

Brookfield Prime Property Fund  
Interim financial report  
For the half year ended  
31 December 2011

# Brookfield Prime Property Fund

ARSN 110 096 663

# Table of Contents

## Brookfield Prime Property Fund

For the half year ended 31 December 2011

	Page
<b>Directory .....</b>	<b>3</b>
<b>Directors' Report.....</b>	<b>4</b>
<b>Auditor's Independence Declaration.....</b>	<b>6</b>
<b>Financial Statements .....</b>	<b>7</b>
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
<b>Notes to the Condensed Consolidated Interim Financial Statements.....</b>	<b>11</b>
1 Reporting entity .....	11
2 Basis of preparation .....	11
3 Significant accounting policies .....	11
4 Estimates.....	11
5 Segment reporting .....	12
6 Distributions.....	12
7 Held for sale assets.....	12
8 Investment properties .....	13
9 Investments accounted for using the equity method.....	14
10 Interest bearing liabilities .....	14
11 Units on issue .....	16
12 Related parties.....	17
13 Contingent liabilities and assets.....	17
14 Capital and other commitments .....	17
15 Events subsequent to the reporting date.....	17
<b>Directors' Declaration .....</b>	<b>18</b>
<b>Independent Auditor's Review Report .....</b>	<b>19</b>

# Directory

## Brookfield Prime Property Fund

For the half year ended 31 December 2011

### **Responsible Entity**

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

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

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

### **Company Secretary of Brookfield Capital Management Limited**

Neil Olofsson

### **Registered Office**

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 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 2011

### 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, its subsidiaries, and the Consolidated Entity's interest in associates, for the six months ended 31 December 2011 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
Russell Proutt (appointed 1 January 2010)	Executive Director
Shane Ross (appointed 16 May 2011)	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 loss of \$5,417,000 for the six month period ended 31 December 2011 (2010: net profit of \$23,696,000). The reported net loss includes \$5,234,000 in unrealised losses on revaluations of investment properties held directly by the Fund and those held within associates accounted for using the equity method (2010: unrealised gains \$15,800,000). The loss for the period also includes \$2,711,000 in costs incurred in selling Defence Plaza and \$4,731,000 in unrealised losses associated with changes in the fair value of the Fund's interest rate derivative (2010: gain \$10,381,000).

The Fund paid a distribution of 2.0 cents per unit, totalling \$1,009,000, during the half year ended 31 December 2011, paid on 26 September 2011. The Fund also declared a distribution of 2.0 cent per unit, totalling \$1,001,000, on 15 December 2011, which was paid on 31 January 2012. No distributions were paid or declared during the six month period to 31 December 2010.

As advised to investors on 2 September 2011, the Directors of BCML as Responsible Entity of the Fund commenced a buyback programme of up to 10% of the fund's issued units. During the period 380,563 units, at a cost of \$1,383,000 were redeemed.

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

- interest in two new assets were acquired during the period, being a 50% interest in the Bankwest Tower located in Perth, and a 50% interest in the Southern Cross West Tower, located in Melbourne.
- total revenue and other income of \$38,213,000 (2010: \$51,006,000);
- net loss of \$5,417,000 (2010: net profit \$23,696,000);
- earnings (loss) per unit (EPU) of (10.82) cents (2010: 46.98 cents);
- net assets of \$241,280,000 (30 June 2011: \$266,486,000) and NTA per unit of \$4.82 (30 June 2011: \$5.28);
- interest rate swap liability of \$34,021,000 (2011: \$12,774,000). The change in fair value of \$21,247,000 from June 2011, all unrealised, has contributed to a decline in the NTA of the Fund of 42.5 cents per unit. Of the change in fair value of \$21,247,000, \$4,731,000 has been recognised in the statement of comprehensive income and \$16,516,000 has been recognised through reserves;
- property portfolio value of \$906,500,000 as at 31 December 2011 (30 June 2011: \$627,000,000), including \$5,234,000 in unrealised losses on revaluations of investment properties recorded during the period (including investment properties held by associates). The property portfolio value of \$906,500,000 includes Bankwest Tower and Southern Cross West Tower, which were acquired during the period. These properties have a combined value of \$280,000,000 at 31 December 2011; and
- portfolio occupancy at 97.0%, with a weighted average lease expiry (by income) of 7.67 years as at 31 December 2011.

# Directors' Report continued

## Brookfield Prime Property Fund

For the half year ended 31 December 2011

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 2011.

Dated at Sydney this 24th day of February 2012

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

24 February 2012

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 2011, 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



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 2011

		Consolidated Half year ended 31 December 2011 \$'000	Half year ended 31 December 2010 \$'000
	Note		
<b>Revenue and other income</b>			
Share of net profit of investments accounted for using the equity method	9	11,675	22,537
Property rental income		25,701	9,835
Interest income		832	430
Net gain on revaluation of financial derivatives		–	10,381
Net gain on revaluation of investment properties	8	–	6,679
Net gain on sale of investments – available for sale		–	990
Other Income		5	154
<b>Total revenue and other income</b>		<b>38,213</b>	<b>51,006</b>
<b>Expenses</b>			
Property expenses		5,955	1,444
Impairment expense		–	93
Finance costs		25,701	17,071
Finance costs – amortisation of cash flow hedge reserve		–	6,549
Net loss on revaluation of financial derivatives		4,731	–
Net loss on revaluation of investment properties	8	1,161	–
Management fees		3,150	1,998
Property selling expenses		2,711	–
Other expenses		221	155
<b>Total expenses</b>		<b>43,630</b>	<b>27,310</b>
<b>Net (loss)/profit for the period</b>		<b>(5,417)</b>	<b>23,696</b>
<b>Other comprehensive income</b>			
Change in cash flow hedge reserve		(16,385)	6,549
Changes in fair value of available for sale financial assets		(8)	(665)
<b>Other comprehensive (loss)/profit for the period</b>		<b>(16,393)</b>	<b>5,884</b>
<b>Total comprehensive (loss)/profit for the period</b>		<b>(21,810)</b>	<b>29,580</b>
<b>Net (loss)/profit attributable to ordinary unitholders</b>		<b>(5,417)</b>	<b>23,696</b>
<b>Total comprehensive (loss)/profit attributable to ordinary unitholders</b>		<b>(21,810)</b>	<b>29,850</b>
<b>Earnings per unit</b>			
Basic and diluted earnings per ordinary unit (cents)		(10.82)	46.98

The Condensed Consolidated Interim Statement of 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

8

As at 31 December 2011

	Note	Consolidated 31 December 2011 \$'000	30 June 2011 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		33,802	17,890
Trade and other receivables		955	13,503
Assets held for sale	7	100,000	–
<b>Total current assets</b>		<b>134,757</b>	<b>31,393</b>
<b>Non-current assets</b>			
Investment properties	8	410,000	207,000
Investments – available for sale		103	111
Investments accounted for using the equity method	9	421,637	417,945
<b>Total non-current assets</b>		<b>831,740</b>	<b>625,056</b>
<b>Total assets</b>		<b>966,497</b>	<b>656,449</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		41,209	14,175
Fair value of financial derivatives	10	–	12,774
Interest bearing liabilities	10	46,200	363,014
Liabilities associated with assets held for sale	7	22,000	–
<b>Total current liabilities</b>		<b>109,409</b>	<b>389,963</b>
<b>Non-current liabilities</b>			
Fair value of financial derivatives	10	34,021	–
Interest bearing liabilities	10	581,787	–
<b>Total non-current liabilities</b>		<b>615,808</b>	<b>–</b>
<b>Total liabilities</b>		<b>725,217</b>	<b>389,963</b>
<b>Net assets</b>		<b>241,280</b>	<b>266,486</b>
<b>Equity</b>			
Units on issue	11	306,224	307,610
Reserves		(16,374)	19
Undistributed losses		(48,570)	(41,143)
<b>Total equity</b>		<b>241,280</b>	<b>266,486</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

9

For the half year ended 31 December 2011

Consolidated Entity	Attributable to unitholders of the Fund			Total \$'000
	Ordinary units \$'000	Undistributed profits/(losses) \$'000	Reserves \$'000	
<b>Opening equity - 1 July 2011</b>	<b>307,610</b>	<b>(41,143)</b>	<b>19</b>	<b>266,486</b>
Change in cash flow hedge reserve	–	–	(16,385)	<b>(16,385)</b>
Changes in fair value of available for sale financial assets	–	–	(8)	<b>(8)</b>
<b>Other comprehensive loss for the period</b>	<b>–</b>	<b>–</b>	<b>(16,393)</b>	<b>(16,393)</b>
Net loss for the period	–	(5,417)	–	<b>(5,417)</b>
<b>Total comprehensive loss for the period</b>	<b>–</b>	<b>(5,417)</b>	<b>(16,393)</b>	<b>(21,810)</b>
<b>Transactions with unitholders in their capacity as unitholders:</b>				
Unit redemption	(1,383)	–	–	(1,383)
Unit reacquisition costs	(3)	–	–	(3)
Distributions paid and declared	–	(2,010)	–	(2,010)
<b>Total transactions with unitholders in their capacity as unitholders</b>	<b>(1,386)</b>	<b>(2,010)</b>	<b>–</b>	<b>(3,396)</b>
<b>Closing equity - 31 December 2011</b>	<b>306,224</b>	<b>(48,570)</b>	<b>(16,374)</b>	<b>241,280</b>

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

10

## Brookfield Prime Property Fund

For the half year ended 31 December 2011

	Consolidated Half year ended 31 December 2011 \$'000	Consolidated Half year ended 31 December 2010 \$'000
<b>Cash flows from operating activities</b>		
Cash receipts in the course of operations	28,164	10,740
Cash payments in the course of operations	(9,663)	(1,596)
Interest received	851	345
Financing costs paid	(20,416)	(15,556)
<b>Net cash flows used in operating activities</b>	<b>(1,064)</b>	<b>(6,067)</b>
<b>Cash flows from investing activities</b>		
Payments for purchase of, investment properties, including transaction costs	(250,817)	(1,987)
Proceeds from sale of investments in listed property trusts	–	5,222
Capital expenditure	(4,598)	–
Distributions received from investments in listed property trusts	4	136
Distributions received from investments accounted for using the equity method	14,061	14,260
<b>Net cash flows (used in) / from investing activities</b>	<b>(241,350)</b>	<b>17,631</b>
<b>Cash flows from financing activities</b>		
Proceeds of final equity call	741	–
Payment for units bought back	(1,386)	–
Proceeds of interest bearing liabilities	626,000	–
Debt establishment fees paid	(3,006)	(2,258)
Repayments of interest bearing liabilities	(363,014)	–
Distributions paid	(1,009)	–
<b>Net cash flows from / (used in) financing activities</b>	<b>258,326</b>	<b>(2,258)</b>
Net increase in cash and cash equivalents	15,912	9,306
Cash and cash equivalents at beginning of period	17,890	13,231
<b>Cash and cash equivalents at 31 December</b>	<b>33,802</b>	<b>22,537</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

## Brookfield Prime Property Fund

11

For the half year ended 31 December 2011

### 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 report of the Fund as at and for the six months ended 31 December 2011 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 2011.

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.

### 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 2011, 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 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* (effective for annual reporting periods beginning on or after 1 January 2011)

AASB 2010-4 amends a number of pronouncements as a result of the International Accounting Standards Board's (IASB's) 2008-2010 cycle of annual improvements. Key amendments include clarification of content of statement of changes in equity, financial instrument disclosures and significant events and transactions in interim reports.

AASB 2010-5 *Amendments to Australian Accounting Standards* (effective for annual reporting periods beginning on or after 1 January 2011)

AASB 2010-5 makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB.

AASB 2010-6 *Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets* (effective for annual reporting periods beginning on or after 1 July 2011)

AASB 2010-6 makes amendments to AASB 7 *Financial Instruments: Disclosures* to introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect, in particular, entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties.

Revised AASB 124 *Related Party Disclosures* and AASB 2009-12 *Amendments to Australian Accounting Standards*

The amendment clarifies the definition of a related party and includes an explicit requirement to disclose commitments involving related parties.

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.

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

12

For the half year ended 31 December 2011

## 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.

## 6 Distributions

Distributions paid/payable to unitholders were as follows:

	Cents per unit	Total amount \$'000	Date of payment
<b>Ordinary units</b>			
September 2011 distribution	2.0	1,009	26 September 2011
December 2011 distribution	2.0	1,001	31 January 2012
<b>Total distribution for the six months ended 31 December 2011</b>	<b>4.0</b>	<b>2,010</b>	

No distributions were paid during the six month period to 31 December 2010.

## 7 Held for sale assets

### Sale of Defence Plaza

As disclosed to the Australian Securities Exchange on 29 November 2011, the Fund entered into a contract to sell the Defence Plaza investment property to Real I.S. AG. Settlement is expected to occur on 30 March 2012.

Under the terms of the sale, the Fund will receive proceeds of \$100,000,000. As part of the sale, the Fund is required to meet certain obligations in relation to the investment property, including undertaking capital works and paying outstanding tenant incentives. The estimated cost of these obligations at 31 December 2011 is \$22,000,000.

After allowing for the outstanding obligations of the investment property and proceeds to be received to meet those obligations, the investment property, valued internally in accordance with the Fund's valuation policy, has a net value of \$78,000,000 at 31 December 2011 (30 June 2011: \$77,000,000, external valuation).

The investment property has been recognised as an asset held for sale of \$100,000,000 reflecting the \$100,000,000 proceeds to be received.

The liabilities associated with the outstanding obligations in relation to the investment property, estimated to be \$22,000,000, have been classified as Liabilities associated with assets held for sale.

# Notes to the Condensed Consolidated Interim Financial Statements continued

## Brookfield Prime Property Fund

13

For the half year ended 31 December 2011

### 8 Investment properties

During the period, the Consolidated Entity undertook the following transactions:

- On 1 July 2011, purchased a 50% interest in a property at 108 St George's Terrace, Perth, Western Australia ("Bankwest" building).
- On 15 July 2011, purchased a 50% interest in a property at 111 Bourke Street, Melbourne, Victoria ("Southern Cross West" building).
- On 29 November 2011, entered into a contract to sell the Defence Plaza building. Settlement is expected to occur on 30 March 2012. The property has been reclassified as Assets held for sale.

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

Description	Latest external valuation	Consolidated 31 December 2011 book value \$'000	30 June 2011 book value \$'000
Total commercial investment properties	June-11	410,000	207,000
<b>Total investment properties held directly</b>		<b>410,000</b>	<b>207,000</b>

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	Latest external valuation	31 December 2011 book value \$'000	30 June 2011 book value \$'000
Total commercial investment properties	June-11	418,500	420,000
<b>Total investment properties held by associates</b>		<b>418,500</b>	<b>420,000</b>

### 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 2011, the property portfolio (including properties held through associates) comprised 6 assets of which all 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 2011 valuations range from 7.00% to 8.12%.

Reconciliation of carrying amount of investment properties is set out below:	Consolidated Half year ended 31 December 2011 \$'000
Carrying amount at beginning of period – 1 July 2011	207,000
Acquisition of investment properties, including transaction costs	276,307
Impact of straight-lining	2,002
Capital expenditure	3,852
Transferred to held for sale	(78,000)
Net loss from fair value adjustments to investment properties	(1,161)
<b>Carrying amount at period end</b>	<b>410,000</b>

# Notes to the Condensed Consolidated Interim Financial Statements continued

## Brookfield Prime Property Fund

For the half year ended 31 December 2011

14

	Consolidated 31 December 2011 \$'000	30 June 2011 \$'000
<b>9 Investments accounted for using the equity method</b>		
Brookfield Developments No. 6A Unit Trust	153,429	149,280
Latitude Landowning Trust	268,208	268,665
<b>Total investments accounted for using the equity method</b>	<b>421,637</b>	<b>417,945</b>

	Consolidated 31 December 2011 \$'000	30 June 2011 \$'000
<b>10 Interest bearing liabilities</b>		
<b>Current</b>		
Secured bank debt	46,200	363,014
<b>Total non current interest bearing liabilities</b>	<b>46,200</b>	<b>363,014</b>
<b>Non-current</b>		
Secured bank debt	478,800	–
Subordinated debt	105,488	–
Capitalised borrowing costs	(2,501)	–
<b>Total non current interest bearing liabilities</b>	<b>581,787</b>	<b>–</b>
<b>Total interest bearing liabilities</b>	<b>627,987</b>	<b>363,014</b>

### Secured bank debt

Due to the sale of Defence Plaza, under the terms of the Senior Debt loan agreement the Fund is required to repay \$46,200,000 once completion of the sale is achieved. This amount has been classified as current at the balance date.

### Subordinated debt

The subordinated debt has a maturity date of 1 July 2012, and the Fund has an unconditional option to extend the maturity date of the facility by a further 12 months. If the option is exercised the Subordinated debt will be due for repayment on 1 July 2013. As the timing of repayment of the debt is within the control of the Fund, the debt has been classified as non-current at the balance date.

Refer below for further terms and conditions associated with the Subordinated debt.

# Notes to the Condensed Consolidated Interim Financial Statements continued

## Brookfield Prime Property Fund

15

For the half year ended 31 December 2011

### 10 Interest bearing liabilities continued

	Expiry Date	Consolidated 31 December 2011 \$'000	30 June 2011 \$'000
<b>Finance arrangements</b>			
<b>Facilities available</b>			
Bank debt facilities			
- Senior debt facility	June 2014	525,000	–
- Subordinated debt facility	July 2013	130,000	–
- Term facility	December 2011	–	363,014
<b>Total available interest bearing liabilities</b>		<b>655,000</b>	<b>363,014</b>
Less: facilities utilised			
- Senior debt facility		525,000	–
- Subordinated debt facility		105,488	–
- Term facility		–	363,014
<b>Total facilities utilised</b>		<b>630,488</b>	<b>363,014</b>

#### New Senior Debt Facility

The Fund entered into a new Senior Debt facility with its financiers, with a total limit of \$525,000,000 on 23 June 2011. The key terms of the 3 year bullet non-revolving facility are:

- the repayment of the debt by 30 June 2014;
- revised covenants to reflect 65% LVR requirements;
- interest cover (ratio of EBIT to total interest expense) covenant requirement at least 1.4 times for the preceding 6 month period;
- margin 2.15% above Bank Bill Rate (BBR);
- establishment fee of 0.5% of facility limit; and
- unused/commitment fee of 50% of the margin per year calculated on the daily balance of the available facility.

#### Subordinated Debt Facility

A subordinated bridge facility agreement was entered into on 29 June 2011 between the Fund and a related entity of the fund, BPPF Financier Pty Ltd, with a total facility limit of \$130,000,000.

The key terms of the facility are:

- the debt is subordinated behind the Senior Debt Facility;
- the repayment of the debt is due by 1 July 2013, should the unconditional option held by the Fund be exercised;
- interest cover (ratio of EBIT to total interest expense) covenant requirement at least 1.4 times for the preceding 6 month period;
- Margin of 4.15% above Bank Bill Rate (BBR); and
- A default under the terms of the Senior Debt Facility also causes the Subordinated debt facility to be in default.

# Notes to the Condensed Consolidated Interim Financial Statements continued

## Brookfield Prime Property Fund

16

For the half year ended 31 December 2011

### 10 Interest bearing liabilities continued

#### Derivatives

The Fund and Consolidated Entity have entered into interest rate swaps to hedge the interest rate risk on the floating rate interest bearing liabilities above. Fair value movements of the interest rate swap assets are recognised in the Statement of Comprehensive Income. The Fund's and Consolidated Entity's holdings in derivatives are detailed below.

Type of contract	Expiration	Underlying instrument	Fixed rate %	Notional amount of contracts outstanding \$'000	Fair value (assets) \$'000	Fair value (liabilities) \$'000
As at 31 December 2011	July 2016	Floating to fixed	5.88	419,074	–	34,021
As at 30 June 2011	July 2011	Floating to fixed	5.68	470,000	–	263

The Fund and Consolidated Entity were party to swaption agreements which provided the existing financier the option to extend the existing interest rate swap agreements to 2016 at a rate of 5.88%. During the period, both Australia and New Zealand Bank and National Australia Bank exercised their options under the swaption.

At 31 December 2011, the Fund was in compliance with both financial covenants on both of the debt facilities. The LVR limit on the Senior Debt Facility states that the total borrowing on the Senior Debt Facility must not exceed the sum of 65% of the value of investment properties (including investment properties held through associates) and 50% of the value of the A-REIT portfolio. The combined value of 65% of the Fund's investments properties and 50% of the value of the Fund's A-REIT portfolio, based on the property valuations as at 30 June 2011 (being the latest valuations accepted by the Fund's financiers), exceed the borrowing on the Senior Debt Facility by \$59,778,000. The Fund's gearing ratio based on the 30 June 2011 valuations is 58.36%.

When utilising the property valuations as at 31 December 2011, the combined value of 65% of the Fund's investment properties and 50% of the value of the Fund's A-REIT portfolio, exceed the borrowing on the Senior Debt Facility by \$64,328,000. The Fund's gearing ratio, based on the 31 December 2011 valuations is 57.91%.

	Half year ended 31 December 2011 \$'000	Half year ended 31 December 2011 Units	Year ended 30 June 2011 \$'000	Year ended 30 June 2011 Units
<b>11 Units on issue</b>				
<b>Units on issue</b>				
Opening balance	332,038	50,435,806	327,610	50,435,806
Units reacquired	(1,383)	(380,563)	–	–
Movement in equity receivable	–	–	4,428	–
<b>Closing balance</b>	<b>330,655</b>	<b>50,055,243</b>	<b>332,038</b>	<b>50,435,806</b>
<b>Unit issue costs</b>				
Opening balance	24,428	–	24,428	–
Unit buyback costs	3	–	–	–
<b>Closing balance</b>	<b>24,431</b>	<b>–</b>	<b>24,428</b>	<b>–</b>
<b>Total units on issue</b>	<b>306,224</b>	<b>50,055,243</b>	<b>307,610</b>	<b>50,435,806</b>

As advised to the Australian Securities Exchange on 2 September 2011, the Directors of BCML, as Responsible Entity of the Fund, commenced a buyback programme of up to 10% of the Fund's issued units. During the period 380,563 units, at a cost of \$1,383,000 were redeemed.



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

17

For the half year ended 31 December 2011

## 12 Related parties

### Subordinated debt facility

During the period, the consolidated entity borrowed funds from a related party, BPPF Financier Pty Ltd. The following related party transactions occurred during the period resulting from the borrowings:

- Proceeds of borrowings by the Fund
- Loan balance outstanding at period end
- Related party interest expense recognised by the Fund
- Interest paid to the related party
- Interest payable to the related party at period end

### Responsible Entity's fees and other transactions

In accordance with the Fund Constitution, Brookfield Capital Management Limited is entitled to receive, amongst other fees, an asset acquisition fee, arising from the acquisition of interests in the Bankwest Tower and Southern Cross West Tower; and a property sale fee, arising from the sale of Defence Plaza.

#### Asset acquisition fee

An asset acquisition fee of 5.5% (including GST) of the value of assets acquired or agreed to be acquired by the Fund is payable to the Responsible Entity. During the period the Fund acquired two new assets, being a 50% interest in the Bankwest building and a 50% interest in the Southern Cross West building. The total fees payable to the Responsible Entity as a result of these transactions are \$12,500,000 (excluding GST).

#### Property sale fee

A property sale fee to which the Responsible Entity is entitled (including GST) is calculated as the lesser of:

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

In each case the amounts are to be adjusted if relevant based on the proportion of the value of the property which the Fund's direct or indirect interest represents.

Due to the sale of Defence Plaza, the Responsible Entity will be entitled to a fee of \$1,541,000 (ex GST), should the purchaser complete the purchase, as anticipated, on 30 March 2012. The property sale fee has been recognised as a provision in the Fund's financial statements for the period to 31 December 2011.

Other than the matters discussed above, there have been no significant changes to the related party transactions as disclosed in the annual report for the year ended 30 June 2011.

## 13 Contingent liabilities and assets

### Sale of Defence Plaza

Under the terms of the sale agreement for the Defence Plaza investment property, the purchaser has paid a deposit of \$5,000,000, representing 5% of the gross purchase price of the property. The deposit is held in escrow. Should the purchase fail to complete the purchase in accordance with the terms of the sale agreement, the Fund will be entitled to claim the deposit paid.

Other than the matter described above, no other contingent liabilities or assets existed at 31 December 2011 (30 June 2011: nil).

## 14 Capital and other commitments

There were no capital or other commitments at 31 December 2011 (30 June 2011: nil).

## 15 Events subsequent to the reporting date

Subsequent to period end the Fund has redeemed more units in accordance with its buy-back programme. The Fund has redeemed 136,257 units at a cost of \$523,000.

Other than the matter disclosed above, 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

18

For the half year ended 31 December 2011

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 17, 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 2011 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 2012



**Russell Proutt**  
**Director**  
Brookfield Capital Management Limited

## 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 interim statement of financial position as at 31 December 2011, and the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim statement of cash flows and the condensed consolidated interim statement of changes in equity for the half-year ended on that date, selected explanatory notes 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 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 2011 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 2011 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



Helen Hamilton-James  
Partner  
Chartered Accountants  
Parramatta, 24 February 2012