

ASX Announcement

21 February 2014

Brookfield Prime Property Fund (ASX: BPA) Interim Results 2014

Brookfield Capital Management Limited (BCML) as Responsible Entity for Brookfield Prime Property Fund (the Fund) announces the Fund's interim results for the six month period to 31 December 2013.

Key messages are:

- Net profit of \$11.2 million (31 December 2012: net profit of \$20.4 million);
- Net assets of \$302.4 million (30 June 2013: \$287.9 million);
- NTA per unit of \$6.17 (30 June 2013: \$5.87);
- Property portfolio value of \$889.5 million (30 June 2013: \$880.1 million);
- Excluding the impact of asset revaluations, the net profit of the Fund has increased by 30% against the comparable 2012 period;
- Distributions paid to investors for the period of 4.0 cents per unit; and
- The Fund is in compliance with all debt covenants.

Debt

The Fund's senior debt facility of \$478.8 million is due to expire in July 2014. Subject to documentation and other conditions, the Fund has secured committed financing for a new three year \$520 million syndicated senior debt facility to refinance its existing facility.

The Fund's subordinated debt facility with a subsidiary of the Brookfield Australia Investments Group with a balance of \$85.4 million as at 31 December 2013 is also due to expire in July 2014. The Fund has secured committed financing, subject to documentation and other conditions, for a new three year revolving facility for up to \$130 million.

Proceeds from the new senior debt facility will be used to retire the existing senior facility and to prepay part of the existing subordinated debt facility.

Portfolio update

The direct property portfolio performed well with 98.8% occupancy and a weighted average lease expiry by income of 4.8 years.

The entire property portfolio was internally valued as at 31 December 2013 resulting in an increase of 1.1% in value. This reflects a capital value uplift at 108 St Georges Terrace from the recent foyer refurbishment and a general increase in net annual rent at American Express House, Southern Cross East Tower and Southern Cross West Tower.

A summary of the property valuations as at 31 December 2013 is as follows:

Property	Location	Fund Share (%)	Value as at 31 December 2013 (\$m)	Value as at 30 June 2013 (\$m)
Ernst & Young Centre and 50 Goulburn Street	Sydney	50	265.0	268.0
American Express House	Sydney	100	143.0	141.0
Southern Cross East Tower	Melbourne	25	167.5	163.1
Southern Cross West Tower	Melbourne	50	144.0	142.0
108 St Georges Terrace	Perth	50	170.0	166.0
Total			889.5	880.1

Market buyback

Since commencement of the buyback in September 2011 approximately 2.8% of units have been bought back and cancelled for an average price of \$3.95 per unit. No units were bought back during the six months to 31 December 2013.

Further information

Further information regarding the Fund's interim results is available in the 2014 Interim Report. It is recommended that investors review this document. Additionally, the financial report for the six month period to 31 December 2013 is available at www.au.brookfield.com.

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Brookfield Customer Service
Ph: 1800 570 000



BROOKFIELD PRIME PROPERTY FUND

ARSN 110 096 663

Interim Report 2014

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 Brookfield Prime Property Fund (Fund) interim financial results for the six month period to 31 December 2013.

FINANCIAL RESULTS

The Fund reported a net profit of \$11.2 million for the period, compared with a net profit of \$20.4 million for the same period to 31 December 2012. This decline is due to the impact of asset revaluations. Excluding the impact of asset revaluations, net profit of the Fund increased by 30% reflecting growth in net rental income.

Key financial results as at 31 December 2013 include:

- Net assets of \$302.4 million (30 June 2013: \$287.9 million) and net assets per unit of \$6.17 (30 June 2013: \$5.87);
- Property portfolio value of \$889.5 million (30 June 2013: \$880.1 million);
- Total revenue and other income of \$42.3 million (31 December 2012: \$51.2 million); and
- Earnings per unit of 22.9 cents (31 December 2012: 41.6 cents).

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

PROPERTY PORTFOLIO

During the period the property portfolio increased in value by 1.1%. All of the Fund's properties maintain strong lease profiles with a portfolio occupancy of 98.8% and a weighted average lease expiry by income of 4.8 years.

The property portfolio was internally valued as at 31 December 2013 and the Directors of BCML were guided by these valuations in assessing the fair value of the properties.

DEBT

The Fund's senior debt facility and subordinated debt facility are due to expire in July 2014. Subject to documentation and other conditions, the Fund has secured committed financing for a new three year \$520 million syndicated senior debt facility and a new three year revolving subordinated facility for up to \$130 million.

Proceeds from the new senior debt facility will be used to retire the existing senior facility and to prepay part of the existing subordinated debt facility.

Where required, the new subordinated facility may be drawn upon to supplement existing cashflow from the properties to meet the Fund's ongoing cash requirements, such as those associated with capital expenditure or leasing.

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 2013.

MOVEMENT IN NET ASSETS

The Fund's underlying net tangible assets (NTA) increased from \$5.87 to \$6.17 per unit during the six month period. This increase is largely due to a decline in value of the interest rate swap liability, an increase in the property portfolio value from \$880.1 million to \$889.5 million and the positive impact of net property income.

DISTRIBUTIONS

The Fund paid total distributions of \$2.0 million or 4 cents per unit for the six months to 31 December 2013.

The Fund's NTA increased from \$5.87 to \$6.17 per unit during the six month period.

PROPERTY PORTFOLIO

The property portfolio was internally valued as at 31 December 2013 resulting in an increase of 1.1% in value.

Ernst & Young Centre and 50 Goulburn Street, Sydney, recorded a small decline in value of 1.1% due to the Austereo lease expiry in 2015 and Ernst & Young expiry in 2016. The overall upcoming vacancies impact has been offset to an extent by new lease deals on some of the space being vacated by Ernst & Young.

SUMMARY

PROPERTY	LOCATION	FUND SHARE %	VALUATION TYPE	VALUE AT 31 DECEMBER 2013 \$M	VALUE AT 30 JUNE 2013 \$M	% CHANGE 6 MTHS
Ernst & Young Centre and 50 Goulburn Street	Sydney	50	Internal	265.0	268.0	-1.1
American Express House	Sydney	100	Internal	143.0	141.0	1.4
Southern Cross East Tower	Melbourne	25	Internal	167.5	163.1	2.7
Southern Cross West Tower	Melbourne	50	Internal	144.0	142.0	1.4
108 St Georges Terrace	Perth	50	Internal	170.0	166.0	2.4
Total				889.5	880.1	1.1

The 2.4% uplift in value of 108 St Georges Terrace reflects substantial capital expenditure on the property's foyer which was completed during the half year period. Management continues to be proactive in de-risking the upcoming BankWest lease expiry (November 2014) with BankWest vacating two floors early to facilitate re-leasing space to a new tenant.

Uplifts in value recorded by American Express House, Southern Cross East Tower and Southern Cross West Tower reflect an increase in each property's net annual rent through positive rent reviews.

The property portfolio has a weighted average lease expiry (by income) of 4.8 years and occupancy of 98.8% as at 31 December 2013.

SENIOR DEBT

The senior debt facility balance remains unchanged from 30 June 2013 at \$478.8 million. The Fund was in compliance with all debt covenants as at 31 December 2013.

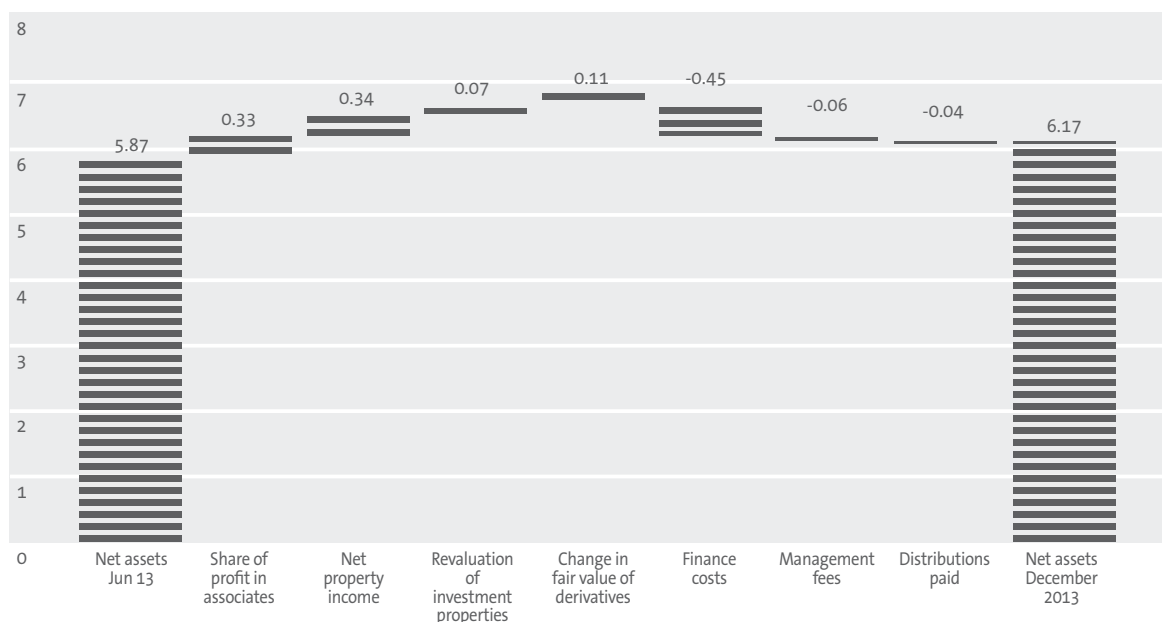
The Fund's senior debt facility of \$478.8 million is due to expire in July 2014. Subject to documentation and other conditions standard for facilities of this nature, the Fund has secured financing for a new three year \$520 million syndicated debt facility to refinance its existing facility.

In addition to repaying the existing senior facility the new facility will be utilised to part repay the subordinated debt facility.

Key terms of the new facility include an establishment fee of 0.45% on the loan and an interest rate equal to the bank bill swap rate (BBSY) plus 1.75%.

NTA RECONCILIATION

NTA per unit (\$)



Half Year Review

SUBORDINATED DEBT

The balance of the subordinated facility with a Brookfield Australia Investments Group entity, including capitalised interest at 31 December 2013 was \$85.4 million (30 June 2013: \$82.5 million).

The Fund has secured committed financing, subject to documentation and other conditions standard for facilities of this nature, for a new three year revolving facility of up to \$130 million. The interest rate is consistent with that payable under the existing subordinated facility at 2% above the senior debt facility rate.

The subordinated facility may be drawn up to a limit of \$130 million which will facilitate management of capital expenditure or incentive requirements on the Fund's properties if necessary.

SWAPS

The Fund continues to pay a fixed rate of 5.88% on \$434.2 million under an interest rate swap until July 2016. Any additional amount owing under the senior debt facility remains unhedged at present.

MARKET BUYBACK

In September 2011, the Fund announced an on-market buy-back of its securities for up to 10% of the Fund's issued capital, for the period to 19 September 2012. The buy-back was subsequently extended to September 2014. 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. No units were bought back during the six months to 31 December 2013.

FUND SNAPSHOT (as at 31 December 2013)

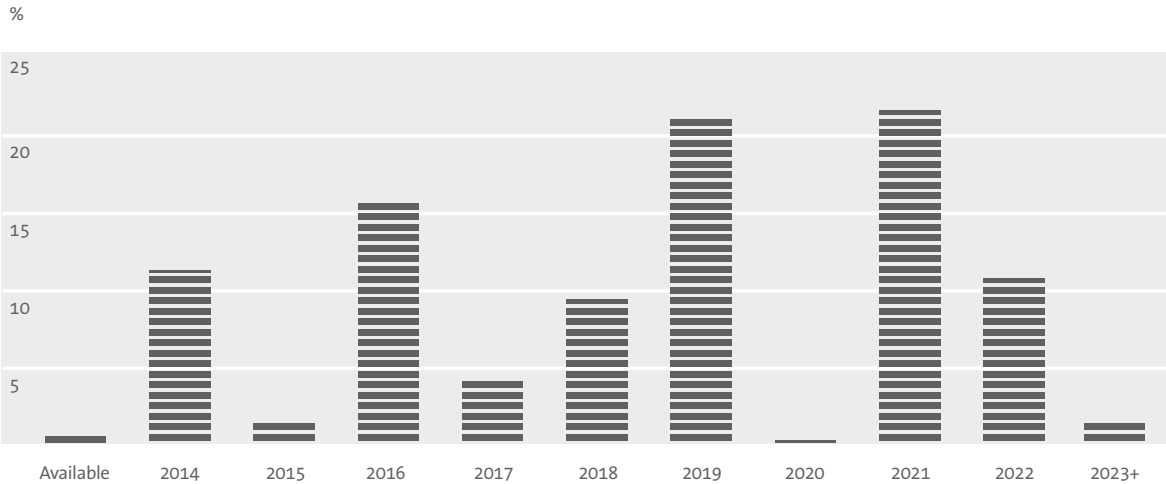
Market capitalisation	\$197.6 million
Funds under management	\$908.1 million
Listing date	15 September 2006
NTA per unit	\$6.17
Portfolio occupancy	98.8%
Portfolio weighted average lease term by income	4.8
Loan to value ratio – senior debt only	53.8%
Loan to value ratio – senior and subordinated debt	63.4%
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 (200) index.

Portfolio Analysis

LEASE EXPIRY PROFILE (by income)



GEOGRAPHIC ALLOCATION (by value)

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

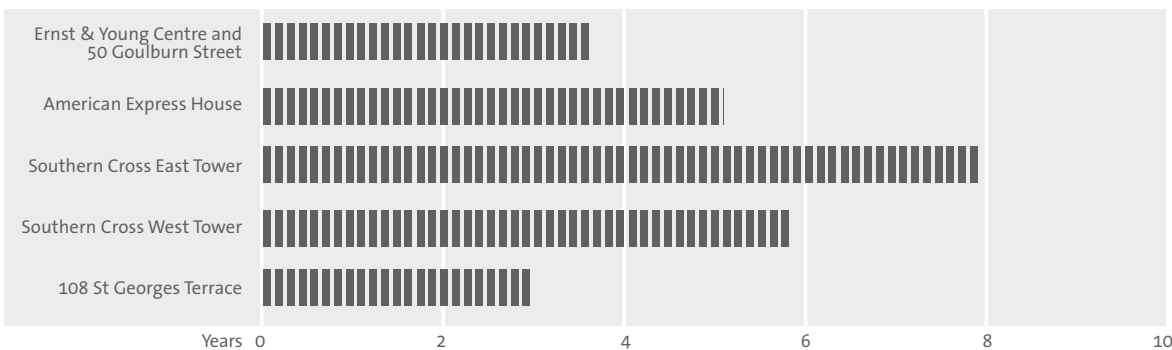


TENANCY MIX (by income)

- 28% Victorian State Government
- 14% Ernst & Young
- 14% Australia Post
- 8% Bank West
- 7% American Express
- 3% Parsons Brinkerhoff
- 26% 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

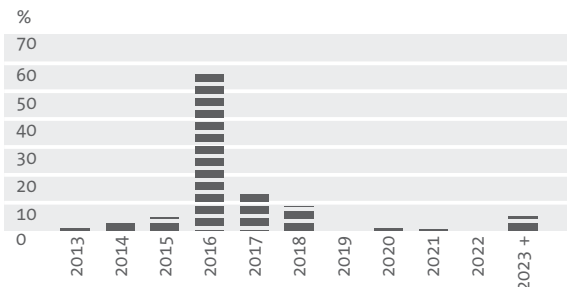
Ownership (%)	50
Net lettable area – whole building (sqm)	67,810
Occupancy (%)	96.5
Weighted average lease expiry (years by income)	3.6
Valuation (50%)	\$265.0 million
Valuation date	31 December 2013

TENANCY MIX (by income)

- 52% Ernst & Young
- 10% Parsons Brinckerhoff
- 8% Link Market Services
- 7% Austereo
- 23% Other



LEASE EXPIRY (by area)



Ernst & Young Centre
and 50 Goulburn
Street, Sydney

Property Analysis

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

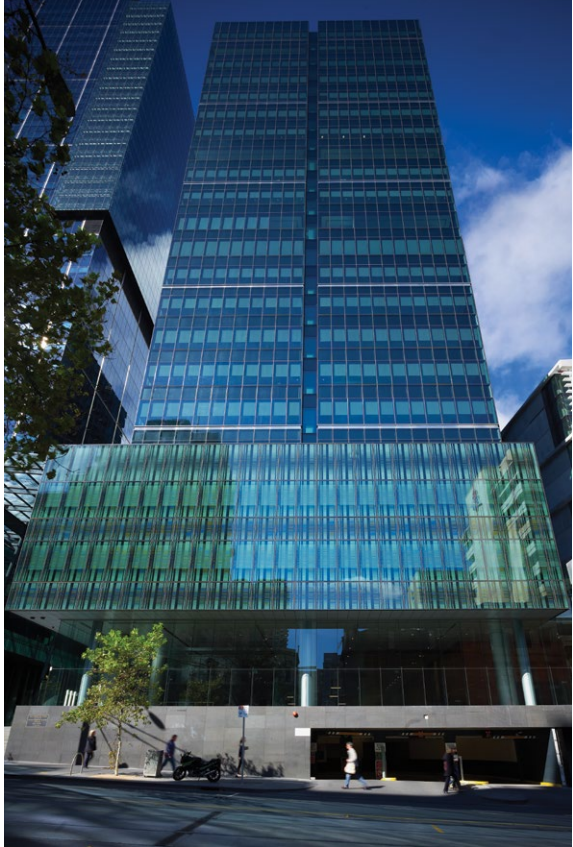
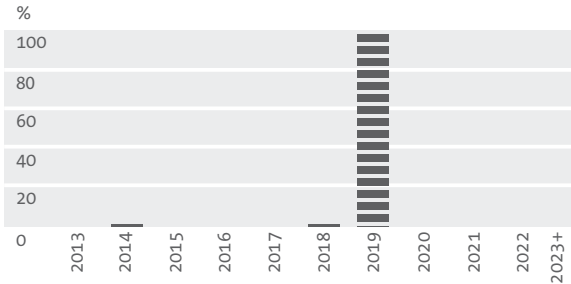
Ownership (%)	50
Net lettable area – whole building (sqm)	46,326
Occupancy (%)	100
Weighted average lease expiry (years by income)	5.7
Valuation (50%)	\$144.0 million
Valuation date	31 December 2013

TENANCY MIX (by income)

- 92% Australia Post
- 8% Other



LEASE EXPIRY (by area)



Southern Cross
West Tower,
Melbourne

Property Analysis

PROPERTY DESCRIPTION

108 St Georges Terrace is an A-grade, 52-level commercial office tower and includes the four-level heritage listed Palace building, comprising 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

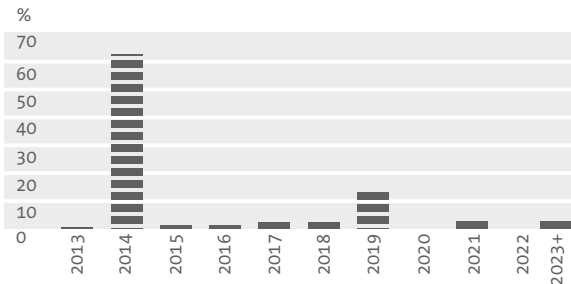
Ownership (%)	50
Net lettable area – whole building (sqm)	38,988
Occupancy by area (%)	98.7
Weighted average lease expiry (years by income)	2.8
Valuation (50%)	\$170.0 million
Valuation date	31 December 2013

TENANCY MIX (by income)

- 40% Bankwest
- 9% Apache Energy
- 8% Norton Rose
- 43% 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.

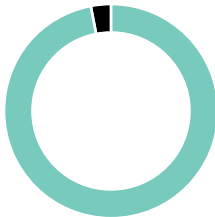
The property is located within the western corridor precinct of the Sydney CBD with frontage on Shelley Street. American Express House is proximate to Wynyard Railway Station and Bus Interchange, King Street Wharf public ferry terminal, and the retail and restaurants at King Street Wharf.

PROPERTY DETAILS

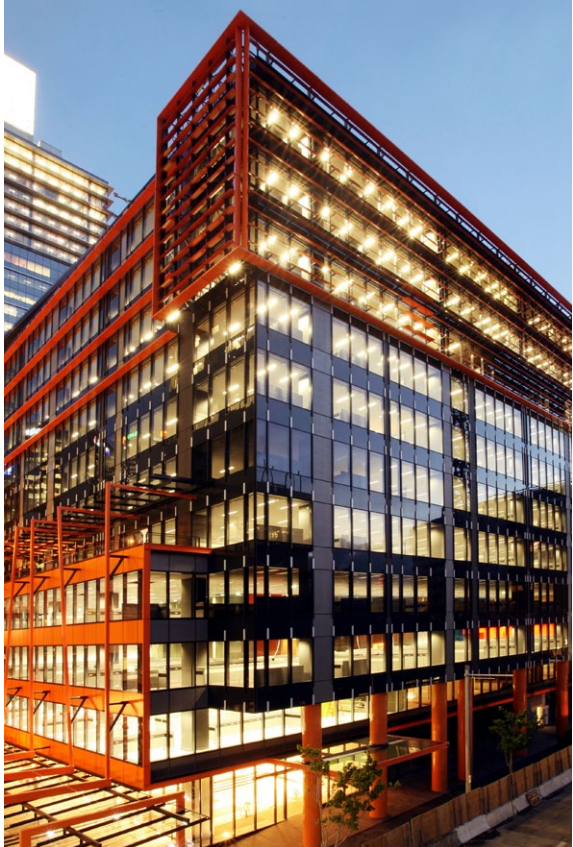
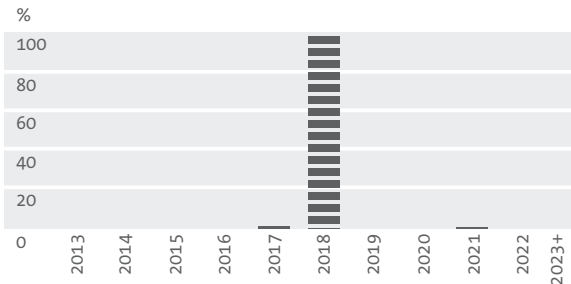
Ownership (%)	100
Net lettable area – whole building (sqm)	14,970
Occupancy (%)	100
Weighted average lease expiry (years by income)	5.0
Valuation (100%)	\$143.0 million
Valuation date	31 December 2013

TENANCY MIX (by income)

- 97% American Express
- 3% Other



LEASE EXPIRY (by area)



American Express House, Sydney

Property Analysis

PROPERTY DESCRIPTION

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

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

PROPERTY DETAILS

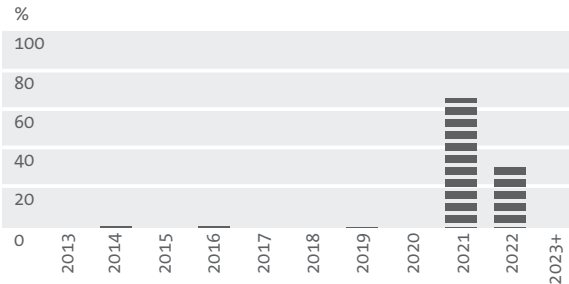
Ownership (%)	25
Net lettable area – whole building (sqm)	79,731
Occupancy (%)	100
Weighted average lease expiry (years by income)	7.7
Valuation (25%)	\$167.5 million
Valuation date	31 December 2013

TENANCY MIX (by income)

- 60% Victorian State Government (DOTF)
- 31% Victorian State Government (DOT)
- 9% Other



LEASE EXPIRY (by area)



Southern Cross
East Tower, Melbourne

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

For the half year ended 31 December 2013

	CONSOLIDATED HALF YEAR ENDED 31 DECEMBER 2013 \$'000	CONSOLIDATED HALF YEAR ENDED 31 DECEMBER 2012 \$'000
Revenue and other income		
Property rental income	22,548	21,544
Share of net profit of investments accounted for using the equity method	16,362	18,181
Net gain on revaluation of investment properties	3,199	11,253
Interest income	161	218
Other income	5	4
Total revenue and other income	42,275	51,200
Expenses		
Property expenses	5,622	5,128
Finance costs	22,177	22,426
Management fees	3,038	2,850
Other expenses	200	356
Total expenses	31,037	30,760
Net profit for the period	11,238	20,440
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Change in cash flow hedge reserve	5,158	942
Changes in fair value of available for sale financial assets	(1)	13
Other comprehensive income for the period	5,157	955
Total comprehensive income for the period	16,395	21,395
Net profit attributable to ordinary unitholders	11,238	20,440
Total comprehensive income attributable to ordinary unitholders	16,395	21,395
Earnings per unit		
Basic and diluted earnings per ordinary unit (cents)	22.92	41.60

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 2013

	CONSOLIDATED 31 DECEMBER 2013 \$'000	CONSOLIDATED 30 JUNE 2013 \$'000
Assets		
Current assets		
Cash and cash equivalents	18,188	12,210
Trade and other receivables	1,542	812
Total current assets	19,730	13,022
Non-current assets		
Investments properties	457,000	449,000
Investments accounted for using the equity method	431,348	430,047
Total non-current assets	888,348	879,047
Total assets	908,078	892,069
Liabilities		
Current liabilities		
Trade and other payables	10,611	7,281
Interest bearing liabilities	563,708	–
Total current liabilities	574,319	7,281
Non-current liabilities		
Interest bearing liabilities	–	560,305
Fair value of financial derivatives	31,381	36,539
Total non-current liabilities	31,381	596,844
Total liabilities	605,700	604,125
Net assets	302,378	287,944
Equity		
Units on issue	302,047	302,047
Reserves	(13,715)	(18,872)
Undistributed losses	14,046	4,769
Total equity	302,378	287,944

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
Level 22
135 King Street
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Telephone: (02) 9322 2000
Facsimile: (02) 9322 2001

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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
Eclipse Tower
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