

Brookfield Prime Property Fund
Interim financial report
For the half year ended
31 December 2010

Brookfield Prime Property Fund

(Formerly Multiplex Prime Property Fund)

ARSN 110 096 663

Table of Contents

Brookfield Prime Property Fund

For the half year ended 31 December 2010

	Page
Directory	3
Directors' Report	4
Auditor's Independence Declaration	6
Financial Statements	7
Condensed Consolidated Interim Statement of Comprehensive Income	7
Condensed Consolidated Interim Statement of Financial Position	8
Condensed Consolidated Interim Statement of Changes in Equity	9
Condensed Consolidated Interim Statement of Cash Flows.....	10
Condensed Notes to the Consolidated Interim Financial Statements	11
1 Reporting entity	11
2 Basis of preparation	11
3 Significant accounting policies	11
4 Estimates.....	11
5 Segment reporting	11
6 Distributions.....	12
7 Investment properties	12
8 Investments – available for sale	12
9 Interest bearing liabilities	13
10 Units on issue	14
11 Related parties.....	14
12 Contingent liabilities and assets.....	14
13 Capital and other commitments	14
14 Events subsequent to the reporting date.....	14
Directors' Declaration	15
Independent Auditor's Review Report	16

Directory

Brookfield Prime Property Fund

For the half year ended 31 December 2010

Responsible Entity

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

Directors of Brookfield Capital Management Limited

F. Allan McDonald
Brian Motteram
Barbara Ward
Tim Harris
Russell Prutt

Company Secretary of Brookfield Capital Management Limited

Neil Olofsson

Registered Office

Level 22, 135 King Street
Sydney NSW 2000
Telephone: +61 2 9322 2000
Facsimile: +61 2 9322 2001

Custodian

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

Stock Exchange

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

Location of Share Registry

Link Market Services Limited
Level 12, 680 George Street,
Sydney NSW 2000
Telephone: +61 2 8280 7100
Facsimile: +61 2 9287 0303

Auditor

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

Directors' Report

Brookfield Prime Property Fund

For the half year ended 31 December 2010

Introduction

The Directors of Brookfield Capital Management Limited (BCML) (ABN 32 094 936 866), formerly Brookfield Multiplex Capital Management Limited, the Responsible Entity of Brookfield Prime Property Fund (ARSN 110 096 663) (Fund), present their report together with the condensed consolidated interim financial statements of the Consolidated Entity, being the Fund its subsidiaries, and the Consolidated Entity's interest in associates, for the six months ended 31 December 2010 and the Independent Auditor's Review Report thereon.

Directors

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

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
Tim Harris (appointed 1 January 2010)	Executive Director
Russell Proutt (appointed 1 January 2010)	Executive Director

Principal activities

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

Review of operations

The Consolidated Entity has recorded a net profit of \$23,696,000 for the six month period ended 31 December 2010 (2009: net profit of \$16,137,000). The reported net profit includes \$15,800,000 in unrealised gains on revaluations of the investment property portfolio (2009: unrealised gains \$10,620,000) this includes property revaluations of \$9,121,000 relating to properties held by associates and is contained within the share of net profit of investments accounted for using the equity method (2009: unrealised gains \$7,250,000).

The Fund did not pay a distribution for the half year ended 31 December 2010 in order to preserve the capital position of the Fund. BCML will assess the payment of distributions for the second half of the fiscal year after considering prevailing market conditions and the financial position of the Fund at that time.

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

- total revenue and other income of \$51,006,000 (2009: \$45,128,000);
- net profit of \$23,696,000 (2009: net profit \$16,137,000);
- earnings per unit (EPU) of 46.98 cents (2009: 32.00 cents);
- net assets of \$244,608,000 (30 June 2010: \$212,836,000) and NTA of \$4.85 (30 June 2010: \$4.22);
- property portfolio value of \$603,125,000 as at 31 December 2010, including \$16,134,563 in gains on revaluations of investment properties recorded during the period (including investment properties held by associates);
- listed property trust portfolio value of \$104,000 (30 June 2010: \$5,145,000)
- rent reviews completed over 23.8% of the property portfolio by area resulting in an average increase of 3.9% on those leases reviewed; and
- portfolio occupancy at 99.8%, with a weighted average lease expiry of 6.93 years as at 31 December 2010.

Directors' Report continued
Brookfield Prime Property Fund
For the half year ended 31 December 2010

5

Rounding of amounts

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

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

The lead auditor's independence declaration is set out on page 6 and forms part of the Directors' Report for the half year ended 31 December 2010.

Dated at Sydney this 28th day of February 2011

Signed in accordance with a resolution of the Directors made pursuant to Section 306(3) of the *Corporations Act 2001*.



Russell Proutt
Director
Brookfield Capital Management Limited

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

28 February 2011

Dear Directors

BROOKFIELD PRIME PROPERTY FUND

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Brookfield Capital Management Limited as the Responsible Entity of Brookfield Prime Property Fund.

As lead audit partner for the review of the financial statements of Brookfield Prime Property Fund for the half year ended 31 December 2010, 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours faithfully



DELOITTE TOUCHE TOHMATSU



Helen Hamilton-James
Partner
Chartered Accountants

Condensed Consolidated Interim Statement of Comprehensive Income

Brookfield Prime Property Fund

7

For the half year ended 31 December 2010

	Note	Consolidated	
		Half year ended 31 December 2010 \$'000	Half year ended 31 December 2009 \$'000
Revenue and other income			
Share of net profit of investments accounted for using the equity method		22,537	20,561
Property rental income		9,835	8,888
Distribution income from listed property trusts		–	256
Interest income		430	58
Net gain on revaluation of financial derivatives		10,381	11,995
Net gain on revaluation of investment properties	7	6,679	3,370
Net gain on sale from Investments – Available for Sale		990	–
Other Income		154	–
Total revenue and other income		51,006	45,128
Expenses			
Property expenses		1,444	1,370
Impairment expense		93	–
Finance costs to external parties		17,071	18,293
Finance costs – amortisation of cash flow hedge reserve		6,549	6,549
Management fees		1,998	1,928
Other expenses		155	851
Total expenses		27,310	28,991
Net profit for the period		23,696	16,137
Other comprehensive income			
Change in cash flow hedge reserve		6,549	6,549
Changes in fair value of available for sale financial assets		(665)	1,177
Other comprehensive income for the period		5,884	7,726
Total comprehensive income for the period		29,580	23,863
Net income attributable to ordinary unitholders		23,696	16,137
Total comprehensive income attributable to ordinary unitholders		29,580	23,863
Earnings per unit			
Basic and diluted earnings per ordinary unit (cents) ¹		46.98	32.00

The Condensed Consolidated Interim Statement of Comprehensive Income should be read in conjunction with the Notes to the condensed consolidated interim financial statements.

¹Earnings per unit for the prior half year ended 31 December 2009 has been restated in the current half year ended 31 December 2010 to account for the impact of the consolidation of units, which took place in June 2010. This restatement is in accordance with AASB 133 Earnings per Share.

Condensed Consolidated Interim Statement of Financial Position

Brookfield Prime Property Fund

8

As at 31 December 2010

	Note	Consolidated 31 December 2010 \$'000	30 June 2010 \$'000
Assets			
Current assets			
Cash and cash equivalents		22,537	13,231
Trade and other receivables		111,287	111,433
Total current assets		133,824	124,664
Non-current assets			
Investments – available for sale	8	104	5,145
Investment properties	7	194,000	185,000
Investments accounted for using the equity method		411,501	401,210
Total non-current assets		605,605	591,355
Total assets		739,429	716,019
Liabilities			
Current liabilities			
Trade and other payables		11,500	10,843
Fair value of financial derivatives		8,358	–
Interest bearing liabilities	9	474,963	–
Total current liabilities		494,821	10,843
Non-current liabilities			
Fair value of financial derivatives		–	17,806
Interest bearing liabilities	9	–	474,534
Total non-current liabilities		–	492,340
Total liabilities		494,821	503,183
Net assets		244,608	212,836
Equity			
Units on issue	10	305,374	303,182
Reserves		(6,536)	(12,420)
Undistributed losses		(54,230)	(77,926)
Total equity		244,608	212,836

The Condensed Consolidated Interim Statement of Financial Position should be read in conjunction with the Notes to the condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Changes in Equity

Brookfield Prime Property Fund

9

For the half year ended 31 December 2010

Consolidated Entity	Attributable to unitholders of the Fund			Total \$'000
	Ordinary units \$'000	Undistributed profits/(losses) \$'000	Reserves \$'000	
Opening equity - 1 July 2010	303,182	(77,926)	(12,420)	212,836
Change in cash flow hedge reserve	-	-	6,549	6,549
Changes in fair value of available for sale financial assets	-	-	(665)	(665)
Other comprehensive income for the period	-	-	5,884	5,884
Net profit for the period	-	23,696	-	23,696
Total comprehensive income for the period	-	23,696	5,884	29,580
Transactions with unitholders in their capacity as unitholders:				
Equity receivable	2,192	-	-	2,192
Units issued	-	-	-	-
Issue costs	-	-	-	-
Total transactions with unitholders in their capacity as unitholders	2,192	-	-	2,192
Closing equity - 31 December 2010	305,374	(54,230)	(6,536)	244,608

Consolidated Entity	Attributable to unitholders of the Fund			Total \$'000
	Ordinary units \$'000	Undistributed profits/(losses) \$'000	Reserves \$'000	
Opening equity - 1 July 2009	252,717	(92,772)	(26,195)	133,750
Change in cash flow hedge reserve	-	-	6,549	6,549
Changes in fair value of available for sale financial assets	-	-	1,177	1,177
Other comprehensive income for the period	-	-	7,726	7,726
Net loss for the period	-	16,137	-	16,137
Total comprehensive income for the period	-	16,137	7,726	23,863
Transactions with unitholders in their capacity as unitholders:				
Equity receivable	2,216	-	-	2,216
Units issued	50,154	-	-	50,154
Issue costs	(4,101)	-	-	(4,101)
Total transactions with unitholders in their capacity as unitholders	48,269	-	-	48,269
Closing equity - 31 December 2009	300,986	(76,635)	(18,469)	205,882

The Condensed Consolidated Interim Statement of Changes in Equity should be read in conjunction with the Notes to the condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Cash Flows

10

Brookfield Prime Property Fund

For the half year ended 31 December 2010

	Consolidated	
	Half year ended 31 December 2010 \$'000	Half year ended 31 December 2009 \$'000
Cash flows from operating activities		
Cash receipts in the course of operations	10,740	9,284
Cash payments in the course of operations	(1,596)	(1,947)
Interest received	345	58
Financing costs paid	(15,556)	(17,614)
Net cash flows used in operating activities	(6,067)	(10,219)
Cash flows from investing activities		
Payments for purchase of, and additions to, investment properties	(1,987)	(30)
Purchase of investments in listed property trusts	–	(11)
Proceeds from sale of investments in listed property trusts	5,222	–
Distributions received from investments in listed property trusts	136	150
Distributions received from investments accounted for using the equity method	14,260	12,291
Net cash flows from investing activities	17,631	12,400
Cash flows from financing activities		
Proceeds from issue of units	–	50,154
Issue costs	(2,258)	(2,222)
Repayments of interest bearing liabilities	–	(44,700)
Net cash flows (used in)/from financing activities	(2,258)	3,232
Net increase in cash and cash equivalents	9,306	5,413
Cash and cash equivalents at beginning of period	13,231	1,259
Cash and cash equivalents at 31 December	22,537	6,672

The Condensed Consolidated Interim Statement of Cash Flows should be read in conjunction with the Notes to the condensed consolidated interim financial statements.

Condensed Notes to the Consolidated Interim Financial Statements Brookfield Prime Property Fund

11

For the half year ended 31 December 2010

1 Reporting entity

Brookfield Prime Property Fund (formerly Multiplex Prime Property Fund) (Fund) is an Australian registered managed investment scheme under the *Corporations Act 2001*. Brookfield Capital Management Limited (BCML) (formerly Brookfield Multiplex Capital Management Limited), the Responsible Entity of the Fund, is incorporated and domiciled in Australia. The consolidated interim financial report of the Fund as at and for the six months ended 31 December 2010 comprise the Fund and its subsidiaries (together referred to as the Consolidated Entity) and the Consolidated Entity's interest in associates.

2 Basis of preparation

Statement of compliance

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 *Interim Financial Reporting*. The consolidated interim financial report does not include all the information required for a full year report and should be read in conjunction with the annual financial statements of the Consolidated Entity as at and for the year ended 30 June 2010.

The consolidated interim financial report is presented in Australian dollars, which is the Fund's presentation and functional 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.

All of the existing debt facilities are classified as current in the Statement of Financial Position. Due to this classification, the Consolidated Entity's current liabilities exceed current assets by \$360,997,000. The investment properties and the equity accounted investments valued at \$605,605,000 are classified as non-current assets in accordance with accounting standards.

In accordance with AASB 101 *Presentation of Financial Statements*, an entity shall prepare financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. At the date of this report, management has no intention to either liquidate the Fund or to cease trading and management is evaluating a number of financing options to refinance the term facility prior to maturity in December 2011.

3 Significant accounting policies

The accounting policies applied in this consolidated interim financial report are the same as those applied in the consolidated financial report as at and for the year ended 30 June 2010, except for the impact of the new or revised Standards and Interpretations that are first effective in the current reporting period, as described below.

AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process
AASB 2009-5 introduces amendments into Accounting Standards that are equivalent to those made by the IASB under its program of annual improvements to its standards. A number of the amendments are largely technical, clarifying particular terms, or eliminating unintended consequences. Other changes are more substantial, such as the current/non-current classification of convertible instruments, the classification of expenditures on unrecognised assets in the statement of cash flows and the classification of leases of land and buildings.

AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project
AASB 2010-3 introduces amendments to a number of pronouncements as a result of the IASB's 2008-2010 cycle of annual improvements to provide clarification of certain matters. The key clarifications include the measurement of non-controlling interests in a business combination, transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised AASB 3 *Business Combinations (2008)*, and transition requirements for amendments arising as a result of AASB 127 *Consolidated and Separate Financial Statements*.

The adoption of the above amendments have not resulted in any material changes to the Consolidated Entity's accounting policies or adjustments to amounts reported in the current or prior periods.

4 Estimates

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

5 Segment reporting

Management have identified the Chief Operating Decision Maker function is performed by the Board of Directors of the Responsible Entity (Board). The Board assesses the performance of the Consolidated Entity in its entirety. The allocation of resources is not performed in separate segments by the Board. The Board reviews and assesses the information in relation to the performance of the Consolidated Entity as set out in the condensed consolidated Statement of Comprehensive Income and condensed consolidated Statement of Financial Position, therefore no further segment reporting is required.

Condensed Notes to the Consolidated Interim Financial Statements continued

Brookfield Prime Property Fund

12

For the half year ended 31 December 2010

6 Distributions

During the current and prior periods, no distributions were paid by the Fund to unitholders.

7 Investment properties

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

Description	Latest external valuation \$'000	Consolidated	
		31 December 2010 book value \$'000	30 June 2010 book value \$'000
Total commercial investment properties	194,000	194,000	185,000
Total investment properties held directly	194,000	194,000	185,000

The Consolidated Entity owns 50% of Latitude Landowning Trust and 25% of Multiplex Development No. 6A Unit Trust. These investments are accounted for using the equity method. The Consolidated Entity's proportionate value ownership of properties held through these associates is as follows:

Description	Consolidated	
	31 December 2010 book value \$'000	30 June 2010 book value \$'000
Total commercial investment properties	409,125	400,000
Total investment properties held by associates	409,125	400,000

Independent valuations

The investment properties of the Consolidated Entity are internally valued at each reporting date. The Consolidated Entity's policy is to obtain external valuations when internal valuations performed indicate the property value has changed by more than 5%, or whenever it is believed that the fair value of a property differs significantly from its carrying value, based on a material change to the assumptions and market conditions underlying the valuation. An external valuation is obtained at least every 3 years.

At 31 December 2010, the property portfolio (including properties held through associates) comprised of 4 assets of which Defence Plaza was externally valued by Colliers. The remaining 3 properties were internally valued. The Directors of BCML have been guided by these valuations in assessing the fair value of these properties at the reporting date.

The valuations have been undertaken using a discounted cash flow (DCF) approach. The key assumptions adopted under these methods include assessment of the capitalisation rate, discount rate, terminal yield, current passing/market rent and forecast net annual cash flows receivable from the properties. The capitalisation rates utilised in the 31 December 2010 valuations range from 6.85% to 8.13%.

Reconciliation of carrying amount of investment properties is set out below:	Consolidated	
	Half year ended 31 December 2010 \$'000	
Carrying amount at beginning of period		185,000
Impact of straight-lining		334
Capital expenditure		1,987
Net profit/(loss) from fair value adjustments to investment properties		6,679
Carrying amount at period end		194,000

8 Investments – available for sale	Consolidated	
	31 December 2010 \$'000	30 June 2010 \$'000
Cost of investments – listed property trusts	58,315	58,315
Fair value adjustment	–	677
Disposal of listed property trusts	(46,688)	–
Net Impairment – listed property trusts	(11,523)	(53,847)
Total investments – available for sale	104	5,145

Condensed Notes to the Consolidated Interim Financial Statements continued

Brookfield Prime Property Fund

13

For the half year ended 31 December 2010

	Consolidated	
	31 December 2010 \$'000	30 June 2010 \$'000
9 Interest bearing liabilities		
Current		
Secured bank debt	475,814	–
Debt establishment fees	(851)	–
Non-current		
Secured bank debt	–	475,814
Debt establishment fees	–	(1,280)
Total interest bearing liabilities	474,963	474,534

		Consolidated	
	Expiry Date	31 December 2010 \$'000	30 June 2010 \$'000
Finance arrangements			
Facilities available			
Bank debt facilities			
- Term facility	December 2011	363,014	363,014
- Partly Paid facility	December 2011	112,800	112,800
Total available interest bearing liabilities		475,814	475,814
Less: facilities utilised			
- Term facility		363,014	363,014
- Partly Paid facility		112,800	112,800
Total facilities utilised		475,814	475,814

The security granted in favour of the banks in support of the obligations under the Term and Partly Paid facilities are limited to the assets and income of the Consolidated Entity and includes real property mortgages over the relevant properties. Security for the Partly Paid facility also includes a fixed charge over the Fund's right to receive the final instalment of equity in accordance with the terms of the Constitution.

The Consolidated Entity has two financial covenants on each of the two facilities, an interest coverage ratio (ICR) and a loan to value ratio (LVR).

At 31 December 2010, the Fund was in compliance with both financial covenants on both of the debt facilities. The LVR limit on the Term facility states that the total borrowing on the Term facility must not exceed the sum of 67.5% of the value of investment properties (including investment properties held through associates) and 50% of the value of the A-REIT portfolio. The Term facility limit based on actual results at 31 December 2010 indicates that the total value based on the above criteria exceeds the borrowing on the Term facility by \$44,148,000. The LVR limit on the Partly Paid facility is 85% and the LVR based on actual results at 31 December 2010 is 78.9%.

Condensed Notes to the Consolidated Interim Financial Statements continued

Brookfield Prime Property Fund

14

For the half year ended 31 December 2010

	Half year ended 31 December 2010 \$'000	Half year ended 31 December 2010 Units	Year ended 30 June 2010 \$'000	Year ended 30 June 2010 Units
10 Units on issue				
Units on issue				
Opening balance	327,610	50,435,806	273,092	281,764,877
Issue of units	–	–	50,154	50,154,148,106
Consolidation of units	–	–	–	(50,385,477,177)
Movement in equity receivable	2,192	–	4,364	–
Closing balance	329,802	50,435,806	327,610	50,435,806
Unit issue costs				
Opening balance	24,428	–	20,375	–
Entitlement Offer costs	–	–	4,053	–
Closing balance	24,428	–	24,428	–
Total units on issue	305,374	50,435,806	303,182	50,435,806

11 Related parties

There have been no significant changes to the related party transactions as disclosed in the annual report for the year ended 30 June 2010.

12 Contingent liabilities and assets

No contingent liabilities or assets existed at 31 December 2010 (30 June 2010: nil).

13 Capital and other commitments

There were no capital or other commitments at 31 December 2010 (30 June 2010: nil).

14 Events subsequent to the reporting date

There are no matters or circumstances which have arisen since the end of the financial period 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 periods.

Directors' Declaration

Brookfield Prime Property Fund

For the half year ended 31 December 2010

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

- a The condensed consolidated interim financial statements and notes, set out in pages 7 to 14, are in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2010 and of its performance for the six month period ended on that date; and
 - ii complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*;
- 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.

Signed in accordance with a resolution of the Directors of Brookfield Capital Management Limited.

Dated at Sydney this 28th day of February 2011



Russell Proutt
Director
Brookfield Capital Management Limited

