Appendix 4E – Additional Disclosure
Brookfield Australian Opportunities Fund

For the year ended 30 June 2012

Name of Fund:	Brookfield Australian Opportunities Fund (BAO or Fund)
Details of reporting period	
Current reporting period:	1 July 2011 to 30 June 2012
Prior corresponding period:	1 July 2010 to 30 June 2011

This Financial Report should be read in conjunction with the Financial Report for the year ended 30 June 2012.
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 2012 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

Results for announcement to the market

	Year ended 30 June 2012 $'000	Year ended 30 June 2011 $'000	Movement $'000	Movement %
Total revenue and other income	12,111	13,272	(1,161)	(9%)
Total expenses	(16,014)	(14,120)	(1,894)	13%
Minority interests	4,690	(1,301)	5,991	461%
Net profit/(loss) attributable to the ordinary unitholders of BAO	787	(2,149)	2,936	137%
Property fair value adjustments from investments accounted for using the equity method included in the above	(2,921)	(4,910)	1,989	(41%)
Earnings per unit (cents)	0.10	(0.30)	0.40	(133%)

Distributions

During the current and prior years, no distributions were paid by the Consolidated Entity to ordinary unit holders.

Distributions paid/payable to minority interests are detailed below:

	Cents per unit	Total amount $'000	Date of payment
Multiplex Property Income Fund Income units – minority interest			
June 2012 distribution	0.2864	151	19 July 2012
May 2012 distribution	0.3129	166	20 June 2012
April 2012 distribution	0.2542	134	18 May 2012
March 2012 distribution	0.2674	141	20 April 2012
February 2012 distribution	0.2893	153	20 March 2012
January 2012 distribution	0.3206	169	20 February 2012
December 2011 distribution	0.3252	172	20 January 2012
November 2011 distribution	0.3563	188	20 December 2011
October 2011 distribution	0.0353	19	21 November 2011
September 2011 distribution	0.3375	178	20 October 2011
August 2011 distribution	0.7371	389	20 September 2011
July 2011 distribution	0.4590	242	19 August 2011
Total distribution to income unitholders for the year ended 30 June 2012	**3.9812**	**2,102**	

Distributions continued

Multiplex Property Income Fund Income units – minority interest			
June 2011 distribution	0.3878	205	20 July 2011
May 2011 distribution	0.2652	140	20 June 2011
April 2011 distribution	0.2661	140	20 May 2011
March 2011 distribution	0.4119	217	20 April 2011
February 2011 distribution	0.2652	140	21 March 2011
January 2011 distribution	0.3400	180	21 February 2011
December 2010 distribution	0.6065	320	20 January 2011
November 2010 distribution	0.1991	105	20 December 2010
October 2010 distribution	0.2678	141	22 November 2010
September 2010 distribution	0.6455	341	20 October 2010
August 2010 distribution	0.3119	165	20 September 2010
July 2010 distribution	0.2289	121	20 August 2010
Total distribution to income unitholders for the year ended 30 June 2011	**4.1959**	**2,215**	

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

Commentary and analysis of the result for the current year can be found in the attached Brookfield Australian Opportunities Fund ASX release dated 22nd August 2012. 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 22nd August 2012.

Brookfield

BROOKFIELD AUSTRALIAN OPPORTUNITIES FUND

ARSN 104 341 988

Financial Report for the year ended 30 June 2012

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

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Brookfield Australian Opportunities Fund
For the year ended 30 June 2012

Directory
Brookfield Australian Opportunities Fund
For the year ended 30 June 2012

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

Directors of Brookfield Capital Management Limited
F. Allan McDonald
Brian Motteram
Barbara Ward
Russell Proutt
Shane Ross

Company Secretary of Brookfield Capital Management Limited
Neil Olofsson

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

Custodian
JP Morgan Chase Bank N.A. (Sydney Branch)
Level 18, JPMorgan House
85 Castlereagh Street
Sydney NSW 2000

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

Location of Share Registry
Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001
Telephone: 1300 737 760
Facsimile: 1300 653 459
International
T: +61 2 9290 9600
F: +61 2 9279 0664
www.boardroomlimited.com.au

Auditor
Deloitte Touche Tohmatsu
The Barrington
Level 10, 10 Smith Street
Parramatta NSW 2150
Telephone: +61 2 9840 7000
Facsimile: +61 2 9840 7001

Directors' Report
Brookfield Australian Opportunities Fund
For the year ended 30 June 2012

Introduction
The Directors of Brookfield Capital Management Limited (ABN 32 094 936 866), the Responsible Entity of Brookfield Australian Opportunities Fund (ARSN 104 341 988) (Fund), present their report together with the financial statements of the Consolidated Entity, being the Fund and its subsidiaries and the Consolidated Entity's interest in associates, for the year ended 30 June 2012 and the Independent Auditor's Report thereon.

The Fund was constituted on 17 April 2003 and it was registered as a Managed Investment Scheme on 17 April 2003.

Responsible Entity
The Responsible Entity of the Fund is Brookfield Capital Management Limited (BCML). BCML became the Responsible Entity on 26 October 2007. 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 (appointed 1 January 2010)	Non-Executive Independent Chairman
Brian Motteram (appointed 21 February 2007)	Non-Executive Independent Director
Barbara Ward (appointed 1 January 2010)	Non-Executive Independent Director
Russell Proutt (appointed 1 January 2010)	Executive Director
Shane Ross (appointed 16 May 2011)	Executive Director

Information on Directors

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

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

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

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

Shane Ross (BBus), Executive Director
Shane is the Group General Manager of Treasury for Brookfield Australia Investments Limited and was appointed as an Executive Director of BCML on 16 May 2011. BCML is also the Responsible Entity for BPA and MUE. Shane joined the organisation in 2003 following a background in banking and has over 17 years' experience in treasury and finance within the property industry.

Information on Company Secretary

Neil Olofsson

Neil has over 16 years of international company secretarial experience and has been with the Brookfield Australia group since 2005.

Directors' interests

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

Director	Brookfield Australian Opportunities Fund units held
F. Allan McDonald	–
Brian Motteram	1,645,516
Barbara Ward	–
Russell Proutt	–
Shane Ross	–

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

Directors' meetings

	Board Meetings		Audit Committee Meetings		Board Risk and Compliance Committee Meetings	
Director	A	B	A	B	A	B
F. Allan McDonald	7	7	2	2	2	2
Brian Motteram	7	7	2	2	2	2
Barbara Ward	7	7	2	2	2	2
Russell Proutt	7	7	n/a	n/a	n/a	n/a
Shane Ross	7	7	n/a	n/a	n/a	n/a

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

Committee meetings

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

Principal activities

The principal activity of the Consolidated Entity is the investment in Australian Securities Exchange (ASX) listed and unlisted property securities in Australia.

Review of operations

The Consolidated Entity has recorded a net loss of $3,903,000 for the year ended 30 June 2012 (2011: $848,000). The reported net loss includes $9,877,000 (2011: $5,442,000) in impairment losses on the ASX listed and unlisted property securities portfolios and investment accounted for using the equity method.

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

- total revenue and other income of $12,111,000 (2011: $13,272,000);
- earnings per unit (EPU) attributable to ordinary unitholders of 0.10 cents (2011: (0.30) cents);
- net assets of $146,266,000 (2011: $150,489,000);
- net assets attributable to ordinary unitholders of $112,017,000 (2011: $109,516,000) and net assets per unit attributable to ordinary unitholders of $0.14 (2011: $0.13);
- ASX listed portfolio value of $33,646,000 (2011: $31,209,000), including a net revaluation increment to reserves on a number of ASX listed investments of $2,873,000 (2011: $1,989,000) and an impairment charge of $1,459,000 (2011: $1,230,000); and
- unlisted security portfolio value of $95,073,000 (2011: $119,172,000), including a net revaluation decrement to reserves on a number of unlisted investments of $1,226,000 (2011: increment $5,522,000) and an impairment charge of $8,418,000 (2011: $3,604,000).

The strategy for the Fund will be determined by the outcome of the unitholder meeting to be held on 24 September 2012. In the event that unitholders approve the proposal the Fund will be wound up.

In the event that unitholders do not approve the wind up the Fund will continue to operate so as to:

- proactively manage the Fund's liquidity, including debt funding, to minimise risk associated with volatility in the market and ensure continuing compliance with financial covenants;
- actively manage the investment portfolio and utilise the Fund's significant holding positions in underlying investments by influencing management and strategic direction to improve values and/or release capital; and

Review of operations continued

– continue to pursue opportunities in the listed and unlisted sectors and maximise returns on an appropriate risk-adjusted basis.

Refinance of debt

During the year, the Fund refinanced its existing debt facility, which was due to expire in December 2012. Key terms of the new debt facility are as follows:

- Facility limit of $35 million, with maturity in November 2014 and subject to terms including the following financial covenants:
  - Loan to Value Ratio limit at 30%; and
  - Interest Cover Ratio is at least 1.60.
- Margin of 3% per annum over BBSY.

In addition, the Fund has entered into an interest rate swap for a two year period to hedge $26.25 million (75% of the facility limit) at a fixed rate of 3.75% resulting in an effective rate of 6.75% for the hedged amount for this period.

Acquisition of Multiplex Property Income Fund assets

During the year, the Directors of BCML, as Responsible Entity of the Fund, made a conditional offer to BCML, as responsible entity of Multiplex Property Income Fund (MPIF), to buy 8 investments in unlisted property funds and 1 investment listed on the Bendigo Stock Exchange (now migrated to the National Stock Exchange of Australia) as held by MPIF. Following a unitholder vote on 22 November 2011, the offer was rejected by MPIF income unitholders and the assets remain with MPIF.

Investment in unlisted property securities

The Consolidated Entity invests directly in 31 unlisted property securities funds. Due to a lack of liquidity in the underlying investment portfolios, or due to the initial structure of the fund as detailed in their original product disclosure statements and constitutions, 5 have suspended redemptions, 19 have always been closed to redemptions due to the investment structure as outlined in their original constitutions, 3 investments were listed on the ASX but are now deemed insolvent and 4 have limited liquidity features meaning that the Consolidated Entity, should it want to, has limited ability to realise these investments due to limited or no redemption options available through these structures.

Consistent with 30 June 2011, the Consolidated Entity has generally valued its investments in each of the underlying unlisted property securities funds based on the net asset value provided as at 30 June 2012, or where this has not been provided, the latest available net asset value. In circumstances where the latest available net asset value has not been obtained, an assessment of the appropriateness of the value has been made based on knowledge of valuation and transactional movements in the underlying investment's structure as compared to similar portfolios. Although the Directors of the Responsible Entity consider this value to represent fair value as at the reporting date, uncertainty exists as to the likely unit price of each of the unlisted property securities funds when these funds re-commence acceptance of redemptions.

Controlled entity and priority distribution payment

The Fund owns 100% of the ordinary units of MPIF. The results of MPIF are consolidated into the results of the Fund's financial report. MPIF, on a stand-alone basis, holds $5,661,000 in cash at 30 June 2012 and has an investment portfolio of ASX listed and unlisted property securities of $27,362,000 at the year end date.

MPIF has 52,791,450 income units on issue at the reporting date. Under the terms of the MPIF Product Disclosure Statement, income unitholders have a targeted monthly priority distribution payment (PDP) which is calculated with reference to a margin of 2.5% per annum above the distribution yield on the S&P/ASX 200 Property Trust index (with a minimum distribution of 7.5% per annum and a maximum of 8.5% per annum).

In circumstances where MPIF does not meet the PDP to its income unitholders, the Fund will be prevented from making distributions to its ordinary unitholders unless the shortfall has been met within 12 months of the end of the month in which the shortfall occurred.

As MPIF distributed less than the PDP for the period July 2011 through June 2012, the Fund will be prevented from making a distribution to its unitholders until the shortfall has been met. This distribution stopper will remain in place until any shortfall in the PDP for the preceding 12 months is, or has been, paid to income unitholders of MPIF. The PDP shortfall at 30 June 2012 was $2,392,000 (2011: $2,262,000).

Investment accounted for using the equity method

The Consolidated Entity owns 20.6% of the ordinary units of Multiplex New Zealand Property Fund (MNZPF). In accordance with accounting standards, the Consolidated Entity has significant influence over MNZPF and accounts for its investment under the equity accounting method whereby the Consolidated Entity records its share of profit or loss of MNZPF's operations. Any changes to the results and operations of the underlying investment are presented in the Consolidated Entity's financial statements through the share of net profit or loss of investments accounted for using the equity method line item in the Statement of Comprehensive Income and the carrying value of the investment accounted for using the equity method in the Statement of Financial Position.

Investment accounted for using the equity method continued

In accordance with AASB 136 *Impairment of assets*, an assessment must be made at each reporting date whether there is any indication that an asset is impaired. A review of the equity accounted investment was performed at the reporting date and no further impairment against the equity accounted investment in MNZPF was required. This conclusion was reached upon assessment of the fair value less cost to sell of the equity accounted investment, to ensure the current carrying value does not exceed the recoverable amount (being the higher of fair value less cost to sell or value in use). The fair value less cost to sell was determined based on the NTA of MNZPF, less estimated costs of disposal.

Corporate governance

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

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

The Principles have been adopted by BCML, where appropriate, to ensure stakeholder interests are protected, however, some of the Principles are neither relevant nor practically applicable to the investment structure of the Fund. This Statement outlines BCML's main governance policies and practices, and the extent of its compliance with the ASX Principles for the reporting period 1 July 2011 to 30 June 2012.

Principle 1: Lay solid foundations for management and oversight

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

Role of the Board & Senior Executives

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

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

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

In addition, the Board is responsible for:

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

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

Process for evaluating the performance of senior executives

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

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

Principle 2: Structure the Board to add value

Majority of Independent Directors

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

Corporate governance continued

Principle 2: Structure the Board to add value continued

Majority of Independent Directors continued

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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.

Corporate governance continued

Principle 3: Promote ethical and responsible decision making continued

Code of Business Conduct and Ethics continued

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

Diversity Policy

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

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

Principle 4: Safeguard integrity in financial reporting

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

Audit Committee

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

The Audit Committee is responsible for:

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

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

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

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

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

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

Charter of the Audit Committee

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

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

Principle 5: Make timely and balanced disclosure

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

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

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

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

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

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

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

Corporate governance continued

Principle 7: Recognise and manage risk

Risk management and compliance framework

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

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

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

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

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

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

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

Risk management and internal control system

The Board is ultimately responsible for overseeing and managing risks to BCML or the Fund. Management reports to the Board on risk management and compliance via a Board Risk and Compliance Committee. Financial risks are managed by the Audit Committee. Designated compliance staff assists 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 2012, the Fund incurred $672,000 in management fees to the Responsible Entity (2011: $731,000). $160,000 of management fees remain payable as at year end (2011: $164,000).

Related party unitholders

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

- Brookfield Capital Securities Limited, as trustee for Brookfield Multiplex PPF Investment No.2 Trust, holds 328,609,014 units or 40.5% of the Fund at year end (2011: 328,609,014 units or 40.5%);
- Brookfield Multiplex Capital Pty Ltd holds 9,737,640 units or 1.2% of the Fund at year end (2011: 9,737,640 units or 1.2%); and
- Multiplex APF Pty Ltd, as trustee for Multiplex APF Trust, holds 163,751,624 units or 20.2% of the Fund at year end (2011: 163,751,624 units or 20.2%).

Interests of the Responsible Entity continued
JP Morgan Chase Bank N.A., as custodian for the Consolidated Entity, holds the following investments in related party entities at year end:
- Multiplex European Property Fund – 12,750,050 units or 5.2% (2011: 12,750,050 or 5.2%);
- Multiplex New Zealand Property Fund – 45,016,081 units or 20.6% (2011: 45,016,081 units or 20.6%);
- Brookfield Prime Property Fund – 2,521,890 units or 5.1% of the Fund (2011: 2,521,890 units or 5.0%); and
- Multiplex Development and Opportunity Fund – 9,320,388 units or 5.7% (2011: 9,320,388 units or 5.7%).

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 not otherwise disclosed in this report or in the financial statements.

Events subsequent to the reporting date
The Directors of BCML, as responsible entity for the Fund today released in a Notice of Meeting and Explanatory Memorandum a proposal to sell assets of the Fund, to make a payment to unitholders of Multiplex Property Income Fund, to distribute assets to unitholders of the Fund and to delist and wind up the Fund. This proposal is subject to two resolutions that will be put to unitholders at a unitholder meeting on 24 September 2012. Full details are available within the Notice of Meeting and Explanatory Memorandum.

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

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

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

Distributions
During the current and prior years, no distributions were paid by the Fund to ordinary unitholders. Distributions paid/payable to minority interests are detailed below.

	Cents per unit	Total amount $'000	Date of payment
MPIF Income units – minority interest			
June 2012 distribution	0.2864	151	19 July 2012
May 2012 distribution	0.3129	166	20 June 2012
April 2012 distribution	0.2542	134	18 May 2012
March 2012 distribution	0.2674	141	20 April 2012
February 2012 distribution	0.2893	153	20 March 2012
January 2012 distribution	0.3206	169	20 February 2012
December 2011 distribution	0.3252	172	20 January 2012
November 2011 distribution	0.3563	188	20 December 2011
October 2011 distribution	0.0353	19	21 November 2011
September 2011 distribution	0.3375	178	20 October 2011
August 2011 distribution	0.7371	389	20 September 2011
July 2011 distribution	0.4590	242	19 August 2011
Total distribution to income unitholders for the year ended 30 June 2012	**3.9812**	**2,102**	

Distributions continued	Cents per unit	Total amount $'000	Date of payment
MPIF Income units - minority interest continued			
June 2011 distribution	0.3878	205	20 July 2011
May 2011 distribution	0.2652	140	20 June 2011
April 2011 distribution	0.2661	140	20 May 2011
March 2011 distribution	0.4119	217	20 April 2011
February 2011 distribution	0.2652	140	21 March 2011
January 2011 distribution	0.3400	180	21 February 2011
December 2010 distribution	0.6065	320	20 January 2011
November 2010 distribution	0.1991	105	20 December 2010
October 2010 distribution	0.2678	141	22 November 2010
September 2010 distribution	0.6455	341	20 October 2010
August 2010 distribution	0.3119	165	20 September 2010
July 2010 distribution	0.2289	121	20 August 2010
Total distribution to income unitholders for the year ended 30 June 2011	**4.1959**	**2,215**	

Indemnification and insurance of officers and auditors

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

Under the deeds of access and indemnity, BAIL has agreed to indemnify these persons (to the extent permitted by law) against:
- liabilities incurred as a director or officer of BCML or a company in the Group, except for those liabilities incurred in relation to the matters set out in section 199A(2) of the *Corporations Act 2001*; and
- reasonable legal costs incurred in defending an action for a liability or alleged liability as a director or officer, except for costs incurred in relation to the matters set out in section 199A(3) of the *Corporations Act 2001*.

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

As is usual, this policy has certain exclusions and therefore does not insure against liabilities arising out of matters including but not limited to:
- fraudulent, dishonest or criminal acts or omissions and improper personal profit or advantage;
- violation of US Securities Act of 1933;
- losses for which coverage under a different kind of insurance policy is readily available such as, for example, liability insurance, employment practices liability and pollution liability (there can be limited coverage for some of these exposures); and
- claims made by a major shareholder (threshold is ownership of 10% or greater).

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

Contract of insurance

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

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

Non-audit services

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

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

	Consolidated	
	Year ended 30 June 2012 $	Year ended 30 June 2011 $
Services other than statutory audit:		
Non-audit services relating to the Fund	–	–
Non-audit services relating to the Fund's subsidiary MPIF	–	–
Total fees related to non-audit services	**–**	**–**

Remuneration report

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

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

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

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

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

Loans to Directors and Key Management Personnel of the Responsible Entity

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

Other transactions with Directors and Specified Executives of the Responsible Entity

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

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

b Management fees

The management fee incurred by the Consolidated Entity to the Responsible Entity for the year ended 30 June 2012 was $672,000 (2011: $731,000).

Rounding of amounts

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

Auditor's independence declaration under Section 307C of the *Corporations Act 2001*
The lead auditor's independence declaration is set out on page 15 and forms part of the Directors' Report for the year ended 30 June 2012.

Dated at Sydney this 22nd day of August 2012.

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

Russell Proutt
Director
Brookfield Capital Management Limited

Deloitte.

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

22 August 2012

Dear Directors

BROOKFIELD AUSTRALIAN OPPORTUNITIES 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 for Brookfield Australian Opportunities Fund.

As lead audit partner for the audit of the financial statements of Brookfield Australian Opportunities Fund for the year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Helen Hamilton-James
Partner
Chartered Accountants

Statement of Comprehensive Income

Brookfield Australian Opportunities Fund

For the year ended 30 June 2012

	Note	Consolidated Year ended 30 June 2012 $'000	Year ended 30 June 2011 $'000
Revenue and other income			
Distribution income from ASX listed and unlisted property trusts		11,191	7,739
Net gain on disposal of ASX listed and unlisted property trusts		163	4,159
Interest income		757	1,374
Total revenue and other income		**12,111**	**13,272**
Expenses			
Share of net loss of investment accounted for using the equity method	6	1,244	2,099
Impairment expense	12	9,877	5,442
Finance costs to external parties		2,599	5,165
Management fees		672	731
Other expenses	10	1,622	683
Total expenses		**16,014**	**14,120**
Net loss for the year		**(3,903)**	**(848)**
Other comprehensive income			
Change in reserves of investment accounted for using the equity method	17	389	(1,359)
Change in fair value of available for sale financial assets	17	1,647	7,511
Change in fair value of cash flow hedge	17	(254)	–
Other comprehensive income for the year		**1,782**	**6,152**
Total comprehensive (loss)/income for the year		**(2,121)**	**5,304**
Net loss attributable to:			
Ordinary unitholders		787	(2,149)
Minority interest – MPIF income unitholders		(4,690)	1,301
Net loss for the year		**(3,903)**	**(848)**
Total comprehensive (loss)/income attributable to:			
Ordinary unitholders		2,501	1,362
Minority interest – MPIF income unitholders		(4,622)	3,942
Total comprehensive (loss)/income for the year		**(2,121)**	**5,304**

	Note	2012	2011
Earnings per unit			
Basic and diluted earnings per ordinary unit (cents)	8	0.10	(0.30)

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

Statement of Financial Position
Brookfield Australian Opportunities Fund
As at 30 June 2012

	Note	Consolidated 2012 $'000	2011 $'000
Assets			
Current assets			
Cash and cash equivalents		23,962	10,573
Trade and other receivables	11	4,218	1,897
Investments – available for sale	12	33,646	31,209
Total current assets		**61,826**	**43,679**
Non-current assets			
Investments – available for sale	12	95,073	119,172
Investment accounted for using the equity method	6	25,142	25,997
Total non-current assets		**120,215**	**145,169**
Total assets		**182,041**	**188,848**
Liabilities			
Current liabilities			
Trade and other payables	14	528	1,054
Distribution payable		151	205
Total current liabilities		**679**	**1,259**
Non-current liabilities			
Fair value of financial derivative	15	254	–
Interest bearing liabilities	15	34,842	37,100
Total non-current liabilities		**35,096**	**37,100**
Total liabilities		**35,775**	**38,359**
Net assets		**146,266**	**150,489**
Equity			
Attributable to ordinary unitholders			
Units on issue – ordinary units	16	231,827	231,827
Reserves	17	4,092	2,378
Undistributed losses	18	(123,902)	(124,689)
Attributable to MPIF income unitholders			
Minority interest – MPIF income units	16	52,960	52,960
Reserves	17	4,642	4,574
Undistributed losses	18	(23,353)	(16,561)
Total equity		**146,266**	**150,489**

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

Statement of Changes in Equity

Brookfield Australian Opportunities Fund

For the year ended 30 June 2012

Consolidated Entity	Attributable to unitholders of the Fund: Ordinary Units $'000	Undistributed profits/(losses) $'000	Reserves $'000	Total $'000	Attributable to minority interest: Income units $'000	Undistributed profits/(losses) $'000	Reserves $'000	Total $'000	Total equity $'000
Opening equity – 1 July 2011	**231,827**	**(124,689)**	**2,378**	**109,516**	**52,960**	**(16,561)**	**4,574**	**40,973**	**150,489**
Change in reserves of investment accounted for using the equity method	–	–	389	**389**	–	–	–	**–**	**389**
Change in fair value of available for sale financial assets	–	–	1,579	**1,579**	–	–	68	**68**	**1,647**
Change in fair value of cash flow hedge	–	–	(254)	**(254)**	–	–	–	**–**	**(254)**
Other comprehensive income for the year	–	–	1,714	**1,714**	–	–	68	**68**	**1,782**
Net profit/(loss) for the year	–	787	–	**787**	–	(4,690)	–	**(4,690)**	**(3,903)**
Total comprehensive income/(loss) for the year	**–**	**787**	**1,714**	**2,501**	**–**	**(4,690)**	**68**	**(4,622)**	**(2,121)**
Transactions with unitholders in their capacity as unitholders:									
Distributions paid/payable	–	–	–	**–**	–	(2,102)	–	**(2,102)**	**(2,102)**
Total transactions with unitholders in their capacity as unitholders	**–**	**–**	**–**	**–**	**–**	**(2,102)**	**–**	**(2,102)**	**(2,102)**
Closing equity – 30 June 2012	**231,827**	**(123,902)**	**4,092**	**112,017**	**52,960**	**(23,353)**	**4,642**	**34,249**	**146,266**

Statement of Changes in Equity continued

Brookfield Australian Opportunities Fund

For the year ended 30 June 2012

Consolidated Entity	Attributable to unitholders of the Fund: Ordinary Units $'000	Undistributed profits/(losses) $'000	Reserves $'000	Total $'000	Attributable to minority interest: Income units $'000	Undistributed profits/(losses) $'000	Reserves $'000	Total $'000	Total equity $'000
Opening equity – 1 July 2010	**203,381**	**(122,540)**	**(1,133)**	**79,708**	**52,960**	**(15,647)**	**1,933**	**39,246**	**118,954**
Change in reserves of investment accounted for using the equity method	–	–	(1,359)	**(1,359)**	–	–	–	**–**	**(1,359)**
Change in fair value of available for sale financial assets	–	–	4,870	**4,870**	–	–	2,641	**2,641**	**7,511**
Other comprehensive income for the year	–	–	3,511	**3,511**	–	–	2,641	**2,641**	**6,152**
Net loss/(profit) for the year	–	(2,149)	–	**(2,149)**	–	1,301	–	**1,301**	**(848)**
Total comprehensive (loss)/income for the year	**–**	**(2,149)**	**2,811**	**1,362**	**–**	**1,301**	**2,641**	**3,942**	**5,304**
Transactions with unitholders in their capacity as unitholders:									
Units issued	28,446	–	–	**28,446**	–	–	–	**–**	**28,446**
Distributions paid/payable	–	–	–	**–**	–	(2,215)	–	**(2,215)**	**(2,215)**
Total transactions with unitholders in their capacity as unitholders	**28,446**	**–**	**–**	**28,446**	**–**	**(2,215)**	**–**	**(2,215)**	**26,231**
Closing equity – 30 June 2011	**231,827**	**(124,689)**	**2,378**	**109,516**	**52,960**	**(16,561)**	**4,574**	**40,973**	**150,489**

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

Statement of Cash Flows

Brookfield Australian Opportunities Fund

For the year ended 30 June 2012

	Note	Consolidated Year ended 30 June 2012 $'000	Year ended 30 June 2011 $'000
Cash flows from operating activities			
Cash receipts in the course of operations		11,007	7,753
Cash payments in the course of operations		(2,216)	(2,731)
Interest received		730	1,385
Financing costs paid		(3,356)	(2,645)
Net cash flows from operating activities	20	**6,165**	**3,762**
Cash flows from investing activities			
Payments for purchase of available for sale assets		(1,057)	(18,113)
Proceeds from sale of available for sale assets and equity accounted investment and returns of capital		12,536	20,625
Net cash flows from investing activities		**11,479**	**2,512**
Cash flows from financing activities			
Proceeds from issue of ordinary units	16	–	30,429
Issue costs		–	(1,972)
Repayments of interest bearing liabilities		(2,100)	(29,689)
Distributions paid to minority interests		(2,155)	(2,291)
Net cash flows used in financing activities		**(4,255)**	**(3,523)**
Net increase in cash and cash equivalents		13,389	2,751
Cash and cash equivalents at beginning of year		10,573	7,822
Cash and cash equivalents at 30 June		**23,962**	**10,573**

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

1 Reporting entity

Brookfield Australian Opportunities Fund (Fund) is an Australian registered managed investment scheme under the *Corporations Act 2001*. Brookfield Capital Management Limited (BCML), the Responsible Entity of the Fund, is incorporated and domiciled in Australia. The consolidated financial statements of the Fund as at and for the year ended 30 June 2012 comprise the Fund and its subsidiaries and the Consolidated Entity's interest in associates.

2 Basis of preparation

a Statement of compliance

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

The financial statements were authorised for issue by the Directors on this 22nd day of August 2012.

b Basis of measurement

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

- equity accounted investment which is measured using the equity method;
- available for sale financial assets which are measured at fair value;
- derivative financial instrument which is 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 (updated by CO 05/641 effective 28 July 2005 and CO 06/51 effective 31 January 2006), and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand dollars, unless otherwise stated.

c Use of estimates and judgements

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

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

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are provided in investments – available for sale (Note 12) and financial instruments (Note 19).

3 Significant accounting policies

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

a Principles of consolidation

Subsidiaries

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

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

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

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

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

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

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

Associates

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

b Revenue recognition

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

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

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.

Gains or losses on available for sale financial assets

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

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

c 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.

3 Significant accounting policies continued

c Expense recognition continued

Finance costs continued

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;
- finance lease charges; and
- certain exchange differences arising from foreign currency borrowings.

Management fees

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

Performance fee

A performance fee of 20% of the outperformance of the Consolidated Entity against the benchmark return (S&P/ASX 200 Property Accumulation Index) is recognised on an accruals basis. 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.

d Goods and services tax (GST)

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

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

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

e Income tax – funds

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

f Cash and cash equivalents

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

g Trade and other receivables

Trade debtors and other receivables 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 3l. Non-current receivables are measured at amortised cost using the effective interest rate method.

h Available for sale financial assets

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

i Associates

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

3 Significant accounting policies continued

i Associates continued

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

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

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

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

j Derivative financial instruments

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

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

For cash flow hedges, the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to the income statement in the periods when the hedged item is recognised in the income statement.

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

k 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 a 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, available for sale financial assets, trade and other payables and interest bearing liabilities 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.

3 Significant accounting policies continued

l Impairment

Financial assets

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

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

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

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

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

Non-financial assets

The carrying amount of the Consolidated Entity's non-financial assets 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.

m 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.

n 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.

o Interest bearing liabilities

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

p Distributions

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

q 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.

r 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).

3 Significant accounting policies continued

s New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2012 but have not been applied in preparing this financial report:

AASB 9 *Financial Instruments,* AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* (effective for annual reporting periods beginning on or after 1 January 2013)
AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and liabilities and will replace the existing AASB 139 *Financial Instruments: Recognition and Measurement*. The standard is not applicable until 1 January 2013 but is available for early adoption. Under AASB 9, financial assets will be classified as subsequently measured at either amortised cost or fair value based on the objective of an entity's business model for managing financial assets and the characteristics of the contractual cash flows. This will replace the categories of financial assets under AASB 139, where each had its own classification criteria. For example, AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading and an irrevocable election is made upon initial recognition. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in the profit or loss of the Statement of Comprehensive Income. Financial assets may also be designated and measured at fair value through profit or loss if doing so eliminates or significantly reduces certain inconsistencies. For financial liabilities, the new requirements under AASB 9 only affect the accounting for financial liabilities designated at fair value through profit or loss. The Consolidated Entity does not expect to adopt AASB 9 before its operative date and therefore will apply the new standard for the annual reporting period ending 30 June 2014. The Consolidated Entity is still assessing the consequential impact of the amendments.

AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities*, revised AASB 127 *Separate Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* (effective for annual reporting periods beginning on or after 1 January 2013)
In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

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

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

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

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

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

3 Significant accounting policies continued

s New standards and interpretations not yet adopted continued

AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* (effective for annual reporting periods beginning on or after 1 January 2013)
AASB 13 was released in September 2011 and sets out in a single standard a framework for measuring fair value, including related disclosure requirements in relation to fair value measurement. The Consolidated Entity does not expect to adopt AASB 13 before its operative date and therefore will apply the amendments for the annual reporting period ending 30 June 2014. The Consolidated Entity is still assessing the consequential impact of the new standard.

AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* (effective for annual reporting periods beginning on or after 1 July 2013)
The amendments from AASB 2011-4 remove the individual key management personnel disclosure requirements from AASB 124 *Related Party Disclosures*, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the *Corporations Act 2001.* The Consolidated Entity will adopt the amendments from AASB 2011-4 for the annual reporting period ending 30 June 2014. The Consolidated Entity is still assessing the consequential impact of the amendments.

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

4 Parent entity disclosures

	Fund 2012 $'000	2011 $'000
Assets		
Current assets	39,272	27,535
Non-current assets	106,584	120,634
Total assets	**145,856**	**148,169**
Liabilities		
Current liabilities	425	1,092
Non-current liabilities	35,096	37,100
Total liabilities	**35,521**	**38,192**
Equity		
Units on issue	231,827	231,827
Reserves	12,347	12,757
Undistributed losses	(133,839)	(134,607)
Total equity	**110,335**	**109,977**

	Fund Year ended 30 June 2012 $'000	Year ended 30 June 2011 $'000
Net profit/(loss) for the year	768	(678)
Other comprehensive (loss)/income for the year	(410)	1,604
Total comprehensive income for the year	**358**	**926**

5 Segment reporting

Management have identified that the Chief Operating Decision Maker function is performed by the Board of Directors of the Responsible Entity (Board). The following segments are identified as reporting segments which are reviewed by the Board to make decisions and assess performance:

Listed property securities

This segment represents the Consolidated Entity's investment in a portfolio of ASX listed securities, including impairment expenses and any gains or losses recognised on ASX listed property securities.

5 Segment reporting continued

Unlisted property securities

This segment represents the Consolidated Entity's investments in unlisted property securities, including the share of results of operations of the investment in associate (as the associate is an unlisted property security), impairment expenses and any gains or losses recognised on unlisted property securities.

Other

Other represents amounts associated with the management of the Consolidated Entity and finance costs associated with the Consolidated Entity's cash and interest bearing liabilities.

The following is an analysis of the Consolidated Entity's revenue and results by reportable operating segment for the year. The revenue reported below represents revenue generated from external customers. There was no intersegment profit or loss during the year.

For the year ended 30 June 2012	ASX listed property securities $'000	Unlisted property securities $'000	Other $'000	Total $'000
Revenue				
Total revenue and other income	**3,634**	**7,720**	**757**	**12,111**
Share of net loss of investments accounted for using the equity method	–	(1,244)	–	**(1,244)**
Impairment expense	(1,459)	(8,418)	–	**(9,877)**
Finance costs to external parties	–	–	(2,599)	**(2,599)**
Other	–	–	(2,294)	**(2,294)**
Net profit/(loss) for the year	**2,175**	**(1,942)**	**(4,136)**	**(3,903)**

For the year ended 30 June 2011	ASX listed property securities $'000	Unlisted property securities $'000	Other $'000	Total $'000
Revenue				
Total revenue and other income	**5,044**	**6,854**	**1,374**	**13,272**
Share of net loss of investments accounted for using the equity method	–	(2,099)	–	**(2,099)**
Impairment expense	(1,230)	(4,212)	–	**(5,442)**
Finance costs to external parties	–	–	(5,165)	**(5,165)**
Other	–	–	(1,414)	**(1,414)**
Net profit/(loss) for the year	**3,814**	**543**	**(5,205)**	**(848)**

The following is an analysis of the Consolidated Entity's assets by reportable operating segment.

30 June 2012	ASX listed property securities $'000	Unlisted property securities $'000	Other $'000	Total $'000
Total assets	34,344	121,575	26,122	**182,041**
Total liabilities	–	–	35,775	**35,775**
Net assets	**34,344**	**121,575**	**(9,653)**	**146,266**

30 June 2011	ASX listed property securities $'000	Unlisted property securities $'000	Other $'000	Total $'000
Total assets	31,820	146,425	10,603	**188,848**
Total liabilities	–	–	38,359	**38,359**
Net assets	**31,820**	**146,425**	**(27,756)**	**150,489**

The Consolidated Entity operates in one geographic area. All distribution income is derived from entities domiciled in Australia.

	Consolidated 2012 $'000	2011 $'000
6 Investment accounted for using the equity method		
Multiplex New Zealand Property Fund	28,109	28,964
Impairment	(2,967)	(2,967)
Total investment accounted for using the equity method	**25,142**	**25,997**
Share of net loss from investments accounted for using the equity method:		
Multiplex New Zealand Property Fund	**(1,244)**	**(2,099)**

Summary financial information for equity accounted investees, not adjusted for the percentage ownership held by the Consolidated Entity is detailed below.

	2012 $'000	2011 $'000
Current assets	106,181	26,477
Non-current assets	254,405	344,206
Total assets	**360,586**	**370,683**
Current liabilities	224,228	26,568
Non-current liabilities	12,002	215,617
Total liabilities	**236,230**	**242,185**

	Year ended 30 June 2012 $'000	Year ended 30 June 2011 $'000
Revenues	41,806	49,125
Expenses	(43,889)	(68,176)
Income tax (expense)/benefit	(3,945)	8,614
Net loss after income tax for the year	**(6,028)**	**(10,437)**

The Consolidated Entity owns 20.6% of the ordinary units of Multiplex New Zealand Property Fund (MNZPF) (2011: 20.6%). In accordance with accounting standards, the Consolidated Entity has significant influence over MNZPF and accounts for its investment under the equity accounting method whereby the Consolidated Entity records its share of profit or loss of MNZPF's operations. Any changes to the results and operations of the underlying investment are presented in the Consolidated Entity's financial statements through the share of net profit or loss of investment accounted for using the equity method line item in the Statement of Comprehensive Income and the carrying value of the investment accounted for using the equity method in the Statement of Financial Position. The investment in MNZPF is accounted for as an available for sale investment in the standalone Fund.

In accordance with AASB 136 *Impairment of assets*, an assessment must be made at each reporting date whether there is any indication that an asset is impaired. A review of the equity accounted investment was performed at the reporting date and no further impairment against the equity accounted investment in MNZPF was required. This conclusion was reached upon assessment of the fair value less cost to sell of the equity accounted investment, to ensure the current carrying value does not exceed the recoverable amount (being the higher of fair value less cost to sell or value in use). The fair value less cost to sell was determined based on the net tangible asset (NTA) of MNZPF, less estimated costs of disposal. The carrying amount of impairment on equity accounted investments in the Consolidated Entity is detailed below.

	Year ended 30 June 2012 $'000	Year ended 30 June 2011 $'000
Impairment of investments in associates		
Carrying amount at the beginning of the year	(2,967)	(2,519)
Impairment recognised	–	(608)
Reduction of impairment balance due to disposal of investments	–	160
Carrying amount at year end	**(2,967)**	**(2,967)**

	Consolidated Year ended 30 June 2012 $	Year ended 30 June 2011 $
7 Auditors' remuneration		
Auditors of the Fund:		
Audit and review of financial reports	95,780	87,840
Total auditor's remuneration	**95,780**	**87,840**

Fees paid to the auditors of the Fund and the fund's subsidiary, Multiplex Property Income Fund (MPIF), 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 3m.

		Consolidated Year ended 30 June 2012	Year ended 30 June 2011
Net profit/(loss) attributable to ordinary unitholders	$'000	787	(2,149)
Weighted average number of ordinary units used in the calculation of basic and diluted EPU	'000	811,444	709,735
Basic and diluted weighted earnings per ordinary unit	cents	0.10	(0.30)

9 Distributions

During the current and prior years no distributions were paid by the Fund to ordinary unitholders. Distributions paid/payable to minority interests are detailed below:

	Cents per unit	Total amount $'000	Date of payment
MPIF Income units – minority interest			
June 2012 distribution	0.2864	151	19 July 2012
May 2012 distribution	0.3129	166	20 June 2012
April 2012 distribution	0.2542	134	18 May 2012
March 2012 distribution	0.2674	141	20 April 2012
February 2012 distribution	0.2893	153	20 March 2012
January 2012 distribution	0.3206	169	20 February 2012
December 2011 distribution	0.3252	172	20 January 2012
November 2011 distribution	0.3563	188	20 December 2011
October 2011 distribution	0.0353	19	21 November 2011
September 2011 distribution	0.3375	178	20 October 2011
August 2011 distribution	0.7371	389	20 September 2011
July 2011 distribution	0.4590	242	19 August 2011
Total distribution to income unitholders for the year ended 30 June 2012	**3.9812**	**2,102**	
MPIF Income units – minority interest			
June 2011 distribution	0.3878	205	20 July 2011
May 2011 distribution	0.2652	140	20 June 2011
April 2011 distribution	0.2661	140	20 May 2011
March 2011 distribution	0.4119	217	20 April 2011
February 2011 distribution	0.2652	140	21 March 2011
January 2011 distribution	0.3400	180	21 February 2011
December 2010 distribution	0.6065	320	20 January 2011
November 2010 distribution	0.1991	105	20 December 2010
October 2010 distribution	0.2678	141	22 November 2010
September 2010 distribution	0.6455	341	20 October 2010
August 2010 distribution	0.3119	165	20 September 2010
July 2010 distribution	0.2289	121	20 August 2010
Total distribution to income unitholders for the year ended 30 June 2011	**4.1959**	**2,215**	

9 Distributions continued

MPIF has 52,791,450 income units on issue at the reporting date. Under the terms of the MPIF Product Disclosure Statement, income unitholders have a targeted monthly priority distribution payment (PDP) which is calculated with reference to a margin of 2.5% per annum above the distribution yield on the S&P/ASX 200 Property Trust Index (with a minimum distribution of 7.5% per annum and a maximum of 8.5% per annum).

In circumstances where MPIF does not meet the PDP to its income unitholders, the Fund will be prevented from making distributions to its unitholders unless the shortfall has been met within 12 months of the end of the month in which the shortfall occurred.

As MPIF distributed less than the PDP for the months July 2011 through June 2012, the Fund will be prevented from making distributions to its ordinary unitholders until the shortfall has been met. This distribution stopper will remain in place until any shortfall in the PDP for the preceding 12 months is, or has been, paid to Income unitholders of MPIF. The PDP shortfall at 30 June 2012 was $2,392,000 (2011: $2,262,000).

	Consolidated 2012 $'000	2011 $'000
10 Other expenses		
Legal costs	(797)	(364)
Consultant costs	(275)	–
Other expenses	(550)	(319)
Total other expenses	**(1,622)**	**(683)**

	Consolidated 2012 $'000	2011 $'000
11 Trade and other receivables		
Distributions receivable – ASX listed and unlisted investments	2,058	1,867
Other receivables	2,160	30
Total trade and other receivables	**4,218**	**1,897**

	Consolidated Year ended 30 June 2012	Year ended 30 June 2011
12 Investments – available for sale		
ASX listed investments		
Carrying amount as at beginning of the year	31,209	27,980
Movement due to acquisitions, disposals and return of capital	1,023	2,470
Changes in fair value recognised in reserves	2,873	1,989
Impairments recognised during the year	(1,459)	(1,230)
Carrying amount at year end	**33,646**	**31,209**
Unlisted investments		
Carrying amount as at beginning of the year	119,172	130,413
Movement due to acquisitions, disposals and return of capital	(14,455)	(13,159)
Changes in fair value recognised in reserves	(1,226)	5,522
Impairments recognised during the year	(8,418)	(3,604)
Carrying amount at year end	**95,073**	**119,172**
Total investments - available for sale	**128,719**	**150,381**

Impairment

During the year, the Consolidated Entity recognised an impairment loss in accordance with accounting standards of $9,877,000 in relation to its available for sale investments (2011: $4,834,000).

The impairment loss recognised in relation to available for sale investments represents the difference between the cost of the investments and their market value as at 30 June 2012, less any previously recorded impairment losses and reductions to accumulated reserves.

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

12 Investments – available for sale continued

Investments in ASX listed property securities

The investments held in ASX listed investments are classified as current assets on the statement of financial position. As noted in the events subsequent to the reporting date (note 24), the Responsible Entity has put a proposal to investors that would result in the substantial liquidation of the ASX listed portfolio within the year.

Investments in unlisted property securities

The Consolidated Entity invests directly in 31 unlisted property securities funds. Due to a lack of liquidity in the underlying investment portfolios, or due to the initial structure of the fund as detailed in their original product disclosure statements and constitutions, 5 have suspended redemptions, 19 have always been closed to redemptions due to the investment structure as outlined in their original constitutions, 3 investments were listed on the ASX but are now deemed insolvent and 4 have limited liquidity features meaning that the Consolidated Entity, should it want to, has limited ability to realise these investments due to limited or no redemption options available through these structures.

Consistent with 30 June 2011, the Consolidated Entity has generally valued its investments in each of the underlying unlisted property securities funds based on the net asset value provided as at 30 June 2012, or where this has not been provided, the latest available net asset value. In circumstances where the latest available net asset value has not been obtained, an assessment of the appropriateness of the value has been made based on knowledge of valuation and transactional movements in the underlying investment's structure as compared to similar portfolios. Although the Directors of the Responsible Entity consider this value to represent fair value as at the reporting date, uncertainty exists as to the likely unit price of each of the unlisted property securities funds when these funds re-commence acceptance of redemptions.

	Fund			
	2012 Ownership %	2012 $'000	2011 Ownership %	2011 $'000
13 Investment in controlled entities				
Multiplex Property Income Fund – ordinary units	100	30,076	100	30,076
Provision for impairment		(30,076)		(30,076)
Carrying amount – Multiplex Property Income Fund		**–**		**–**
BAO Trust (formerly MPF Investment No.1 Trust)	100	8,137	100	8,137
Carrying amount – BAO Trust		**8,137**		**8,137**
Total investment in controlled entities		**8,137**		**8,137**

The Fund owns 30,075,871, or 100% of the ordinary units in MPIF which are consolidated into the results of the Fund's consolidated financial statements. Income unitholders are not entitled to any profits from MPIF other than income unit distributions and have no right to influence or control MPIF. MPIF owns 100% of Multiplex Income UPT International Investments Trust (2011: 100%) and 100% of Multiplex Income UPT Domestic Investments Trust (2011: 100%).

A review of the carrying value of the investment in controlled entity at 30 June 2012 indicated that the investment in the ordinary units of MPIF was still impaired. A provision of $30,076,000 was recorded in 2009 to reflect the value of net assets of the underlying subsidiary attributable to the Fund as the ordinary unitholder. The provision remains in the current year. No further impairments were required to be made in the current year (2011: nil).

The headline items of the MPIF financial position are detailed below:

	Consolidated	
	2012 $'000	2011 $'000
Assets		
Total current assets	12,194	7,975
Total non-current assets	22,299	33,203
Total assets	**34,493**	**41,178**
Liabilities		
Total current liabilities	244	205
Total liabilities	**244**	**205**
Net assets	**34,249**	**40,973**

	Consolidated 2012 $'000	2011 $'000
14 Trade and other payables		
Management fee payable	160	164
Accruals and other payables	368	890
Total trade and other payables	**528**	**1,054**

	Consolidated 2012 $'000	2011 $'000
15 Interest bearing liabilities		
Non - current		
Secured bank debt	35,000	37,100
Debt Establishment Fees	(158)	–
Total interest bearing liabilities - non-current	**34,842**	37,100
Total interest bearing liabilities	**34,842**	**37,100**

	Expiry Date	Consolidated 2012 $'000	2011 $'000
Finance arrangements			
Facilities available			
Bank debt facility	16 November 2014	35,000	–
Bank debt facility	1 December 2012	–	37,100
Investment facility	1 June 2013	20,000	20,000
Less: Facilities utilised		(35,000)	(37,100)
Facilities not utilised		**20,000**	**20,000**

Refinance of debt

During the year, the Fund refinanced its existing debt facility, which was due to expire in December 2012. Key terms of the new debt facility are as follows:

- Facility limit of $35 million, with maturity in November 2014 and subject to terms including the following financial covenants:
  - Loan to Value Ratio limit at 30%; and
  - Interest Cover Ratio is at least 1.60.
- Margin of 3% per annum over BBSY.

New interest rate swap

During the year, the Fund has entered into an interest rate swap for a two year period to hedge $26.25 million (75% of the facility limit) at a fixed rate of 3.75% resulting in an effective rate of 6.75% for the hedged amount for the two year period. The table below summarises the positions as at 30 June 2012.

		Floating rate		Fixed rate		Notional amount		Fair value of interest rate swaps	
Expiry date	Underlying instrument	2012 %	2011 %	2012 %	2011 %	2012 $'000	2011 $'000	2012 $'000	2011 $'000
21 November 2013	Floating to fixed	3.66	–	3.75	–	26,250	–	(254)	–

Investment facility

A wholly owned subsidiary of Brookfield Asset Management Inc. has provided a $20 million Investment Facility to fund investments by the Fund. The Investment Facility has a maturity date of 1 June 2013. Further details have been provided in the Fund's Rights Issue Offer Booklet issued 28 July 2010. At 30 June 2012 the facility remains undrawn (30 June 2011: undrawn).

	Year ended 30 June 2012 $'000	Year ended 30 June 2012 Units	Year ended 30 June 2011 $'000	Year ended 30 June 2011 Units
16 Units on issue				
Ordinary units				
Opening balance	231,827	811,443,720	203,381	202,860,930
Issue of units	–	–	30,429	608,582,790
Unit issue costs	–	–	(1,983)	–
Closing balance – ordinary units	**231,827**	**811,443,720**	**231,827**	**811,443,720**
Minority interest – income units				
Opening balance	52,960	52,791,450	52,960	52,791,450
Closing balance – minority interest – income units	**52,960**	**52,791,450**	**52,960**	**52,791,450**

The above ordinary units represent the ordinary units of the Consolidated Entity and the Fund. The minority interest above represents income units issued by MPIF and are only shown in the consolidated financial statements.

In accordance with the Fund's Constitution, each unitholder is entitled to receive distributions as declared from time to time and is entitled to one vote per unit at unitholder meetings. In accordance with the Fund's Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund.

17 Reserves

Reserves

	Consolidated 2012 $'000	2011 $'000
Available for sale reserve	19,037	17,390
Foreign currency translation reserve	(10,049)	(10,438)
Cash flow hedge reserve	(254)	–
Total reserves	**8,734**	**6,952**

Available for sale reserve

	Consolidated Year ended 30 June 2012 $'000	Year ended 30 June 2011 $'000
Opening balance	17,390	9,879
Fair value movement in relation to unlisted investments	(1,226)	5,522
Fair value movement in relation to ASX listed investments	2,873	1,989
Closing balance	**19,037**	**17,390**

Foreign currency translation reserve

	Consolidated Year ended 30 June 2012 $'000	Year ended 30 June 2011 $'000
Opening balance	(10,438)	(9,079)
Share of associate's reserves	389	(1,359)
Closing balance	**(10,049)**	**(10,438)**

Cash flow hedge reserve

	Consolidated Year ended 30 June 2012 $'000	Year ended 30 June 2011 $'000
Opening balance	–	–
Movement in cash flow hedge reserve	(254)	–
Closing balance	**(254)**	**–**

18 Undistributed losses

	Consolidated Year ended 30 June 2012 $'000	Consolidated Year ended 30 June 2011 $'000
Opening balance	(141,250)	(138,187)
Net loss	(3,903)	(848)
Distributions to income unitholders	(2,102)	(2,215)
Closing balance	**(147,255)**	**(141,250)**

19 Financial instruments

Significant accounting policies

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

Throughout the year, in assessing the size and frequency of any distributions, the capacity of the Fund to accept redemption requests or to accept new applications for units, the Responsible Entity considers all of the risk factors disclosed below. This includes considering the liquid/illiquid nature of any assets or investments made by the Fund.

a Capital risk management

The Board's policy is to maintain a strong capital base so as to maintain investor and market confidence and the sustainable future growth of the Consolidated Entity. The Responsible Entity monitors the market unit price of the Consolidated Entity against the Consolidated Entity's NTA (attributable to ordinary unitholders), 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. As per the Consolidated Entity's Product Disclosure Statement, the Responsible Entity seeks to restrict the level of short-term borrowings (up to 12 months in maturity) to 30% of the total tangible assets of the Fund.

On 17 December 2008, the responsible entity of the Fund's subsidiary MPIF resolved to temporarily close MPIF to applications and redemptions. On 28 April 2009, the responsible entity of MPIF resolved to temporarily redeem units to a maximum value of the cash reserves at that time, or $10,700,000. MPIF remains temporarily closed to applications and redemptions at 30 June 2012. There were no other changes in the Fund's or Consolidated Entity's approach to capital management during the year. The Board will review this policy after the outcome of the unitholder meeting on 24 September 2012.

b Financial risk management

Overview

The Consolidated Entity is exposed to financial risks in the course of its 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), and 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 ASX listed and unlisted property trust securities.

Derivative financial instruments

Whilst the Consolidated Entity may utilise derivative financial instruments, it will not enter into or trade derivative financial instruments for speculative purposes. The use of derivatives is governed by the Consolidated Entity's investment policies,

19 Financial instruments continued

b Financial risk management continued

Derivative financial instruments continued

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.

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 its operations. Direct credit risk arises principally from the Consolidated Entity's investment securities (in terms of distributions receivable and capital invested) and derivative counterparties. Other credit risk also arises for the Consolidated Entity from cash and cash equivalents.

Indirect credit risk arises principally from the Consolidated Entity's investments in property trusts and their property tenants and derivative counterparties.

Trade and other receivables

The Consolidated Entity's exposure to credit risk is influenced mainly by the individual characteristics of each customer and counterparty. The Consolidated Entity manages and minimises exposure to credit risk by actively reviewing the investment portfolio to ensure committed distributions are paid.

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.

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

Fair value of financial derivatives

Transactions with derivative counterparties are limited to established financial institutions that meet the Consolidated Entity's minimum credit rating criteria.

The Consolidated Entity's overall strategy of credit risk management remains unchanged from 2011.

Exposure to credit risk

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

	Consolidated 2012 $'000	2011 $'000
Cash and cash equivalents	23,962	10,573
Trade and other receivables	4,218	1,897
Investments – available for sale	128,719	150,381
Total exposure to credit risk	**156,899**	**162,851**

Concentrations of credit risk exposure

The Consolidated Entity does not have any significant concentrations of credit risk at the reporting date.

Collateral obtained/held

Where applicable, the Consolidated Entity obtains collateral from counterparties to minimise the risk of default on their contractual obligations. At the reporting date, the Consolidated Entity did not hold any collateral in respect of its financial assets (2011: nil). During the year ended 30 June 2012, the Consolidated Entity did not call on any collaterals provided (2011: nil).

19 Financial instruments continued

c Credit risk continued

Financial assets past due but not impaired

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

	Consolidated 2012 $'000	2011 $'000
Current	4,218	1,897
Past due 0-30 days	–	–
Past due 31-120 days	–	–
Past due 121 days to one year	–	–
More than one year	–	–
Total trade and other receivables	**4,218**	**1,897**

For the Consolidated Entity, amounts recognised above are not deemed to be impaired. There are no significant financial assets that have had their terms renegotiated that would otherwise have rendered the financial assets past due or impaired (2011: nil). During the year ended 30 June 2012, nil receivables were written off by the Consolidated Entity (2011: $8,000).

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 is refinancing of interest bearing liabilities and unlisted investment securities. The Consolidated Entity's approach to managing liquidity risk is to work to ensure that it has sufficient cash available to meet its liabilities as and when they fall due without incurring unacceptable losses or risking damage to the Consolidated Entity's reputation.

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 source of indirect liquidity risk for the Consolidated Entity is the refinancing of interest bearing liabilities held by the Underlying Funds, as this can directly impact the amount of distributions the Underlying Funds remit to the Consolidated Entity. 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.

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 (Note15) for details of facilities available.

Unitholders

The Fund is not exposed to liquidity risk associated with unitholder redemptions as its units are traded on the Australian Securities Exchange (ASX). The Consolidated Entity is exposed to liquidity risk on the income units issued by MPIF, as these can be redeemed by unitholders. MPIF has been closed to applications and redemptions during the whole of the financial year, therefore no liquidity risk existed for the year.

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 unlisted investments are not considered as liquid as listed investments. Refer to investments – available for sale (note 12) for further details. 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.

The Consolidated Entity's liquidity risk is also managed in accordance with its investment strategy, as disclosed in the Product Disclosure Statement.

The Consolidated Entity's overall strategy to liquidity risk management remains unchanged from 2011.

Defaults and breaches

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

19 Financial instruments continued

d Liquidity risk continued

Maturity analysis of financial liabilities

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

	Consolidated $'000					
	Carrying amount	Contractual cash flows	0 to 12 months	1 to 2 years	2 to 5 years	Greater than 5 years
Consolidated 2012						
Trade and other payables	470	470	470	–	–	–
Interest bearing liabilities	34,842	35,000	–	–	35,000	–
Distribution payable	151	151	151	–	–	–
Interest payable on debt	58	5,543	2,331	2,331	881	–
Effect of interest rate swap	254	33	24	9	–	–
Net interest payable on debt	312	5,576	2,355	2,340	881	–
Total financial liabilities	**35,775**	**41,197**	**2,976**	**2,340**	**35,881**	**–**
Consolidated 2011						
Trade and other payables	1,054	1,054	1,054	–	–	–
Distribution payable	205	205	205	–	–	–
Interest bearing liabilities	37,100	41,025	2,760	38,265	–	–
Total financial liabilities	**38,359**	**42,284**	**4,019**	**38,265**	**–**	**–**

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 financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising returns.

Sources of market risk and risk management strategies

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

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

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Cash and cash equivalents 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. To manage this exposure, the Consolidated Entity has entered into an interest rate swap agreement to fix the interest changed on part of its interest bearing liabilities. Refer to interest bearing liabilities (Note 15) 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 2012				
Financial assets				
Cash and cash equivalents	6,462	17,500	–	**23,962**
Trade and other receivables	–	35	4,183	**4,218**
Investments – available for sale	–	–	128,719	**128,719**
Total financial assets	**6,462**	**17,535**	**132,902**	**156,899**
Financial liabilities				
Trade and other payables	–	58	470	**528**
Distribution payable	–	–	151	**151**
Interest bearing liabilities	35,000	–	(158)	**34,842**
Fair value of financial derivative	254	–	–	**254**
Total financial liabilities	**35,254**	**58**	**463**	**35,775**

19 Financial instruments continued e Market risk continued Interest rate risk continued	Floating rate $'000	Fixed rate $'000	Non-interest bearing $'000	Total $'000
Consolidated 2011				
Financial assets				
Cash and cash equivalents	10,573	–	–	**10,573**
Trade and other receivables	–	–	1,897	**1,897**
Investments – available for sale	–	–	150,381	**150,381**
Total financial assets	**10,573**	**–**	**152,278**	**162,851**
Financial liabilities				
Trade and other payables	–	–	1,054	**1,054**
Distribution payable	–	–	205	**205**
Interest bearing liabilities	37,100	–	–	**37,100**
Total financial liabilities	**37,100**	**–**	**1,295**	**38,359**

Sensitivity analysis

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

	2012		2012		2011		2011	
	+ 1% Profit and loss $'000	+ 1% Equity $'000	- 1% Profit and loss $'000	- 1% Equity $'000	+ 1% Profit and loss $'000	+ 1% Equity $'000	- 1% Profit and loss $'000	- 1% Equity $'000
Consolidated								
Interest on cash	65	65	(65)	(65)	106	106	(106)	(106)
Interest bearing liabilities	(350)	(350)	350	350	(371)	(371)	371	371
Interest on swaps	263	263	(263)	(263)	–	–	–	–
Fair value of derivative	–	75	–	(81)	–	–	–	–
Total increase/(decrease)	**(22)**	**53**	**22**	**(59)**	**(265)**	**(265)**	**265**	**265**

Foreign currency risk

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

During the current year, the Consolidated Entity has not been exposed to direct foreign currency risk (2011: nil). The Consolidated Entity is exposed to indirect foreign currency risk due to its investment in entities that are exposed to foreign currency risk related to their overseas operations. The Consolidated Entity manages this risk by ensuring the Consolidated Entity only invests in funds with investment strategies consistent with the investment objectives of the Consolidated Entity and monitoring the performance of those funds.

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

f Other market risk

Other market risk is the risk that the total value of investments will fluctuate as a result of changes in market prices. The primary source of other market risk for the Consolidated Entity is associated with its listed and unlisted investment portfolio. The Responsible Entity manages the Consolidated Entity's market risk on a daily basis in accordance with the Consolidated Entity's investment objectives and policies. These are detailed in the Consolidated Entity's Constitution and Product Disclosure Statement.

Sensitivity analysis

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

19 Financial instruments continued

f Other market risk continued

Sensitivity analysis continued

	2012 + 10% Profit and loss $'000	2012 + 10% Equity $'000	2012 - 10% Profit and loss $'000	2012 - 10% Equity $'000	2011 + 10% Profit and loss $'000	2011 + 10% Equity $'000	2011 - 10% Profit and loss $'000	2011 - 10% Equity $'000
Consolidated Entity								
Listed investments	3,365	3,365	(3,365)	(3,365)	3,121	3,121	(3,121)	(3,121)
Unlisted investments	9,507	9,507	(9,507)	(9,507)	11,917	11,917	(11,917)	(11,917)
Total increase/(decrease)	**12,872**	**12,872**	**(12,872)**	**(12,872)**	**15,038**	**15,038**	**(15,038)**	**(15,038)**

g Fair values

Methods for determining fair values

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

Cash and cash equivalents and trade and other receivables

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

Investments – available for sale

Fair value for listed investments is calculated based on the closing bid price of the security at the reporting date. Fair value for unlisted investments is calculated based on the latest available net asset values. Refer to investments – available for sale (note 12) for further details.

Derivative

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

Non-derivative financial liabilities

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

Fair values versus carrying amounts

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

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

The following table presents the Consolidated Entity's assets and liabilities measured and recognised at fair value at 30 June 2012. The carrying amounts of cash and cash equivalents, trade and other receivables, and trade and other payables are assumed to reasonably approximate their fair values due to their short-term nature. Accordingly, fair value disclosures are not provided for such assets and liabilities.

Consolidated Entity – at 30 June 2012	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Investments – available for sale				
– Listed investments	33,646	–	–	**33,646**
– Unlisted investments	–	–	95,073	**95,073**
Total assets – 30 June 2012	**33,646**	**–**	**95,073**	**128,719**
Liabilities				
Financial derivative at fair value through profit and loss	–	254	–	**254**
Total liabilities – 30 June 2012	**–**	**254**	**–**	**254**

19 Financial instruments continued

g Fair values continued

Fair values versus carrying amounts continued

Consolidated Entity – at 30 June 2011	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Investments – available for sale				
– Listed investments	31,209	–	–	**31,209**
– Unlisted investments	–	–	119,172	**119,172**
Total assets – 30 June 2011	**31,209**	**–**	**119,172**	**150,381**

Reconciliation of level 3 fair value measurements:

Consolidated Entity – for the year ended 30 June 2012	Investments available for sale $'000	Total $'000
Opening balance – 1 July 2011	119,172	**119,172**
Losses recognised in the income statement	(8,418)	**(8,418)**
Losses recognised in other comprehensive income	(1,226)	**(1,226)**
Sales	(14,455)	**(14,455)**
Closing balance – 30 June 2012	**95,073**	**95,073**
Total losses for the year included in the income statement attributable to losses relating to assets held at year end	**(8,418)**	**(8,418)**

Consolidated Entity – for the year ended 30 June 2011	Investments available for sale $'000	Total $'000
Opening balance – 1 July 2010	130,413	130,413
Losses recognised in the income statement	(3,604)	(3,604)
Gains recognised in other comprehensive income	5,522	5,522
Sales	(14,928)	(14,928)
Other	1,769	1,769
Closing balance - 30 June 2011	**119,172**	**119,172**
Total losses for the year included in the income statement attributable to losses relating to assets held at the year end	**(3,604)**	**(3,604)**

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

20 Reconciliation of cash flows from operating activities

	Consolidated Year ended 30 June 2012 $'000	Consolidated Year ended 30 June 2011 $'000
Net loss for the year	**(3,903)**	**(848)**
Adjustments for:		
Items classified as investing activities		
Net gain on disposal of ASX listed and unlisted property trusts	(163)	(4,159)
Items classified as financing activities		
Capitalised interest repaid as part of debt	–	1,177
Other		
Capitalised borrowing costs	(199)	(117)
Non cash items		
Impairment expense	9,877	5,442
Share of net loss of investment accounted for using the equity method	1,244	2,099
Amortisation of capitalised borrowing costs	41	802
Operating profit before changes in working capital	**6,897**	**4,396**
Changes in assets and liabilities during the year:		
(Increase)/decrease in trade and other receivables	(206)	35
Decrease in trade and other payables	(526)	(669)
Net cash flows from operating activities	**6,165**	**3,762**

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

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

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

Directors' interests

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

Director	Brookfield Australian Opportunities Fund units held
F. Allan McDonald	–
Brian Motteram	1,645,516
Barbara Ward	–
Russell Proutt	–
Shane Ross	–

Responsible Entity's fees and other transactions

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

Management fee

A management fee based on gross value of assets is payable to the Responsible Entity. The fee is payable by the Consolidated Entity quarterly in arrears. The management fee expense for the year ended 30 June 2012 was $672,000 (2011: $731,000). As at 30 June 2012, the management fee payable to the Responsible Entity was $160,000 (2011: $164,000).

Performance Fee

A performance fee is payable to the Responsible Entity if the benchmark is met. Refer to significant accounting policies (Note 3(c)) for further details. During the current year and as at 30 June 2012, no performance fee has been paid or is payable (2011: nil).

Parent entities

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

Related party unitholders

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

- Brookfield Capital Securities Limited, as trustee for Brookfield Multiplex PPF Investment No.2 Trust, holds 328,609,014 units or 40.5% of the Fund at year end (2011: 328,609,014 units or 40.5%);
- Brookfield Multiplex Capital Pty Ltd holds 9,737,640 units or 1.2% of the Fund at year end (2011: 9,737,640 units or 1.2%); and
- Multiplex APF Pty Ltd, as trustee for Multiplex APF Trust, holds 163,751,624 units or 20.2% of the Fund at year end (2011: 163,751,624 units or 20.2%).

JP Morgan Chase Bank N.A., as custodian for the Consolidated Entity, holds the following investments in related party entities at year end:

- Multiplex European Property Fund – 12,750,050 units or 5.2% (2011: 12,750,050 or 5.2%);
- Multiplex New Zealand Property Fund – 45,016,081 units or 20.6% (2011: 45,016,081 units or 20.6%);
- Brookfield Prime Property Fund – 2,521,890 units or 5.1% of the Fund (2011: 2,521,890 units or 5.0%); and
- Multiplex Development and Opportunity Fund – 9,320,388 units or 5.7% (2011: 9,320,388 units or 5.7%).

21 Related parties continued

Related party unitholders continued

	Consolidated 2012 $'000	2011 $'000
Transactions with associates		
Equity accounted investment in MNZPF	25,142	25,997
Transactions with the Responsible Entity		
Management fees	672	731
Cost reimbursements	305	236
Management fee payable	160	164
Cost reimbursements payable	80	58
Transactions with related parties of the Responsible Entity		
Distribution income		
- Brookfield Prime Property Fund	202	75
- Multiplex European Property Fund	2,008	319
Return of capital		
- Multiplex Development and Opportunity Fund	3,806	–
Investments held (at fair value)		
- Multiplex Development and Opportunity Fund	3,816	7,705
- Brookfield Prime Property Fund	10,466	8,297
- Multiplex European Property Fund	995	2,295
Distributions receivable		
- Brookfield Prime Property Fund	50	–
- Multiplex European Property Fund	–	80
Consideration from disposal of units in MNZPF	–	1,984
Underwriting fee		
- Brookfield Capital Securities Ltd ATF Brookfield Multiplex PPF Investment No.2 Trust	–	957

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

Acquisition of MPIF assets

During the year, the Directors of BCML, as Responsible Entity of the Fund, made a conditional offer to BCML, as responsible entity of MPIF, to buy 8 investments in unlisted property funds and 1 investment listed on the Bendigo Stock Exchange (now migrated to the National Stock Exchange of Australia) as held by MPIF. Following a unitholder vote on 22 November 2011, the offer was rejected by MPIF income unitholders and the assets remain with MPIF.

22 Contingent liabilities and assets

No contingent liabilities or assets existed at 30 June 2012 or 30 June 2011.

23 Capital and other commitments

The Consolidated Entity had no capital or other commitments at 30 June 2012 or 30 June 2011.

24 Events subsequent to the reporting date

The Directors of BCML, as responsible entity for the Fund today released in a Notice of Meeting and Explanatory Memorandum a proposal to sell assets of the Fund, to make a payment to unitholders of Multiplex Property Income Fund, to distribute assets to unitholders of the Fund and to delist and wind up the Fund. This proposal is subject to two resolutions that will be put to unitholders at a unitholder meeting on 24 September 2012. Full details are available within the Notice of Meeting and Explanatory Memorandum.

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

Directors' Declaration
Brookfield Australian Opportunities Fund

For the year ended 30 June 2012

In the opinion of the Directors of Brookfield Capital Management Limited, the Responsible Entity of Brookfield Australian Opportunities Fund:

a The consolidated financial statements and notes, set out in pages 16 to 43, are in accordance with the *Corporations Act 2001*, including:

  i giving a true and fair view of the financial position of the Consolidated Entity as at 30 June 2012 and of its performance for the financial year ended on that date; and

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

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

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

The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and the Chief Financial Officer for the financial year ended 30 June 2012.

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

Dated at Sydney this 22nd day of August 2012.

Russell Proutt
Director
Brookfield Capital Management Limited

Deloitte.

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Independent Auditor's Report to the Unitholders of Brookfield Australian Opportunities Fund

Report on the Financial Report

We have audited the accompanying financial report of Brookfield Australian Opportunities Fund ('the Fund'), which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the Fund and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 16 to 44.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

Deloitte.

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

Auditor's Independence Declaration

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

Opinion

In our opinion:

(a) the financial report of Brookfield Australian Opportunities Fund is in accordance with the *Corporations Act 2001*, including:

    (i) giving a true and fair view of the Fund's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

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

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

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

www.au.brookfield.com