



BROOKFIELD PRIME PROPERTY FUND

ARSN 110 096 663

Interim Report 2011

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

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Message from the Chairman

On behalf of the Board of Brookfield Capital Management Limited (BCML), enclosed are the interim financial results for the six month period to 31 December 2010 for Brookfield Prime Property Fund (Fund).

FINANCIAL PERFORMANCE

The Fund reported a net profit of \$23.7 million for the period, which is an improvement on the comparable six month period to 31 December 2009 of \$16.1 million.

Key financial results as at 31 December 2010 include:

- the direct property portfolio increased in value by \$18.1 million (3.1%) to \$603.1 million from values at 30 June 2010
- net assets of \$244.6 million (30 June 2010: \$212.8 million)
- NTA per unit of \$2.66 as at 31 December 2010 (\$2.07 as at 30 June 2010), excluding the final instalment due 15 June 2011

The improvement in net assets of the Fund and stability of its earnings are indicative of stronger conditions in the prime office market in which the Fund's properties are located.

The Fund continues to retain its net income in the form of cash reserves in order to support commitments required for the Fund's direct property assets. Discussions in relation to the renewal of the lease for the Defence Plaza property continue and resolution of this is important in assessing the use of the Fund's existing cash resources.

BCML continues to give consideration to reintroducing distributions and will communicate further with investors in due course.

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 (the Fund) provides a review of the half year ended 31 December 2010.

FINANCIAL RESULTS

The Fund reported a net profit of \$23.7 million which is primarily due to an increase in value of the direct property portfolio by \$18.1 million and a \$10.4 million revaluation gain relating to financial derivatives.

As at 31 December 2010, the Fund's Net Assets were \$244.6 million with Net Tangible Asset (NTA) per unit of \$2.66 excluding the final instalment of \$2.237 per unit due 15 June 2011.

The Fund is currently in compliance with all debt covenants. The Fund's debt facilities are due for renewal in December 2011. Based on the 31 December 2010 valuations, the Loan to Value ratio (LVR) including the Partly Paid facility was 78.9%.

ASSET MANAGEMENT

With the exception of Defence Plaza which was valued by Colliers International, all properties are subject to BCML valuation. The portfolio was valued at \$603.1 million, representing an increase of 3.1% on the value at 30 June 2010.

The portfolio's weighted average initial yield decreased to 7.20% from 7.27% (30 June 2010), primarily due to the uplift in value across the Fund's Melbourne properties.

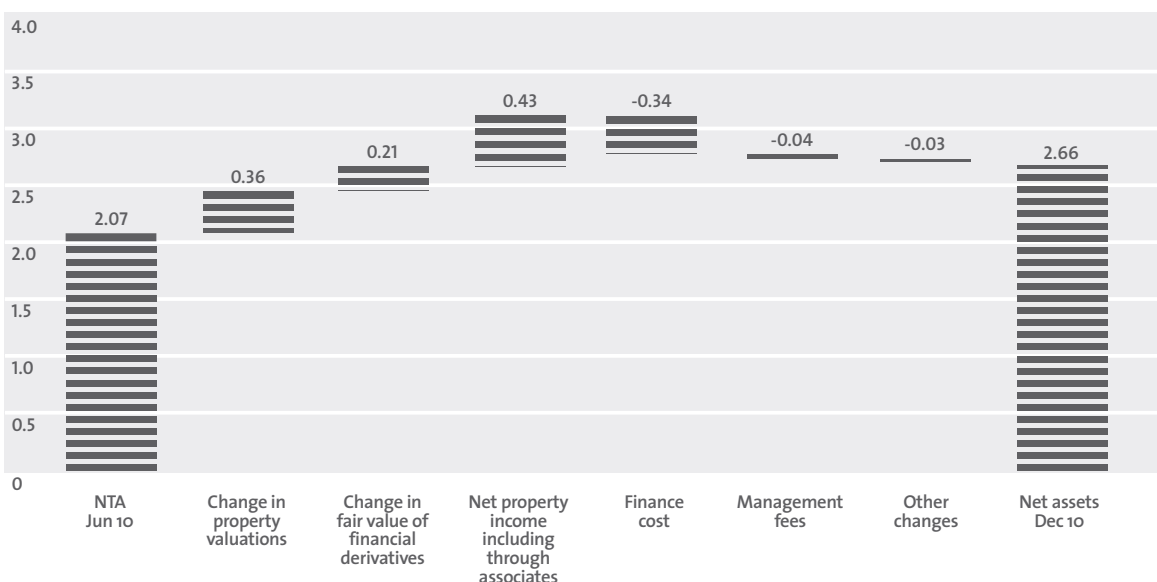
The portfolio is 99.8% occupied with a weighted average lease expiry (by income) of 6.93 years.

Rent reviews were completed over 23.8% of the property portfolio by area, resulting in an average increase of 3.9% on those leases reviewed.

Discussions continue in relation to the lease renewal of Defence Plaza which expires in June 2011.

NTA RECONCILIATION (excluding the final instalment)

NTA per unit (\$)



The value of the A-REIT portfolio as at 31 December 2010 was reduced to \$0.1 million as the investments were sold to provide additional funding support to the Fund's direct property investments.

DISTRIBUTIONS

There were no distributions declared during the period. The Board will continue to give consideration to restoring the Fund's distributions in 2011.

PARTLY PAID FINAL INSTALMENT

It is important for investors to be aware that the final instalment of \$2.237 per unit is due on 15 June 2011. Subsequently, the Partly Paid facility will be repaid which will reduce the Fund's LVR to approximately 60.2% (based on 31 December 2010 valuations). BCML will communicate with all investors in advance of the partly paid instalment being due.

The Fund is in a solid position to benefit from improving office market fundamentals.

OUTLOOK

With the quality of the underlying property portfolio, and as the Australian economy continues to improve, the Fund is in a solid position to benefit from improving office market fundamentals. BCML will continue to focus on near and mid-term leasing requirements and ongoing asset management of the portfolio. We will continue to keep investors updated on developments relating to the Fund during the course of the year.

PROPERTY SUMMARY

PROPERTY	LOCATION	FUND SHARE (%)	VALUATION* DATE	VALUATION* \$M	VALUATION CAP RATE %	VALUE AT 30 JUNE 2010
Ernst & Young Centre and 50 Goulburn Street	Sydney	50	31 Dec 10	266.0	7.27	262.5
American Express House	Sydney	100	31 Dec 10	127.0	7.00	127.0
Southern Cross East Tower	Melbourne	25	31 Dec 10	143.1	6.85	137.5
Defence Plaza	Melbourne	100	31 Dec 10	67.0	8.13	58.0
Total				603.1	7.20	585.0

* Directors' valuation as at 31 December 2010 other than Defence Plaza which was subject to independent valuation by Colliers International.

Performance at a Glance

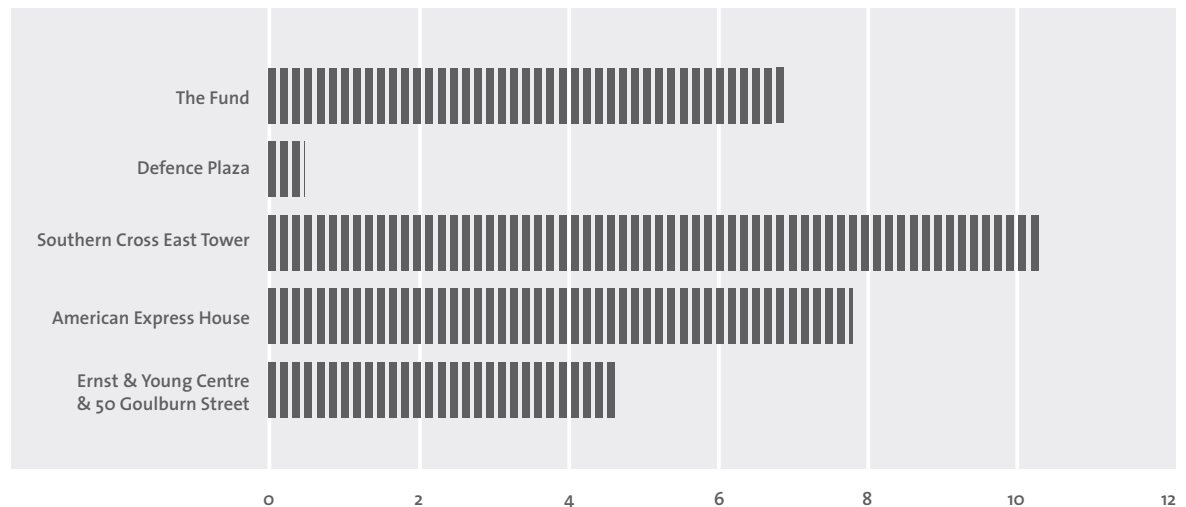
FUND SNAPSHOT (as at 31 December 2010)

Market capitalisation	\$73.1 million
Funds under management	\$628.8 million
Listing date	15 September 2006
NTA per unit (excluding final instalment)	\$2.66
Portfolio occupancy	99.8%
Portfolio weighted average lease term	6.93 years
Portfolio weighted average capitalisation rate	7.20%
Distributions	currently suspended
Loan to value ratio (including Partly Paid Facility)	78.9%
Debt covenants	in compliance with all debt covenants
Management fee	0.65%pa (excluding GST) of gross asset value
Performance fee	Tier 1 – 5%, Tier 2 – 15% (excluding GST) of benchmark ¹ outperformance

Notes:

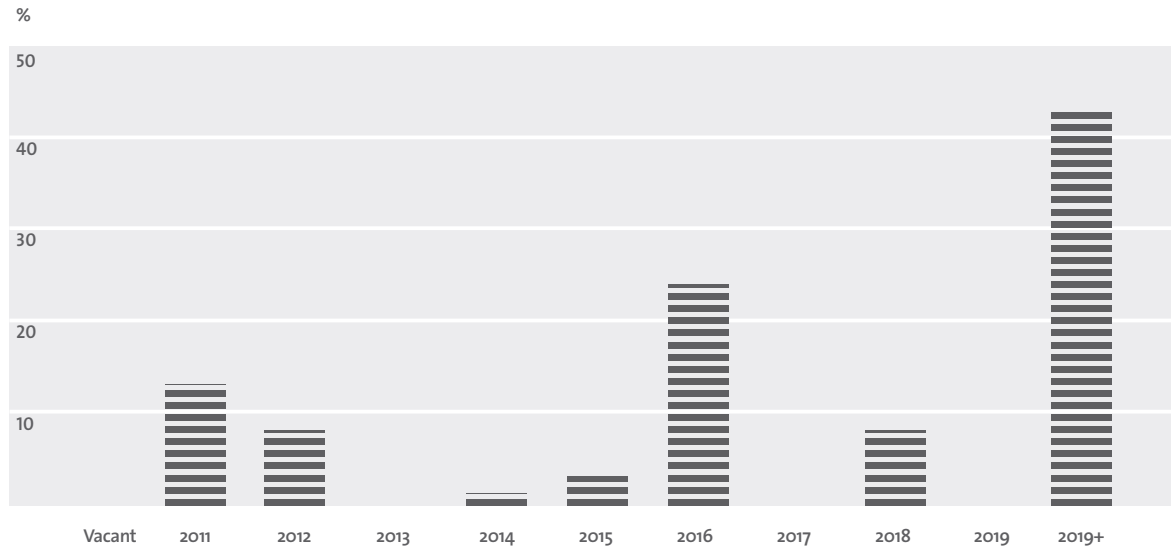
1 UBS Commercial Property Accumulation (2008) Index.

WEIGHTED AVERAGE LEASE EXPIRY (by income)



Portfolio Analysis

LEASE EXPIRY PROFILE (by income)



GEOGRAPHIC ALLOCATION (by value)

- 65% New South Wales
- 35% Victoria



TENANCY MIX (by income)

- 39% Victorian State Government
- 21% Ernst & Young
- 21% Other
- 8% Commonwealth Government
- 6% AAPT
- 3% Parsons Brinckerhoff
- 2% Austereo



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.

50 Goulburn Street is a six level 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

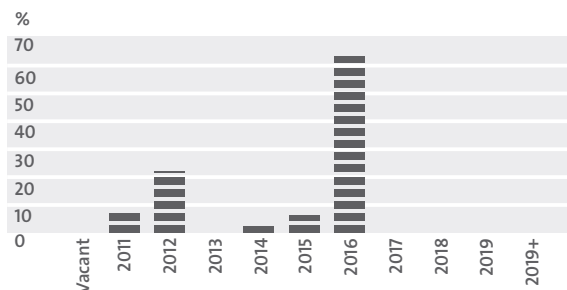
Ownership (%)	50
Net lettable area – whole building (sqm)	67,978
Occupancy (%)	100
Weighted average lease expiry (years)	4.61
Valuation (50%)	\$266.0 million
Valuation date	31 December 2010

TENANCY MIX (by income)

- 50% Ernst & Young
- 15% AAPT
- 7% Parsons Brinckerhoff
- 5% Austereo
- 5% Flairview Travel
- 18% Other



LEASE EXPIRY (by area)



Ernst & Young Centre
and 50 Goulburn
Street, Sydney

PROPERTY DESCRIPTION

Southern Cross East Tower is a landmark A-grade office building with premium grade services. The property comprises a ground level foyer and retail tenancies, 36 upper 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

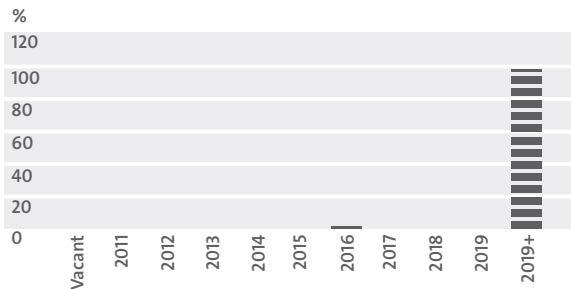
Ownership (%)	25
Net lettable area – whole building (sqm)	80,267
Occupancy (%)	100
Weighted average lease expiry (years)	10.28
Valuation (25%)	\$143.1 million
Valuation date	31 December 2010

TENANCY MIX (by income)

- 68% Victorian State Government (Other)
- 26% Victorian State Government (DOI)
- 6% Other



LEASE EXPIRY (by area)



Southern Cross
East Tower, Melbourne

Property Analysis

PROPERTY DESCRIPTION

Defence Plaza is an A-grade commercial building constructed in circa 1990 consisting of ground floor accommodation and nine upper levels of office accommodation.

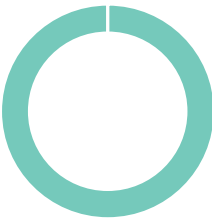
The property has two street frontages. The main entrance is on Bourke Street and the floors provide good natural light. The property is situated in the western fringe of the Melbourne CBD within 100 metres of Southern Cross Railway Station. Also located nearby are Docklands and Etihad Stadium.

PROPERTY DETAILS

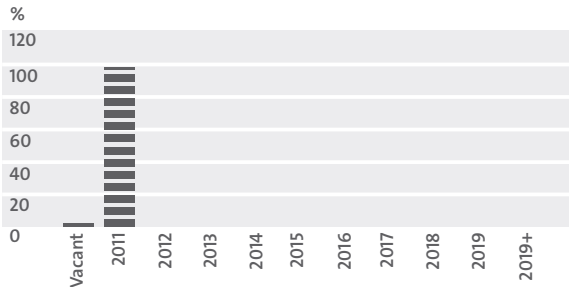
Ownership (%)	100
Net lettable area – whole building (sqm)	19,089
Occupancy (%)	98.44
Weighted average lease expiry (years)	0.45
Valuation (100%)	\$67.0 million
Valuation date	31 December 2010

TENANCY MIX (by income)

100% Commonwealth Government of Australia



LEASE EXPIRY (by area)



Defence Plaza,
Melbourne

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 ancillary 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 close to Wynyard Railway Station and Bus Interchange as well as King Street Wharf retail and restaurants.

PROPERTY DETAILS

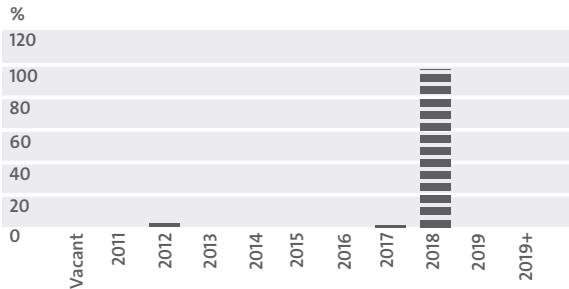
Ownership (%)	100
Net lettable area – whole building (sqm)	14,974
Occupancy (%)	100
Weighted average lease expiry (years)	7.79
Valuation (100%)	\$127.0 million
Valuation date	31 December 2010

TENANCY MIX (by income)

- 95% American Express
- 5% Other



LEASE EXPIRY (by area)



American Express House, Sydney

Condensed Consolidated Interim Statement of Comprehensive Income

For the half year ended 31 December 2010

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

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

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

As at 31 December 2010

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

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

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Corporate Directory

RESPONSIBLE ENTITY

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

DIRECTORS

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

COMPANY SECRETARY

Neil Olofsson

REGISTERED OFFICE

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135 King Street
Sydney NSW 2000
Telephone: (02) 9322 2000
Facsimile: (02) 9322 2001

CUSTODIAN

Brookfield Funds Management Limited
Level 22
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Telephone: (02) 9322 2000

STOCK EXCHANGE

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

AUDITOR

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The Barrington
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10 Smith Street
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www.au.brookfield.com