

# Appendix 4D – Additional Disclosure

## Brookfield Prime Property Fund

For the half year ended 31 December 2015

<b>Name of Fund:</b>	Brookfield Prime Property Fund (BPA or Fund)
<b>Details of reporting period</b>	
<b>Current reporting period:</b>	1 July 2015 to 31 December 2015
<b>Prior corresponding period:</b>	1 July 2014 to 31 December 2014

This Appendix 4D should be read in conjunction with the Financial Report for the half year ended 31 December 2015. It is also recommended that the Financial Report be considered together with any public announcements made by the Fund during the half year ended 31 December 2015 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

### Results for announcement to the market

	Half year ended 31 December 2015 \$'000	Half year ended 31 December 2014 \$'000	Movement \$'000	Movement %
Total revenue and other income	145,342	37,047	108,295	>100%
Total expenses	(34,259)	(33,675)	(584)	(2%)
Net profit attributable to the unitholders of BPA	111,083	3,372	107,711	>100%
Property fair value adjustments included in the above from:				
Direct property investments	(5,151)	(3,874)	(1,277)	(33%)
Investments accounted for using the equity method	6,566	1,290	5,276	>100%
Earnings per unit (cents)	226.57	6.88	219.69	>100%

### Distributions and returns of capital

Distributions and returns of capital declared to ordinary unitholders were as follows:

	Cents per unit	Total amount \$'000	Date of payment
<b>Ordinary units</b>			
September 2015	2.0	981	30 October 2015
December 2015	250.0	122,573	30 December 2015
<b>Total distributions and returns of capital for the half year ended 31 December 2015</b>	<b>252.0</b>	<b>123,554</b>	
<b>Ordinary units</b>			
September 2014 distribution	2.0	981	31 October 2014
December 2014 distribution	2.0	980	30 January 2015
<b>Total distributions for the half year ended 31 December 2014</b>	<b>4.0</b>	<b>1,961</b>	

This preliminary final report is given to the ASX in accordance with Listing Rule 4.2A.

Commentary and analysis of the result for the current period can be found in the attached Brookfield Prime Property Fund ASX release dated 24th February 2016. This ASX release forms part of the Appendix 4D.

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 24th February 2016.

Brookfield Prime Property Fund  
Interim financial report  
For the half year ended  
31 December 2015

# Brookfield Prime Property Fund

ARSN 110 096 663

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# Directory

## Brookfield Prime Property Fund

For the half year ended 31 December 2015

### **Responsible Entity**

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

### **Directors of Brookfield Capital Management Limited**

F. Allan McDonald  
Barbara Ward  
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**

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

### **Stock Exchange**

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

### **Location of Share Registry**

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

### **Auditor**

Deloitte Touche Tohmatsu  
Grosvenor Place  
225 George Street  
Sydney NSW 2000  
Telephone: + 61 2 9322 7000  
Facsimile: + 61 2 9322 7001

# Directors' Report

## Brookfield Prime Property Fund

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For the half year ended 31 December 2015

### Introduction

The Directors of Brookfield Capital Management Limited (BCML) (ABN 32 094 936 866), 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 and its subsidiaries and the Consolidated Entity's interest in associates for the six months ended 31 December 2015 and the Independent Auditor's Review Report thereon.

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

### Responsible Entity

The Responsible Entity of the Fund is Brookfield Capital Management Limited (BCML). BCML became the Responsible Entity on 5 July 2005. The registered office and principal place of business of the Responsible Entity and the Fund 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 period:

Name	Capacity
F. Allan McDonald	Non-Executive Independent Chairman
Barbara Ward	Non-Executive Independent Director
Shane Ross	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 \$111,083,000 for the half year ended 31 December 2015 (2014: net profit of \$3,372,000). On 18 December 2015, the Consolidated Entity settled the sale of its 50% interest in the Southern Cross West Tower, Melbourne investment property for gross contract price of \$218,000,000 and its 25% interest in the Brookfield Development No. 6A Unit Trust (which ultimately owns the Southern Cross East Tower, Melbourne investment property) for gross contract price of \$228,500,000. Net proceeds were used, on 18 December 2015, to fully repay (but not extinguish) the Consolidated Entity's subordinated debt facility for \$60,336,000 and partially repay its senior bank debt facility for \$201,105,000. On 30 December 2015 the Consolidated Entity made cash distributions of \$122,573,000 (or \$2.50 per unit) to unitholders.

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

- total revenue and other income of \$145,342,000 (2014: \$37,047,000);
- earnings per unit (EPU) of 226.57 cents (2014: 6.88 cents);
- net assets of \$345,927,000 (30 June 2015: \$352,930,000) and net assets per unit of \$7.06 (30 June 2015: \$7.20);
- property portfolio value of \$622,500,000 as at 31 December 2015 on the Consolidated Entity's remaining 3 properties, including those held through associates (30 June 2015: \$950,175,000 for 5 properties);
- net loss on revaluation of investment properties of \$5,151,000 (2014: \$3,874,000);
- share of net profits of investments accounted for using the equity method of \$21,384,000 (2014: \$16,006,000);
- portfolio occupancy at 92%, (30 June 2015: 96%) with a weighted average lease expiry by income and by ownership of 3.41 years as at 31 December 2015 (30 June 2015: 4.45 years); and
- interest rate swap liability of \$9,500,000 (30 June 2015: \$17,962,000). A decrease in fair value of \$8,462,000 from June 2015, has contributed to an increase in the net assets of the Fund by 17.26 cents per unit.

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

# Directors' Report continued

## Brookfield Prime Property Fund

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For the half year ended 31 December 2015

### Distributions and returns of capital

The following distributions and returns of capital were declared by the Fund to its unitholders during the current and prior periods.

	Cents per unit	Total amount \$'000	Date of payment
<b>Ordinary units</b>			
September 2015 distribution	2.0	981	30 October 2015
December 2015 distribution	250.0	122,573	30 December 2015
<b>Total distributions and returns of capital for the half year ended 31 December 2015</b>	<b>252.0</b>	<b>123,554</b>	
<b>Ordinary units</b>			
September 2014 distribution	2.0	981	31 October 2014
December 2014 distribution	2.0	980	30 January 2015
<b>Total distribution for the half year ended 31 December 2014</b>	<b>4.0</b>	<b>1,961</b>	

### Rounding of amounts

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

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

The lead auditor's independence declaration is set out on page 6 and forms part of the Directors' Report for the half year ended 31 December 2015.

Dated at Sydney this 24th day of February 2016.

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



**Shane Ross**

Director

Brookfield Capital Management Limited

Deloitte Touche Tohmatsu  
A.B.N. 74 490 121 060

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

24 February 2016

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 2015, 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 sincerely

DELOITTE TOUCHE TOHMATSU  
DELOITTE TOUCHE TOHMATSU



AG Collinson  
Partner  
Chartered Accountants

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

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## Brookfield Prime Property Fund

For the half year ended 31 December 2015

		Consolidated	
		Half year ended 31 December 2015 \$'000	Half year ended 31 December 2014 \$'000
	Note		
<b>Revenue and other income</b>			
Property rental income		19,875	20,701
Share of net profit of investments accounted for using the equity method	7	21,384	16,006
Net gain on sale of assets		100,922	–
Net gain on revaluation of financial derivatives	8	2,997	–
Interest income		161	337
Other income		3	3
<b>Total revenue and other income</b>		<b>145,342</b>	<b>37,047</b>
<b>Expenses</b>			
Property expenses		5,812	5,564
Finance costs		20,289	20,898
Net loss on revaluation of investment properties	6	5,151	3,874
Management fees		2,811	3,104
Other expenses		196	235
<b>Total expenses</b>		<b>34,259</b>	<b>33,675</b>
<b>Net profit for the period</b>		<b>111,083</b>	<b>3,372</b>
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Change in cash flow hedge reserve		5,465	4,240
Change in fair value of available for sale financial assets		3	10
<b>Other comprehensive income for the period</b>		<b>5,468</b>	<b>4,250</b>
<b>Total comprehensive income for the period</b>		<b>116,551</b>	<b>7,622</b>
<b>Net profit attributable to ordinary unitholders</b>		<b>111,083</b>	<b>3,372</b>
<b>Total comprehensive income attributable to ordinary unitholders</b>		<b>116,551</b>	<b>7,622</b>
<b>Earnings per unit</b>			
Basic and diluted earnings per ordinary unit (cents)		226.57	6.88

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.



# Condensed Consolidated Interim Statement of Financial Position

## Brookfield Prime Property Fund

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As at 31 December 2015

	Note	Consolidated 31 December 2015 \$'000	30 June 2015 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		76,884	17,117
Trade and other receivables		808	3,315
<b>Total current assets</b>		<b>77,692</b>	<b>20,432</b>
<b>Non-current assets</b>			
Investment properties	6	330,000	482,300
Investments accounted for using the equity method	7	293,356	463,758
<b>Total non-current assets</b>		<b>623,356</b>	<b>946,058</b>
<b>Total assets</b>		<b>701,048</b>	<b>966,490</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		28,085	24,722
Fair value of financial derivatives	8	9,500	17,962
<b>Total current liabilities</b>		<b>37,585</b>	<b>42,684</b>
<b>Non-current liabilities</b>			
Interest bearing liabilities	8	317,536	570,876
<b>Total non-current liabilities</b>		<b>317,536</b>	<b>570,876</b>
<b>Total liabilities</b>		<b>355,121</b>	<b>613,560</b>
<b>Net assets</b>		<b>345,927</b>	<b>352,930</b>
<b>Equity</b>			
Units on issue	10	179,474	302,047
Reserves		5,179	(289)
Undistributed profits		161,274	51,172
<b>Total equity</b>		<b>345,927</b>	<b>352,930</b>

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

For the half year ended 31 December 2015

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Consolidated Entity	Attributable to unitholders of the Fund			
	Ordinary units \$'000	Undistributed profits/(losses) \$'000	Reserves \$'000	Total \$'000
<b>Opening equity - 1 July 2015</b>	<b>302,047</b>	<b>51,172</b>	<b>(289)</b>	<b>352,930</b>
Change in cash flow hedge reserve	-	-	5,465	5,465
Change in fair value of available for sale financial assets	-	-	3	3
<b>Other comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>5,468</b>	<b>5,468</b>
Net profit for the period	-	111,083	-	111,083
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>111,083</b>	<b>5,468</b>	<b>116,551</b>
<b>Transactions with unitholders in their capacity as unitholders:</b>				
Returns of capital declared	(122,573)	-	-	(122,573)
Distributions declared	-	(981)	-	(981)
<b>Total transactions with unitholders in their capacity as unitholders</b>	<b>(122,573)</b>	<b>(981)</b>	<b>-</b>	<b>123,554</b>
<b>Closing equity - 31 December 2015</b>	<b>179,474</b>	<b>161,274</b>	<b>5,179</b>	<b>345,927</b>

Consolidated Entity	Attributable to unitholders of the Fund			
	Ordinary units \$'000	Undistributed profits/(losses) \$'000	Reserves \$'000	Total \$'000
<b>Opening equity - 1 July 2014</b>	<b>302,047</b>	<b>20,787</b>	<b>(10,334)</b>	<b>312,500</b>
Change in cash flow hedge reserve	-	-	4,240	4,240
Change in fair value of available for sale financial assets	-	-	10	10
<b>Other comprehensive profit for the period</b>	<b>-</b>	<b>-</b>	<b>4,250</b>	<b>4,250</b>
Net profit for the period	-	3,372	-	3,372
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>3,372</b>	<b>4,250</b>	<b>7,622</b>
<b>Transactions with unitholders in their capacity as unitholders:</b>				
Distributions declared	-	(1,961)	-	(1,961)
<b>Total transactions with unitholders in their capacity as unitholders</b>	<b>-</b>	<b>(1,961)</b>	<b>-</b>	<b>(1,961)</b>
<b>Closing equity - 31 December 2014</b>	<b>302,047</b>	<b>22,198</b>	<b>(6,084)</b>	<b>318,161</b>

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

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## Brookfield Prime Property Fund

For the half year ended 31 December 2015

	Consolidated	
	Half year ended 31 December 2015 \$'000	Half year ended 31 December 2014 \$'000
<b>Cash flows from operating activities</b>		
Cash receipts in the course of operations	19,900	21,844
Cash payments in the course of operations	(9,663)	(7,773)
Interest received	125	317
Financing costs paid	(18,052)	(19,078)
<b>Net cash flows used in operating activities</b>	<b>(7,690)</b>	<b>(4,690)</b>
<b>Cash flows from investing activities</b>		
Distributions received from investments in ASX listed property trusts	3	3
Distributions received from associates	16,048	13,049
Payments for additions in investment properties	(15,511)	(6,392)
Proceeds from sale of assets	446,892	–
<b>Net cash flows from investing activities</b>	<b>447,432</b>	<b>6,660</b>
<b>Cash flows from financing activities</b>		
Drawdown of interest bearing liabilities	6,000	–
Repayments of interest bearing liabilities	(261,441)	–
Debt establishment fees paid	–	(219)
Distributions and returns of capital paid to unitholders	(124,534)	(1,961)
<b>Net cash flows used in financing activities</b>	<b>(379,975)</b>	<b>(2,180)</b>
Net increase/(decrease) in cash and cash equivalents	59,767	(210)
Cash and cash equivalents at beginning of period	17,117	23,585
<b>Cash and cash equivalents at 31 December</b>	<b>76,884</b>	<b>23,375</b>

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

# Notes to the Condensed Consolidated Interim Financial Statements

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## Brookfield Prime Property Fund

For the half year ended 31 December 2015

### 1 Reporting entity

Brookfield Prime Property Fund (Fund) is an Australian registered managed investment scheme under the *Corporations Act 2001*. Brookfield Capital Management Limited (BCML), the Responsible Entity of the Fund, is incorporated and domiciled in Australia. The consolidated interim financial statements of the Fund as at and for the six months ended 31 December 2015 comprise the Fund and its subsidiaries and the Consolidated Entity's interest in associates (together referred to as the Consolidated Entity).

### 2 Significant accounting policies

#### Statement of compliance

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The consolidated interim financial report does not include notes of the type normally included in annual financial statements and should be read in conjunction with the most recent annual financial statements of the Consolidated Entity as at and for the year ended 30 June 2015. For the purpose of preparing the consolidated financial statements, the Fund is a for profit entity.

#### Basis of preparation

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, 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.

The accounting policies and methods of computation adopted in the preparation of the consolidated interim financial report are consistent with those adopted and disclosed in the consolidated financial report as at and for the year ended 30 June 2015.

AASB 1031 *Materiality* has been effectively withdrawn from 1 July 2015.

### 3 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 Profit or Loss and Other Comprehensive Income and Condensed Consolidated Statement of Financial Position. All property income is derived from entities domiciled in Australia.

### 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.

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

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements is provided in investment properties (Note 6), investments accounted for using the equity method (Note 7) and financial instruments (Note 9).

# Notes to the Condensed Consolidated Interim Financial Statements continued

## Brookfield Prime Property Fund

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For the half year ended 31 December 2015

### 5 Distributions and returns of capital

The following distributions and returns of capital were declared by the Fund to its unitholders during the current and prior periods.

	Cents per unit	Total amount \$'000	Date of payment
<b>Ordinary units</b>			
September 2015	2.0	981	30 October 2015
December 2015	250.0	122,573	30 December 2015
<b>Total distributions and returns of capital for the half year ended 31 December 2015</b>	<b>252.0</b>	<b>123,554</b>	
<b>Ordinary units</b>			
September 2014	2.0	981	31 October 2014
December 2014	2.0	980	30 January 2015
<b>Total distribution for the half year ended 31 December 2014</b>	<b>4.0</b>	<b>1,961</b>	

During the half year ended 31 December 2014 there were no returns of capital.

### 6 Investment properties

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

Description	Ownership	Latest external valuation	Consolidated	
			31 December 2015 book value \$'000	30 June 2015 book value \$'000
American Express Building, Sydney	100%	Dec-15	165,000	158,000
108 St Georges Terrace, Perth	50%	Dec-15	165,000	170,000
Southern Cross West Tower, Melbourne	50%	Jun-15	–	154,300
<b>Total investment properties held directly</b>			<b>330,000</b>	<b>482,300</b>

The Consolidated Entity owns 50% of Latitude Landowning Trust (which owns the Ernst & Young Centre and 50 Goulburn St, Sydney). During the period the Consolidated Entity sold its 25% interest in Brookfield Developments No. 6A Unit Trust (which ultimately owns the Southern Cross East Tower, Melbourne). These investments are/were accounted for using the equity method. The Consolidated Entity's proportionate value ownership of properties held through these associates is as follows:

Description	Latest external valuation	Consolidated	
		31 December 2015 book value \$'000	30 June 2015 book value \$'000
Ernst & Young Centre and 50 Goulburn St, Sydney	Dec-15	292,500	287,000
Southern Cross East Tower, Melbourne	Jun-15	–	180,875
<b>Total investment properties held by associates</b>		<b>292,500</b>	<b>467,875</b>

On the 18 December 2015, the Consolidated Entity settled the sale of its 50% interest in Southern Cross West Tower, Melbourne investment property for gross contract price of \$218,000,000 and its 25% interest in the Brookfield Developments No. 6A Unit Trust for gross contract price of \$228,500,000. Net proceeds from the sale were partially used to repay interest bearing liabilities and make a cash distribution to unitholders.

# Notes to the Condensed Consolidated Interim Financial Statements continued

## Brookfield Prime Property Fund

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For the half year ended 31 December 2015

### 6 Investment properties continued

#### 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 2015, the property portfolio (including properties held through associates) comprised three assets which were externally valued by Colliers International, Knight Frank and Savills Valuations Pty Ltd. The valuations have been undertaken using a number of methodologies, including discounted cash flow, capitalisation approach and direct comparison. The adopted capitalisation rates for directly held properties in the 31 December 2015 valuation range from 6.00% to 7.27%.

	Consolidated Half year ended 31 December 2015 \$'000	Year ended 30 June 2015 \$'000
<b>Reconciliation of carrying amount of investment properties is set out below:</b>		
Carrying amount at beginning of period – 1 July	482,300	458,500
Impact of straight-lining and amortisation	225	236
Capital expenditure and incentives	6,980	26,224
Net loss on fair value adjustment of investment properties	(5,151)	(2,660)
Disposal of investment properties sold	(154,354)	–
<b>Carrying amount at period end</b>	<b>330,000</b>	<b>482,300</b>

### 7 Investments accounted for using the equity method

	Consolidated 31 December 2015 \$'000	30 June 2015 \$'000
Brookfield Developments No. 6A Unit Trust	–	178,909
Latitude Landowning Trust	293,356	284,849
<b>Total investments accounted for using the equity method</b>	<b>293,356</b>	<b>463,758</b>

The Consolidated Entity owns 50% of Latitude Landowning Trust (which owns the Ernst & Young Centre and 50 Goulburn St, Sydney). During the period the Consolidated Entity sold its 25% interest in Brookfield Developments No. 6A Unit Trust (which ultimately owns the Southern Cross East Tower, Melbourne). These investments are/were accounted for using the equity method.

Brookfield Developments No. 6A Unit Trust (as relevant for the period prior to its disposal by the Consolidated Entity) and Latitude Landowning Trust's place of incorporation and principal place of business was/is Australia. The principal activity for both entities was/is commercial property investment.

A summary of financial information for the entities, not adjusted for the percentage ownership held by the Consolidated Entity, is detailed below. As the Consolidated Entity disposed of its investment in Brookfield Developments No. 6A Unit Trust on 18 December 2015, the relevant information below is for the period to disposal only.

# Notes to the Condensed Consolidated Interim Financial Statements continued

## Brookfield Prime Property Fund

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For the half year ended 31 December 2015

### 7 Investments accounted for using the equity method continued

	Brookfield Developments No.6A Unit Trust		Latitude Landowning Trust	
	31 December 2015 \$'000	30 June 2015 \$'000	31 December 2015 \$'000	30 June 2015 \$'000
Current assets	–	113,394	4,657	4,099
Non-current assets	–	723,500	585,000	574,000
<b>Total assets</b>	–	<b>836,894</b>	<b>589,657</b>	<b>578,099</b>
Current liabilities	–	116,782	2,944	8,400
Non-current liabilities	–	4,477	–	–
<b>Total liabilities</b>	–	<b>121,259</b>	<b>2,944</b>	<b>8,400</b>
<b>Net assets</b>	–	<b>715,635</b>	<b>586,713</b>	<b>569,699</b>

	Brookfield Developments No.6A Unit Trust		Latitude Landowning Trust	
	31 December 2015 \$'000	30 June 2015 \$'000	31 December 2015 \$'000	30 June 2015 \$'000
Opening net assets 1 July	715,635	679,358	569,699	528,048
Profit for the period/year	23,333	84,106	31,101	70,004
Distributions for the period/year	(22,188)	(47,829)	(14,087)	(28,353)
Sale of investment accounted for using the equity method	(716,780)	–	–	–
<b>Closing net assets</b>	–	<b>715,635</b>	<b>586,713</b>	<b>569,699</b>
Consolidated Entity's share (%)	25%	25%	50%	50%
Consolidated Entity's share (\$)	–	178,909	293,356	284,849
<b>Total investment accounted for using the equity method</b>	–	<b>178,909</b>	<b>293,356</b>	<b>284,849</b>

	Brookfield Developments No.6A Unit Trust		Latitude Landowning Trust	
	31 December 2015 \$'000	30 June 2015 \$'000	31 December 2015 \$'000	30 June 2015 \$'000
Revenues	30,319	97,821	36,745	87,474
Expenses	(6,986)	(13,715)	(5,644)	(17,470)
Income tax	–	–	–	–
<b>Net profit for the period/year</b>	<b>23,333</b>	<b>84,106</b>	<b>31,101</b>	<b>70,004</b>
Other comprehensive income	–	–	–	–
<b>Total comprehensive income for the period/year</b>	<b>23,333</b>	<b>84,106</b>	<b>31,101</b>	<b>70,004</b>

# Notes to the Condensed Consolidated Interim Financial Statements continued

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## Brookfield Prime Property Fund

For the half year ended 31 December 2015

### 8 Interest bearing liabilities

	Consolidated	
	31 December 2015 \$'000	30 June 2015 \$'000
<b>Non-current</b>		
Secured bank debt	318,895	520,000
Subordinated debt	–	52,698
Debt establishment fees	(1,359)	(1,822)
<b>Total interest bearing liabilities</b>	<b>317,536</b>	<b>570,876</b>

		Consolidated	
	Expiry Date	31 December 2015 \$'000	30 June 2015 \$'000
<b>Finance arrangements</b>			
<b>Facilities available</b>			
Bank debt facilities			
- Senior debt facility	24 June 2017	318,895	520,000
- Subordinated debt facility	25 June 2017	130,000	130,000
<b>Total available interest bearing liabilities</b>		<b>448,895</b>	<b>650,000</b>
Less: facilities utilised			
- Senior debt facility		318,895	520,000
- Subordinated debt facility		–	52,698
<b>Total facilities utilised</b>		<b>318,895</b>	<b>572,698</b>
Unused facilities at reporting date			
- Senior debt facility		–	–
- Subordinated debt facility		130,000	77,302
<b>Total unused facilities</b>		<b>130,000</b>	<b>77,302</b>

#### Senior debt facility

The Fund's \$318,895,000 senior debt facility has the following key terms:

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

On 18 December 2015 the Consolidated Entity partially repaid its senior bank debt facility for \$201,105,000.

#### Sub-ordinated debt facility

On 18 December 2015 the Consolidated Entity paid down its sub-ordinated debt facility for \$60,336,000. The facility remains in place as at 31 December 2015.



# Notes to the Condensed Consolidated Interim Financial Statements continued

## Brookfield Prime Property Fund

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For the half year ended 31 December 2015

### 8 Interest bearing liabilities continued

#### Derivatives

The Consolidated Entity has entered into interest rate swaps to hedge the interest rate risk on the floating rate interest bearing liabilities above. The Consolidated Entity's holdings in derivatives are detailed below.

Type of contract	Expiration	Underlying instrument	Fixed rate %	Floating rate %	Notional amount of contracts outstanding \$'000	Fair value (assets) \$'000	Fair value (liabilities) \$'000
As at 31 December 2015	July 2016	Floating to fixed	5.88	BBSW	433,424	–	9,500
As at 30 June 2015	July 2016	Floating to fixed	5.88	BBSW	433,424	–	17,962

During the period, the Consolidated Entity ceased to apply hedge accounting on the interest rate swaps. All fair value movements from that date onwards have/will be recorded directly in profit or loss. The total profit or loss impact for the half year period of \$2,997,000 is due to a combination of hedge ineffectiveness and release from reserves to profit or loss following cessation of hedge accounting. The remaining hedge reserve balance will be released to profit or loss over the period to July 2016.

### 9 Financial instruments

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 quoted closing price of the security at the reporting date.

#### Derivatives

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

#### Non-derivative financial liabilities

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

#### Fair values versus carrying amounts

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

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- 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
- 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 31 December 2015. 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.

# Notes to the Condensed Consolidated Interim Financial Statements continued

## Brookfield Prime Property Fund

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For the half year ended 31 December 2015

### 9 Financial instruments continued

Consolidated Entity – at 31 December 2015	Level 1 \$'000	Level 2 \$'000	Total \$'000
<b>Assets</b>			
Available for sale investments	104	–	104
<b>Total assets</b>	<b>104</b>	<b>–</b>	<b>104</b>
<b>Liabilities</b>			
Financial derivatives	–	9,500	9,500
<b>Total liabilities</b>	<b>–</b>	<b>9,500</b>	<b>9,500</b>

Consolidated Entity – at 30 June 2015	Level 1 \$'000	Level 2 \$'000	Total \$'000
<b>Assets</b>			
Available for sale investments	101	–	101
<b>Total assets</b>	<b>101</b>	<b>–</b>	<b>101</b>
<b>Liabilities</b>			
Financial derivatives	–	17,962	17,962
<b>Total liabilities</b>	<b>–</b>	<b>17,962</b>	<b>17,962</b>

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

### 10 Units on issue

	31 December 2015 \$'000	31 December 2015 Units	30 June 2015 \$'000	30 June 2015 Units
<b>Units on issue</b>				
Opening balance	326,487	49,029,150	326,487	49,029,150
Returns of capital	(122,573)	–	–	–
<b>Closing balance</b>	<b>203,914</b>	<b>49,029,150</b>	<b>326,487</b>	<b>49,029,150</b>
<b>Unit issue costs</b>				
Opening balance	(24,440)	–	(24,440)	–
<b>Closing balance</b>	<b>(24,440)</b>	<b>–</b>	<b>(24,440)</b>	<b>–</b>
<b>Total units on issue</b>	<b>179,474</b>	<b>49,029,150</b>	<b>302,047</b>	<b>49,029,150</b>

### 11 Related parties

In accordance with the Fund's Constitution the Responsible Entity is entitled to an asset sales fee which is the lesser of

- 2.2% (inclusive of GST) of the gross sale price of property or units in a trust in which the Fund has an interest, and
- the difference between the net sale proceeds and the purchase price of the property or units in a trust plus its acquisition costs;
- plus an additional fee of 2.2% (inclusive of GST) of the amount by which the net sale proceeds of property or units in a trust exceed a figure which represents a greater than 50% profit on the purchase price plus acquisition costs.

Following the Consolidated Entity's asset sales, total estimated asset sales fees of \$9,742,000, payable to the Responsible Entity, has been accrued in accordance with the Constitution. The final fee payable is dependent on the finalisation of all transaction costs.

Following the Consolidated Entity's asset sales, the Consolidated Entity paid down its related party sub-ordinated debt facility for \$60,336,000. The facility remains in place as at 31 December 2015.

There have been no other significant changes to the related party transactions as disclosed in the annual report for the year ended 30 June 2015.

### 12 Contingent liabilities and assets

No contingent liabilities or assets existed at 31 December 2015 (30 June 2015: nil).

### 13 Events subsequent to reporting date

There are no matters or circumstances which have arisen since the end of the financial half year 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

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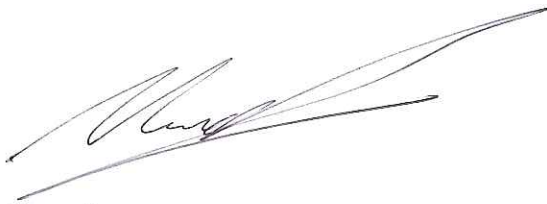
For the half year ended 31 December 2015

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

- a The condensed consolidated interim financial statements and notes, set out in pages 7 to 17, 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 31 December 2015 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 24th day of February 2016



**Shane Ross**  
Director  
Brookfield Capital Management Limited

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

We have reviewed the accompanying half-year financial report of Brookfield Prime Property Fund (“the Fund”), which comprises the condensed consolidated statement of financial position as at 31 December 2015, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated interim statement of changes in equity for the half-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 end of the half-year or from time to time during the half-year as set out on pages 7 to 18.

### *Directors’ Responsibility for the Half-Year Financial Report*

The directors of Brookfield Capital Management Limited, the Responsible Entity of the Fund, are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### *Auditor’s Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Fund’s financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Fund, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Auditor's Independence Declaration*

In conducting our review, 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 Brookfield Capital Management Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

### *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Brookfield Prime Property Fund is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

DELOITTE TOUCHE TOHMATSU  
DELOITTE TOUCHE TOHMATSU



AG Collinson  
Partner  
Chartered Accountants  
Sydney, 24 February 2016