

# Appendix 4D – Additional Disclosure

## Brookfield Prime Property Fund

For the half year ended 31 December 2016

<b>Name of Fund:</b>	Brookfield Prime Property Fund (BPA or Fund)
<b>Details of reporting period</b>	
<b>Current reporting period:</b>	1 July 2016 to 31 December 2016
<b>Prior corresponding period:</b>	1 July 2015 to 31 December 2015

This Appendix 4D should be read in conjunction with the Financial Report for the half year ended 31 December 2016. 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 2016 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

### Results for announcement to the market

	Half year ended 31 December 2016 \$'000	Half year ended 31 December 2015 \$'000	Movement \$'000	Movement %
Total revenue and other income	78,962	145,342	(66,380)	(46%)
Total expenses	(13,289)	(34,259)	20,970	61%
Net profit attributable to the unitholders of BPA	65,673	111,083	(45,410)	(41%)
Property fair value adjustments included in the above from:				
Direct property investments	1,449	(5,151)	6,600	>100%
Investments accounted for using the equity method	53,775	6,566	47,209	>100%
Earnings per unit (cents)	133.95	226.57	(92.62)	(41%)

### Distributions and returns of capital

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

	Cents per unit	Total amount \$'000	Date of Payment
<b>Ordinary units</b>			
September 2015	6.0	2,942	31 October 2016
December 2015	6.0	2,942	31 January 2017
<b>Total distributions for the half year ended 31 December 2015</b>	<b>12.0</b>	<b>5,884</b>	
<b>Ordinary units</b>			
September 2015	2.0	981	30 October 2015
December 2015	250.0	122,573	30 December 2015
<b>Total distributions and returns of capital for the half year ended 31 December 2015</b>	<b>252.0</b>	<b>123,554</b>	

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

Commentary and analysis of the result for the current period can be found in the attached Brookfield Prime Property Fund ASX release dated 24th February 2017. This ASX release forms part of the Appendix 4D.

The Fund has a formally constituted Audit Committee of the Board of Directors. The release of the report was approved by resolution of the Board of Directors on 24th February 2017.

Brookfield Prime Property Fund  
Interim financial report  
For the half year ended  
31 December 2016

# Brookfield Prime Property Fund

ARSN 110 096 663

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# Directory

## Brookfield Prime Property Fund

For the half year ended 31 December 2016

### **Responsible Entity**

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

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

F. Allan McDonald  
Barbara Ward  
Shane Ross

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

Men (Mandy) Chiang (appointed on 15 November 2016)  
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 1800 685 455  
Facsimile: +61 2 9287 0303

### **Auditor**

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

# Directors' Report

## Brookfield Prime Property Fund

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For the half year ended 31 December 2016

### 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 associate for the six months ended 31 December 2016 and the Independent Auditor's Review Report thereon.

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

### Responsible Entity

The Responsible Entity of the Fund is Brookfield Capital Management Limited (BCML). BCML became the Responsible Entity on 5 July 2005. The registered office and principal place of business of the Responsible Entity and the Fund is Level 22, 135 King Street, Sydney NSW 2000.

### Directors

The following persons were Directors of the Responsible Entity at any time during or since the end of the financial period:

Name	Capacity
F. Allan McDonald	Non-Executive Independent Chairman
Barbara Ward	Non-Executive Independent Director
Shane Ross	Executive Director

### Principal activities

The principal activity of the Consolidated Entity is the investment in a portfolio of CBD office assets and listed property trusts.

### Review of operations

The Consolidated Entity has recorded a net profit of \$65,673,000 for the half year ended 31 December 2016 (2015: net profit of \$111,083,000).

On 8 July 2016, the Fund refinanced its existing senior debt facility with a new \$340,000,000 senior debt facility, drawn to \$315,000,000. The new senior debt facility comprises of two tranches. Tranche A of \$300,000,000 is fully drawn and Tranche B of \$40,000,000 is drawn to \$15,000,000, with the balance to be drawn as and when required to fund capital expenditure. The senior debt facility matures on 8 July 2020.

The existing subordinated debt facility terms were amended to reduce the facility limit to \$50,000,000 and extend the expiry date to 9 July 2020.

Significant events during the period are as follows:

- total revenue and other income of \$78,962,000 (2015: \$145,342,000);
- earnings per unit (EPU) of 133.95 cents (2015: 226.57 cents);
- net assets of \$433,353,000 (30 June 2016: \$373,574,000) and net assets per unit of \$8.84 (30 June 2016: \$7.62);
- property portfolio value of \$707,000,000 as at 31 December 2016, including those held through associates (30 June 2016: \$644,500,000);
- net gain on revaluation of investment properties of \$1,449,000 (2015: net loss of \$5,151,000);
- share of net profits of investments accounted for using the equity method of \$62,490,000 (2015: \$21,384,000); and
- portfolio occupancy at 91%, (30 June 2016: 92%) with a weighted average lease expiry by income and by ownership of 4.68 years as at 31 December 2016 (30 June 2016: 3.61 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.

# Directors' Report continued

## Brookfield Prime Property Fund

For the half year ended 31 December 2016

### Events subsequent to the reporting date

Subsequent to the half year ended 31 December 2016, American Express International Inc. renewed its lease at American Express House, 12 Shelley Street, Sydney.

The lease renewal is for a 10 year term, commencing 1 January 2019 and will bring the Fund's weighted average lease expiry to 6.8 years.

American Express House was valued externally at \$178,000,000 at 31 December 2016. With the lease renewal agreement, the valuation had an uplift of \$9,000,000 compared to prior the renewal, bringing the valuation to \$187,000,000. The external valuation has not been adopted in the financial statements to reflect the lease renewal as it is considered a non-adjusting subsequent event in accordance with accounting standards.

On an "as is" basis assuming all other assets and liabilities of the Consolidated Entity are as per the accounts, had the valuation of \$187.0m been adopted as at 31 December 2016 then net assets of the Fund would be \$9.02 per unit.

There are no other matters or circumstances which have arisen since the end of the financial half year period which significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in subsequent financial periods.

### Distributions and returns of capital

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

	Cents per unit	Total amount \$'000	Date of payment
<b>Ordinary units</b>			
September 2016 distribution	6.0	2,942	31 October 2016
December 2016 distribution	6.0	2,942	31 January 2017
<b>Total distributions for the half year ended 31 December 2016</b>	<b>12.0</b>	<b>5,884</b>	
<b>Ordinary units</b>			
September 2015 distribution	2.0	981	30 October 2015
December 2015 distribution	250.0	122,573	30 December 2015
<b>Total distributions and returns of capital for the half year ended 31 December 2015</b>	<b>252.0</b>	<b>123,554</b>	

### Rounding of amounts

The Consolidated Entity is an entity of the kind reference to in Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the Directors' Report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

### 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 2016.

Dated at Sydney this 24th day of February 2017.

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



**Shane Ross**  
Director

Brookfield Capital Management Limited

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

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

24 February 2017

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 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

*DELOITTE TOUCHE TOHMATSU*

DELOITTE TOUCHE TOHMATSU

*A. COLEMAN*

Andrew J Coleman  
Partner  
Chartered Accountants

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

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## Brookfield Prime Property Fund

For the half year ended 31 December 2016

	Note	Consolidated	
		Half year ended 31 December 2016 \$'000	Half year ended 31 December 2015 \$'000
<b>Revenue and other income</b>			
Property rental income		14,248	19,875
Share of net profit of investments accounted for using the equity method	7	62,490	21,384
Net gain on revaluation of investment properties	6	1,449	–
Net gain on sale of assets		100	100,922
Net gain on revaluation of financial derivatives		–	2,997
Interest income		482	161
Other income		193	3
<b>Total revenue and other income</b>		<b>78,962</b>	<b>145,342</b>
<b>Expenses</b>			
Property expenses		3,364	5,812
Finance costs		7,316	20,289
Net loss on revaluation of investment properties		–	5,151
Management fees		2,466	2,811
Other expenses		143	196
<b>Total expenses</b>		<b>13,289</b>	<b>34,259</b>
<b>Net profit for the period</b>		<b>65,673</b>	<b>111,083</b>
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Change in cash flow hedge reserve		–	5,465
Change in fair value of available for sale financial assets		(10)	3
<b>Other comprehensive (loss)/income for the period</b>		<b>(10)</b>	<b>5,468</b>
<b>Total comprehensive income for the period</b>		<b>65,663</b>	<b>116,551</b>
<b>Net profit attributable to ordinary unitholders</b>		<b>65,673</b>	<b>111,083</b>
<b>Total comprehensive income attributable to ordinary unitholders</b>		<b>65,663</b>	<b>116,551</b>
<b>Earnings per unit</b>			
Basic and diluted earnings per ordinary unit (cents)		133.95	226.57

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 2016

	Note	Consolidated 31 December 2016 \$'000	30 June 2016 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		42,447	50,763
Trade and other receivables		6,043	5,819
<b>Total current assets</b>		<b>48,490</b>	<b>56,582</b>
<b>Non-current assets</b>			
Investment properties	6	344,000	339,500
Investments accounted for using the equity method	7	368,405	305,915
<b>Total non-current assets</b>		<b>712,405</b>	<b>645,415</b>
<b>Total assets</b>		<b>760,895</b>	<b>701,997</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		14,488	10,432
Interest bearing liabilities	8	–	317,991
<b>Total current liabilities</b>		<b>14,488</b>	<b>328,423</b>
<b>Non-current liabilities</b>			
Interest bearing liabilities	8	313,054	–
<b>Total non-current liabilities</b>		<b>313,054</b>	<b>–</b>
<b>Total liabilities</b>		<b>327,542</b>	<b>328,423</b>
<b>Net assets</b>		<b>433,353</b>	<b>373,574</b>
<b>Equity</b>			
Units on issue	10	179,474	179,474
Reserves		2	12
Undistributed profits		253,877	194,088
<b>Total equity</b>		<b>433,353</b>	<b>373,574</b>

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

# Condensed Consolidated Interim Statement of Changes in Equity

## Brookfield Prime Property Fund

For the half year ended 31 December 2016

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Consolidated Entity	Attributable to unitholders of the Fund			
	Ordinary units \$'000	Undistributed profits/(losses) \$'000	Reserves \$'000	Total \$'000
<b>Opening equity - 1 July 2016</b>	<b>179,474</b>	<b>194,088</b>	<b>12</b>	<b>373,574</b>
Change in fair value of available for sale financial assets	-	-	(10)	(10)
<b>Other comprehensive loss for the period</b>	-	-	<b>(10)</b>	<b>(10)</b>
Net profit for the period	-	65,673	-	65,673
<b>Total comprehensive income/(loss) for the period</b>	-	<b>65,673</b>	<b>(10)</b>	<b>65,663</b>
<b>Transactions with unitholders in their capacity as unitholders:</b>				
Distributions declared	-	(5,884)	-	(5,884)
<b>Total transactions with unitholders in their capacity as unitholders</b>	-	<b>(5,884)</b>	-	<b>(5,884)</b>
<b>Closing equity - 31 December 2016</b>	<b>179,474</b>	<b>253,877</b>	<b>2</b>	<b>433,353</b>

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

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 2016

	Consolidated	
	Half year ended 31 December 2016 \$'000	Half year ended 31 December 2015 \$'000
<b>Cash flows from operating activities</b>		
Cash receipts in the course of operations	14,875	19,900
Cash payments in the course of operations	(5,987)	(9,663)
Interest received	487	125
Financing costs paid	(3,584)	(18,052)
<b>Net cash flows from/(used) in operating activities</b>	<b>5,791</b>	<b>(7,690)</b>
<b>Cash flows from investing activities</b>		
Distributions received from investments in ASX listed property trusts	3	3
Distributions received from associates	–	16,048
Payments for additions in investment properties	(2,120)	(15,511)
Proceeds from sale of assets	–	446,892
<b>Net cash flows (used)/from investing activities</b>	<b>(2,117)</b>	<b>447,432</b>
<b>Cash flows from financing activities</b>		
Drawdown of interest bearing liabilities	315,000	6,000
Repayments of interest bearing liabilities	(318,895)	(261,441)
Debt establishment fees and borrowing costs paid	(2,212)	–
Distributions and returns of capital paid to unitholders	(5,883)	(124,534)
<b>Net cash flows used in financing activities</b>	<b>(11,990)</b>	<b>(379,975)</b>
Net (decrease)/increase in cash and cash equivalents	(8,316)	59,767
Cash and cash equivalents at beginning of period	50,763	17,117
<b>Cash and cash equivalents at 31 December</b>	<b>42,447</b>	<b>76,884</b>

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

# Notes to the Condensed Consolidated Interim Financial Statements

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## Brookfield Prime Property Fund

For the half year ended 31 December 2016

### 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 2016 comprise the Fund, its subsidiaries and the Consolidated Entity's interest in associates (together referred to as the Consolidated Entity).

### 2 Significant accounting policies

#### Statement of compliance

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with the *Corporations Act 2001* and *AASB 134 Interim Financial Reporting (AASB134)*. 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 2016. For the purpose of preparing the consolidated financial statements, the Fund is a for profit entity.

#### Basis of preparation

The consolidated interim financial statements are presented in Australian dollars, which is the Fund's presentation and functional currency.

The Consolidated Entity is an entity of the kind referred to in Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the Directors' Report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

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 2016.

### 3 Segment reporting

Management have identified the Chief Operating Decision Maker function is performed by the Board of Directors of the Responsible Entity (Board). The Board assesses the performance of the Consolidated Entity in its entirety. The allocation of resources is not performed in separate segments by the Board. The Board reviews and assesses the information in relation to the performance of the Consolidated Entity as set out in the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income and Condensed Consolidated Statement of Financial Position. All property income is derived from entities domiciled in Australia.

### 4 Estimates

The preparation of the consolidated interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from those estimates.

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

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

# Notes to the Condensed Consolidated Interim Financial Statements continued

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## Brookfield Prime Property Fund

For the half year ended 31 December 2016

### 5 Distributions and returns of capital

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

	Cents per unit	Total amount \$'000	Date of payment
<b>Ordinary units</b>			
September 2016	6.0	2,942	31 October 2016
December 2016	6.0	2,942	31 January 2017
<b>Total distributions for the half year ended 31 December 2016</b>	<b>12.0</b>	<b>5,884</b>	
<b>Ordinary units</b>			
September 2015	2.0	981	30 October 2015
December 2015	250.0	122,573	30 December 2015
<b>Total distributions and returns of capital for the half year ended 31 December 2015</b>	<b>252.0</b>	<b>123,554</b>	

Distributions declared for the periods ended 31 December 2016 and 31 December 2015 were paid out of the Consolidated Entity's realised revenues and expenses.

### 6 Investment properties

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

Description	Ownership	Latest external valuation	Consolidated	
			31 December 2016 book value \$'000	30 June 2016 book value \$'000
American Express Building, Sydney	100%	Dec-16	178,000	174,500
108 St Georges Terrace, Perth	50%	Dec-16	166,000	165,000
<b>Total investment properties held directly</b>			<b>344,000</b>	<b>339,500</b>

The Consolidated Entity owns 50% of Latitude Landowning Trust (which owns the 680 George Street and 50 Goulburn St, Sydney), which is accounted for using the equity method. The Consolidated Entity's proportionate value ownership of properties held through an associate is as follows:

Description	Latest external valuation	Consolidated	
		31 December 2016 book value \$'000	30 June 2016 book value \$'000
680 George Street and 50 Goulburn St, Sydney	Dec-16	363,000	305,000
<b>Total investment properties held by an associate</b>		<b>363,000</b>	<b>305,000</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.

# Notes to the Condensed Consolidated Interim Financial Statements continued

## Brookfield Prime Property Fund

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For the half year ended 31 December 2016

### 6 Investment properties continued

At 31 December 2016, the property portfolio (including properties held through associates) comprised three assets which were externally valued by Colliers International, Knight Frank and Savills Valuations Pty Ltd. The valuations have been undertaken using a number of methodologies, including discounted cash flow, capitalisation approach and direct comparison. The adopted capitalisation rates for directly held properties in the 31 December 2016 valuation range from 5.75% to 7.25%.

	Consolidated	
	Half year ended 31 December 2016 \$'000	Year ended 30 June 2016 \$'000
<b>Reconciliation of carrying amount of investment properties is set out below:</b>		
Carrying amount at beginning of period – 1 July	339,500	482,300
Impact of straight-lining and amortisation	(349)	454
Capital expenditure and incentives	3,400	7,035
Net gain on fair value adjustment of investment properties	1,449	4,065
Disposal of investment properties sold	–	(154,354)
<b>Carrying amount at period end</b>	<b>344,000</b>	<b>339,500</b>

### 7 Investments accounted for using the equity method

	Consolidated	
	31 December 2016 \$'000	30 June 2016 \$'000
Latitude Landowning Trust	368,405	305,915
<b>Total investments accounted for using the equity method</b>	<b>368,405</b>	<b>305,915</b>

The Consolidated Entity owns 50% of Latitude Landowning Trust (which owns the 680 George Street and 50 Goulburn St, Sydney), which is accounted for using the equity method.

A summary of financial information for the entities, not adjusted for the percentage ownership held by the Consolidated Entity, is detailed below.

	Latitude Landowning Trust	
	31 December 2016 \$'000	30 June 2016 \$'000
Current assets	24,630	15,634
Non-current assets	726,000	610,000
<b>Total assets</b>	<b>750,630</b>	<b>625,634</b>
Current liabilities	13,820	13,804
<b>Total liabilities</b>	<b>13,820</b>	<b>13,804</b>
<b>Net assets</b>	<b>736,810</b>	<b>611,830</b>

	Latitude Landowning Trust	
	31 December 2016 \$'000	30 June 2016 \$'000
Opening net assets 1 July	611,830	569,699
Profit for the period/year	124,980	76,485
Distributions for the period/year	–	(34,354)
<b>Closing net assets</b>	<b>736,810</b>	<b>611,830</b>
Consolidated Entity's share (%)	50%	50%
Consolidated Entity's share (\$)	368,405	305,915
<b>Total investment accounted for using the equity method</b>	<b>368,405</b>	<b>305,915</b>

# Notes to the Condensed Consolidated Interim Financial Statements continued

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## Brookfield Prime Property Fund

For the half year ended 31 December 2016

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

	Latitude Landowning Trust	
	31 December 2016 \$'000	30 June 2016 \$'000
Revenues	130,020	95,686
Expenses	(5,040)	(19,201)
<b>Net profit for the period/year</b>	<b>124,980</b>	<b>76,485</b>
Other comprehensive income	–	–
<b>Total comprehensive income for the period/year</b>	<b>124,980</b>	<b>76,485</b>
<b>Share of net profit from investments accounted for using the equity method:</b>		
Latitude Landowning Trust	62,490	38,243

### 8 Interest bearing liabilities

	Consolidated	
	31 December 2016 \$'000	30 June 2016 \$'000
<b>Current</b>		
Secured bank debt	–	318,895
Debt establishment fees	–	(904)
<b>Total interest bearing liabilities</b>	<b>–</b>	<b>317,991</b>

	Consolidated	
	31 December 2016 \$'000	30 June 2016 \$'000
<b>Non-current</b>		
Secured bank debt	315,000	–
Debt establishment fees	(1,946)	–
<b>Total interest bearing liabilities</b>	<b>313,054</b>	<b>–</b>

	Consolidated	
	31 December 2016 \$'000	30 June 2016 \$'000
<b>Finance arrangements</b>		
<b>Facilities available</b>		
Debt facilities		
- Senior debt facility	340,000	318,895
- Subordinated debt facility	50,000	130,000
<b>Total available interest bearing liabilities</b>	<b>390,000</b>	<b>448,895</b>
Less: facilities utilised		
- Senior debt facility	315,000	318,895
- Subordinated debt facility	–	–
<b>Total facilities utilised</b>	<b>315,000</b>	<b>318,895</b>
Unused facilities at reporting date		
- Senior debt facility	25,000	–
- Subordinated debt facility	50,000	130,000
<b>Total unused facilities</b>	<b>75,000</b>	<b>130,000</b>

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

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For the half year ended 31 December 2016

## 8 Interest bearing liabilities continued

### Senior debt facility

On 8 July 2016 the Consolidated Entity fully paid its previous senior debt facility of \$318,895,000 and entered into a new \$340,000,000 senior debt facility with the following key terms:

- maturity date of 8 July 2020;
- loan to value ratio (LVR) of no more than 60%;
- interest cover ratio (ICR) of at least 1.60 on a 12 month rolling basis;
- base (interest) rate is the Australian Bank Bill Swap Reference Rate (Bid); and
- margin of 1.90% above the base rate (BBR).

### Subordinated debt facility

On 8 July 2016 the existing subordinated debt facility terms were amended with the following key terms:

- facility limit \$50,000,000;
- maturity date of 9 July 2020;
- the debt is subordinated behind the senior debt facility;
- BBR plus margin (as defined in the senior debt facility agreement), plus a margin of 2% per annum; and a default under the terms of the senior debt facility also causes the subordinated debt facility to be in default.

## 9 Financial instruments

A number of the Consolidated Entity's accounting policies and disclosures require the determination of fair value for financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods.

### Cash and cash equivalents and trade and other receivables

Fair value, which is determined for disclosure purposes, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

### Investments – available for sale

Fair value for listed investments is calculated based on the quoted closing price of the security at the reporting date.

### Non-derivative financial liabilities

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

### Fair values versus carrying amounts

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

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Consolidated Entity's assets and liabilities measured and recognised at fair value at 31 December 2016. 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 2016

### 9 Financial instruments continued

Consolidated Entity – at 31 December 2016	Level 1 \$'000	Level 2 \$'000	Total \$'000
<b>Assets</b>			
Available for sale investments	–	101	101
<b>Total assets</b>	<b>–</b>	<b>101</b>	<b>101</b>

Consolidated Entity – at 30 June 2016	Level 1 \$'000	Level 2 \$'000	Total \$'000
<b>Assets</b>			
Available for sale investments	–	112	112
<b>Total assets</b>	<b>–</b>	<b>112</b>	<b>112</b>

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

### 10 Units on issue

	31 December 2016 \$'000	31 December 2016 Units	30 June 2016 \$'000	30 June 2016 Units
<b>Units on issue</b>				
Opening balance	203,914	49,029,150	326,487	49,029,150
Returns of capital	–	–	(122,573)	–
<b>Closing balance</b>	<b>203,914</b>	<b>49,029,150</b>	<b>203,914</b>	<b>49,029,150</b>
<b>Unit issue costs</b>				
Opening balance	(24,440)	–	(24,440)	–
<b>Closing balance</b>	<b>(24,440)</b>	<b>–</b>	<b>(24,440)</b>	<b>–</b>
<b>Total units on issue</b>	<b>179,474</b>	<b>49,029,150</b>	<b>179,474</b>	<b>49,029,150</b>

### 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 2016.

### 12 Contingent liabilities and assets

No contingent liabilities or assets existed at 31 December 2016 (30 June 2016: nil).

### 13 Events subsequent to reporting date

Subsequent to the half year ended 31 December 2016, American Express International Inc. renewed its lease at American Express House, 12 Shelley Street, Sydney.

The lease renewal is for a 10 year term, commencing 1 January 2019 and will bring the Fund's weighted average lease expiry to 6.8 years.

American Express House was valued externally at \$178,000,000 at 31 December 2016. With the lease renewal agreement, the valuation had an uplift of \$9,000,000 compared to prior the renewal, bringing the valuation to \$187,000,000. The external valuation has not been adopted in the financial statements to reflect the lease renewal as it is consider a non-adjusting subsequent event in accordance with accounting standards.

On an "as is" basis assuming all other assets and liabilities of the Consolidatd Entity are as per the accounts, had the valuation of \$187.0m been adopted as at 31 December 2016 then net assets of the Fund would be \$9.02 per unit.

There are no other matters or circumstances which have arisen since the end of the financial half year period which significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in subsequent financial periods.

# Directors' Declaration

## Brookfield Prime Property Fund

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For the half year ended 31 December 2016

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 16, 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 2016 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 2017



**Shane Ross**  
Director  
Brookfield Capital Management Limited

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

We have reviewed the accompanying half-year financial report of Brookfield Prime Property Fund ("the Fund"), which comprises the condensed consolidated statement of financial position as at 31 December 2016, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated interim statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the Fund and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 7 to 17.

### *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 2016 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.

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

## *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 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

DELOITTE TOUCHE TOHMATSU.

DELOITTE TOUCHE TOHMATSU

A. COLEMAN.

Andrew J Coleman  
Partner  
Chartered Accountants  
Sydney, 24 February 2017