

Appendix 4D – Additional Disclosure

Brookfield Prime Property Fund

For the half year ended 31 December 2013

Name of Fund:	Brookfield Prime Property Fund (BPA or Fund)
Details of reporting period	
Current reporting period:	1 July 2013 to 31 December 2013
Prior corresponding period:	1 July 2012 to 31 December 2012

This Financial Report should be read in conjunction with the Financial Report for the half year ended 31 December 2013. 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 2013 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

Results for announcement to the market

	Half year ended 31 December 2013 \$'000	Half year ended 31 December 2012 \$'000	Movement \$'000	Movement %
Total revenue and other income	42,275	51,200	(8,925)	(17%)
Total expenses	(31,037)	(30,760)	(277)	(1%)
Net profit attributable to the unitholders of BPA	11,238	20,440	(9,202)	(45%)
Property fair value adjustments included in the above from				
Direct property investments	3,199	11,253	(8,054)	(72%)
Investments accounted for using the equity method	1,906	4,467	(2,561)	(57%)
Earnings per unit (cents)	22.92	41.60	(18.68)	(45%)

Distributions

Distributions paid/payable to ordinary unitholders were as follows:

	Cents per unit	Total amount \$'000	Date of payment
Ordinary units			
September 2013 distribution	2.0	981	31 October 2013
December 2013 distribution	2.0	980	31 January 2014
Total distribution for the half year ended 31 December 2013	4.0	1,961	
Ordinary units			
September 2012 distribution	2.0	983	19 October 2012
December 2012 distribution	2.0	981	31 January 2013
Total distribution for the half year ended 31 December 2012	4.0	1,964	

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

Commentary and analysis of the result for the current period can be found in the attached Brookfield Prime Property Fund ASX release dated 21st February 2014. 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 21st February 2014.

Brookfield Prime Property Fund
Interim financial report
For the half year ended
31 December 2013

Brookfield Prime Property Fund

ARSN 110 096 663

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Brookfield Prime Property Fund

For the half year ended 31 December 2013

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Directory

Brookfield Prime Property Fund

For the half year ended 31 December 2013

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 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
Eclipse Tower
Level 19, 60 Station Street
Parramatta NSW 2150
Telephone: +61 2 9840 7000
Facsimile: +61 2 9840 7001

Directors' Report

Brookfield Prime Property Fund

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For the half year ended 31 December 2013

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 2013 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 (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.

Review of operations

The Consolidated Entity has recorded a net profit of \$11,238,000 for the six month period ended 31 December 2013 (2012: net profit of \$20,440,000). The reported net profit includes \$3,199,000 in unrealised gains on revaluations of investment properties held directly by the Consolidated Entity (2012: net gain of \$11,253,000). The Consolidated Entity's associates recognised an unrealised gain on underlying investment properties, of which the Consolidated Entity's share was \$1,906,000 (2012: net gain of \$4,467,000)

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

- total revenue and other income of \$42,275,000 (2012: \$51,200,000);
- net profit of \$11,238,000 (2012: net profit \$20,440,000);
- earnings per unit (EPU) of 22.92 cents (2012: 41.60 cents);
- net assets of \$302,378,000 (30 June 2013: \$287,944,000) and net assets per unit of \$6.17 (30 June 2013: \$5.87);
- interest rate swap liability of \$31,381,000 (30 June 2013: \$36,539,000). The change in fair value of \$5,158,000 from June 2013, has contributed to an increase in the NTA of the Fund by 0.11 cents per unit.
- property portfolio value of \$889,500,000 as at 31 December 2013 (30 June 2013: \$880,125,000), including \$5,105,000 in net gains on revaluations of investment properties recorded during the period (including investment properties held by associates) (2012: net gains on revaluation of \$15,720,000).
- portfolio occupancy at 99%, (2012: 98%) with a weighted average lease expiry by income and by ownership of 4.81 years as at 31 December 2013 (2012: 5.47 years).

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 2013

Distributions

Distributions paid/payable to unitholders were as follows:

	Cents per unit	Total amount \$'000	Date of payment
Ordinary units			
September 2013 distribution	2.0	981	31 October 2013
December 2013 distribution	2.0	980	31 January 2014
Total distribution for the six months ended 31 December 2013	4.0	1,961	

Ordinary units			
September 2012 distribution	2.0	983	19 October 2012
December 2012 distribution	2.0	981	31 January 2013
Total distribution for the six months ended 31 December 2012	4.0	1,964	

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 2013.

Dated at Sydney this 21st day of February 2014

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

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

Eclipse Tower
Level 19
60 Station Street
Parramatta NSW 2150
PO Box 38
Parramatta NSW 2124 Australia

DX 28485
Tel: +61 (0) 2 9840 7000
Fax: +61 (0) 2 9840 7001
www.deloitte.com.au

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

21 February 2014

Dear Directors

Brookfield Prime Property Fund

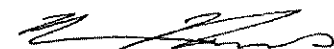
In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Brookfield Capital Management Limited as the Responsible Entity of Brookfield Prime Property Fund.

As lead audit partner for the review of the financial statements of Brookfield Prime Property Fund for the half year ended 31 December 2013, 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

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

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 2013

	Note	Consolidated	
		Half year ended 31 December 2013 \$'000	Half year ended 31 December 2012 \$'000
Revenue and other income			
Property rental income		22,548	21,544
Share of net profit of investments accounted for using the equity method		16,362	18,181
Net gain on revaluation of investment properties	6	3,199	11,253
Interest income		161	218
Other income		5	4
Total revenue and other income		42,275	51,200
Expenses			
Property expenses		5,622	5,128
Finance costs		22,177	22,426
Management fees		3,038	2,850
Other expenses		200	356
Total expenses		31,037	30,760
Net profit for the period		11,238	20,440
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Change in cash flow hedge reserve		5,158	942
Changes in fair value of available for sale financial assets		(1)	13
Other comprehensive income for the period		5,157	955
Total comprehensive income for the period		16,395	21,395
Net profit attributable to ordinary unitholders		11,238	20,440
Total comprehensive income attributable to ordinary unitholders		16,395	21,395
Earnings per unit			
Basic and diluted earnings per ordinary unit (cents)		22.92	41.60

The Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Notes to the Condensed Consolidated Interim Financial Statements.

Condensed Consolidated Interim Statement of Financial Position

Brookfield Prime Property Fund

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As at 31 December 2013

	Note	Consolidated 31 December 2013 \$'000	30 June 2013 \$'000
Assets			
Current assets			
Cash and cash equivalents		18,188	12,210
Trade and other receivables		1,542	812
Total current assets		19,730	13,022
Non-current assets			
Investment properties	6	457,000	449,000
Investments accounted for using the equity method	7	431,348	430,047
Total non-current assets		888,348	879,047
Total assets		908,078	892,069
Liabilities			
Current liabilities			
Trade and other payables		10,611	7,281
Interest bearing liabilities	8	563,708	–
Total current liabilities		574,319	7,281
Non-current liabilities			
Interest bearing liabilities	8	–	560,305
Fair value of financial derivatives	8	31,381	36,539
Total non-current liabilities		31,381	596,844
Total liabilities		605,700	604,125
Net assets		302,378	287,944
Equity			
Units on issue	10	302,047	302,047
Reserves		(13,715)	(18,872)
Undistributed profits		14,046	4,769
Total equity		302,378	287,944

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

Condensed Consolidated Interim Statement of Changes in Equity

Brookfield Prime Property Fund

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For the half year ended 31 December 2013

Consolidated Entity	Attributable to unitholders of the Fund			
	Ordinary units \$'000	Undistributed profits/(losses) \$'000	Reserves \$'000	Total \$'000
Opening equity - 1 July 2013	302,047	4,769	(18,872)	287,944
Change in cash flow hedge reserve	-	-	5,158	5,158
Changes in fair value of available for sale financial assets	-	-	(1)	(1)
Other comprehensive income for the period	-	-	5,157	5,157
Net profit for the period	-	11,238	-	11,238
Total comprehensive income for the period	-	11,238	5,157	16,395
Transactions with unitholders in their capacity as unitholders:				
Units reacquired	-	-	-	-
Distributions paid / payable	-	(1,961)	-	(1,961)
Total transactions with unitholders in their capacity as unitholders	-	(1,961)	-	(1,961)
Closing equity - 31 December 2013	302,047	14,046	(13,715)	302,378

Consolidated Entity	Attributable to unitholders of the Fund			
	Ordinary units \$'000	Undistributed profits/(losses) \$'000	Reserves \$'000	Total \$'000
Opening equity - 1 July 2012	302,899	(47,090)	(26,669)	229,140
Change in cash flow hedge reserve	-	-	942	942
Changes in fair value of available for sale financial assets	-	-	13	13
Other comprehensive profit for the period	-	-	955	955
Net profit for the period	-	20,440	-	20,440
Total comprehensive loss for the period	-	20,440	955	21,395
Transactions with unitholders in their capacity as unitholders:				
Units reacquired	(851)	-	-	(851)
Distributions paid / payable	-	(1,964)	-	(1,964)
Total transactions with unitholders in their capacity as unitholders	(851)	(1,964)	-	(2,815)
Closing equity - 31 December 2012	302,048	(28,614)	(25,714)	247,720

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 2013

	Consolidated	
	Half year ended 31 December 2013 \$'000	Half year ended 31 December 2012 \$'000
Cash flows from operating activities		
Cash receipts in the course of operations	25,081	22,769
Cash payments in the course of operations	(11,314)	(10,027)
Interest received	153	195
Financing costs paid	(18,774)	(18,831)
Net cash flows used in operating activities	(4,854)	(5,894)
Cash flows from investing activities		
Capital expenditure	(2,256)	(10,110)
Distributions received from investments in ASX listed property trusts	4	4
Distributions received from associates	15,045	14,758
Net cash flows from investing activities	12,793	4,652
Cash flows from financing activities		
Payment for units bought back	–	(851)
Distributions paid	(1,961)	(1,968)
Net cash flows used in financing activities	(1,961)	(2,819)
Net increase/(decrease) in cash and cash equivalents	5,978	(4,061)
Cash and cash equivalents at beginning of period	12,210	17,866
Cash and cash equivalents at 31 December	18,188	13,805

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

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For the half year ended 31 December 2013

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 2013 comprise the Fund and its subsidiaries and the Consolidated Entity's interest in associates.

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 2013.

Basis of preparation

Going concern

The consolidated financial statements have been prepared on the going concern basis which assumes the Consolidated Entity will be able to realise its assets and discharge its liabilities in the normal course of business.

As at 31 December 2013, the debt is classified as current and the investment properties remain as non-current, therefore the Consolidated Entity is in a net current liability position of \$554,589,000.

Subsequent to the period end, the Consolidated Entity secured committed financing, subject to documentation and other conditions standard for facilities of this nature, for a new three year \$520,000,000 syndicated debt facility to refinance its existing debt facility. The Consolidated Entity also secured committed financing with a subsidiary of the Brookfield Australia Investment Group, subject to documentation and other conditions standard for facilities of this nature, for a new three year revolving subordinated facility for up to \$130,000,000. Refer to events subsequent to the reporting date (note 13) for further details.

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.

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 2013, except for the impact of the Standards and Interpretations described below.

AASB 10 *Consolidated Financial Statements* which replaces all of the guidance on control and consolidation. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities, whereby an investor controls an investee only if the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

AASB 11 *Joint Arrangements* which introduces a principle based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account for their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard AASB 131 *Interests in Joint Ventures*.

AASB 12 *Disclosure of Interests in Other Entities* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards*, which set out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11 and replace the disclosure requirements previously found in AASB 127 *Separate Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures*.

AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* which sets out in a single standard a framework for measuring fair value, including related disclosure requirements in relation to fair value measurement. AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique.

Notes to the Condensed Consolidated Interim Financial Statements continued

Brookfield Prime Property Fund

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For the half year ended 31 December 2013

2 Significant accounting policies continued

AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* which remove the individual key management personnel disclosure requirements from AASB 124 *Related Party Disclosures*, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the *Corporations Act 2001*.

AASB 2012-2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to AASB 7)* which requires an entity to disclose information about rights of offset and related arrangements for financial instruments under an enforceable master netting agreement or similar arrangement.

AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle* which amends a number of pronouncements as a result of the 2009-2011 annual improvements cycle.

AASB 2012-10 *Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments* which provides transition guidance for the amendments to AASB 10 *Consolidated Financial Statements*.

These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards. The adoption of the above revised Standards and Interpretations has resulted in amended disclosures in the financial report but has not impacted the financial results of the Consolidated Entity.

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, therefore no further segment reporting is required. 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.

5 Distributions

Distributions paid/payable to unitholders were as follows:

	Cents per unit	Total amount \$'000	Date of payment
Ordinary units			
September 2013 distribution	2.0	981	31 October 2013
December 2013 distribution	2.0	980	31 January 2014
Total distribution for the six months ended 31 December 2013	4.0	1,961	

Ordinary units			
September 2012 distribution	2.0	983	19 October 2012
December 2012 distribution	2.0	981	31 January 2013
Total distribution for the six months ended 31 December 2012	4.0	1,964	

6 Investment properties

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

Description	Latest external valuation	Consolidated	
		31 December 2013 book value \$'000	30 June 2013 book value \$'000
American Express Building, Sydney	Jun-13	143,000	141,000
108 St Georges Terrace, Perth	Jun-13	170,000	166,000
Southern Cross West Tower, Melbourne	Jun-13	144,000	142,000
Total investment properties held directly		457,000	449,000

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

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For the half year ended 31 December 2013

6 Investment properties continued

The Consolidated Entity owns 50% of Latitude Landowning Trust and 25% of Brookfield Developments 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	30 June
		2013 book value \$'000	2013 book value \$'000
Southern Cross East Tower, Melbourne	Jun-13	167,500	163,125
Ernst & Young Centre and 50 Goulburn St, Sydney	Jun-13	265,000	268,000
Total investment properties held by associates		432,500	431,125

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 or when the Directors otherwise require, with the latest external valuation undertaken at 30 June 2013.

At 31 December 2013, the property portfolio (including properties held through associates) comprised five 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 rental and forecast net annual cash flows receivable from the properties. The capitalisation rates in the 31 December 2013 valuations range from 7.00% to 7.50%.

	Consolidated Half year ended 31 December 2013 \$'000
Reconciliation of carrying amount of investment properties is set out below:	
Carrying amount at beginning of period – 1 July 2013	449,000
Impact of straight-lining and amortisation	687
Capital expenditure	4,114
Net gain on fair value adjustment of investment properties	3,199
Carrying amount at period end	457,000

7 Investments accounted for using the equity method

	Consolidated 31 December 2013 \$'000	30 June 2013 \$'000
Brookfield Developments No. 6A Unit Trust	166,264	161,916
Latitude Landowning Trust	265,084	268,131
Total investments accounted for using the equity method	431,348	430,047

Notes to the Condensed Consolidated Interim Financial Statements continued

Brookfield Prime Property Fund

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For the half year ended 31 December 2013

8 Interest bearing liabilities

	Consolidated	
	31 December 2013 \$'000	30 June 2013 \$'000
Current		
Secured bank debt	478,800	–
Subordinated debt	85,404	–
Capitalised borrowing costs	(496)	–
Total current interest bearing liabilities	563,708	–
Non-current		
Secured bank debt	–	478,800
Subordinated debt	–	82,506
Capitalised borrowing costs	–	(1,001)
Total non-current interest bearing liabilities	–	560,305
Total interest bearing liabilities	563,708	560,305

		Consolidated	
	Expiry Date	31 December 2013 \$'000	30 June 2013 \$'000
Finance arrangements			
Facilities available			
Bank debt facilities			
- Senior debt facility	5 July 2014	478,800	478,800
- Subordinated debt facility	1 July 2014	130,000	130,000
Total available interest bearing liabilities		608,800	608,800
Less: facilities utilised			
- Senior debt facility		478,800	478,800
- Subordinated debt facility		85,404	82,506
Total facilities utilised		564,204	561,306
Unused facilities at reporting date			
- Senior debt facility		–	–
- Subordinated debt facility		44,596	47,494
Total unused facilities		44,596	47,494

Senior Debt Facility

The Fund has a debt facility with its financiers for \$478,800,000. The key terms of this 3 year bullet non-revolving facility are:-

- repayment of the debt by 5 July 2014;
- covenants reflecting 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

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

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For the half year ended 31 December 2013

8 Interest bearing liabilities continued

Subordinated Debt Facility

A subordinated bridge facility agreement was entered into on 29 June 2011 between the Fund and a related entity of the parent, BPPF Financier Pty Ltd, with a total facility limit of \$130,000,000. On 18 June 2013 the Fund exercised its option to extend the term of the facility until 1 July 2014. The key terms of the facility remain unchanged and are as follows:-

- the debt is subordinated behind the Senior Debt Facility;
- the repayment of the debt is due by 1 July 2014;
- 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.

As both debt facilities are due for repayment within 12 months of reporting date, they have been reclassified as a current liability. Subsequent to the period end, the Consolidated Entity secured committed financing, subject to documentation and other conditions standard for facilities of this nature, for a new three year \$520,000,000 syndicated debt facility to refinance its existing debt facility. The Consolidated Entity also secured committed financing with a subsidiary of the Brookfield Australia Investment Group, subject to documentation and other conditions standard for facilities of this nature, for a new three year revolving subordinated facility for up to \$130,000,000. Refer to events subsequent to the reporting date (note 13) for further details.

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 Profit or Loss and Other Comprehensive Income. The Fund's and Consolidated Entity's 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 2013	July 2016	Floating to fixed	5.88	BBSW	434,202	-	31,381
As at 30 June 2013	July 2016	Floating to fixed	5.88	BBSW	434,202	-	36,539

9 Financial instruments

A number of the Consolidated Entity's financial assets and liabilities are measured at fair value at the end of each reporting period. 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:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- (b) 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
- (c) 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 2013. 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 2013

9 Financial instruments continued

Consolidated Entity – at 31 December 2013	Level 1 \$'000	Level 2 \$'000	Total \$'000
Assets			
Listed investments	121	–	121
Total assets	121	–	121
Liabilities			
Financial derivatives	–	31,381	31,381
Total liabilities	–	31,381	31,381

Consolidated Entity – at 30 June 2013	Level 1 \$'000	Level 2 \$'000	Total \$'000
Assets			
Listed investments	122	–	122
Total assets	122	–	122
Liabilities			
Financial derivatives	–	36,539	36,539
Total liabilities	–	36,539	36,539

As at 31 December 2013 and 30 June 2013, there were no financial assets or liabilities in level 3. During the current and prior years, there were no financial assets or liabilities which transferred between levels 1, 2 or 3.

10 Units on issue

	31 December 2013 \$'000	31 December 2013 Units	30 June 2013 \$'000	30 June 2013 Units
Units on issue				
Opening balance	326,847	49,029,150	327,337	49,252,677
Units reacquired	–	–	(850)	(223,527)
Closing balance	326,847	49,029,150	326,847	49,029,150
Unit issue costs				
Opening balance	24,440	–	24,438	–
Unit buyback costs	–	–	2	–
Closing balance	24,440	–	24,440	–
Total units on issue	302,047	49,029,150	302,047	49,029,150

Unit buyback

As advised to the Australian Securities Exchange (ASX) on 2 September 2011, the Directors of BCML, as Responsible Entity of the Fund, commenced a buy back program of up to 10% of the Fund's issued units. During the period no units were redeemed (June 2013: 223,527 units, at a cost of \$849,829).

11 Related parties

There have been no significant changes to the related party transactions as disclosed in the annual report for the year ended 30 June 2013. A subordinated debt facility remains in place between the Consolidated Entity and a related party BPPF Financier Pty Ltd. See interest bearing liabilities (Note 8) for further details.

12 Contingent liabilities and assets

No contingent liabilities or assets existed at 31 December 2013 (30 June 2013: nil).

Notes to the Condensed Consolidated Interim Financial Statements continued

Brookfield Prime Property Fund

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For the half year ended 31 December 2013

13 Events subsequent to the reporting date

Refinancing debt

Subsequent to the period end, the Consolidated Entity secured committed financing, subject to documentation and other conditions standard for facilities of this nature, for a new three year \$520,000,000 syndicated debt facility to refinance its existing debt facility.

The Consolidated Entity also secured committed financing with a subsidiary of the Brookfield Australia Investment Group, subject to documentation and other conditions standard for facilities of this nature, for a new three year revolving subordinated facility for up to \$130,000,000.

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

Other than the items noted 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

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For the half year ended 31 December 2013

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 2013 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 21st day of February 2014



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 2013, and the condensed consolidated interim statement of profit or loss and other 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 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 2013 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 2013 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, 21 February 2014