as well as the external audit report. An external auditor, Deloitte, has been appointed to audit the Fund and the Fund's compliance plan.

A procedure for the selection and appointment of external auditors, and for the rotation of external audit engagement partners, has been approved by the Board.

Principle 5: Make timely and balanced disclosure

The Company is committed to the promotion of investor confidence by providing full and timely information to all investors about the Fund's activities and by complying with the continuous disclosure obligations, contained in the Corporations Act 2001 and the ASX Listing Rules. The Board has adopted a Continuous Disclosure Policy which governs how the Company as Responsible Entity communicates with investors and the market. All price-sensitive information is to be disclosed to the ASX. A summary of the policy is available at www.au.brookfield.com.

Principle 6: Respect the rights of the Fund unitholders

In addition to its statutory reporting obligations, the Fund and the Company are committed to timely and ongoing communication with its investors.

The Company provides ongoing communication to investors through the annual and half yearly reports. Updates are also provided to investors whenever significant developments occur.

Fund investors are able to contact either the Fund Registry or the Brookfield Customer Service during business hours to discuss any queries in relation to their investment or the operation of the Fund.

The Fund has a section on the Brookfield website that provides up to date Fund information including any continuous disclosures notices given by the Fund, financial reports and distribution information.

As the Fund is a listed managed investment scheme, there is no mandatory requirement to hold annual general meetings (AGM). In the future the Company may decide to hold AGMs if the Company forms the view that there is sufficient demand from the Fund investors to incur that cost.

The Company has an internal dispute resolution mechanism in place which is designed to meet the requirements of the Corporations Act and its Australian Financial Services License (AFSL). The process complies with the key principles of Australian Standard AS ISO 10002:2006 "Customer satisfaction – Guidelines for complaints handling in organizations" and the requirements of the ASIC Regulatory Guide 165 – "Licensing: Internal and external dispute resolution". If a dispute cannot be resolved through the internal dispute resolution mechanism, it can be referred to the Financial Ombudsman Service, an independent complaint resolution service of which the Company is a member.

The Company encourages fund investors to visit its website regularly and communicate with the company electronically as a first preference.

Principle 7: Recognise and manage risk
Management is responsible for developing and implementing policies and procedures to identify, manage and mitigate the risks across the Company and the Fund's operations. These policies are designed to ensure relevant risks are effectively and efficiently managed and monitored to enable the achievement of the Company's and the Fund's objectives.

The Board has elected to delegate responsibility for the oversight of the Company's risk and compliance program to a Risk and Compliance Committee. The Committee comprises three independent Company Directors. The Committee discharges Part 5C.5 obligations under the Corporations Act in relation to managed investment schemes. It has a charter, a summary of which appears at www.au.brookfield.com.

Brookfield Australia Investments Limited, the Australian Holding Company, has an internal audit function which may review aspects of the Company's business and the Fund.

The procedures adopted by the Company are consistent with those in Principle 7, in that the Executive Directors approve the sign off of financial statements based upon a sound system of risk management and confirm that the internal compliance and control system is operating efficiently in all material respects in relation to financial reporting risks.

Principle 8: Remunerate fairly and responsibly
Principle 8 suggests that the Company should establish a dedicated Remuneration Committee. As neither the Fund nor the Company directly employ staff no Remuneration Committee has been established.

Independent and non-executive Directors receive fees for serving as Directors. Director fees are not linked to the performance of the Company or the Fund. Executive Directors do not receive payment for undertaking the role of Director. Executive Directors receive remuneration in their capacity as an employee of the Associate.

The Company as Responsible Entity of the Fund believes that it has followed the best practice recommendations set by the ASX.

Interests of the Responsible Entity

Management fees
For the year ended 30 June 2011, the Consolidated Entity incurred $4,096,000 in management fees to the Responsible Entity (2010: $3,895,000). $12,020,000 of management fees remain payable as at year end (2010: $7,924,000).

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 10,839,945 units or 21.6% of the Fund at year end (2010: 10,893,945 units or 21.6%).
- JP Morgan Nominees Australia Limited as custodian for BCML, as Responsible Entity for Brookfield Australia Opportunities Fund (formerly Multiplex Acumen Property Fund) holds 2,521,890 units or 5.0% of the Fund (2010: 4,993,155 units or 9.9%).
- Brookfield Capital Securities Limited (formerly Brookfield Multiplex Capital Securities Limited) as trustee of Brookfield Multiplex PPF Investment No 2 Trust holds 25,895,419 units or 51.3% of the Fund at the reporting date (2010: 23,424,154 units or 46.4%).

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

Purchase of assets
Post year end, on 1 July 2011, the Fund purchased a 50% interest in a property at 108 St George's Terrace, Perth, whose principal tenant is Bankwest ('Bankwest' building). Purchase price was $130,000,000 plus acquisition costs. On 15 July 2011, the Fund purchased a 50% interest in a property at 111 Bourke Street ('SX West'). Purchase price was $120,000,000 plus acquisition costs.

Exercise of Swaption
The option under the swaption was exercised by the financiers post year end on 27 July 2011.

Extension of Subordinated Debt Facility
Post year end on 26 August 2011, the Fund has entered into an agreement that provides the Fund with the option of extending the maturity date on the Subordinated Debt Facility by up to a further 12 months.

Declaration of Distribution
Post year end on 26 August 2011, the Board of the Responsible Entity resolved to pay a distribution of 2.0 cents per unit payable on or around 26 September 2011.

Events subsequent to reporting date continued

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

Likely developments

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			
Total distribution for the year ended 30 June 2011	**1.50**	**756**	**28 April 2011**
Ordinary units			
Total distribution for the year ended 30 June 2010	**–**	**–**	

Distributions paid for the year ended 30 June 2011 were paid out of the Consolidated Entity's realised revenues and expenses. The Consolidated Entity did not pay a distribution for the prior year ended 30 June 2010 in order to preserve the capital position of the Consolidated Entity.

Indemnification and insurance premiums

Under the Fund's Constitution, the Responsible Entity's officers are indemnified out of the Fund's assets for any loss, damage, expense or other liability incurred by it in properly performing or exercising any of its powers, duties or rights in relation to the Fund.

Neither the Fund nor any controlled entity has indemnified any auditor of the Consolidated Entity.

No insurance premiums are paid out of the Fund's assets in relation to cover for the Responsible Entity or its officers, the Board Risk and Compliance Committee or auditors of the Consolidated Entity. The insurance premiums are paid by the Responsible Entity.

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 2011 $	2010 $
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)
Tim Harris (appointed 17 March 2010 - resigned 16 May 2011)
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 2011 was $4,096,000 (2010: $3,895,000).

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 12 and forms part of the Directors' Report for the year ended 30 June 2011.

Dated at Sydney this 26th day of August 2011.

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

26 August 2011

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 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

Helen Hamilton-James
Partner
Chartered Accountants

Statement of Comprehensive Income

Brookfield Prime Property Fund

For the year ended 30 June 2011

	Note	Consolidated Year ended 30 June 2011 $'000	 Year ended 30 June 2010 $'000
Revenue and other income			
Share of net profit of investments accounted for using the equity method	6	45,239	41,961
Property rental income		19,675	19,767
Distribution income from listed property trusts		3	287
Interest Income		1,011	177
Net gain on revaluation of financial derivatives		6,884	6,614
Net gain on revaluation of investment properties	11	18,509	2,663
Gain on sale of investments available for sale		990	–
Other income		154	–
Total revenue and other income		**92,465**	**71,469**
Expenses			
Property expenses		3,154	2,815
Impairment expense		93	679
Finance costs to external parties		34,049	35,075
Finance costs – amortisation of cash flow hedge reserves		13,097	13,098
Management fees		4,096	3,895
Other expenses		437	1,061
Total expenses		**54,926**	**56,623**
Net profit for the year		**37,539**	**14,846**
Other comprehensive income			
Change in cash flow hedge reserve		13,097	13,098
Changes in fair value of available for sale financial assets		(658)	677
Other comprehensive income for the year		**12,439**	**13,775**
Total comprehensive income for the year		**49,978**	**28,621**
Net profit attributable to ordinary unitholders		**37,539**	**14,846**
Total comprehensive income attributable to ordinary unitholders		**49,978**	**28,621**
Earnings per unit			
Basic and diluted earnings per ordinary unit (cents)	8	74.43	46.36

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 2011

	Note	Consolidated 2011 $'000	2010 $'000
Assets			
Current assets			
Cash and cash equivalents		17,890	13,231
Trade and other receivables	10	13,503	111,433
Total current assets		**31,393**	**124,664**
Non-current assets			
Investment properties	11	207,000	185,000
Investments – available for sale	12	111	5,145
Investments accounted for using the equity method	6	417,945	401,210
Total non-current assets		**625,056**	**591,355**
Total assets		**656,449**	**716,019**
Liabilities			
Current liabilities			
Trade and other payables	14	14,175	10,843
Fair value of financial derivatives	19	12,774	–
Total current liabilities		**26,949**	**10,843**
Non-current liabilities			
Interest bearing liabilities	15	363,014	474,534
Fair value of financial derivatives	19	–	17,806
Total non-current liabilities		**363,014**	**492,340**
Total liabilities		**389,963**	**503,183**
Net assets		**266,486**	**212,836**
Equity			
Units on issue	16	307,610	303,182
Reserves	17	19	(12,420)
Undistributed losses	18	(41,143)	(77,926)
Total equity		**266,486**	**212,836**

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 2011

		Attributable to unitholders of the Fund		
Consolidated Entity	Ordinary units $'000	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**

		Attributable to unitholders of the Fund		
Consolidated Entity	Ordinary units $'000	Undistributed profits/(losses) $'000	Reserves $'000	Total $'000
Opening equity - 1 July 2009	**252,717**	**(92,772)**	**(26,195)**	**133,750**
Change in cash flow hedge reserve	–	–	13,098	**13,098**
Changes in fair value of available for sale financial assets	–	–	677	**677**
Other comprehensive income for the year	**–**	**–**	**13,775**	**13,775**
Net profit for the year	–	14,846	–	**14,846**
Total comprehensive income for the year	**–**	**14,846**	**13,775**	**28,621**
Transactions with unitholders in their capacity as unitholders:				
Equity receivable	4,364	–	–	**4,364**
Issue of units	46,101	–	–	**46,101**
Total transactions with unitholders in their capacity as unitholders	**50,465**	**–**	**–**	**50,465**
Closing equity – 30 June 2010	**303,182**	**(77,926)**	**(12,420)**	**212,836**

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 2011

	Note	Consolidated Year ended 30 June 2011 $'000	Year ended 30 June 2010 $'000
Cash flows from operating activities			
Cash receipts in the course of operations		20,383	19,643
Cash payments in the course of operations		(3,496)	(5,253)
Interest received		927	179
Financing costs paid		(30,232)	(32,710)
Net cash flows used in operating activities	20	**(12,418)**	**(18,141)**
Cash flows from investing activities			
Purchases of investment property		(12,500)	(11)
Proceeds from sale of listed property trust investments		5,262	–
Expenditure on capital expenditure		(2,977)	–
Distributions received		140	296
Distributions received from associates		30,883	26,169
Net cash flows from investing activities		**20,808**	**26,454**
Cash flows from financing activities			
Proceeds from issue of units		–	50,154
Issue costs		(2,258)	(1,795)
Proceeds from final equity call		112,083	–
Repayments of interest bearing liabilities		(112,800)	(44,700)
Distributions paid		(756)	–
Net cash flows (used in)/from financing activities		**(3,731)**	**3,659**
Net increase in cash and cash equivalents		4,659	11,972
Cash and cash equivalents at beginning of year		13,231	1,259
Cash and cash equivalents at 30 June		**17,890**	**13,231**

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) (formerly Multiplex Prime Property Fund) is an Australian registered managed investment scheme under the *Corporations Act 2001*. Brookfield Capital Management Limited (BCML) (formerly Brookfield Multiplex Capital Management Limited), 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 2011 comprise the Fund and its subsidiaries (together referred to as the Consolidated Entity) 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 26th day of August 2011.

b Basis of measurement

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

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

The methods used to measure fair value 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 investments accounted for using the equity method (Note 6), trade and other receivables (Note 10), provided in investment properties (Note 11), investments – available for sale (Note 12), and financial instruments (Note 19).

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 or the Fund 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.

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).

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

3 **Significant accounting policies** continued

d Expense recognition continued

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.

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 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.

3 Significant accounting policies continued

i Investment property 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 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 investment property are 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.

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.

3 Significant accounting policies continued

m Non-derivative financial instruments continued

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.

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 the year end.

3 Significant accounting policies continued

r Distributions

A provision for distribution is recognised in the Statement of Financial Position if the distribution has been declared prior to year 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 2011 but have not been applied preparing these financial statements:

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. The standard is not applicable until 1 January 2013 but is available for early adoption. 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. 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. The Consolidated Entity and Fund have not yet decided when to adopt AASB 9 or the consequential impact of the amendment.

AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* (effective for annual reporting periods beginning on or after 1 January 2011)
AASB 2010-4 amends a number of pronouncements as a result of the International Accounting Standards Board's (IASB's) 2008-2010 cycles of annual improvements. Key amendments include clarification of content of statement of changes in equity, financial instrument disclosures and significant events and transactions in interim reports. The Consolidated Entity and Fund does not expect that any adjustments will be necessary as a result of applying the revised rules.

AASB 2010-5 *Amendments to Australian Accounting Standards* (effective for annual reporting periods beginning on or after 1 January 2011)
AASB 2010-5 makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. The Consolidated Entity and Fund does not expect that any adjustments will be necessary as a result of applying the revised rules.

AASB 2010-6 *Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets* (effective for annual reporting periods beginning on or after 1 July 2011)
AASB 2010-6 makes amendments to AASB 7 *Financial Instruments: Disclosures* to introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect, in particular, entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. The Consolidated Entity and Fund will apply the amendments from 1 July 2011 and does not expect any adjustments will be necessary as a result of applying the revised rules.

4 Parent entity disclosures

	Fund 2011 $'000	2010 $'000
Assets		
Current assets	88,788	171,079
Non-current assets	565,283	552,783
Total assets	**654,071**	**723,862**
Liabilities		
Current liabilities	64,307	22,437
Non-current liabilities	363,014	492,340
Total liabilities	**427,321**	**514,777**
Equity		
Units on issue	307,610	303,182
Reserves	–	(13,098)
Undistributed losses	(80,860)	(81,000)
Total equity	**226,750**	**209,084**

	Fund Year ended 30 June 2011 $'000	Year ended 30 June 2010 $'000
Net profit/(loss) for the year	896	(2,332)
Other comprehensive income for the year	13,098	13,098
Total comprehensive income for the year	**13,994**	**10,766**

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 review 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 therefore no further segment reporting is required.

6 Investments accounted for using the equity method

	Consolidated 2011 $'000	2010 $'000
Brookfield Developments No. 6A Unit Trust	149,280	138,299
Latitude Landowning Trust	268,665	262,911
Total investments accounted for using the equity method	**417,945**	**401,210**
Share of profit/(loss) in the year from investments accounted for using the equity method is as follows:		
Brookfield Developments No. 6A Unit Trust	18,046	19,146
Latitude Landowning Trust	27,193	22,815
Total share of net profit/(loss) of investments accounted for using the equity method	**45,239**	**41,961**
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	11,398	10,383
Latitude Landowning Trust	7,249	3,300
Total fair value adjustments	**18,647**	**13,683**

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 2011 $'000	2010 $'000
Current assets	8,404	37,126
Non-current assets	1,140,303	1,075,933
Total assets	**1,148,707**	**1,113,059**
Current liabilities	10,569	4,222
Non-current liabilities	5,309	4,410
Total liabilities	**15,878**	**8,632**

	Year ended 30 June 2011 $'000	Year ended 30 June 2010 $'000
Revenues	165,540	92,960
Expenses	(26,993)	(17,239)
Net profit for the year	**138,547**	**75,721**

The Fund owns 50% of Latitude Landowning Trust and 25% of Brookfield Development No. 6A Unit Trust (2010: 50% and 25% respectively).

7 Auditor's remuneration

	Consolidated Year ended 30 June 2011 $	Year ended 30 June 2010 $
Auditors of the Fund:		
Audit and review of financial reports	43,260	35,000
Non-audit services	–	–
Total auditor's remuneration	**43,260**	**35,000**

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 2011	Year ended 30 June 2010
Net profit attributable to unitholders	$'000	37,539	14,846
Weighted average number of ordinary units used in the calculation of basic and diluted EPU	'000	50,436	32,023
Basic and diluted weighted earnings per ordinary unit	cents	74.43	46.36

9 Distributions

Distributions paid/payable to unitholders were as follows:

	Cents per unit	Total amount $'000	Date of payment
Ordinary units			
Total distribution for the year ended 30 June 2011	**1.5**	**756**	**28 April 2011**
Ordinary units			
Total distribution for the year ended 30 June 2010	–	–	–

Distributions paid for the year ended 30 June 2011 were paid out of the Consolidated Entity's realised revenues and expenses. The Consolidated Entity did not pay a distribution for the prior year ended 30 June 2010 in order to preserve the capital position of the Consolidated Entity.

10 Trade and other receivables

	Consolidated 2011 $'000	2010 $'000
Prepayments and accrued income	141	868
Distributions receivable	4	142
Equity receivable	741	108,397
Other receivables	12,617	2,026
Total current trade and other receivables	**13,503**	**111,433**

Capital call

On the 15 June 2011, the fund completed the call on the partially paid units held by investors. The proceeds of this call were used to repay in full the partly paid debt facility of $112,800,000. At 30 June 2011, $741,000 remained outstanding from individual investors in relation to the partly paid call. All outstanding monies were recovered through July and the successful completion of a public auction on 26 July 2011.

11 Investment properties

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	2011 book value $'000	2010 book value $'000
Defence Plaza	70,602	77,000	Jun-11	7.25%	77,000	58,000
American Express Building	124,799	130,000	Jun-11	7.00%	130,000	127,000
Total investment properties	**195,401**	**207,000**			**207,000**	**185,000**

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	2011 book value $'000	2010 book value $'000
Total commercial investment properties	6.75% - 7.50%	420,000	400,000
Total investment properties held by associates		**420,000**	**400,000**

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 2011, the Southern Cross East Tower and E&Y centre are the properties held through associates and were independently valued by Jones Lang Lasalle (New South Wales). The properties directly held are Defence Plaza and American Express building which was independently valued by Colliers (Victoria) and Savills (New South Wales) respectively. They have been valued in accordance with the Australian Property Institute's Code of Professional Practice 2002.

The external valuations have been undertaken using a discounted cash flow (DCF) approach and a capitalisation method. The key assumptions adopted under these methods include assessment of the capitalisation rate, discount rate, and terminal yield, current passing/market rental and forecast net annual cash flows receivable from the properties.

	Consolidated	
	Year ended 30 June 2011 $'000	Year ended 30 June 2010 $'000
Reconciliation of carrying amount of investment properties is set out below:		
Carrying amount at beginning of year	185,000	181,100
Impact of straight lining	514	1,237
Capital expenditure	2,977	–
Net gain on fair value adjustment of investment property	18,509	2,663
Carrying amount at year end	**207,000**	**185,000**

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 9.10 years (2010: 6.89 years). Minimum lease payments under non cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:

	Consolidated	
	2011 $'000	2010 $'000
Within one year	47,280	41,874
Later than one year but not later than five years	178,978	164,025
Later than five years	191,372	238,235
Total	**417,630**	**444,135**

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 – available for sale

	Consolidated	
	Year ended 30 June 2011 $'000	Year ended 30 June 2010 $'000
Listed investments at cost	11,627	58,315
Fair value adjustment	(658)	677
Impairment – listed property trust	(10,858)	(53,847)
Carrying amount at year end	**111**	**5,145**

12 Investments – available for sale continued

Reconciliation of the carrying amount of impairment is set out below:

	Consolidated Year ended 30 June 2011 $'000	Consolidated Year ended 30 June 2010 $'000
Investments – available for sale (listed property trusts)		
Carrying amount as at beginning of year	(53,847)	(53,168)
Reduction of impairment balance due to disposal of investments	43,082	–
Impairment recognised in the year	(93)	(679)
Carrying amount at year end	**(10,858)**	**(53,847)**

Reconciliation of the impairment expense recognised in the Statement of Comprehensive Income is set out below:

	Consolidated Year ended 30 June 2011 $'000	Consolidated Year ended 30 June 2010 $'000
Investments – available for sale assets		
Impairment recognised – listed property trusts	93	679
Net impairment expense recognised in the Statement of Comprehensive Income	**93**	**679**

Impairment

During the year, the Consolidated Entity recognised an impairment loss in accordance with accounting standards of $93,000 in relation to its available for sale assets (2010: $679,000).

The impairment loss recognised in relation to available for sale investments represents the difference between the cost of the investment and the market value as at 30 June 2011, less any previously recorded impairment losses and reductions to accumulated reserves.

The Responsible Entity has determined there is objective evidence at the date of this report that the value of the Consolidated Entity's listed property trust investments is impaired. This determination has arisen due to the significant and prolonged decline in value of listed property trusts during the year and market conditions within the property sector generally.

13 Investments in controlled entities

	Fund 2011 Ownership %	Fund 2011 $'000	Fund 2010 Ownership %	Fund 2010 $'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 (formerly Multiplex Defence Plaza Investment Trust)	100	69,003	100	69,003
Brookfield King Street Wharf Site 3B Landowning Trust (formerly Brookfield Multiplex King Street Wharf Site 3B Landowning Trust)	100	89,234	100	89,234
Brookfield Prime 108 St George's Terrace Holdings Trust	100	6,500	–	–
Brookfield Prime 111 Bourke Street Holdings Trust	100	6,000	–	–
Brookfield Multiplex LPS Investment Trust (formerly Multiplex Acumen LPS Investment Trust)	100	63,104	100	63,104
Provision for impairment	100	(61,175)	100	(61,175)
Total Investments in controlled entities		**565,283**		**552,783**

A review of the carrying value of the investment in controlled entities at 30 June 2011 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.

14 Trade and other payables

	Consolidated 2011 $'000	2010 $'000
Management fees payable	12,020	7,924
Interest payable	175	149
Other payables and accruals	1,980	2,770
Total trade and other payables	**14,175**	**10,843**

15 Interest bearing liabilities

	Consolidated 2011 $'000	2010 $'000
Non-current		
Secured bank debt	363,014	475,814
Debt establishment fees	–	(1,280)
Total interest bearing liabilities – non-current	**363,014**	**474,534**
Total interest bearing liabilities	**363,014**	**474,534**

	Expiry Date	Consolidated 2011 $'000	2010 $'000
Finance arrangements			
Facilities available			
Bank debt facilities			
- Term facility	30 June 2014	363,014	363,014
- Partly paid facility	31 December 2011	–	112,800
Total available interest bearing liabilities		**363,014**	**475,814**
Less: facilities utilised			
- Term facility		363,014	363,014
- Partly paid facility		–	112,800
Total facilities utilised		**363,014**	**475,814**
Unused facilities at reporting date			
- Term facility		–	–
- Subordinated debt facility		–	–
Total unused facilities		**–**	**–**

New Senior Debt Facility

The Fund has entered into a new facility with its financiers for a total 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. In addition 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 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

15 Interest bearing liabilities continued

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 as part of the Fund's purchase of SX West building. At the date of this report a total of $101,000,000 has been drawn under this facility post year end.

The rate is a margin of 2% above the facility margin on the Senior Debt Facility. Maturity date is 12 months following the initial drawdown date. Post year end on 24 August 2011, the Fund has entered into an agreement that provides the Fund with the option of extending the maturity date on the Subordinated Debt Facility by up to a further 12 months.

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 %	Notional amount of contracts outstanding $'000	Fair value (assets) $'000	Fair value (liabilities) $'000
As at 30 June 2011	July 2011	Floating to fixed	5.68	470,000	–	263
As at 30 June 2010	July 2011	Floating to fixed	5.68	470,000	–	4,335

The Fund and Consolidated Entity are party to swaption agreements which provide the existing financier the option to extend the existing interest rate swap agreements to 2016 at a rate of 5.88%. If the Fund refinances with a counterparty bank other than the existing financiers or repays the debt, it would either have to novate the swap contracts or settle the outstanding mark-to-market asset/liability at that point in time. At 30 June 2011, the fair value of the swaption derivatives is a liability of $12,511,000 (2010: liability of $13,471,000).

Post year end both Australia and New Zealand Bank and National Australia Bank exercised their options under the swaption.

16 Units on issue

	Year ended 30 June 2011 $'000	Year ended 30 June 2011 Units	Year ended 30 June 2010 $'000	Year ended 30 June 2010 Units
Units on issue				
Opening balance	327,610	50,435,806	273,092	281,764,877
Issue of units	–	–	50,154	50,154,148,106
Consolidation of units	–	–	–	(50,385,477,177)
Equity receivable movement	4,428	–	4,364	–
Closing balance	**332,038**	**50,435,806**	**327,610**	**50,435,806**
Unit issue costs				
Opening balance	24,428	–	20,375	–
Entitlement offer costs	–	–	4,053	–
Closing balance	**24,428**	**–**	**24,428**	–
Total units on issue	**307,610**	**50,435,806**	**303,182**	**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.

Capital Call

On the 15 June 2011, the fund completed the call on the partially paid units held by investors. The proceeds of this call were used to repay in full the partly paid debt facility of $112,800,000. At 30 June 2011, $741,000 remained outstanding from individual investors in relation to the partly paid call. All outstanding monies were recovered through July 2011 and the successful completion of a public auction on 26 July 2011.

17 Reserves

	Consolidated 2011 $'000	2010 $'000
Available for sale reserve	19	677
Hedge reserve	–	(13,097)
Total reserves	**19**	**(12,420)**

Available for sale reserve

	Consolidated Year ended 30 June 2011 $'000	Year ended 30 June 2010 $'000
Opening balance	677	–
Fair value movement in relation to listed investments	(658)	677
Closing balance	**19**	**677**

The Consolidated Entity recognised an impairment loss on its listed property trust portfolio during the year. Refer to investments – available for sale (Note 12) for further details.

Hedge reserve

	Consolidated Year ended 30 June 2011 $'000	Year ended 30 June 2010 $'000
Opening balance	(13,097)	(26,195)
Fair value movement in relation to interest rate swap hedges	13,097	13,098
Closing balance	**–**	**(13,097)**

In applying the Consolidated Entity's accounting policy relating to derivative financial instruments and hedging activities, the Consolidated Entity has recorded the current year's movement in the fair value of derivatives through the Statement of Comprehensive Income. All future movements in the fair value of the Consolidated Entity's existing derivatives will be recorded through the Statement of Comprehensive Income. The balance of the hedge reserve has been amortised over the remaining life of the existing derivatives to the Statement of Comprehensive Income.

18 Undistributed losses

	Consolidated Year ended 30 June 2011 $'000	Year ended 30 June 2010 $'000
Opening balance	(77,926)	(92,772)
Net profit	37,539	14,846
Distributions to unitholders	(756)	–
Closing balance	**(41,143)**	**(77,926)**

19 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.

19 Financial instruments continued

a Capital risk management continued

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 Fund's or 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.

b 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 unitholders, 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.

Equity receivable

During the period the Fund called the outstanding equity from investors. See Note 16 for further details.

19 Financial instruments continued

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 2010.

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 2011 $'000	Year ended 30 June 2010 $'000
Cash and cash equivalents	17,890	13,231
Trade and other receivables	261	3,036
Equity receivable	741	108,397
Other receivable	12,500	–
Investments – available for sale	111	5,145
Total exposure to credit risk	**31,503**	**129,809**

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 2011.

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 2011 (2010: nil).

19 Financial instruments continued

c Credit risk continued

Financial assets past due but not impaired

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

	Consolidated	
	Year ended 30 June 2011 $'000	Year ended 30 June 2010 $'000
Current	13,502	111,410
Past due 0-30 days	1	10
Past due 31-120 days	–	13
Past due 121 days to one year	–	–
More than one year	–	–
Total trade and other receivables	**13,503**	**111,433**

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 (2010: nil). During the year ended 30 June 2011, receivables totalling $ nil were written off by the Consolidated Entity (2010: 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 15) for details of banking facilities available.

Investments – available for sale

The Consolidated Entity's listed investments are considered readily realisable as they are listed on the Australian Stock Exchange. 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 2010.

Defaults and breaches

During the financial years ended 30 June 2011 and 30 June 2010, the Consolidated Entity was not in default or breach of any terms of its loan amounts or covenants.

Maturity analysis of financial liabilities

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

19 Financial instruments continued

d Liquidity risk continued

	Consolidated $'000					
	Carrying amount	Contractual cash flows	0 to 12 months	1 to 2 years	2 to 5 years	Greater than 5 years
2011						
Trade and other payables	14,175	14,175	14,175	–	–	–
Interest bearing liabilities	363,014	363,014	–	–	363,014	–
Effect of interest rate swap	12,774	12,774	12,774	–	–	–
Total financial liabilities	**389,963**	**389,963**	**26,949**	**–**	**363,014**	**–**
2010						
Trade and other payables	10,843	10,843	10,843	–	–	–
Interest bearing liabilities	474,534	509,787	22,649	487,138	–	–
Effect of interest rate swap	17,806	40,044	26,696	13,348	–	–
Total financial liabilities	**503,183**	**560,674**	**60,188**	**500,486**	**–**	**–**

Other derivatives

The Consolidated Entity is counterparty to a swaption agreement which enables the financiers of the Consolidated Entity's existing financing facilities to extend the terms of the interest rate swaps for a period of five years at a rate 20 basis points higher than the current hedged rate. The ability for the financiers to extend the existing interest rate swap agreements is nullified if the existing facilities are repaid prior to this date. At 30 June 2011 the value of the swaptions was a liability of $12,511,000 (2010: $13,471,000). The option under the swaption was exercised by the financiers post year end on 27 July 2011.

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 are on a fixed rate basis. This is achieved by entering into interest rate swaps, as detailed in interest bearing liabilities (Note 15).

19 Financial instruments continued

e Market risk continued

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

	Floating rate $'000	Fixed rate $'000	Non-interest bearing $'000	Total $'000
Consolidated 2011				
Financial assets				
Cash and cash equivalents	17,890	–	–	17,890
Trade and other receivables	–	–	13,503	13,503
Investments available for sale	–	–	111	111
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**
Consolidated 2010				
Financial assets				
Cash and cash equivalents	13,231	–	–	13,231
Trade and other receivables	–	–	111,433	111,433
Investments available for sale	–	–	5,145	5,145
Total financial assets	**13,231**	**–**	**116,578**	**129,809**
Financial liabilities				
Trade and other payables	–	–	10,843	10,843
Interest bearing liabilities	474,534	–	–	474,534
Financial derivatives	17,806	–	–	17,806
Total financial liabilities	**492,340**	**–**	**10,843**	**503,183**

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.

	2011 + 1% Profit and loss $'000	2011 + 1% Equity $'000	2011 - 1% Profit and loss $'000	2011 - 1% Equity $'000	2010 + 1% Profit and loss $'000	2010 + 1% Equity $'000	2010 - 1% Profit and loss $'000	2010 - 1% Equity $'000
Consolidated Entity								
Interest on cash	179	179	(179)	(179)	132	132	(132)	(132)
Trade and other receivables	–	135	–	(135)	–	(1,075)	–	(1,075)
Interest bearing liabilities	3,630	3,630	(3,630)	(3,630)	(4,758)	(4,758)	4,758	4,758
Swap proceeds	4,700	4,700	(4,700)	(4,700)	4,700	4,700	(4,700)	(4,700)
Fair value of derivatives	6,187	6,187	(11,261)	(11,261)	18,001	18,001	(26,068)	(26,068)
Total	**14,696**	**14,831**	**(19,770)**	**(19,905)**	**18,075**	**17,000**	**(26,142)**	**(27,228)**

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 (2010: 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.

19 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.

f 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.

	2011		2011		2010		2010	
	+ 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)	515	515	(515)	(515)

g 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. Refer to investments – available for sale (Note 12) for further details.

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 2011. 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.

19 Financial instruments continued

g Fair values continued

Consolidated Entity – at 30 June 2011	Level 1 $'000	Level 2 $'000	Total $'000
Assets			
Investments – available for sale	111	–	111
Total assets	**111**	**–**	**111**
Liabilities			
Financial derivatives at fair value through profit or loss	–	12,774	12,774
Total liabilities	**–**	**12,774**	**12,774**

Consolidated Entity – at 30 June 2010	Level 1 $'000	Level 2 $'000	Total $'000
Assets			
Investments – available for sale	5,145	–	5,145
Total assets	**5,145**	**–**	**5,145**
Liabilities			
Financial derivatives at fair value through profit or loss	–	17,806	17,806
Total liabilities	**–**	**17,806**	**17,806**

As at 30 June 2011 and 30 June 2010, 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.

20 Reconciliation of cash flows from operating activities

	Consolidated	
	Year ended 30 June 2011 $'000	Year ended 30 June 2010 $'000
Net profit/(loss) for the year	**37,539**	**14,846**
Adjustments for:		
Items classified as investing activities		
- Share of net profit of investments accounted for using the equity method	(45,239)	(41,961)
- Gain on sale of investments	(990)	–
- Distribution income from listed property trusts	(3)	(287)
Non cash items		
- Amortisation expense	16,230	13,098
- Impairment expense	93	679
- Net gain from revaluation of investment properties	(19,023)	(3,900)
- Net gain on revaluation of financial derivatives	(6,884)	(6,614)
- Interest expense	–	1,851
- Other	12	–
Operating loss before changes in working capital	**(18,265)**	**(22,288)**
Changes in assets and liabilities during the year:		
Decrease/(increase) in trade and other receivables	642	(35)
Increase in trade and other payables	5,205	4,182
Net cash flows used in operating activities	**(12,418)**	**(18,141)**

21 Related parties

Responsible Entity

The Responsible Entity of the Fund is Brookfield Capital Management Limited (formerly Brookfield Multiplex Capital Management Limited).

21 Related parties continued

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)
Tim Harris (appointed 17 March 2010 – resigned 16 May 2011)
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 immediate 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 (formerly Brookfield Multiplex 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 2010 has not been met.

During the current year and as at 30 June 2011, no performance fee has been paid or is payable (2010: 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 2011 was $4,096,000 (2010: $3,895,000).

21 Related parties continued

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 21.6% of the Fund at year end (2010: 10,893,945 units or 21.6%).
- JP Morgan Nominees Australia Limited as custodian for BCML, as Responsible Entity for Brookfield Australia Opportunities Fund (formerly Multiplex Acumen Property Fund) holds 2,521,890 units or 5.0% of the Fund (2010: 4,993,155 units or 9.9%).
- Brookfield Capital Securities Limited (formerly Brookfield Multiplex Capital Securities Limited) as trustee of Brookfield Multiplex PPF Investment No 2 Trust holds 25,895,419 units or 51.3% of the Fund at the reporting date (2010: 23,424,154 units or 46.4%).

	Consolidated	
	Year ended 30 June 2011 $'000	Year ended 30 June 2010 $'000
Transactions with associates		
Distribution income	30,883	28,006
Distributions receivable (included in trade and other receivables)	–	1,994
Transactions with the Responsible Entity		
Management fees	4,096	3,895
Expense reimbursements	–	66
Management fees payable (included in trade and other payables)	12,020	7,924
Transactions with related parties of the Responsible Entity		
Underwriting fees	–	1,573
Distributions paid	589	–
Custody fees	25	21
Custody fees payable	48	24

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.

Irrevocable offers

The subsidiaries that own the assets of the Consolidated Entity (excluding the listed property trust (A-REIT) portfolio) have each granted an irrevocable offer in favour of Brookfield giving it the right to acquire those assets upon a change in the responsible entity of the Consolidated Entity to an entity that is not a Brookfield member or a transaction that results in the trustee of the sub-trust being controlled by an entity which is not a Brookfield member (each referred to as an Acceptance Event).

In certain circumstances, these rights are subject to any pre-existing prior options or rights of pre-emption in favour of third parties. The price will be the market price as determined by an independent valuer or accountant in accordance with generally accepted valuation standards, practices and principles, unless the parties agree on a market price without awaiting the valuation. The independent valuer or accountant must take into account certain factors such as the current market value of assets of comparable quality, composition and asset holding, the current and potential tenants likely to be obtainable in the marketplace for the underlying real property assets given their nature and quality and that the parties are willing but not anxious. Brookfield may accept the offer within four months of an Acceptance Event occurring.

Right of first and last refusal

The owners of the subsidiaries that own the assets of the Consolidated Entity (excluding the A-REIT portfolio) have each agreed with Brookfield they must not sell or otherwise deal with those assets unless they offer the asset to Brookfield on a first and last basis.

In certain circumstances, these rights are subject to any pre-existing prior options or rights of pre-emption in favour of third parties. If the Consolidated Entity wishes to transact with any of these assets, it must give Brookfield Multiplex a notice of its desire to do so, enclosing a terms sheet.

If Brookfield wishes to accept the offer, it has 30 business days to notify the Consolidated Entity of its acceptance. If Brookfield does not wish to accept the first offer, the Consolidated Entity may, subject to the right of last refusal, negotiate in relation to the same transaction with third parties.

21 Related parties continued

Right of first and last refusal continued

If, following those negotiations, the Consolidated Entity wishes to enter into a legally enforceable agreement with a third party, the Consolidated Entity must again give Brookfield notice of its desire to sell, disclosing the terms of the final offer (including price and identity of the third party) together with formal transaction documents. If Brookfield wishes to accept the offer, it has 20 business days to notify the Consolidated Entity of its acceptance.

If Brookfield does not wish to accept the final offer, the Consolidated Entity may transact with the third party on the terms set out in the terms sheet and the formal transaction documents. If the transaction does not proceed with the third party within six months after the end of the 20 business day period, the first and last right of refusal process must recommence.

If the Consolidated Entity wishes to transact with Brookfield directly in relation to any of the Consolidated Entity's assets (excluding the A-REIT portfolio), including any future assets that the Consolidated Entity may purchase, or if the Consolidated Entity receives an unsolicited offer from Brookfield, it must at all times comply with the Brookfield conflicts policy. That is, it will require the unanimous approval of the Independent Directors on the Board of the Responsible Entity to any such transaction. In addition, the Responsible Entity will not transact with Brookfield in relation to any of the Consolidated Entity's assets (excluding the A-REIT portfolio), including any future assets that the Consolidated Entity may purchase, at a price less than the price determined at that time by an independent valuer in accordance with generally accepted valuation standards, practices and principles.

Capital Call

On the 15 June 2011, the fund completed the call on the partially paid units held by investors. The proceeds of this call were used to repay in full the partly paid debt facility of $112,800,000. At 30 June 2011, $741,000 remained outstanding from individual investors in relation to the partly paid call. All outstanding monies were recovered through July and the successful completion of a public auction on 26 July 2011.

Subordinal debt facility

A subordinated debt facility has been entered into. The first draw under the facility was after year end. See note 15 for further details.

22 Contingent liabilities and assets

No contingent liabilities or assets existed at 30 June 2011 or 30 June 2010.

23 Capital and other commitments

There was no capital or other commitments at 30 June 2011 or 30 June 2010.

24 Events subsequent to the reporting date

Purchase of assets

Post year end, on 1 July, the Fund purchased a 50% interest in a property at 108 St George's Terrace, Perth, whose principal tenant is Bankwest ('Bankwest' building). Purchase price was $130m plus acquisition costs. On 15 July the Fund purchased a 50% interest in a property at 111 Bourke Street ('SX West'). Purchase price was $120m plus acquisition costs.

Exercise of Swaption

The option under the swaption was exercised by the financiers post year end on 27 July 2011.

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

Extension of Subordinated Debt Facility

Post year end on 26 August 2011, the Fund has entered into an agreement that provides the Fund with the option of extending the maturity date on the Subordinated Debt Facility by up to a further 12 months.

Declaration of Distribution

Post year end on 26 August 2011, the Board of the Responsible Entity resolved to pay a distribution of 2.0 cents per unit payable on or around 26 September 2011.

Directors' Declaration
Brookfield Prime Property Fund
For the year ended 30 June 2011

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 13 to 41, are in accordance with the *Corporations Act 2001*, including:

  i giving a true and fair view of the financial position of the Consolidated Entity as at 30 June 2011 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 2011.

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 26th day of August 2011.

Russell Proutt
Director
Brookfield Capital Management Limited

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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 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 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 13 to 42.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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 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

Helen Hamilton-James
Partner
Chartered Accountants
Parramatta, 26 August 2011

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