



BROOKFIELD PRIME PROPERTY FUND

ARSN 110 096 663

Interim Report 2013

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

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Message from the Chairman

On behalf of the Board of Brookfield Capital Management Limited (BCML), enclosed are the interim financial results for the six month period to 31 December 2012 for Brookfield Prime Property Fund (the Fund).

FINANCIAL RESULTS

The Fund reported a net profit of \$20.4 million for the period, compared with a net loss of \$5.4 million for the comparable six month period to 31 December 2011.

Key financial results as at 31 December 2012 include:

- Net assets of \$247.7 million (30 June 2012: \$229.1 million) and net assets per unit of \$5.05 (30 June 2012: \$4.65). The increase reflects a net increase in value of the Fund's property portfolio;
- Total revenue and other income of \$51.2 million (31 December 2011: \$38.2 million);
- Earnings per unit of 41.6 cents (31 December 2011: loss of 10.8 cents); and
- Property portfolio value of \$851.3 million (30 June 2012: \$825.3 million) including \$15.7 million in net gains on property revaluations.

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

PROPERTY PORTFOLIO

All of the Fund's properties maintain strong lease profiles with 98.5% occupancy and a weighted average lease expiry by income of 5.7 years.

An extensive refurbishment program at 108 St Georges Terrace, Perth will assist to maximise financial returns as immediate vacancies arise. Whilst Sydney and Melbourne prime office markets have stabilised in terms of growth, the quality of the Fund's properties should continue to provide long term benefits to investors.

CAPITAL MANAGEMENT

From a capital management perspective, a buy-back was implemented in September 2011 and it was subsequently extended for a further 12 month period to September 2013. The buy-back has resulted in approximately 2.8% of units on issue being bought back and cancelled by the Fund from inception to 31 December 2012. BCML continues to consider strategies to utilise cashflow from the Fund's properties in order to maximise long-term value for investors.

Please visit www.au.brookfield.com for the Fund's half year financial report. On behalf of the Board, thank you for your ongoing support.



F. Allan McDonald
Independent Chairman



Half Year Review

Brookfield Capital Management Limited (BCML), the Responsible Entity of Brookfield Prime Property Fund (Fund) provides a review of the half year ended 31 December 2012.

Property portfolio value of \$851.3 million including \$15.7 million in net gains on property revaluations.

FINANCIAL RESULTS

The Fund reported a net profit of \$20.4 million for the six month period to 31 December 2012. This can in part be attributed to the net unrealised gains on the property portfolio revaluation. The Fund's net assets were \$247.7 million (30 June 2012: \$229.1 million) and earnings per unit was 41.6 cents (31 December 2011: loss of 10.8 cents).

MOVEMENT IN NET ASSETS

The Fund's underlying net assets per unit increased from \$4.65 to \$5.05 per unit during the six months to 31 December 2012. The increase in net assets is primarily due to an overall net increase in value of the property portfolio from \$825.3 million at 30 June 2012 to \$851.3 million at 31 December 2012.

SUMMARY

PROPERTY	LOCATION	FUND SHARE (%)	VALUE AT 31 DECEMBER 2012 \$M	VALUE AT 30 JUNE 2012 \$M
Ernst & Young Centre and 50 Goulburn Street	Sydney	50	256.5	255.0
American Express House	Sydney	100	137.0	130.0
Southern Cross East Tower	Melbourne	25	158.8	155.8
Southern Cross West Tower	Melbourne	50	137.0	137.0
108 St Georges Terrace	Perth	50	162.0	147.5
Total			851.3	825.3

PROPERTY PORTFOLIO

The portfolio value has increased by 3.2% over the period. Major contributors to this increase were a 9.8% increase in value of 108 St Georges Terrace, Perth and a 5.4% increase in value of American Express House, Sydney.

The uplift in value of 108 St Georges Terrace reflects strong market fundamentals in Perth, the commencement of new leasing deals and recent substantial capital expenditure to upgrade the property. The occupancy rate for the property has improved from 96.0% at 30 June 2012 to 99.8% at 31 December 2012 due to the finalisation of a new lease with Apache Energy.

The uplift in value of American Express House reflects tightening capitalisation rates.

Active marketing of the two vacant floors in the Ernst & Young Centre has been undertaken with negotiations progressing with prospective tenants for approximately 50% of this space.

All properties are performing in line with expectations.

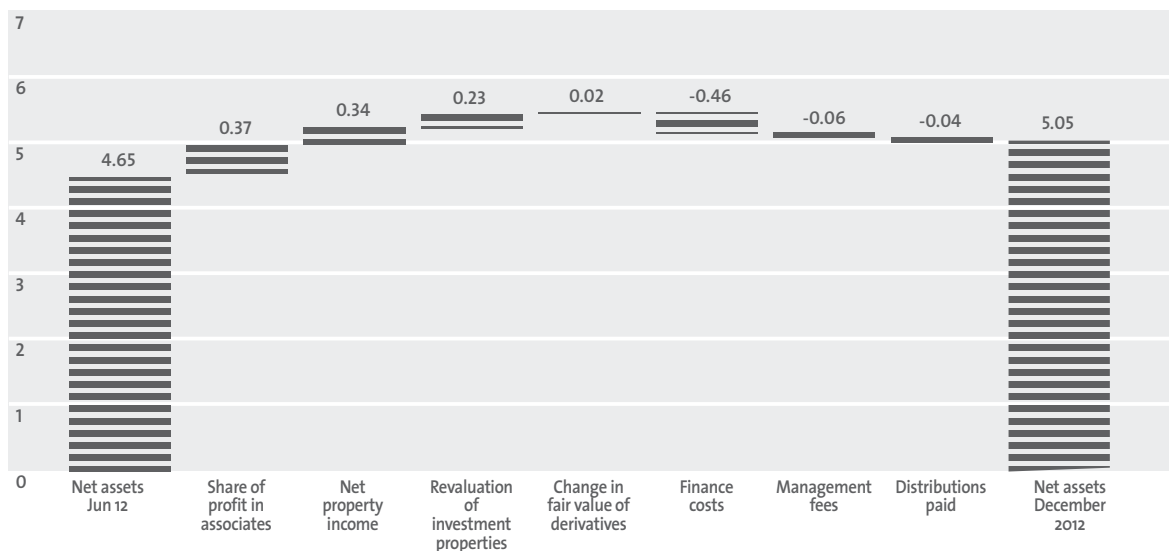
The property portfolio has a weighted average lease expiry (by income) of 5.7 years and occupancy rate of 98.5% at 31 December 2012.

DISTRIBUTIONS

The Fund paid total distributions of \$2.0 million or 4 cents per unit for the six months to 31 December 2012.

NTA RECONCILIATION

NTA per unit (\$)



Half Year Review

DEBT

The balance of the senior debt facility remains at \$478.8 million. Of this, \$429.6 million is swapped with an applicable rate of 5.88% plus 2.15%.

The balance of the subordinated bridge facility agreement (subordinated behind the senior debt facility) with Brookfield Australia Investments Group was \$79.6 million (inclusive of capitalised interest) at 31 December 2012. The facility term is to 1 July 2013 with an option to be extended for a further twelve month period until 1 July 2014.

The Fund was in compliance with all debt covenants as at 31 December 2012. The Fund's Loan to Value Ratio (LVR) at 31 December 2012 for the senior debt facility was 56.3%. Including the subordinated debt facility, it was 65.6%.

MARKET BUYBACK

In October 2011, the Fund announced an on-market buy-back of its securities for up to 10% of the issued capital of the Fund for the period up to 19 September 2012. On 18 September 2012, the Fund announced that the buy-back will be extended for 12 months to 18 September 2013 and the maximum number of securities that can be bought back will remain at 10% of the Fund issued capital. Since commencement of the buy-back approximately 2.8% of units have been bought back and cancelled for an average price of \$3.95 per unit.

During the six month period to 31 December 2012, 223,527 units at a cost of \$0.85 million were bought back within a price range from \$3.50 to \$4.05. The average price paid per security during the period was \$3.80 per unit, which reflects a discount of approximately 24.8% on the NTA of \$5.05 per unit.

FUND SNAPSHOT (as at 31 December 2012)

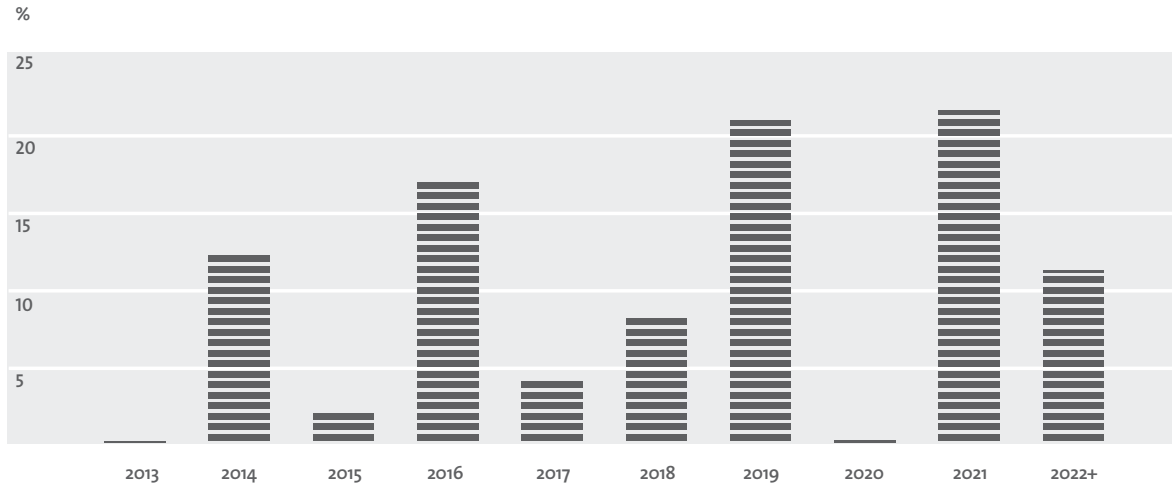
Market capitalisation	\$182.9 million
Funds under management	\$866.6 million
Listing date	15 September 2006
NTA per unit	\$5.05
Portfolio occupancy	98.5%
Portfolio weighted average lease term by income	5.67 years
Loan to value ratio – senior debt only	56.3%
Loan to value ratio – senior and subordinated debt	65.6%
Management fee	0.65% p.a. (excluding GST) of gross asset value
Performance fee	Tier 1–5%, Tier 2–15% (excluding GST) of benchmark ¹ outperformance

Note:

¹ UBS Commercial Property Accumulation (2008) index.

Portfolio Analysis

LEASE EXPIRY PROFILE (by income)



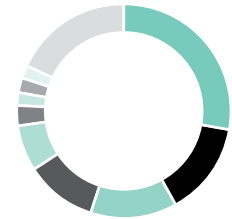
GEOGRAPHIC ALLOCATION (by value)

- 46% New South Wales
- 35% Victoria
- 19% Western Australia

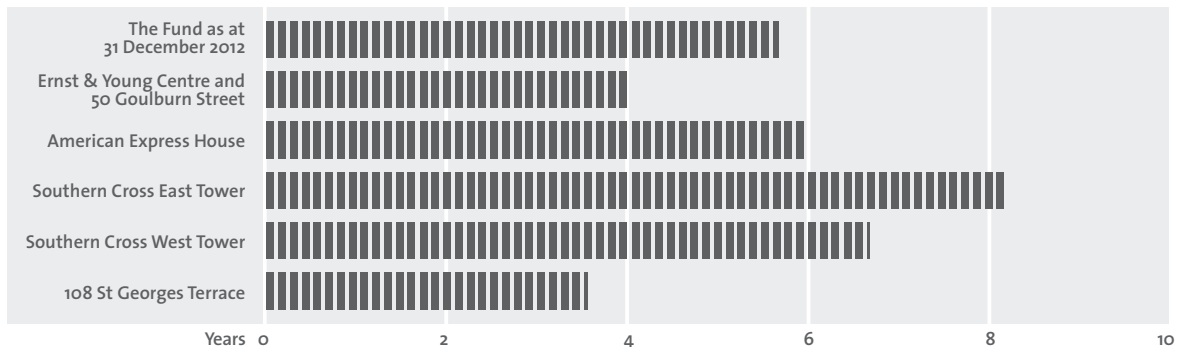


TENANCY MIX (by income)

- 28% Victorian State Government
- 14% Ernst & Young
- 13% Australia Post
- 11% Bankwest
- 7% American Express
- 3% Parsons Brinkerhoff
- 2% Link Market Services
- 2% Apache Energy
- 2% Norton Rose
- 18% Other



WEIGHTED AVERAGE LEASE EXPIRY PROFILE (by income)



Property Analysis

PROPERTY DESCRIPTION

Ernst & Young Centre is a landmark commercial office tower within the southern periphery of the midtown precinct of the Sydney CBD. The property comprises a substantial lobby with two retail areas and 35 upper levels of office accommodation incorporating low, mid, high and sky rise. Surrounding the property is World Square Shopping Centre and public transport facilities.

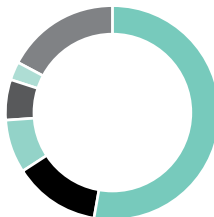
50 Goulburn Street is an A-grade commercial building situated on the corner of George Street and Goulburn Street, incorporating ground floor, four levels of office accommodation, a small rooftop terrace and car parking for 28 vehicles. The property's services are integrated with the Ernst & Young Centre and the property is serviced with retail and transport facilities in close proximity.

PROPERTY DETAILS

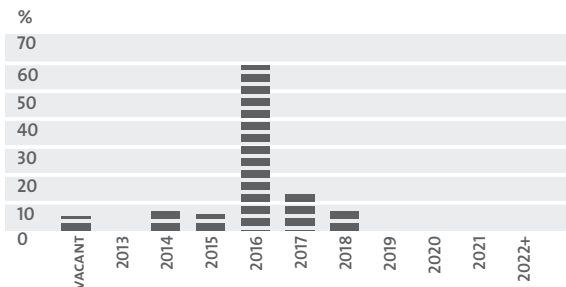
Ownership (%)	50
Net lettable area – whole building (sqm)	67,998
Occupancy (%)	95
Weighted average lease expiry (years by income)	4.0
Valuation (50%)	\$256.5 million
Valuation date	31 December 2012

TENANCY MIX (by income)

- 53% Ernst & Young
- 13% Parsons Brinckerhoff
- 8% Link Market Services
- 6% Powertel
- 3% Southern Cross Distribution Systems
- 17% Other



LEASE EXPIRY (by area)



Ernst & Young Centre and 50 Goulburn Street, Sydney

PROPERTY DESCRIPTION

Southern Cross West Tower forms part of the Southern Cross landmark development. The A-grade property was completed in 2009 and comprises ground floor retail tenancies, lobby, 20 upper levels of office accommodation and basement parking.

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

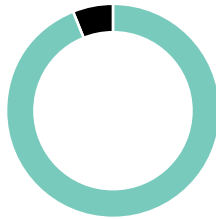
PROPERTY DETAILS

Ownership (%)	50
Net lettable area – whole building (sqm)	46,326
Occupancy (%)	100
Weighted average lease expiry (years by income)	6.7
Valuation (50%)	\$137.0 million
Valuation date	31 December 2012

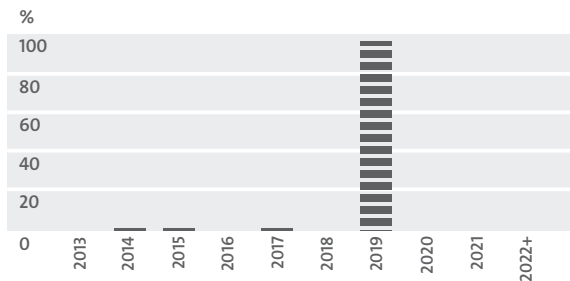


TENANCY MIX (by income)

- 94% Australia Post
- 6% Other



LEASE EXPIRY (by area)



Southern Cross West Tower, Melbourne

Property Analysis

PROPERTY DESCRIPTION

108 St Georges Terrace (formerly Bankwest Tower) is an A-grade, 52-level commercial office tower and includes the four-level Palace Hotel, a heritage listed ground floor banking chamber with associated offices on the upper levels.

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

PROPERTY DETAILS

Ownership (%)	50
Net lettable area – whole building (sqm)	39,024
Occupancy by area (%)	99.8
Weighted average lease expiry (years by income)	3.5
Valuation (50%)	\$162.0 million
Valuation date	31 December 2012

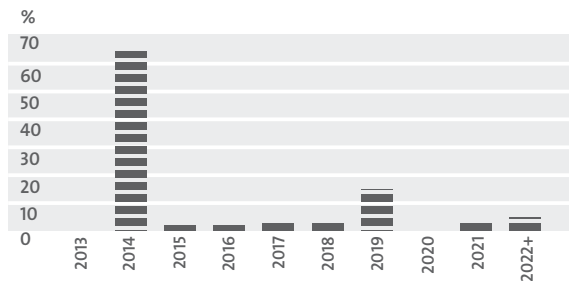


TENANCY MIX (by income)

- 49% Bankwest
- 8% Norton Rose
- 8% Apache Energy
- 35% Other



LEASE EXPIRY (by area)



108 St Georges Terrace,
Perth

Property Analysis

PROPERTY DESCRIPTION

American Express House is an A-grade commercial office building completed in late 2007. The property comprises 10 levels of commercial office, fully occupied by American Express, with ground floor retail and underground parking for 69 vehicles.

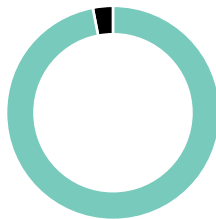
The property is located within the western corridor precinct of the Sydney CBD with frontage on Shelley Street. American Express House is proximate to Wynyard Railway Station and Bus Interchange, King Street Wharf public ferry terminal, and the retail and restaurants at King Street Wharf.

PROPERTY DETAILS

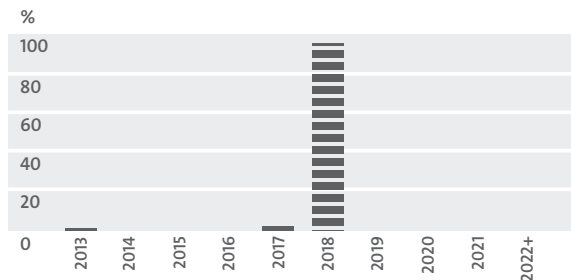
Ownership (%)	100
Net lettable area – whole building (sqm)	14,974
Occupancy (%)	100
Weighted average lease expiry (years by income)	5.9
Valuation (100%)	\$137.0 million
Valuation date	31 December 2012

TENANCY MIX (by income)

- 97% American Express
- 3% Other



LEASE EXPIRY (by area)



American Express House, Sydney

PROPERTY DESCRIPTION

Southern Cross East Tower is a landmark A-grade office building with premium grade services. The building comprises a ground level foyer and retail tenancies, 36 levels of office accommodation and basement parking for 950 vehicles.

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

PROPERTY DETAILS

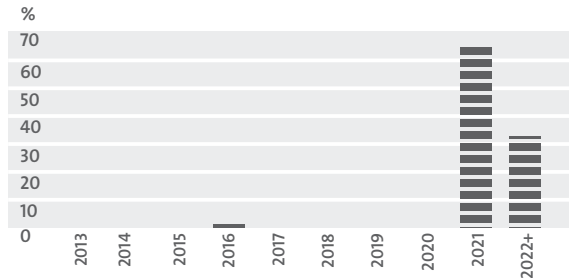
Ownership (%)	25
Net lettable area – whole building (sqm)	79,733
Occupancy (%)	100
Weighted average lease expiry (years by income)	8.2 ¹
Valuation (25%)	\$158.8 million
Valuation date	31 December 2012

TENANCY MIX (by income)

- 58% Victorian State Government (DoTF)
- 30% Victorian State Government (DOT)
- 12% Other



LEASE EXPIRY (by area)



Note:

- 1 The WALE by income reduced from 12.4 years at 30 June 2012 due to the change in methodology by the valuer regarding the car parking lease to Southern Cross West. The valuer now assumes a 25 year lease as opposed to a 99 year lease.



Southern Cross East Tower, Melbourne

Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income

For the half year ended 31 December 2012

	CONSOLIDATED HALF YEAR ENDED 31 DECEMBER 2012 \$'000	CONSOLIDATED HALF YEAR ENDED 31 DECEMBER 2011 \$'000
Revenue and other income		
Share of net profit of investments accounted for using the equity method	18,181	11,675
Property rental income	21,544	25,701
Net gain on revaluation of investment properties	11,253	–
Interest income	218	832
Other income	4	5
Total revenue and other income	51,200	38,213
Expenses		
Property expenses	5,128	5,955
Finance costs to external parties	22,426	25,701
Net loss on revaluation of financial derivatives	–	4,731
Net loss on revaluation of investment properties	–	1,161
Management fees	2,850	3,150
Property selling expenses	–	2,711
Other expenses	356	221
Total expenses	30,760	43,630
Net profit/(loss) for the period	20,440	(5,417)
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Change in cash flow hedge reserve	942	(16,385)
Changes in fair value of available for sale financial assets	13	(8)
Other comprehensive income/(loss) for the period	955	(16,393)
Total comprehensive income/(loss) for the period	21,395	(21,810)
Net profit/(loss) attributable to ordinary unitholders	20,440	(5,417)
Total comprehensive income/(loss) attributable to ordinary unitholders	21,395	(21,810)
Earnings per unit		
Basic and diluted earnings per ordinary unit (cents)	41.60	(10.82)

The Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Notes to the Condensed Consolidated Interim Financial Statements, available at www.au.brookfield.com.

Condensed Consolidated Interim Statement of Financial Position

As at 31 December 2012

	CONSOLIDATED 31 DECEMBER 2012 \$'000	CONSOLIDATED 30 JUNE 2012 \$'000
Assets		
Current assets		
Cash and cash equivalents	13,805	17,866
Trade and other receivables	1,589	889
Total current assets	15,394	18,755
Non-current assets		
Investments accounted for using the equity method	415,185	410,149
Investment properties	436,000	414,500
Total non-current assets	851,185	824,649
Total assets	866,579	843,404
Liabilities		
Current liabilities		
Trade and other payables	18,563	16,548
Total current liabilities	18,563	16,548
Non-current liabilities		
Fair value of financial derivatives	43,380	44,322
Interest bearing liabilities	556,916	553,394
Total non-current liabilities	600,296	597,716
Total liabilities	618,859	614,264
Net assets	247,720	229,140
Equity		
Units on issue	302,048	302,899
Reserves	(25,714)	(26,669)
Undistributed losses	(28,614)	(47,090)
Total equity	247,720	229,140

The Condensed Consolidated Interim Statement of Financial Position should be read in conjunction with the Notes to the Condensed Consolidated Interim Financial Statements, available at www.au.brookfield.com.

Corporate Directory

RESPONSIBLE ENTITY

Brookfield Capital Management Limited
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135 King Street
Sydney NSW 2000
Telephone: (02) 9322 2000
Facsimile: (02) 9322 2001

DIRECTORS

F. Allan McDonald
Barbara Ward
Brian Motteram
Russell Proutt
Shane Ross

COMPANY SECRETARY

Neil Olofsson

REGISTERED OFFICE

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Sydney NSW 2000
Telephone: (02) 9322 2000
Facsimile: (02) 9322 2001

CUSTODIAN

Brookfield Funds Management Limited
Level 22
135 King Street
Sydney NSW 2000

STOCK EXCHANGE

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

AUDITOR

Deloitte Touche Tohmatsu
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60 Station Street
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