Appendix 4E – Additional Disclosure
Brookfield Prime Property Fund

For the year ended 30 June 2014

Name of Fund:	Brookfield Prime Property Fund (BPA or Fund)
Details of reporting period	
Current reporting period:	1 July 2013 to 30 June 2014
Prior corresponding period:	1 July 2012 to 30 June 2013

This Appendix 4E should be read in conjunction with the Financial Report for the year ended 30 June 2014.
It is also recommended that the Financial Report be considered together with any public announcements made by the Fund during the year ended 30 June 2014 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

Results for announcement to the market

	Year ended 30 June 2014 $'000	**Year ended 30 June 2013 $'000**	**Movement $'000**	**Movement %**
Total revenue and other income	81,578	116,838	(35,260)	(30%)
Total expenses	(61,638)	(61,054)	(584)	1%
Net profit/(loss) attributable to the unitholders of BPA	19,940	55,784	(35,844)	(64%)
Property fair value adjustments included in the above from				
Direct property investments	1,310	22,814	(21,504)	(94%)
Investments accounted for using the equity method	5,214	21,586	(16,372)	(76%)
Earnings per unit (cents)	40.67	113.65	(72.98)	(64%)

Distributions

Distributions declared/paid to ordinary unitholders were as follows:

	Cents per unit	**Total amount $'000**	**Date of payment**
Ordinary units			
September 2013 distribution	2.0	981	31 October 2013
December 2013 distribution	2.0	980	31 January 2014
March 2014 distribution	2.0	981	30 April 2014
June 2014 distribution	2.0	980	31 July 2014
Total distribution for the year ended 30 June 2014	**8.0**	**3,922**	
Ordinary units			
September 2012 distribution	2.0	983	19 October 2012
December 2012 distribution	2.0	981	31 January 2013
March 2013 distribution	2.0	981	30 April 2013
June 2013 distribution	2.0	980	31 July 2013
Total distribution for the year ended 30 June 2013	**8.0**	**3,925**	

This preliminary final report is given to the ASX in accordance with Listing Rule 4.3.A.

Commentary and analysis of the results for the current year can be found in the attached Brookfield Prime Property Fund ASX release dated 25th August 2014. This ASX release forms part of the Appendix 4E.

The Fund has a formally constituted Audit Committee of the Board of Directors. The release of the report was approved by resolution of the Board of Directors on 25th August 2014.

Brookfield Prime Property Fund
Financial report
For the year ended
30 June 2014

Brookfield Prime Property Fund

ARSN 110 096 663

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Brookfield Prime Property Fund

For the year ended 30 June 2014

Directory

Brookfield Prime Property Fund
For the year 30 June 2014

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

Directors of Brookfield Capital Management Limited
F. Allan McDonald
Barbara Ward
Brian Motteram (resigned 28 February 2014)
Russell Proutt
Shane Ross (resigned and appointed alternate director 28 February 2014)

Company Secretary of Brookfield Capital Management Limited
Neil Olofsson

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

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

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

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

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

Introduction
The Directors of Brookfield Capital Management Limited (ABN 32 094 936 866), the Responsible Entity of Brookfield Prime Property Fund (ARSN 110 096 663) (Fund), present their report together with the financial statements of the Consolidated Entity, being the Fund, its subsidiaries and the Consolidated Entity's interest in associates for the year ended 30 June 2014 and the Independent Auditor's Report thereon.

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

Responsible Entity
The Responsible Entity of the Fund is Brookfield Capital Management Limited (BCML). BCML became the Responsible Entity on 5 July 2005. The registered office and principal place of business of the Responsible Entity 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	Non-Executive Independent Chairman
Barbara Ward	Non-Executive Independent Director
Brian Motteram (resigned 28 February 2014)	Non-Executive Independent Director
Russell Proutt	Executive Director
Shane Ross (resigned and appointed alternate 28 February 2014)	Executive Director/Alternate Director

Information on Directors
F. Allan McDonald (BEcon, FCPA, FAIM, FGIA), Non-Executive Independent Chairman
Allan was appointed the Non-Executive Independent Chairman of BCML on 1 January 2010 and also performs that role for Brookfield Funds Management Limited (BFML). Allan has had extensive experience in the role of Chairman and is presently associated with a number of companies as a consultant and Company Director. BCML is also the Responsible Entity for listed fund Multiplex European Property Fund (MUE). BFML is the Responsible Entity for the listed Multiplex SITES Trust. Allan's other directorship of listed entities is Astro Japan Property Management Limited (Responsible Entity of Astro Japan Property Trust) (appointed February 2005). During the past 3 years Allan has also served as a director of Billabong International Limited (appointed July 2000 – October 2012) and Brookfield Office Properties Inc. (May 2011 – June 2014).

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

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

Shane Ross (BBus), Executive Director/Alternate 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, resigned on 28 February 2014 and was appointed Alternate Director for Russell on that date. BCML is also the Responsible Entity for listed fund MUE. Shane joined the organisation in 2003 following a background in banking and has over 20 years experience in treasury and finance within the property industry.

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

Directors' interests

The following table sets out each Director's relevant interest in the units, debentures, 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	–
Barbara Ward	–
Russell Proutt	–
Shane Ross	–

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

Directors' meetings

	Board Meetings		Audit Committee Meetings		Board Risk and Compliance Committee Meetings	
Director	A	B	A	B	A	B
F. Allan McDonald	4	4	2	2	2	2
Barbara Ward	4	4	2	2	2	2
Brian Motteram	3	3	2	2	2	2
Russell Proutt	3	4	n/a	n/a	n/a	n/a
Shane Ross	4	4	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, or the number of meetings held that the Alternate Director was eligible to attend 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 $19,940,000 for the year ended 30 June 2014 (2013: net profit $55,784,000). The reported net profit includes $1,310,000 in unrealised gains on revaluations of the investment property portfolio directly held by the Consolidated Entity (2013: net gain of $22,814,000). The Consolidated Entity's associates recognised an unrealised increase on underlying investment properties, of which the Consolidated Entity's share was $5,214,000 (2013: unrealised profit of $21,586,000).

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

- total revenue and other income of $81,578,000 (2013: $116,838,000);
- net profit of $19,940,000 (2013: $55,784,000);
- earnings per unit (EPU) of 40.67 cents (2013: 113.65 cents);
- net assets of $312,500,000 as at 30 June 2014 (2013: $287,944,000) and net assets per unit of $6.37 (2013: $5.87);
- interest rate swap liability of $27,996,000 (2013: $36,539,000). The decrease in fair value of $8,543,000 from June 2013, has increased the net assets of the Fund by 17.43 cents per unit.
- property portfolio value of $894,750,000 as at 30 June 2014 (2013: $880,125,000), including $6,524,000 in net increase in revaluations of investment properties recorded during the year (including investment properties held by associates) (2013: net gain of $44,400,000); and
- portfolio occupancy at 99% (2013: 99%) with a weighted average lease expiry by income and by ownership of 4.70 years as at 30 June 2014 (2013: 5.20 years).

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

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

The Statement discloses the extent to which BCML has followed the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations with 2010 Amendments (2nd edition), (the ASX Principles) during the reporting period.

The ASX Principles are guidelines for businesses which set out eight core principles the Corporate Governance Council believes lie behind good corporate governance. BCML is committed to maintaining high standards of corporate governance.

As a wholly owned subsidiary of Brookfield Australia Investments Limited (BAIL), BCML will, wherever possible, make use of the existing governance framework and expertise within the Brookfield Australia Investments Group (the Group) as it applies to the Fund's operations and will continue to review and update its governance practices and policies from time to time.

The Principles have been adopted by BCML, where appropriate, to ensure stakeholder interests are protected, however, some of the Principles are neither relevant nor practically applicable to the investment structure of the Fund. This Statement outlines BCML's main governance policies and practices, and the extent of its compliance with the ASX Principles for the reporting period 1 July 2013 to 30 June 2014.

Principle 1: Lay solid foundations for management and oversight
It is the Board's responsibility to ensure that the foundations for management and oversight of the Fund are established and documented appropriately.

Role of the Board & Senior Executives
The Board identifies the role of the Board, its committees and the powers reserved to the Board in a charter. The Board Charter reserves the following powers for the Board:
- approval of risk management strategy;
- approval of financial statements and any significant changes to accounting policies;
- approval of distribution payments;
- approval and monitoring of major investments or divestitures and strategic commitments;
- consideration of recommendations from the Audit Committee and Board Risk and Compliance Committee; and
- any matter which, according to law, is expressly reserved for Board determination.

A copy of the Board Charter is available on the Brookfield Australia website at www.au.brookfield.com.

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

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

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

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

Corporate governance continued

Principle 2: Structure the Board to add value

Majority of Independent Directors

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

Name	Position held	Independent (Yes/No)	Date appointed to the Board
F. Allan McDonald	Non-Executive Independent Chairman	Yes	1 January 2010
Barbara Ward	Non-Executive Independent Director	Yes	1 January 2010
Brian Motteram	Non-Executive Independent Director	Yes	Resigned 28 February 2014
Russell Proutt	Executive Director	No	1 January 2010
Shane Ross	Executive Director/Alternate Director	No	Resigned as Executive Director and appointed Alternate Director 28 February 2014

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

Chairperson and independence

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

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

Roles of the Chairman and CEO

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

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

Nomination Committee

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

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

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

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

Induction and education

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

Access to information

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

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

The Board and the Company Secretary

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

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

Corporate governance continued

Principle 3: Promote ethical and responsible decision making

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

Code of Business Conduct and Ethics

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

A copy of the Code is available on the Brookfield Australia website at www.au.brookfield.com.

Diversity Policy

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

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

Principle 4: Safeguard integrity in financial reporting

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

Audit Committee

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

The Audit Committee is responsible for:
- overseeing financial reporting to ensure balance, transparency and integrity; and
- evaluating and monitoring the effectiveness of the external audit function.

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

Name	Position	Number of Meetings in Year	Attendance
Brian Motteram [1]	Chairman	2	2
Barbara Ward [1]	Chairman	2	2
F. Allan McDonald	Member	2	2

1 Barbara Ward was appointed the Chairman of the Audit Committee following Brian Motteram's resignation on 28 February 2014.

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

With reduced number of members to two, the Audit Committee does not satisfy all the requirements of ASX Recommendation 4.2 which suggests that an audit committee should have 'at least three members'. The structure of the Audit Committee satisfied the three other requirements of Recommendation 4.2.

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

Charter of the Audit Committee

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

A copy of the Audit Committee's Charter is available on the Brookfield Australia website at www.au.brookfield.com.

Principle 5: Make timely and balanced disclosure

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

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

A copy of the Continuous Disclosure Policy is available on the Brookfield Australia website at www.au.brookfield.com.

Corporate governance continued

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

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

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

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

Principle 7: Recognise and manage risk

Risk management and compliance framework

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

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

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

Name	Position	Number of Meetings in Year	Attendance
Barbara Ward	Chairman	2	2
F. Allan McDonald	Member	2	2
Brian Motteram (resigned 28 February 2014)	Member	2	2

The Board Risk and Compliance Committee is governed by a formal Charter which is available on the Brookfield Australia website at www.au.brookfield.com.

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

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

Risk management and internal control system

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

A summary of BCML's policies on risk oversight and management is available on the Brookfield Australia website at www.au.brookfield.com.

Chief Executive Officer and Chief Financial Officer Assurance

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

Principle 8: Remunerate fairly and responsibly

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

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

Interests of the Responsible Entity

Management fees

For the year ended 30 June 2014, the Consolidated Entity incurred $6,068,000 in management fees to the Responsible Entity (2013: $5,803,000). $1,486,000 of management fees remain payable as at year end (2013: $1,446,000).

Investments held

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

- Multiplex Colt Investments Pty Ltd as trustee for Multiplex Colt Investment Trust holds 10,893,945 units or 22.2% of the Fund at year end (2013: 10,893,945 units or 22.2%);
- Brookfield Securities (Australia) Pty Ltd holds 2,663,073 units or 5.4% of the Fund at year end (2013: 2,663,073 units or 5.4%); and
- Brookfield Capital Securities Limited as trustee of Brookfield Multiplex PPF Investment No 2 Trust holds 25,895,419 units or 52.8% of the Fund at year end (2013: 25,895,419 units or 52.8%).

Significant changes in the state of affairs

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

Events subsequent to reporting date

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

Likely developments

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

Environmental regulation

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

Distributions

Distributions declared/paid to unit holders were as follows:

	Cents per unit	Total amount $'000	Date of payment
Ordinary units			
September 2013 distribution	2.0	981	31 October 2013
December 2013 distribution	2.0	980	31 January 2014
March 2014 distribution	2.0	981	30 April 2014
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Total distribution for the year ended 30 June 2014	**8.0**	**3,922**	
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December 2012 distribution	2.0	981	31 January 2013
March 2013 distribution	2.0	981	30 April 2013
June 2013 distribution	2.0	980	31 July 2013
Total distribution for the year ended 30 June 2013	**8.0**	**3,925**	

Distributions declared for the years ended 30 June 2014 and 30 June 2013 were declared out of the Consolidated Entity's realised revenues and expenses.

Debt refinancing

Effective 24 June 2014, the Fund entered into a new three year $520 million senior debt facility and a three year extension of its subordinated debt facility provided by a subsidiary of Brookfield Asset Management Inc. Refer to Note 14 for details of the key terms of the loans.

Indemnification and insurance of officers and auditors

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

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

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

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

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

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

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

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

Non-audit services

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

No fees for non-audit services were incurred by the Consolidated Entity to Deloitte during the current year (2013: nil).

Remuneration report

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

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

F. Allan McDonald
Barbara Ward
Brian Motteram (resigned 28 February 2014)
Russell Proutt
Shane Ross (resigned and appointed alternate director 28 February 2014)

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

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

Loans to Directors and Key Management Personnel of the Responsible Entity

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

Other transactions with Directors and Specified Executives of the Responsible Entity

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

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

b Management fees

The management fees incurred by the Consolidated Entity and paid or payable to the Responsible Entity for the year ended 30 June 2014 were $6,068,000 (2013: $5,803,000).

Rounding of amounts

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

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

The lead auditor's independence declaration is set out on page 13 and forms part of the Directors' Report for the year ended 30 June 2014.

Dated at Sydney this 25th day of August 2014.

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
A.B.N. 74 490 121 060

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

25 August 2014

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 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours faithfully

DELOITTE TOUCHE TOHMATSU

Helen Hamilton-James
Partner
Chartered Accountants

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Brookfield Prime Property Fund

For the year ended 30 June 2014

	Note	Consolidated Year ended 30 June 2014 $'000	Year ended 30 June 2013 $'000
Revenue and other income			
Property rental income		44,444	43,955
Share of net profit of investments accounted for using the equity method	6	34,775	49,588
Net gain on revaluation of investment properties	11	1,310	22,814
Interest income		404	372
Other income		645	109
Total revenue and other income		**81,578**	**116,838**
Expenses			
Property expenses		11,213	10,393
Finance costs to external parties		43,999	44,307
Management fees		6,068	5,803
Other expenses		358	551
Total expenses		**61,638**	**61,054**
Net profit for the year		**19,940**	**55,784**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Changes in cash flow hedge reserve		8,543	7,783
Changes in fair value of available for sale financial assets		(5)	14
Other comprehensive income for the year		**8,538**	**7,797**
Total comprehensive income for the year		**28,478**	**63,581**
Net profit attributable to ordinary unitholders		**19,940**	**55,784**
Total comprehensive income attributable to ordinary unitholders		**28,478**	**63,581**
Earnings per unit			
Basic and diluted earnings per ordinary unit (cents)	8	40.67	113.65

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

Consolidated Statement of Financial Position
Brookfield Prime Property Fund
As at 30 June 2014

	Note	Consolidated 2014 $'000	2013 $'000
Assets			
Current assets			
Cash and cash equivalents		23,585	12,210
Trade and other receivables	10	1,303	812
Total current assets		**24,888**	**13,022**
Non-current assets			
Investment properties	11	458,500	449,000
Investments accounted for using the equity method	6	433,863	430,047
Total non-current assets		**892,363**	**879,047**
Total assets		**917,251**	**892,069**
Liabilities			
Current liabilities			
Trade and other payables	13	9,971	7,281
Total current liabilities		**9,971**	**7,281**
Non-current liabilities			
Interest bearing liabilities	14	566,784	560,305
Fair value of financial derivatives	14	27,996	36,539
Total non-current liabilities		**594,780**	**596,844**
Total liabilities		**604,751**	**604,125**
Net assets		**312,500**	**287,944**
Equity			
Units on issue	15	302,047	302,047
Reserves	16	(10,334)	(18,872)
Undistributed profits	17	20,787	4,769
Total equity		**312,500**	**287,944**

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

Consolidated Statement of Changes in Equity
Brookfield Prime Property Fund
For the year ended 30 June 2014

Consolidated Entity	Ordinary units $'000	Undistributed profits/(losses) $'000	Reserves $'000	Total $'000
	Attributable to unitholders of the Fund			
Opening equity – 1 July 2013	**302,047**	**4,769**	**(18,872)**	**287,944**
Changes in cash flow hedge reserve	–	–	8,543	**8,543**
Changes in fair value of available for sale financial assets	–	–	(5)	**(5)**
Other comprehensive income for the year	**–**	**–**	**8,538**	**8,538**
Net profit for the year	–	19,940	–	**19,940**
Total comprehensive income for the year	**–**	**19,940**	**8,538**	**28,478**
Transactions with unitholders in their capacity as unitholders:				
Distributions declared/paid	–	(3,922)	–	**(3,922)**
Total transactions with unitholders in their capacity as unitholders	**–**	**(3,922)**	**–**	**(3,922)**
Closing equity – 30 June 2014	**302,047**	**20,787**	**(10,334)**	**312,500**

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

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

Consolidated Statement of Cash Flows
Brookfield Prime Property Fund
For the year ended 30 June 2014

	Note	Consolidated Year ended 30 June 2014 $'000	Year ended 30 June 2013 $'000
Cash flows from operating activities			
Cash receipts in the course of operations		47,149	42,123
Cash payments in the course of operations		(19,449)	(19,543)
Interest received		400	358
Financing costs paid		(37,196)	(37,323)
Net cash flows used in operating activities	20	**(9,096)**	**(14,385)**
Cash flows from investing activities			
Payments for additions in investment properties		(6,088)	(15,764)
Proceeds from sale of listed property trust investments		41	–
Distributions received from investments in ASX listed property trusts		8	9
Distributions received from associates		30,629	29,266
Net cash flows from investing activities		**24,590**	**13,511**
Cash flows from financing activities			
Payment for units bought back		–	(852)
Debt establishment costs paid		(2,537)	–
Proceeds from interest bearing liabilities		520,000	–
Repayments of interest bearing liabilities		(517,660)	–
Distributions paid		(3,922)	(3,930)
Net cash flows used in financing activities		**(4,119)**	**(4,782)**
Net increase/(decrease) in cash and cash equivalents		11,375	(5,656)
Cash and cash equivalents at beginning of year		12,210	17,866
Cash and cash equivalents at 30 June		**23,585**	**12,210**

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

1 Reporting entity

Brookfield Prime Property Fund (Fund) is an Australian registered managed investment scheme under the *Corporations Act 2001*. Brookfield Capital Management Limited (BCML), the Responsible Entity of the Fund, is incorporated and domiciled in Australia. The consolidated financial statements of the Fund as at and for the year ended 30 June 2014 comprise the Fund and its subsidiaries and the Consolidated Entity's interest in associates.

2 Basis of preparation

a Statement of compliance

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

The financial statements were authorised for issue by the Directors on this 25th day of August 2014.

b Basis of measurement

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

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

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

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

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

c Use of estimates and judgements

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

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

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements is provided in investment properties (Note 11), financial instruments (Note 18) and non-financial assets and liabilities recognised at fair value (Note 19).

d New and amended standards adopted

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

AASB 10 *Consolidated Financial Statements* which replaces all of the guidance on control and consolidation. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities, whereby an investor controls an investee only if the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

AASB 11 *Joint Arrangements* which introduces a principle based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account for their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard AASB 131 *Interests in Joint Ventures*.

2 **Basis of preparation** continued

d New and amended standards adopted continued

AASB 12 *Disclosure of Interests in Other Entities* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards*, which set out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11 and replace the disclosure requirements previously found in AASB 127 *Separate Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures*.

AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* which sets out in a single standard a framework for measuring fair value, including related disclosure requirements in relation to fair value measurement. AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique.

AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* which removes the individual key management personnel disclosure requirements from AASB 124 Related Party Disclosures, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the *Corporations Act 2001*.

AASB 2012-2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to AASB 7)* which requires an entity to disclose information about rights of offset and related arrangements for financial instruments under an enforceable master netting agreement or similar arrangement.

AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle* which amends a number of pronouncements as a result of the 2009-2011 annual improvements cycle.

AASB 2012-10 *Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments* which provides transition guidance for the amendments to AASB 10 *Consolidated Financial Statements*.

These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The adoption of the above revised Standards and Interpretations has resulted in amended disclosures in the financial report but has not impacted the financial results of the Consolidated Entity.

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 of an entity is achieved where the Fund is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to significantly affect those returns through its power to direct the activities of the entity.

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Consolidated Entity. The assets and liabilities of foreign controlled entities are translated into Australian dollars at rates of exchange current at the period end date, while their income and expenditure are translated at the exchange rate at the date of the transactions.

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.

3 Significant accounting policies continued

a Principles of consolidation continued

Subsidiaries continued

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

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. Associates are accounted for using the equity method of accounting.

b Revenue recognition

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

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

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

Property rental revenue

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

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

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

Dividends and distributions

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

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

Interest revenue

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

3 Significant accounting policies continued

b Revenue recognition continued

Gain or losses on available for sale financial assets

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

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

c Leases

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

Operating leases

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

Leasing fees

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

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

Leasing incentives

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

d Expense recognition

Finance costs

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

Finance costs include:

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

Management fees

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

Performance fee

The Responsible Entity is entitled to a performance fee where the performance of the Fund in any six month period ending 30 June or 31 December exceeds that of the UBS Commercial Property Accumulation (200 Index). The performance fee is calculated in two tiers as follows:

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

3 Significant accounting policies continued

d Expense recognition continued

Performance fee continued

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

Other expenditure

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

e Goods and services tax (GST)

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

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

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

f Income tax – funds

Under current income tax legislation, the Fund is not liable for Australian income tax as unitholders are presently entitled at year end to the income of the trust estate calculated in accordance with the Trust Constitution and applicable tax law.

g Cash and cash equivalents

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

h Trade and other receivables

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

i Investment property

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

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

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

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. When internal valuations indicate a change from the carrying value between 2% and 5% the internal valuation will be adopted. 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.

3 Significant accounting policies continued

i Investment property continued

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

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

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

j Available for sale financial assets

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

k Associates

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

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

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

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

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

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

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

3 Significant accounting policies continued

l Derivative financial instruments

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

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

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

m Non-derivative financial instruments

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

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

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

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

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

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

n Impairment

Financial assets

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

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

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

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

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

3 Significant accounting policies continued

n Impairment continued

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

r Distributions

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

s Units on issue

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

t Segment reporting

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

u New 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 2014 but have not been applied in preparing this financial report:

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and liabilities. Since December 2013 it also sets out new rules for hedge accounting. The standard is applicable for financial years commencing on or after 1 January 2017 (deferred from 1 January 2015) but is available for early adoption.

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

3 Significant accounting policies continued

u New standards and interpretations not yet adopted continued

Financial assets may also be designated and measured at fair value through profit or loss if doing so eliminates or significantly reduces certain inconsistencies. For financial liabilities, the new requirements under AASB 9 only affect the accounting for financial liabilities designated at fair value through profit or loss.

New hedging rules will introduce expanded disclosure requirements and changes in presentation for hedge accounting.

The Consolidated Entity does not expect to adopt AASB 9 before its operative date and therefore will apply the new standard for the annual reporting period ending 30 June 2018. The Consolidated Entity is still assessing the consequential impact of the amendments.

AASB 1031 *Materiality (December 2013)* is an interim standard that cross references to other Standards and the Framework for the Preparation and Presentation of Financial Statements (issued December 2013) that contains guidance on materiality.

The AASB is progressively removing reference to AASB 1031 in all Standards and Interpretations, and once all these references have been removed AASB 1031 will be withdrawn.

AASB 1031 is applicable to financial statements with a reporting period beginning on or after 1 January 2014. It is not considered that the Standard will have a material effect on the financial statements.

AASB 2013-3 *Amendments to AASB-136 – Recoverable Amount Disclosures for Non-Financial Assets* addresses the disclosure of information about the recoverable amount of impaired assets if that value is based on fair value less cost of disposal.

AASB 2013-3 is applicable to financial statements with a reporting period beginning on or after 1 January 2014. The impact on the financial statements is still being assessed.

AASB 2013-4 *Amendments to Australian Accounting Standards – Novation of Derivative and Continuation of Hedge Accounting* amends AASB 139 *Financial Instruments: Recognition and Measurement* permits the continuation of hedge accounting in circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations.

AASB 2013-4 is applicable to financial statements with a reporting period beginning on or after 1 January 2014. It is not considered that the Standard will have a material effect on the financial statements.

AASB 2013-5 *Amendments to Australian Accounting Standard – Investment Entities* provides an exemption from consolidation of subsidiaries under AASB 10 *Consolidated Financial Statements* for entities which meet the definition of an "investment entity". Such entities would measure their investment in particular subsidiaries at fair value through profit and loss in accordance with AASB9 *Financial Instruments* or AASB 139 *Financial Instruments: Recognition and Measurement.*

AASB 2013-5 is applicable to financial statements with a reporting period beginning on or after 1 January 2014. The impact on the financial statements is still being assessed.

AASB 2013-9 *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments* Part B makes changes to particular Australian Accounting Standards to delete reference to AASB 1031.

Part C makes changes to a number of Australian Accounting Standards incorporating Chapter 6 "*Hedge Accounting*" into AASB 9 *Financial Instruments.*

AASB 2013-9 Part B is applicable to financial statements with a reporting period beginning on or after 1 January 2014. It is not considered that the Standard will have a material effect on the financial statements.

AASB 2013-9 Part C is applicable to financial statements with a reporting period beginning on or after 1 January 2015. It is not considered that the Standard will have a material effect on the financial statements.

There are no other standards that are not yet effective and that are expected to have a material impact on the Consolidated Entity in the current or future reporting periods and on foreseeable future transactions.

4 Parent entity disclosures

	Fund 2014 $'000	Fund 2013 $'000
Assets		
Current assets	86,186	63,765
Non-current assets	824,954	824,954
Total assets	**911,140**	**888,719**
Liabilities		
Current liabilities	81,505	76,351
Non-current liabilities	594,780	596,844
Total liabilities	**676,285**	**673,195**
Equity		
Units on issue	302,047	302,047
Reserves	(10,359)	(18,902)
Undistributed losses	(56,833)	(67,622)
Total equity	**234,855**	**215,523**

	Fund Year ended 30 June 2014 $'000	Fund Year ended 30 June 2013 $'000
Net profit for the year	14,711	18,892
Other comprehensive income for the year	8,543	7,783
Total comprehensive income for the year	**23,254**	**26,675**

5 Segment reporting

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

6 Investments accounted for using the equity method

	Consolidated 2014 $'000	2013 $'000
Brookfield Developments No. 6A Unit Trust	169,839	161,916
Latitude Landowning Trust	264,024	268,131
Total investments accounted for using the equity method	**433,863**	**430,047**

Brookfield Developments No.6 Unit Trust and Latitude Landowning Trust's place of incorporation and principal place of business is Australia. The principal activity for both entities is commercial property investment.

A summary of financial information for 2014 for investments and comparative prior year, not adjusted for the percentage ownership held by the Consolidated Entity, is detailed below:

	Brookfield Developments No.6A Unit Trust		Latitude Landowning Trust	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Current assets	46,053	6,137	4,530	1,873
Non-current assets	685,000	652,500	530,000	536,000
Total assets	**731,053**	**658,637**	**534,530**	**537,873**
Current liabilities	7,563	5,617	6,483	1,610
Non-current liabilities	44,133	5,360	–	–
Total liabilities	**51,696**	**10,977**	**6,483**	**1,610**
Net assets	**679,357**	**647,660**	**528,047**	**536,263**

	Brookfield Developments No.6A Unit Trust		Latitude Landowning Trust	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Opening net assets 1 July	647,660	623,240	536,263	508,679
Profit for the year	77,009	72,583	31,045	62,884
Distributions for the year	(45,311)	(48,163)	(39,260)	(35,300)
Closing net assets	**679,358**	**647,660**	**528,048**	**536,263**
Consolidated Entity's share (%)	25%	25%	50%	50%
Consolidated Entity's share ($)	169,839	161,916	264,024	268,131
Total investment accounted for using the equity method	**169,839**	**161,916**	**264,024**	**268,131**

	Brookfield Developments No.6A Unit Trust		Latitude Landowning Trust	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Revenues	89,744	82,372	46,630	73,173
Expenses	(12,735)	(9,789)	(15,585)	(10,289)
Income tax	–	–	–	–
Net profit for the year	**77,009**	**72,583**	**31,045**	**62,884**
Other comprehensive income	–	–	–	–
Total comprehensive income for the year	**77,009**	**72,583**	**31,045**	**62,884**

The Fund owns 50% of Latitude Landowning Trust and 25% of Brookfield Development No. 6A Unit Trust (2013: 50% and 25% respectively).

7 Auditor's remuneration

	Consolidated Year ended 30 June 2014 $	Consolidated Year ended 30 June 2013 $
Auditors of the Fund:		
Audit and review of financial reports	39,500	38,265
Non-audit services	–	–
Total auditor's remuneration	**39,500**	**38,265**

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 2014	Consolidated Year ended 30 June 2013
Net profit attributable to unitholders	$'000	19,940	55,784
Weighted average number of ordinary units used in the calculation of basic and diluted EPU	'000	49,029	49,084
Basic and diluted weighted earnings per ordinary unit	cents	40.67	113.65

9 Distributions

Distributions declared/paid to unitholders were as follows:

	Cents per unit	Total amount $'000	Date of payment
Ordinary units			
September 2013 distribution	2.0	981	31 October 2013
December 2013 distribution	2.0	980	31 January 2014
March 2014 distribution	2.0	981	30 April 2014
June 2014 distribution	2.0	980	31 July 2014
Total distribution for the year ended 30 June 2014	**8.0**	**3,922**	
Ordinary units			
September 2012 distribution	2.0	983	19 October 2012
December 2012 distribution	2.0	981	31 January 2013
March 2013 distribution	2.0	981	30 April 2013
June 2013 distribution	2.0	980	31 July 2013
Total distribution for the year ended 30 June 2013	**8.0**	**3,925**	

Distributions declared for the years ended 30 June 2014 and 30 June 2013 were paid out of the Consolidated Entity's realised revenues and expenses.

10 Trade and other receivables

	Consolidated 2014 $'000	Consolidated 2013 $'000
Prepayments and accrued income	1,172	660
Distributions receivable	3	4
Investments – available for sale	90	122
Other receivables	38	26
Total trade and other receivables	**1,303**	**812**

11 Investment properties

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

Description	Latest external valuation $'000	Latest external valuation date	2014 book value $'000	2013 book value $'000
American Express Building, Sydney	145,000	Jun-14	145,000	141,000
108 St Georges Terrace, Perth	166,000	Jun-14	166,000	166,000
Southern Cross West Tower, Melbourne	147,500	Jun-14	147,500	142,000
Total investment properties held directly	**458,500**		**458,500**	**449,000**

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	Latest external valuation $'000	Latest external valuation date	2014 book value $'000	2013 book value $'000
Ernst & Young Centre and 50 Goulburn, Sydney	265,000	Jun-14	265,000	268,000
Southern Cross East Tower, Melbourne	171,250	Jun-14	171,250	163,125
Total investment property held by associates	**436,250**		**436,250**	**431,125**

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 2014, the Southern Cross East Tower and Ernst & Young Centre and 50 Goulburn Street are properties held through associates. The properties directly held are American Express Building, 108 St Georges Terrace and Southern Cross West Tower. Southern Cross East Tower, Southern Cross West Tower and 108 St Georges Terrace were independently valued by CBRE Valuations Pty Limited. The American Express Building and Ernst & Young Centre and 50 Goulburn Street were independently valued by Jones Lang LaSalle.

The valuations have been undertaken using a combination of discounted cash flow (DCF) and capitalisation approach. The key assumptions adopted under these methods include assessment of the capitalisation rate, discount rate, terminal yield, current passing/market rental and forecast net annual cash flows receivable from the properties. The capitalisation rates for the directly held properties in the 30 June 2014 valuations range from 6.63% to 7.50%.

Further information regarding investment property fair values have been included in non-financial assets and liabilities recognised at fair value (Note 19).

Reconciliation of carrying amount of investment properties is set out below:	Consolidated Year ended 30 June 2014 $'000	Consolidated Year ended 30 June 2013 $'000
Carrying amount at beginning of year	449,000	414,500
Impact of straight lining	875	1,654
Capital expenditure and incentives	7,315	10,032
Net gain on fair value adjustments to investment properties	1,310	22,814
Carrying value at year end	**458,500**	**449,000**

11 Investment properties continued

Leasing arrangements

Investment properties are leased to tenants under long term operating leases with rentals receivable monthly. The weighted average lease term of the investment properties (as calculated by income and by ownership) is 4.70 years (2013: 5.20 years). Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:

	Consolidated 2014 $'000	2013 $'000
Within one year	71,100	66,144
Later than one year but not later than five years	206,559	222,090
Later than five years	121,075	127,093
Total	**398,733**	**415,327**

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 properties.

12 Investments in controlled entities

	Principal place of business / country of incorporation	Ownership and voting rights 30 June 2014	Ownership and voting rights 30 June 2013
Directly held subsidiaries			
Brookfield Multiplex LPS Investment Trust	Australia	100%	100%
Brookfield Defence Plaza Investment Trust	Australia	100%	100%
Brookfield King Street Wharf Site 3B Landowning Trust	Australia	100%	100%
Brookfield Prime 108 St George's Terrace Holdings Trust	Australia	100%	100%
Brookfield Prime 111 Bourke Street Holdings Trust	Australia	100%	100%
Multiplex Acumen Latitude Investment Trust	Australia	100%	100%
Multiplex Southern Cross East Investment Trust	Australia	100%	100%
Indirectly held subsidiaries			
Brookfield Defence Plaza Landowning Trust	Australia	100%	100%
Brookfield Prime 108 St Georges Terrance Landowning Trust	Australia	100%	100%
Brookfield Prime 111 Bourke Street Landowning Trust	Australia	100%	100%

The principal activity of all of the above entities is direct and indirect property investment.

13 Trade and other payables

	Consolidated 2014 $'000	2013 $'000
Capital expenditure and lease incentive accruals	3,461	1,951
Deferred revenue and income in advance	3,272	2,124
Distribution payable	980	980
Interest payable	535	409
Management fees payable	1,486	1,446
Other payables and accruals	237	371
Total trade and other payables	**9,971**	**7,281**

14 Interest bearing liabilities

	Consolidated 2014 $'000	2013 $'000
Non-current		
Secured bank debt	520,000	478,800
Subordinated debt	49,407	82,506
Debt establishment fees	(2,623)	(1,001)
Total interest bearing liabilities	**566,784**	**560,305**

Finance arrangements	Expiry Date	Consolidated 2014 $'000	2013 $'000
Facilities available			
Bank debt facilities			
- Senior debt facility	24 June 2017	520,000	478,800
- Subordinated debt facility	25 June 2017	130,000	130,000
Total available interest bearing liabilities		**650,000**	**608,800**
Less: facilities utilised			
- Senior debt facility		520,000	478,800
- Subordinated debt facility		49,407	82,506
Total facilities utilised		**569,407**	**561,306**
Unused facilities at reporting date			
- Senior debt facility		–	–
- Subordinated debt facility		80,593	47,494
Total unused facilities		**80,593**	**47,494**

Senior debt facility

Effective 24 June 2014, the Fund refinanced its senior debt facility by entering into a new three year $520,000,000 senior debt facility. The key terms of the 3 year facility are as follows:

- effective commencement date 24 June 2014;
- maturity date of 24 June 2017;
- covenants reflecting 65% loan to value ratio (LVR) requirement;
- interest cover ratio covenant requirement of at least 1.4 on a 12 month rolling basis; and
- margin of 1.75% above average bid rate on Reuters BBSY (BBR).

Subordinated debt facility

Effective 24 June 2014, the Fund entered into a three year extension of its $130,000,000 subordinated debt facility. The key terms of the facility are as follows:

- effective commencement date 24 June 2014;
- maturity date of 25 June 2017;
- the debt is subordinated behind the Senior Debt Facility;
- BBR plus margin (as defined in the senior debt facility agreement), plus a margin of 2% per annum; and
- a default under the terms of the Senior Debt Facility also causes the Subordinated Debt Facility to be in default.

Derivatives

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

Type of contract	Expiration	Underlying instrument	Fixed rate %	Floating rate %	Notional amount of contracts outstanding $'000	Fair value (assets) $'000	Fair value (liabilities) $'000
As at 30 June 2014	July 2016	Floating to fixed	5.88	BBSW	434,984	–	27,996
As at 30 June 2013	July 2016	Floating to fixed	5.88	BBSW	434,202	–	36,539

15 Units on issue

	Year ended 30 June 2014 $'000	Year ended 30 June 2014 Units	Year ended 30 June 2013 $'000	Year ended 30 June 2013 Units
Units on issue				
Opening balance	326,487	49,029,150	327,337	49,252,677
Units reacquired	–	–	(850)	(223,527)
Closing balance	**326,487**	**49,029,150**	**326,487**	**49,029,150**
Unit issue costs				
Opening balance	(24,440)	–	(24,438)	–
Unit buy back costs	–	–	(2)	–
Closing balance	**(24,440)**	**–**	**(24,440)**	**–**
Total units on issue	**302,047**	**49,029,150**	**302,047**	**49,029,150**

Ordinary units

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

Unit buyback

As advised to the Australian Securities Exchange (ASX) on 2 September 2011, the Directors of BCML, as Responsible Entity of the Fund, commenced a buy back program of up to 10% of the Fund's issued units. During the year no units were redeemed (2013: 223,527 units, at a cost of $849,829).

16 Reserves

	Consolidated 2014 $'000	2013 $'000
Available for sale reserve	26	31
Hedge reserve	(10,360)	(18,903)
Total reserves	**(10,334)**	**(18,872)**

Available for sale reserve

	Consolidated Year ended 30 June 2014 $'000	Year ended 30 June 2013 $'000
Opening balance	31	17
Fair value movement in relation to listed investments	(5)	14
Closing balance	**26**	**31**

Hedge reserve

	Consolidated Year ended 30 June 2014 $'000	Year ended 30 June 2013 $'000
Opening balance	(18,903)	(26,686)
Fair value movement in relation to interest rate swap hedges	8,543	7,783
Closing balance	**(10,360)**	**(18,903)**

17 Undistributed profits/(losses)

	Consolidated Year ended 30 June 2014 $'000	Year ended 30 June 2013 $'000
Opening balance	4,769	(47,090)
Net profit	19,940	55,784
Distributions to unitholders	(3,922)	(3,925)
Closing balance	**20,787**	**4,769**

18 Financial instruments

Significant accounting policies

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

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

a Capital risk management

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

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

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

b Financial risk management

Overview

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

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

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

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

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

Investment mandate

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

Derivative financial instruments

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

18 Financial instruments continued

c Credit risk

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

Sources of credit risk and risk management strategies

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

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

Trade and other receivables

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

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

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 30 June 2013.

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.

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 2014 $'000	Year ended 30 June 2013 $'000
Cash and cash equivalents	23,585	12,210
Trade and other receivables	1,303	812
Total exposure to credit risk	**24,888**	**13,022**

Concentrations of credit risk exposure

There are no other significant exposures of credit risk to the Consolidated Entity at 30 June 2014.

Collateral obtained/held

Where applicable, the Consolidated Entity obtains collateral from counterparties to minimise the risk of default on their contractual obligations. 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.

During the year, the Consolidated Entity called on bank guarantees from tenants of $120,000 (2013: nil).

18 Financial instruments continued

c Credit risk continued

Financial assets past due but not impaired

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

	Consolidated Year ended 30 June 2014 $'000	Year ended 30 June 2013 $'000
Current	1,248	812
Past due 0-30 days	–	–
Past due 31-120 days	15	–
Past due 121 days to one year	40	–
More than one year	–	–
Total trade and other receivables	**1,303**	**812**

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 (2013: nil). During the year ended 30 June 2014, receivables of $2,000 were written off as bad debts by the Consolidated Entity (2013: nil).

d Liquidity risk

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

Sources of liquidity risk and risk management strategies

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

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

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

Interest bearing liabilities

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

Investments – available for sale

The Consolidated Entity's listed investments are considered readily realisable as they are listed on the ASX. The Consolidated Entity's liquidity risk is also managed in accordance with its investment strategy, as disclosed in the Product Disclosure Statement. The Consolidated Entity's overall strategy to liquidity risk management remains unchanged from 2013.

18 Financial instruments continued

d Liquidity risk continued

Maturity analysis of financial liabilities

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

	Consolidated $'000					
	Carrying amount	Contractual cash flows	0 to 12 months	1 to 2 years	2 to 5 years	Greater than 5 years
Consolidated 2014						
Trade and other payables	8,456	8,456	8,456	–	–	–
Interest bearing liabilities	566,784	569,407	–	–	569,407	–
Distribution payable	980	980	980	–	–	–
	576,220	**578,843**	**9,436**	**–**	**569,407**	**–**
Interest payable on debt	535	78,864	26,430	26,430	26,004	
Effect of interest rate swap	27,996	27,601	13,267	13,217	1,117	
Net interest payable on debt	**28,531**	**106,465**	**39,697**	**39,647**	**27,121**	**–**
Total financial liabilities	**604,751**	**685,308**	**49,133**	**39,647**	**596,528**	**–**
Consolidated 2013						
Trade and other payables	5,892	5,892	5,892	–	–	–
Interest bearing liabilities	560,305	561,306	–	561,306	–	–
Distribution payable	980	980	980	–	–	–
	567,177	568,178	6,872	561,306	–	–
Interest payable on debt	409	30,383	30,037	346	–	–
Effect of interest rate swap	36,539	40,676	13,247	13,270	14,159	–
Net interest payable on debt	**36,948**	**71,059**	**43,284**	**13,616**	**14,159**	**–**
Total financial liabilities	**604,125**	**639,237**	**50,156**	**574,922**	**14,159**	**–**

Defaults and breaches

During the financial years ended 30 June 2014 and 30 June 2013, the Consolidated Entity was not in default or breach of any terms of its loan amounts or covenants.

e Market risk

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

Sources of market risk and risk management strategies

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

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

18 Financial instruments continued

e Market risk continued

Interest rate risk

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

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 2014				
Financial assets				
Cash and cash equivalents	3,912	19,673	–	23,585
Trade and other receivables	–	–	1,303	1,303
Total financial assets	**3,912**	**19,673**	**1,303**	**24,888**
Financial liabilities				
Trade and other payables	–	–	9,971	9,971
Interest bearing liabilities	569,407	–	(2,623)	566,784
Financial derivatives	27,996	–	–	27,996
Total financial liabilities	**597,403**	**–**	**7,348**	**604,751**
Consolidated 2013				
Financial assets				
Cash and cash equivalents	12,210	–	–	12,210
Trade and other receivables	–	25	787	812
Total financial assets	**12,210**	**25**	**787**	**13,022**
Financial liabilities				
Trade and other payables	–	409	6,872	7,281
Interest bearing liabilities	561,306	–	(1,001)	560,305
Financial derivatives	36,539	–	–	36,539
Total financial liabilities	**597,845**	**409**	**5,871**	**604,125**

Sensitivity analysis

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

	2014 + 1% Profit or loss $'000	2014 + 1% Equity $'000	2014 - 1% Profit or loss $'000	2014 - 1% Equity $'000	2013 + 1% Profit or loss $'000	2013 + 1% Equity $'000	2013 - 1% Profit or loss $'000	2013 - 1% Equity $'000
Consolidated								
Interest on cash	39	39	(39)	(39)	122	122	(122)	(122)
Interest bearing liabilities	(5,694)	(5,694)	5,694	5,694	(5,613)	(5,613)	5,613	5,613
Interest on swap	4,349	4,349	(4,349)	(4,349)	4,342	4,342	(4,342)	(4,342)
Fair value of derivatives	–	8,569	–	(8,772)	–	8,387	–	(8,814)
Total (decrease)/increase	**(1,306)**	**7,263**	**1,306**	**(7,466)**	**(1,149)**	**7,238**	**1,149**	**(7,665)**

18 Financial instruments continued

e Market risk continued

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 (2013: nil). The Consolidated Entity is exposed to indirect foreign currency risk due to its investment in entities that are exposed to foreign currency risk related to their overseas operations. The Consolidated Entity manages this risk by ensuring the Consolidated Entity only invests in funds with investment strategies consistent with the investment objectives of the Consolidated Entity and monitoring the performance of those funds.

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

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 or loss and equity by the amounts shown below. This analysis assumes that all other variables remain constant.

	2014		2014		2013		2013	
	+ 10% Profit or loss $'000	+ 10% Equity $'000	- 10% Profit or loss $'000	- 10% Equity $'000	+ 10% Profit or loss $'000	+ 10% Equity $'000	- 10% Profit or loss $'000	- 10% Equity $'000
Consolidated Entity								
Listed investments	9	9	(9)	(9)	12	12	(12)	(12)

f Fair values

Methods for determining fair values

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

Cash and cash equivalents and trade and other receivables

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

Investments – available for sale

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

Derivatives

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

Non-derivative financial liabilities

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

18 Financial instruments continued

f Fair values continued

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 2014. 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.

Consolidated Entity – at 30 June 2014	Level 1 $'000	Level 2 $'000	Total $'000
Assets			
Available for sale investments	90	–	90
Total financial assets at fair value	**90**	**–**	**90**
Liabilities			
Financial derivatives	–	27,996	27,996
Total financial liabilities at fair value	**–**	**27,996**	**27,996**

Consolidated Entity – at 30 June 2013	Level 1 $'000	Level 2 $'000	Total $'000
Assets			
Available for sale investments	122	–	122
Total financial assets at fair value	**122**	**–**	**122**
Liabilities			
Financial derivatives	–	36,539	36,539
Total financial liabilities at fair value	**–**	**36,539**	**36,539**

During the current and prior years, there were no financial assets or liabilities which transferred between levels 1, 2 or 3.

19 Non-financial assets and liabilities recognised at fair value

Fair value hierarchy

The below table presents the Consolidated Entity's non-financial assets and liabilities measured and recognised at fair value at 30 June 2014.

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).

Consolidated Entity – at 30 June 2014	Level 3 $'000	Total $'000
Assets		
Investment properties	458,500	458,500
Total assets	**458,500**	**458,500**

During the current and prior years, there were no non-financial assets or liabilities which transferred between levels 1, 2 or 3.

19 Non-financial assets and liabilities recognised at fair value continued

Valuation techniques used to determine level 3 fair values

At the end of each reporting period, the Responsibly Entity makes an assessment of the fair value of each property.

The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available the Responsible Entity considers information from a variety of sources including:

- the most recent independent valuations;
- current prices in an active market for properties of a different nature or recent prices of similar properties in a less active market, adjusted to reflect differences;
- discounted cash flow projections based on reliable estimates; and
- capitalised income projections and capitalisation rates.

Fair value measurements using unobservable inputs (level 3)

The following table presents the changes in level 3 items for the period ended 30 June 2014 for recurring fair value measurements:

	Consolidated Year ended 30 June 2014 $'000
Opening balance 1 July 2013	–
Adoption of AASB 13	449,000
Impact of straight lining(1)	875
Capital expenditure and incentives	7,315
Increase in fair value of investment properties(1)	1,310
Carrying value at year end	**458,500**

(1) Recognised in profit and loss

Valuation inputs and relationship to fair value

Description	Fair value at 30 June 2014 $'000	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
Investment Properties	$458,500	Discount rate	8.50%	The higher the discount rate and terminal rate, the lower the fair value.
		Terminal rate	6.75% - 7.50%	
		Capitalisation rate	6.63% - 7.50%	The higher the capitalisation rate and expected vacancy rate, the lower the fair value.
		Vacancy rate	0.00% - 1.35%	
		Average rental growth rate	2.50% - 3.74%	The higher the rental growth rate, the higher the fair value.

Refer to investment properties (Note 11) for further information regarding valuations.

20 Reconciliation of cash flows from operating activities

	Consolidated Year ended 30 June 2014 $'000	 Year ended 30 June 2013 $'000
Net profit for the year	**19,940**	**55,784**
Adjustments for:		
Items classified as investing activities		
- Share of net profit of investments accounted for using the equity method	(34,775)	(49,588)
- Distribution income from listed property trusts	(8)	(9)
- Proceeds from investments available for sale	(14)	–
Non cash items		
- Amortisation expense	1,298	1,577
- Straight lining of rental income	(875)	(1,654)
- Net gain from revaluation of investment properties	(1,310)	(22,814)
Operating loss before changes in working capital	**(15,744)**	**(16,704)**
Changes in assets and liabilities during the year:		
Increase in trade and other receivables	(524)	(12)
Increase in trade and other payables	7,172	2,331
Net cash flows used in operating activities	**(9,096)**	**(14,385)**

21 Related parties

Responsible Entity

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

Key management personnel

The Fund is required to have an incorporated Responsible Entity to manage the activities of the Fund and the Consolidated Entity.

The Directors of the Responsible Entity are Key Management Personnel of that entity.
F. Allan McDonald
Barbara Ward
Brian Motteram (resigned 28 February 2014)
Russell Proutt
Shane Ross (resigned and appointed alternate director 28 February 2014)

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	–
Barbara Ward	–
Russell Proutt	–
Shane Ross	–

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

Parent entities

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

21 Related parties continued

Responsible Entity's fees and other transactions

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

Performance fee

The Responsible Entity is entitled to a performance fee where the performance of the Fund in any six month period ending 30 June or 31 December exceeds that of the UBS Commercial Property Accumulation (200 Index). The performance fee is calculated in two tiers as follows:

- a Tier 1 performance fee equal to 5.125% (including GST less any reduced input tax credits) of the amount by which the total return of the Fund exceeds the benchmark; and
- a Tier 2 performance fee which is applicable only where the Fund produces a total return out performance in excess of 1% per 6 month period above the benchmark. 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 2014 has not been met.

During the current year and as at 30 June 2014, no performance fee has been paid or is payable (2013: 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 2014 was $6,068,000 (2013: $5,803,000).

Related party unitholders

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

- Multiplex Colt Investments Pty Ltd as trustee for Multiplex Colt Investment Trust holds 10,893,945 units or 22.2% of the Fund at year end (2013: 10,893,945 units or 22.2%);
- Brookfield Securities (Australia) Pty Ltd holds 2,663,073 units or 5.4% of the Fund at year end (2013: 2,663,073 units or 5.4%); and
- Brookfield Capital Securities Limited as trustee of Brookfield Multiplex PPF Investment No 2 Trust holds 25,895,419 units or 52.8% of the Fund at year end (2013: 25,895,419 units or 52.8%).

Irrevocable offers and right of first and last refusal

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

21 Related parties continued

Subordinal debt facility

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

	Consolidated	
	Year ended 30 June 2014 $'000	Year ended 30 June 2013 $'000
Transactions with associates		
Distribution income	30,958	29,690
Transactions with the Responsible Entity		
- Management fees	6,068	5,803
- Management fees payable (included in trade and other payables)	1,484	1,446
Transactions with related parties of the Responsible Entity		
- Distributions paid	3,156	3,158
- Distribution payable	789	789
- Custody fees	37	36
- Custody fees payable	9	9
- Property services fees	1,956	1,946
- Rental income	131	136
- Rent receivable	11	10
- Interest paid / capitalised	5,761	5,910
- Debt repaid (including capitalised interest)	38,860	–
- Debt outstanding	49,407	82,506

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.

22 Contingent liabilities and assets

No contingent liabilities or assets existed at 30 June 2014 (30 June 2013:nil).

23 Capital and other commitments

No capital or other commitments exist at 30 June 2014 (30 June 2013: nil).

24 Events subsequent to the reporting date

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

Directors' Declaration
Brookfield Prime Property Fund

For the year ended 30 June 2014

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

a The consolidated financial statements and notes, set out in pages 14 to 44, 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 2014 and of its performance for the financial year ended on that date;

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

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

b There is reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and the Chief Financial Officer for the financial year ended 30 June 2014.

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 25th day of August 2014.

Russell Proutt
Director
Brookfield Capital Management Limited

Deloitte.

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

We have audited the accompanying financial report of Brookfield Prime Property Fund ('the Fund'), which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the Fund and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 14 to 45.

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.

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 2014 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, 25 August 2014