BAO Trust
Financial report
For the year ended
30 June 2014

BAO Trust

ARSN 160 276 559

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Responsible Entity
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Directors of Brookfield Capital Management Limited
F. Allan McDonald
Barbara Ward
Brian Motteram (resigned 28 February 2014)
Russell Proutt
Shane Ross (resigned and appointed alternate director 28 February 2014)

Company Secretary of Brookfield Capital Management Limited
Neil Olofsson

Registered Office of Brookfield Capital Management Limited
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Introduction

The Directors of Brookfield Capital Management Limited (ABN 32 094 936 866), the Responsible Entity of BAO Trust (ARSN 160 276 559) (Fund), present their report together with the financial statements of the Consolidated Entity, being the Fund and the Consolidated Entity's interest in an associate, for the year ended 30 June 2014 and the Independent Auditor's Report thereon.

The Fund was constituted on 6 May 2009. The Fund was registered as a managed investment scheme on 19 September 2012.

Responsible Entity

The Responsible Entity of the Fund is Brookfield Capital Management Limited (BCML). The registered office and principal place of business of the Responsible Entity 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 year:

Name	Capacity
F. Allan McDonald	Non-Executive Independent Chairman
Barbara Ward	Non-Executive Independent Director
Brian Motteram (resigned 28 February 2014)	Non-Executive Independent Director
Russell Proutt	Executive Director
Shane Ross (resigned and appointed alternate director 28 February 2014)	Executive Director/Alternate Director

Information on Directors

F. Allan McDonald (BEcon, FCPA, FAIM, FGIA), Non-Executive Independent Chairman

Allan was appointed the Non-Executive Independent Chairman of BCML on 1 January 2010 and also performs that role for Brookfield Funds Management Limited (BFML). Allan has had extensive experience in the role of Chairman and is presently associated with a number of companies as a consultant and Company Director. BCML is the Responsible Entity for listed funds Brookfield Prime Property Fund (BPA) and Multiplex European Property Fund (MUE). BFML is the Responsible Entity for the listed Multiplex SITES Trust. Allan's other directorship of listed entities is Astro Japan Property Management Limited (Responsible Entity of Astro Japan Property Trust) (appointed February 2005). During the past 3 years, Allan has also served as a director of Billabong International Limited (July 2000 – October 2012) and Brookfield Office Properties Inc (May 2011 - June 2014).

Barbara Ward, AM (BEcon, MPolEcon, MAICD), Non-Executive Independent Director

Barbara was appointed as a Non-Executive Independent Director of BCML on 1 January 2010 and also performs that role for BFML. Barbara has gained extensive business and finance experience through her role as Chief Executive Officer of Ansett Worldwide Aviation Services, as General Manager Finance for the TNT Group and as a Senior Ministerial Advisor. BCML is the Responsible Entity for listed funds BPA and MUE. BFML is the Responsible Entity for the listed Multiplex SITES Trust. Barbara is a Director of Qantas Airways Limited. During the past 3 years Barbara has also served as a Chair of Essential Energy (June 2001 – June 2012) and a Director of Essential Energy, Ausgrid and Endeavour Energy (July 2012 – December 2012).

Russell Proutt (BComm, CA, CBV), Executive Director

Russell is the Chief Financial Officer of Brookfield Australia Pty Ltd and was appointed as an Executive Director of BCML on 1 January 2010 and also performs that role for BFML. BCML is the Responsible Entity for the listed funds BPA and MUE. BFML is the Responsible Entity for the listed Multiplex SITES Trust. Russell joined Brookfield Asset Management Inc, the ultimate parent company of BCML, in 2006 and has held various senior management positions within Brookfield.

Shane Ross (BBus), Executive Director/Alternate Director

Shane is the Group General Manager of Treasury for Brookfield Australia Investments Limited and was appointed as an Executive Director of BCML on 16 May 2011, resigned on 28 February 2014 and was appointed as Alternate Director for Russell on that date . BCML is the Responsible Entity for BPA and MUE. Shane joined the organisation in 2003 following a background in banking and has over 20 years experience in treasury and finance within the property industry.

Information on Company Secretary

Neil Olofsson

Neil has over 18 years of international company secretarial experience and has been with the Brookfield Australia group since 2005.

Directors' interests

The following table sets out each Director's relevant interest in the units, debentures, interests in registered schemes and rights or options over such instruments issued by the entities within the Consolidated Entity and other related bodies corporate as at the date of this report:

Director	BAO Trust units held
F. Allan McDonald	–
Barbara Ward	–
Russell Proutt	–
Shane Ross	–

During the year, Brian Motteram resigned as a director. Accordingly, his unit holding is no longer disclosed.

No options are held by/have been issued to Directors.

Directors' meetings

	Board Meetings		Audit Committee Meetings		Board Risk and Compliance Committee Meetings	
Director	A	B	A	B	A	B
F. Allan McDonald	5	5	2	2	2	2
Barbara Ward	5	5	2	2	2	2
Brian Motteram	4	4	2	2	2	2
Russell Proutt	4	5	n/a	n/a	n/a	n/a
Shane Ross	5	5	n/a	n/a	n/a	n/a

A – Number of meetings attended.
B – Number of meetings held during the time the Director held office during the year, or number of meetings held that the Alternate Director was eligible to attend during the year.

Committee meetings

There were no Board committee meetings held during the year other than those stated above.

Principal activities

The principal activity of the Consolidated Entity is the investment in Australian Securities Exchange (ASX) listed and unlisted property securities.

Review of operations

The Consolidated Entity has recorded a net profit of $3,034,000 for the year ended 30 June 2014 (2013: $3,790,000).

Some of the significant events during the year are as follows:
- total revenue and other income of $3,309,000 (2013: $7,089,000);
- total distributions and capital returns to unitholders of $41,010,000 or 5.1 cents per unit (2013: $42,993,000 or 37.7 cents per unit);
- net assets of $39,340,000 or net assets per unit $0.05 (2013: $74,964,000 or $0.09);
- ASX listed portfolio value of $1,182,000 (2013: $2,413,000); and
- unlisted security portfolio value of $15,405,000 (2013: $46,417,000).

Review of operations continued
The strategy of the Fund is to provide periodic income to unitholders, to maximise the capital value of its assets and, when appropriate, to realise those assets in order to return cash to unitholders.

Interests of the Responsible Entity
Management Fees
For the year ended 30 June 2014, the Fund incurred $119,000 in management fees due to the Responsible Entity (2013: $228,000). $16,000 of management fees remain payable as at year end (2013: $71,000).

Related party unitholders
The following interests were held in the Consolidated Entity during the year:
- Brookfield Capital Securities Limited, as trustee for Brookfield Multiplex PPF Investment No.2 Trust, holds 328,609,014 units or 40.5% of the Fund at year end (2013: 328,609,014 units or 40.5%);
- Brookfield Multiplex Capital Pty Ltd holds 9,737,640 units or 1.2% of the Fund at year end (2013: 9,737,640 units or 1.2%); and
- Multiplex APF Pty Ltd, as trustee for Multiplex APF Trust, holds 163,751,624 units or 20.2% of the Fund at year end (2013: 163,751,624 units or 20.2%).

JP Morgan Chase Bank N.A., as custodian for the Fund, holds the following investments in related party entities at year end:
- Multiplex European Property Fund – 12,750,050 units or 5.2% (2013: 12,750,050 units or 5.2%);
- Multiplex New Zealand Property Fund – 43,890,679 units or 20.1% (2013: 43,890,679 units or 20.1%);
- Multiplex Property Income Fund – 30,075,871 ordinary units or 100% of ordinary units (2013: 30,075,871 units or 100% of ordinary units); and
- Multiplex Development and Opportunity Fund – 9,320,388 units or 5.7% (2013: 9,320,388 units or 5.7%).

Significant changes in the state of affairs
In the opinion of the Directors, there were no significant changes in the state of affairs of the Consolidated Entity that occurred during the financial year other than those disclosed in this report or in the consolidated financial statements.

Events subsequent to reporting date
There are no matters or circumstances which have arisen since the end of the financial year 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 years.

Likely developments
Other than the matters already included in the Directors' Report, information on likely developments in the operations of the Consolidated Entity in future financial years and the expected results of those operations have not been included in this report because the Directors believe that to do so would be likely to result in unreasonable prejudice to the Consolidated Entity.

Environmental regulation
The Consolidated Entity has systems in place to manage its environmental obligations. Based upon the results of enquiries made, the Responsible Entity is not aware of any significant breaches or non-compliance issues during the year covered by this report.

Distributions and returns of capital

The following distributions and returns of capital were declared/paid by the Fund to its Unitholders during the current year ended 30 June 2014.

2014	Cents per unit	Total amount $'000	Date of payment
Ordinary unitholders			
September 2013 distribution	0.2500	2,028	30 September 2013
November 2013 distribution	2.8902	23,452	20 November 2013
December 2013 distribution	0.2240	1,818	17 December 2013
April 2014 distribution	0.4207	3,414	4 April 2014
June 2014 distribution	1.2691	10,298	26 June 2014
Total distributions and returns of capital for the year ended 30 June 2014	**5.0540**	**41,010**	

2013	Cents per unit	Total amount $'000	Date of payment
Ordinary unitholders			
September 2012 distribution*	32.7326	2,664	28 September 2012
October 2012 distribution	1.5000	12,172	2 November 2012
November 2012 distribution	0.2700	2,191	26 November 2012
January 2013 distribution	0.3000	2,434	14 January 2013
March 2013 distribution	0.2300	1,866	6 March 2013
May 2013 distribution	0.1000	811	28 May 2013
June 2013 distribution	0.4000	3,247	28 June 2013
June 2013 distribution	2.1700	17,608	9 August 2013
Total distribution and returns of capital for the year ended 30 June 2013	**37.7026**	**42,993**	

* The September 2012 distribution was paid by the Fund to Brookfield Australian Opportunities Fund (BAO), as the Fund was a wholly owned subsidiary of BAO at the time, and the number of units on issue was 8,137,416 units. All other distributions were paid by the Fund to Unitholders based on a total of 811,443,720 units on issue.

Indemnification and insurance of officers and auditors

BCML is a wholly owned subsidiary of Brookfield Australia Investments Limited (BAIL). BAIL has entered into deeds of access and indemnity with each of its Directors, Company Secretary and other nominated Officers. The terms of the deeds are in accordance with the provisions of the *Corporations Act 2001* and will indemnify these executives (to the extent permitted by law) for up to seven years after serving as an Officer against legal costs incurred in defending civil or criminal proceedings against the executives, except where proceedings result in unfavourable decisions against the executives, and in respect of reasonable legal costs incurred by the executives in good faith in obtaining legal advice in relation to any issue relating to the executives being an officer of the Brookfield Australia Investments Group (Group), including BCML.

Under the deeds of access and indemnity, BAIL has agreed to indemnify these persons (to the extent permitted by law) against:

- liabilities incurred as a director or officer of BCML or a company in the Group, except for those liabilities incurred in relation to the matters set out in section 199A(2) of the *Corporations Act 2001*; and
- reasonable legal costs incurred in defending an action for a liability or alleged liability as a director or officer, except for costs incurred in relation to the matters set out in section 199A(3) of the *Corporations Act 2001*.

BAIL has also agreed to effect, maintain and pay the premium on a directors' and officers' liability insurance policy. This obligation is satisfied by BAIL being able to rely upon Brookfield's global directors' and officers' insurance policy, for which it pays a portion of the premium.

As is usual, this policy has certain exclusions and therefore does not insure against liabilities arising out of matters including but not limited to:

- fraudulent, dishonest or criminal acts or omissions and improper personal profit or advantage;
- violation of US Securities Act of 1933;
- losses for which coverage under a different kind of insurance policy is readily available such as, for example, liability insurance, employment practices liability and pollution liability (there can be limited coverage for some of these exposures); and
- claims made by a major shareholder (threshold is ownership of 10% or greater).

Indemnification and insurance of officers and auditors continued
The obligation to effect, maintain and pay the premium on a policy continues for a period of seven years after the director or officer has left office to the extent such coverage is available with reasonable terms in the commercial insurance marketplace.

The Group has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of BCML or of any related body corporate against a liability incurred as such an officer or auditor.

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 9 and forms part of the Directors' report for the year ended 30 June 2014.

Dated at Sydney this 25th day of August 2014.

Signed in accordance with a resolution of the Directors made pursuant to Section 298(2) of the *Corporations Act 2001*.

Russell Proutt
Director
Brookfield Capital Management Limited

Deloitte Touche Tohmatsu
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The Board of Directors
Brookfield Capital Management Limited
(as Responsible Entity for BAO Trust)
Level 22, 135 King Street
Sydney NSW 2000

25 August 2014

Dear Directors

BAO TRUST

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 for BAO Trust.

As lead audit partner for the audit of the financial statements of BAO Trust for the year ended 30 June 2014, 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 audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Helen Hamilton-James
Partner
Chartered Accountants

Consolidated Statement of Profit or Loss and Other Comprehensive Income

BAO Trust

For the year ended 30 June 2014

	Note	Consolidated Year ended 30 June 2014 $'000	Year ended 30 June 2013 $'000
Revenue and other income			
Distribution income from ASX listed and unlisted property trusts		2,021	3,231
Net gain on disposal of ASX listed and unlisted property trusts		420	2,324
Interest income		24	41
Share of net profit of investment accounted for using the equity method	5	844	1,493
Total revenue and other income		**3,309**	**7,089**
Expenses			
Impairment expense	9	–	2,566
Management fees		119	228
Other expenses		156	505
Total expenses		**275**	**3,299**
Net profit for the year		**3,034**	**3,790**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Change in reserves of investment accounted for using the equity method	11	2,737	1,539
Change in fair value of available for sale financial assets	11	(385)	(621)
Other comprehensive income for the year		**2,352**	**918**
Total comprehensive income for the year		**5,386**	**4,708**

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

Consolidated Statement of Financial Position

BAO Trust

As at 30 June 2014

	Note	Consolidated 2014 $'000	2013 $'000
Assets			
Current assets			
Cash and cash equivalents		126	597
Trade and other receivables	8	880	17,390
Investments – available for sale	9	1,182	2,413
Total current assets		**2,188**	**20,400**
Non-current assets			
Investments – available for sale	9	15,405	46,417
Investment accounted for using the equity method	5	21,795	25,868
Total non-current assets		**37,200**	**72,285**
Total assets		**39,388**	**92,685**
Liabilities			
Current liabilities			
Trade and other payables		48	113
Distributions and return of capital payable		–	17,608
Total current liabilities		**48**	**17,721**
Total liabilities		**48**	**17,721**
Net assets		**39,340**	**74,964**
Equity			
Units on issue	10	46,392	86,050
Reserves	11	5,529	3,177
Undistributed losses	12	(12,581)	(14,263)
Total equity		**39,340**	**74,964**

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

Consolidated Statement of Changes in Equity

BAO Trust

For the year ended 30 June 2014

Consolidated Entity	Ordinary units $'000	Undistributed profits/(losses) $'000	Reserves $'000	Total $'000
	Attributable to unitholders of the Fund			
Opening equity - 1 July 2013	**86,050**	**(14,263)**	**3,177**	**74,964**
Change in reserves of investment accounted for using the equity method	–	–	2,737	**2,737**
Change in fair value of available for sale financial assets	–	–	(385)	**(385)**
Other comprehensive income for the year	**–**	**–**	**2,352**	**2,352**
Net profit for the year	–	3,034	–	**3,054**
Total comprehensive income for the year	**–**	**3,034**	**2,352**	**5,386**
Transactions with unitholders in their capacity as unitholders:				
Returns of capital	(39,658)	–	–	**(39,658)**
Distributions declared/paid	–	(1,352)	–	**(1,352)**
Total transactions with unitholders in their capacity as unitholders	**(39,658)**	**(1,352)**	**–**	**(41,010)**
Closing equity – 30 June 2014	**46,392**	**(12,581)**	**5,529**	**39,340**

Consolidated Entity	Ordinary units $'000	Undistributed profits/(losses) $'000	Reserves $'000	Total $'000
	Attributable to unitholders of the Fund			
Opening equity - 1 July 2012	**8,137**	**(46)**	**2,259**	**10,350**
Change in reserves of investment accounted for using the equity method	–	–	1,539	**1,539**
Change in fair value of available for sale financial assets	–	–	(621)	**(621)**
Other comprehensive income for the year	**–**	**–**	**918**	**918**
Net profit for the year	–	3,790	–	**3,790**
Total comprehensive income for the year	**–**	**3,790**	**918**	**4,708**
Transactions with unitholders in their capacity as unitholders:				
Units issued	102,899	–	–	**102,899**
Return of capital	(24,986)	–	–	**(24,986)**
Distributions declared/paid	–	(18,007)	–	**(18,007)**
Total transactions with unitholders in their capacity as unitholders	**77,913**	**(18,007)**	**–**	**59,906**
Closing equity – 30 June 2013	**86,050**	**(14,263)**	**3,177**	**74,964**

The Consolidated Statement of Changes in Equity should be read in conjunction with the Notes to the Consolidated Financial Statements.

Consolidated Statement of Cash Flows

BAO Trust

For the year ended 30 June 2014

	Note	Consolidated Year ended 30 June 2014 $'000	Year ended 30 June 2013 $'000
Cash flows from operating activities			
Cash receipts in the course of operations		2,827	2,966
Cash payments in the course of operations		(334)	(666)
Interest received		22	41
Net cash flows from operating activities	15	**2,515**	**2,341**
Cash flows from investing activities			
Payments for purchase of available for sale assets		–	(40,218)
Proceeds from sale of available for sale assets and returns of capital		47,978	16,759
Proceeds from distribution and return of capital on equity accounted investment		7,654	2,195
Net cash flows from/(used in) investing activities		**55,632**	**(21,264)**
Cash flows from financing activities			
Proceeds from issue of units		–	44,954
Distributions and returns of capital paid to unitholders		(58,618)	(25,435)
Net cash flows (used in)/from financing activities		**(58,618)**	**19,519**
Net (decrease)/increase in cash and cash equivalents		(471)	596
Cash and cash equivalents at the beginning of the year		597	1
Cash and cash equivalents at 30 June		**126**	**597**

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

1 Reporting entity

BAO Trust (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 financial statements of the Fund as at and for the year ended 30 June 2014 comprise the Fund and the Consolidated Entity's interest in an associate (together referred to as the Consolidated Entity).

2 Basis of preparation

a Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASB) (including Australian interpretations) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The financial statements of the Consolidated Entity and the Fund comply with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Boards (IASB). For the purpose of preparing the consolidated financial statements the Fund is a for profit entity.

The consolidated financial statements were authorised for issue by the Directors on this 25th day of August 2014.

b Basis of measurement

The consolidated financial statements have been prepared on the basis of historical cost, except for the following:
- equity accounted investment which is measured using the equity method; and
- available for sale financial assets which are measured at fair value.

The methods used to measure the above are discussed further in Note 3.

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

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

c Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these 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 amounts recognised in the consolidated financial statements are provided in investments – available for sale (Note 9).

d Going concern

The consolidated financial statements have been prepared on a 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.

Following a meeting of the Brookfield Australian Opportunities Fund (BAO), held on 24 September 2012, the proposal to delist and wind up BAO was approved. As part of the BAO wind up process, a number of assets held by BAO were transferred to the Fund. It is not intended that the Fund will make any further investments. Net income earned from the assets will be distributed on a periodic basis. The capital value of the assets will be maximised and, when appropriate, will be realised in order to return cash to unitholders. Timing of this realisation will be governed by the terms of the underlying assets and the market for the assets.

Based on the above, the Directors of the Responsible Entity believe it is appropriate to adopt the going concern basis for this set of consolidated financial statements. The consolidated financial statements does not include adjustments relating to the recoverability and classification of recorded asset amounts, nor to the amounts and classification of liabilities that might be necessary should the Fund and Consolidated Entity not continue as a going concern.

e New and amended standards adopted

The following new and amended standards have been applied in preparing this financial report:

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.

2 Basis of preparation continued

e New and amended standards adopted continued

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.

AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* which removes 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 Significant accounting policies

The significant policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

a Principles of consolidation

Subsidiaries

The Fund does not have any subsidiaries.

Associates

Associates are all entities over which the group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Further details are provided in Note 3(i).

b Revenue recognition

Revenues are recognised at the fair value of the consideration received for the sale of goods and services, net of the amount of Goods and Services Tax (GST), rebates and discounts.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Consolidated Entity and the revenue can be reliably measured. The following specific criteria for the major business activities must also be met before revenue is recognised. Where amounts do not meet these recognition criteria, they are deferred and recognised in the period in which the recognition criteria are met.

Dividends and distributions

Revenue from dividends and distributions is recognised when the right of the Consolidated Entity to receive payment is established, which is generally when they have been declared.

Dividends and distributions received from associates reduce the carrying amount of the investment of the Consolidated Entity in that associate and are not recognised as revenue.

Interest revenue

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

Gains or losses on available for sale financial assets

Listed and unlisted investments are classified as being available for sale and are stated at fair value, with any resulting gain or loss recognised directly in equity in the Consolidated Statement of Financial Position, except for impairment losses, which are recognised directly in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. Where these investments are derecognised, the cumulative gain or loss previously recognised directly in equity in the Consolidated Statement of Financial Position is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

The fair value of listed investments is the quoted exit price at the period end date.

c Expense recognition

Management fees

A base management fee calculated on the gross value of assets is payable to the Responsible Entity. The fee is payable by the Fund quarterly in arrears.

Other expenditure

Expenses are recognised by the Consolidated Entity on an accruals basis.

d Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an expense item.

Receivables and payables are stated with the amount of GST. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Consolidated Statement of Financial Position.

Cash flows are included in the Consolidated Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

3 Significant accounting policies continued

e Income tax – funds

Under current income tax legislation, the Fund is not liable for Australian income tax as unitholders are presently entitled at year end to the income of the trust estate calculated in accordance with the Fund's Constitution and applicable tax law.

f Cash and cash equivalents

For purposes of presentation in the Consolidated Statement of Cash Flows, cash includes cash balances, deposits at call with financial institutions and other highly liquid investments, with short periods to maturity, which are readily convertible to cash and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

g Trade and other receivables

Trade debtors and other receivables are stated at their amortised cost using the effective interest rate method less any identified impairment losses. Impairment charges are brought to account as described in Note 3(k). Non-current receivables are measured at amortised cost using the effective interest rate method.

h Available for sale financial assets

Listed and unlisted investments are classified as being available for sale. Available for sale financial assets are initially recognised at fair value plus directly attributable transaction costs. Subsequent to initial recognition they are measured at fair value, with any resulting gain or loss recognised directly in equity. Where there is evidence of impairment in the value of the investment, usually through adverse market conditions, the impairment loss will be recognised directly in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. Where listed and unlisted investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

i Associates

The Consolidated Entity's investment in associate is accounted for using the equity method of accounting in the consolidated financial report. An associate is an entity in which the Consolidated Entity has significant influence, but not control, over their financial and operating policies.

Under the equity method, the investment in associate is carried in the Consolidated Statement of Financial Position at cost plus post-acquisition changes in the Consolidated Entity's share of net assets of the associate. After application of the equity method, the Consolidated Entity determines whether it is necessary to recognise any additional impairment loss with respect to the Consolidated Entity's net investment in the associate. The Consolidated Statement of Profit or Loss and Other Comprehensive Income reflects the Consolidated Entity's share of the results of operations of the associate.

When the Consolidated Entity's share of losses exceeds its interest in an associate, the Consolidated Entity's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Consolidated Entity has incurred legal or constructive obligations or made payments on behalf of an associate.

Where there has been a change recognised directly in the associate's equity, the Consolidated Entity recognises its share of changes and discloses this in the Consolidated Statement of Changes in Equity.

Unrealised gains arising from transactions with an associate are eliminated against the investment to the extent of the Consolidated Entity's interest in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Gains and losses are recognised when the contributed assets are consumed or sold by the associate.

j Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity securities, trade and other receivables, cash and cash equivalents, interest bearing liabilities, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at a fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Consolidated Entity becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Consolidated Entity's contractual rights to the cash flows from the financial assets expire or if the Consolidated Entity transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchase and sales of financial assets are accounted for at trade date, i.e. the date that the Consolidated Entity commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Consolidated Entity's obligations specified in the contract expire or are discharged or cancelled.

Accounting policies for cash and cash equivalents, trade and other receivables, available for sale financial assets, trade and other payables and interest bearing liabilities are discussed elsewhere within the consolidated financial statements.

3 Significant accounting policies continued

j Non-derivative financial instruments continued

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

k Impairment

Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flow of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available for sale financial asset is calculated by reference to its current fair value.

Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. Any cumulative loss in respect of an available for sale financial asset recognised previously in equity is transferred to the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available for sale financial assets that are debt securities, the reversal is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. For available for sale financial assets that are equity securities, the reversal is recognised directly in equity.

Non-financial assets

The carrying amount of the Consolidated Entity's non-financial assets is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists then the asset's recoverable amount is estimated.

Impairment losses recognised in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

l Trade and other payables

Payables are stated at amortised cost using the effective interest rate method and represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial period and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

m Distributions

A provision for distribution is recognised in the Consolidated Statement of Financial Position if the distribution has been declared prior to period end. Distributions paid and payable on units are recognised as a reduction in equity. Distributions paid are included in cash flows from financing activities in the Consolidated Statement of Cash Flows.

n Units on issue

Issued and paid up units are recognised as changes in equity at the fair value of the consideration received by the Consolidated Entity, less any incremental costs directly attributable to the issue of new units.

3 Significant accounting policies continued

o New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2014 but have not been applied in preparing this financial report:

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and liabilities. Since December 2013 it also sets out new rules for hedge accounting. The standard is applicable for financial years commencing on or after 1 January 2017 (deferred from 1 January 2015) but is available for early adoption.

Under AASB 9, financial assets will be measured at either amortised cost or fair value based on the objective of an entity's business model for managing financial assets and the characteristics of the contractual cash flows. This will replace the categories of financial assets under AASB 139, where each had its own classification criteria. For example, AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading and an irrevocable election is made upon initial recognition. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in the profit or loss of the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Financial assets may also be designated and measured at fair value through profit or loss if doing so eliminates or significantly reduces certain inconsistencies. For financial liabilities, the new requirements under AASB 9 only affect the accounting for financial liabilities designated at fair value through profit or loss.

New hedging rules will introduce expanded disclosure requirements and changes in presentation for hedge accounting.

The Consolidated Entity does not expect to adopt AASB 9 before its operative date and therefore will apply the new standard for the annual reporting period ending 30 June 2018. The Consolidated Entity is still assessing the consequential impact of the amendments.

AASB 1031 *Materiality (December 2013)* is an interim standard that cross references to other Standards and the Framework for the Preparation and Presentation of Financial Statements (issued December 2013) that contains guidance on materiality.

The AASB is progressively removing reference to AASB 1031 in all Standards and Interpretations, and once all these references have been removed AASB 1031 will be withdrawn.

AASB 1031 is applicable to financial statements with a reporting period beginning on or after 1 January 2014. It is not considered that the Standard will have a material effect on the financial statements.

AASB 2013-3 *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets* addresses the disclosure of information about the recoverable amount of impaired assets if that value is based on fair value less cost of disposal.

AASB 2013-3 is applicable to financial statements with a reporting period beginning on or after 1 January 2014. The impact on the financial statements is still being assessed.

AASB 2013-5 *Amendments to Australian Accounting Standard – Investment Entities* provides an exemption from consolidation of subsidiaries under AASB 10 *Consolidated Financial Statements* for entities which meet the definition of an "investment entity". Such entities would measure their investment in particular subsidiaries at fair value through profit and loss in accordance with AASB 9 *Financial Instruments* or AASB 139 *Financial Instruments: Recognition and Measurement.*

AASB 2013-5 is applicable to financial statements with a reporting period beginning on or after 1 January 2014. The impact on the financial statements is still being assessed.

AASB 2013-9 *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments* Part B makes changes to particular Australian Accounting Standards to delete reference to AASB 1031.

AASB 2013-9 Part B is applicable to financial statements with a reporting period beginning on or after 1 January 2014. It is not considered that the Standard will have a material effect on the financial statements.

There are no other standards that are not yet effective and that are expected to have a material impact on the Consolidated Entity in the current or future reporting periods and on foreseeable future transactions.

4 Parent entity disclosures

	Fund 2014 $'000	Fund 2013 $'000
Assets		
Current assets	2,188	20,400
Non-current assets	37,200	72,285
Total assets	**39,388**	**92,685**
Liabilities		
Current liabilities	48	17,721
Total liabilities	**48**	**17,721**
Equity		
Units on issue	46,392	86,050
Reserves	7,648	4,670
Undistributed losses	(14,700)	(15,756)
Total equity	**39,340**	**74,964**

	Fund Year ended 30 June 2014 $'000	Fund Year ended 30 June 2013 $'000
Net profit for the year	2,408	2,297
Other comprehensive income for the year	2,978	2,411
Total comprehensive income for the year	**5,386**	**4,708**

5 Investment accounted for using the equity method

	Consolidated Year ended 30 June 2014 $'000	Consolidated Year ended 30 June 2013 $'000
Multiplex New Zealand Property Fund	21,795	25,868
Total investment accounted for using the equity method	**21,795**	**25,868**
Share of net profit from investments accounted for using the equity method:		
Multiplex New Zealand Property Fund	844	1,493

The Fund acquired its investment in the Multiplex New Zealand Property Fund (MNZPF) during the prior year. MNZPF's place of incorporation is Australia and predominantly comprises of operations that are located in New Zealand. Its prinicipal activity is investment in properties in New Zealand. A summary of financial information for MNZPF, not adjusted for the percentage ownership held by the Consolidated Entity, is detailed on the next page.

5 Investment accounted for using the equity method continued

	Year ended 30 June 2014 $'000	Year ended 30 June 2013 $'000
Current assets	18,640	23,123
Non-current assets	96,924	191,054
Total assets	**115,564**	**214,177**
Current liabilities	5,486	19,033
Non-current liabilities	1,791	66,620
Total liabilities	**7,277**	**85,653**
Net assets	**108,287**	**128,524**

	Year ended 30 June 2014 $'000	Year ended 30 June 2013 $'000
Opening net assets 1 July	128,524	124,356
Net profit for the year	4,194	5,692
Other comprehensive income	13,598	9,379
Return of capital and distributions declared/paid	(38,029)	(10,903)
Closing net assets	**108,287**	**128,524**
Consolidated Entity's share in (%)	20.1%	20.1%
Consolidated Entity's share in ($)	21,795	25,868
Total investment accounted for using the equity method	**21,795**	**25,868**

	Year ended 30 June 2014 $'000	Year ended 30 June 2013 $'000
Revenues	25,131	30,412
Expenses	(28,171)	(23,061)
Income tax benefit/(expense)	7,234	(1,659)
Net profit after income tax for the year	**4,194**	**5,692**
Other comprehensive income for the year	**13,598**	**9,379**
Total comprehensive income for the year	**17,792**	**15,071**

The Consolidated Entity owns 20.1% of the units of Multiplex New Zealand Property Fund (MNZPF) (2013: 20.1%). In accordance with accounting standards, the Consolidated Entity has significant influence over MNZPF and accounts for its investment under the equity accounting method whereby the Consolidated Entity records its share of profit or loss of MNZPF's operations. Any changes to the results and operations of the underlying investment are presented in the Consolidated Entity's financial statements through the share of net profit or loss of investment accounted for using the equity method line item in the Consolidated Statement of Profit or Loss and Other Comprehensive Income and the carrying value of the investment accounted for using the equity method in the Consolidated Statement of Financial Position.

6 Auditor's remuneration

	Consolidated 2014 $	2013 $
Auditors of the Fund:		
Audit and review of the financial report	30,500	32,785
Total auditor's remuneration	**30,500**	**32,785**

Fees paid to the auditors of the Fund in relation to compliance plan audits are borne by the Responsible Entity.

7 Distributions and returns of capital

The following distributions and returns of capital were declared/paid by the Fund to its Unitholders during the current year ended 30 June 2014.

2014	Cents per unit	Total amount $'000	Date of payment
Ordinary unitholders			
September 2013 distribution	0.2500	2,028	30 September 2013
November 2013 distribution	2.8902	23,452	20 November 2013
December 2013 distribution	0.2240	1,818	17 December 2013
April 2014 distribution	0.4207	3,414	4 April 2014
June 2014 distribution	1.2691	10,298	26 June 2014
Total distribution and returns of capital for the year ended 30 June 2014	**5.0540**	**41,010**	

2013	Cents per unit	Total amount $'000	Date of payment
Ordinary unitholders			
September 2012 distribution*	32.7326	2,664	28 September 2012
October 2012 distribution	1.5000	12,172	2 November 2012
November 2012 distribution	0.2700	2,191	26 November 2012
January 2013 distribution	0.3000	2,434	14 January 2013
March 2013 distribution	0.2300	1,866	6 March 2013
May 2013 distribution	0.1000	811	28 May 2013
June 2013 distribution	0.4000	3,247	28 June 2013
June 2013 distribution	2.1700	17,608	9 August 2013
Total distribution and returns of capital for the year ended 30 June 2013	**37.7026**	**42,993**	

* The September 2012 distribution was paid by the Fund to BAO, as the Fund was a wholly owned subsidiary of BAO at the time, and the number of units on issue was 8,137,416 units. All other distributions were paid by the Fund to Unitholders based on a total of 811,443,720 units on issue.

8 Trade and other receivables

	Consolidated 2014 $'000	2013 $'000
Current		
Distributions receivable – ASX listed and unlisted property trusts	254	1,064
Disposal proceeds and returns of capital receivable	619	16,325
Other receivables	7	1
Total trade and other receivables	**880**	**17,390**

9 Investments – available for sale

	Consolidated Year ended 30 June 2014 $'000	Consolidated Year ended 30 June 2013 $'000
Current		
ASX listed investments		
Carrying amount as at beginning of year	2,413	10,350
Movement due to transfers, disposals and returns of capital	(1,837)	(7,024)
Changes in fair value recognised in reserves	606	(913)
Total investments – available for sale – Current	**1,182**	**2,413**
Non-current		
Unlisted investments		
Carrying amount as at beginning of year	46,417	–
Movement due to transfers, disposals and returns of capital	(32,057)	47,723
Changes in fair value recognised in reserves	1,045	1,260
Impairments recognised during the year	–	(2,566)
Total investments – available for sale – Non-current	**15,405**	**46,417**
Total investments - available for sale	**16,587**	**48,830**

Impairment expense

No further impairment loss has been recognised by the Consolidated Entity in relation to its available for sale investments during the financial year (2013: $2,566,000).

Investment in unlisted property securities

The Consolidated Entity continues to hold a number of unlisted property security funds. During the year, the Consolidated Entity received capital returns from certain underlying investments and participated in redemption and sale opportunities where possible. Due to a variety of factors inherent in the underlying funds, the Consolidated Entity may have limited ability to realise these investments as and when it wishes to.

Consistent with 30 June 2013, the Consolidated Entity has generally valued its investments in each of the underlying unlisted property securities funds based on the net asset value provided as at 30 June 2014, or where this has not been provided, the latest available net asset value. In circumstances where the latest available net asset value has not been obtained, an assessment of the appropriateness of the value has been made based on knowledge of valuation and transactional movements in the underlying investment's structure as compared to similar portfolios. Although the Directors of the Responsible Entity consider this value to represent fair value as at the reporting date, uncertainty exists as to the likely unit price of each of the unlisted property securities funds when these funds re-commence acceptance of redemptions.

10 Units on issue

	Year ended 30 June 2014 $'000	Year ended 30 June 2014 Units	Year ended 30 June 2013 $'000	Year ended 30 June 2013 Units
Ordinary units				
Opening balance	86,050	811,443,720	8,137	8,137,416
Units issued	–	–	102,899	109,053,178
Share split	–	–	–	694,253,126
Returns of capital	(39,658)	–	(24,986)	–
Closing balance	**46,392**	**811,443,720**	**86,050**	**811,443,720**

In accordance with the Fund Constitution, each unitholder is entitled to receive distributions as declared from time to time by the Responsible Entity and are entitled to one vote at unitholder meetings. In accordance with the Fund's constitution, each unit represents a right to an individual share in the Fund and does not extend to an interest in a particular part of the Fund.

11 Reserves

	Consolidated Year ended 2014 $'000	Consolidated Year ended 2013 $'000
Available for sale reserve	1,253	1,638
Foreign currency translation reserve	4,276	1,539
Total reserves	**5,529**	**3,177**

Available for sale reserve	Consolidated Year ended 30 June 2014 $'000	Consolidated Year ended 30 June 2013 $'000
Opening balance	1,638	2,259
Movement in relation to unlisted investments	(634)	1,304
Movement in relation to ASX listed investments	249	(1,925)
Closing balance	**1,253**	**1,638**

Foreign currency translation reserve	Consolidated Year ended 30 June 2014 $'000	Consolidated Year ended 30 June 2013 $'000
Opening balance	1,539	–
Share of associate's reserves	2,737	1,539
Closing balance	4,276	**1,539**

12 Undistributed losses

	Consolidated Year ended 30 June 2014 $'000	Consolidated Year ended 30 June 2013 $'000
Opening balance	(14,263)	(46)
Net profit	3,034	3,790
Distributions to unitholders	(1,352)	(18,007)
Closing balance	**(12,581)**	**(14,263)**

13 Financial instruments

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset and financial liability, are disclosed in Note 3 to the consolidated financial statements.

Throughout the year, in assessing the size and frequency of any distributions, the capacity of the Fund to accept redemption requests or to accept new applications for units, the Responsible Entity considers all of the risk factors disclosed below. This includes considering the liquid/illiquid nature of any assets or investments made by the Fund.

a Capital risk management

The Board's intention is to provide periodic income to unitholders, to maximise the capital value of its assets and, when appropriate, to realise those assets in order to return cash to unitholders. The Board monitors the net tangible assets (NTA) of the Consolidated Entity, along with earnings per unit invested and distributions paid per unit.

13 Financial instruments continued

b Financial risk management

Overview

The Consolidated Entity is exposed to financial risks in the course of its operations. These exposures arise at two levels, direct exposures, which arise from the Consolidated Entity's use of financial instruments and indirect exposures, which arise from the Consolidated Entity's equity investments in other funds (Underlying Funds), and can be summarised as follows:

- credit risk;
- liquidity risk; and
- market risk (including interest rate risk, foreign currency risk and equity price risk).

The Underlying Funds are exposed to financial risks in the course of their operations, which can impact their profitability. The profitability of the Underlying Funds impacts the returns the Consolidated Entity earns from these investments and the investment values.

The Responsible Entity has responsibility for the establishment and monitoring of a risk management framework. This framework seeks to minimise the potential adverse impact of the above risks on the Consolidated Entity's financial performance. The Board of the Responsible Entity is responsible for developing risk management policies and the Board Risk and Compliance Committee (which is established by the Board) is responsible for ensuring compliance with those risk management policies as outlined in the compliance plan.

Compliance with the Consolidated Entity's policies is reviewed by the Responsible Entity on a regular basis. The results of these reviews are reported to the Board and Board Risk and Compliance Committee of the Responsible Entity quarterly.

Investment mandate

The Consolidated Entity's investment policy, as disclosed in its Constitution, is to invest in unlisted and ASX listed property trust securities, property related securities, direct property and cash. Following from the approval of the BAO wind up proposal in 2012, the Consolidated Entity will hold the investments, distribute net income earned from the investments to unitholders on a periodic basis together with maximising capital value and, when appropriate, realise the value of the assets and distribute the proceeds. It is not intended that the Fund will make any further investments.

c Credit risk

Credit risk is the risk of financial loss to the Consolidated Entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Sources of credit risk and risk management strategies

The Consolidated Entity is exposed to both direct and indirect credit risk in the normal course of its operations. Direct credit risk arises principally from the Consolidated Entity's investment securities (in terms of distributions receivable and capital invested). Other credit risk also arises for the Consolidated Entity from cash and cash equivalents. The credit risk on liquid funds is assessed to be limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

Indirect credit risk arises principally from the Consolidated Entity's investments in property trusts and their property tenants and derivative counterparties.

Trade and other receivables

The Consolidated Entity's exposure to credit risk is influenced mainly by the individual characteristics of each customer and counterparty. The Consolidated Entity manages and minimises exposure to credit risk by actively reviewing the investment portfolio to ensure committed distributions are paid.

Investments - available for sale – ASX listed and unlisted property trusts

Credit risk arising from investments is mitigated by investing in securities in accordance with the Fund's Constitution.

Prior to making an investment in an Underlying Fund, the Responsible Entity will assess the Underlying Funds' asset portfolio to ensure the risk investment strategy of the Underlying Fund is consistent with the investment objectives of the Consolidated Entity.

Following from the approval of the BAO wind up proposal in 2012, the Consolidated Entity will hold the investments, distribute net income earned from the investments to unitholders on a periodic basis together with maximising capital value and, when appropriate, realise the value of the assets and distribute the proceeds. It is not intended that the Fund will make any further investments.

13 Financial instruments continued

c Credit risk continued

Exposure to credit risk

The table below shows the maximum exposure to credit risk at the reporting date.

	Consolidated 2014 $'000	2013 $'000
Cash and cash equivalents	126	597
Trade and other receivables	880	17,390
Investments – available for sale	16,587	48,830
Total exposure to credit risk	**17,593**	**66,817**

Concentrations of credit risk exposure

The Consolidated Entity does not have any significant concentrations of credit risk at the reporting date.

Collateral obtained/held

Where applicable, the Consolidated Entity obtains collateral from counterparties to minimise the risk of default on their contractual obligations. At the reporting date, the Consolidated Entity did not hold any collateral in respect of its financial assets (2013: nil). During the year ended 30 June 2014, the Consolidated Entity did not call on any collateral provided (2013: nil).

Financial assets past due but not impaired

The ageing of the Consolidated Entity's receivables at the reporting date is detailed below:

	Consolidated 2014 $'000	2013 $'000
Current	880	17,390
Past due 0-30 days	–	–
Past due 31-120 days	–	–
Past due 121 days to one year	–	–
More than one year	–	–
Total trade and other receivables	**880**	**17,390**

For the Consolidated Entity, amounts recognised above are not deemed to be impaired. There are no significant financial assets that have had their terms renegotiated that would otherwise have rendered the financial assets past due or impaired (2013: nil). During the year ended 30 June 2014, nil receivables were written off by the Consolidated Entity (2013: nil).

d Liquidity risk

Liquidity risk is the risk that the Consolidated Entity will not be able to meet its financial obligations as and when they fall due.

Sources of liquidity risk and risk management strategies

The Consolidated Entity is exposed to direct and indirect liquidity risk in the normal course of its operations. The main sources of liquidity risk for the Consolidated Entity are related to redemptions by unitholders and unlisted investment securities. The Consolidated Entity does not have any interest bearing liabilities.

The Consolidated Entity's approach to managing liquidity risk is to work to ensure that it has sufficient cash available to meet its liabilities as and when they fall due without incurring unacceptable losses or risking damage to the Consolidated Entity's reputation.

The main source of indirect liquidity risk for the Consolidated Entity is the refinancing of interest bearing liabilities held by the Underlying Funds, as this can directly impact the amount of distributions the Underlying Funds remit to the Consolidated Entity. The Consolidated Entity's approach to managing this risk forms part of the investment selection process. The Consolidated Entity will only invest in Underlying Funds with investment strategies consistent with the investment objectives of the Consolidated Entity and will monitor the performance of those funds.

The Consolidated Entity's specific risk management strategies are discussed below.

13 Financial instruments continued

d Liquidity risk continued

Interest bearing liabilities

The Consolidated Entity is not exposed to liquidity risk (refinancing risk) on interest bearing loans as no interest bearing loans exist. The Underlying Funds are exposed to liquidity risk (refinancing risk) on their interest bearing liabilities. The Consolidated Entity manages this risk by ensuring the Consolidated Entity only invests in funds with investment strategies consistent with the investment objectives of the Consolidated Entity and monitoring the performance of those funds.

Unitholders

Prior to November 2013 unitholders were unable to make any transfers on their units during the period. The Fund's Constitution allows, but does not oblige, the Responsible Entity to implement a withdrawal in accordance with the Fund's Constitution or Part 5C.6 of the Corporations Act. No withdrawal facilities have been implemented by the Fund to date.

Investments - available for sale

The Consolidated Entity's listed investments are considered readily realisable as they are listed on the ASX. The Consolidated Entity's unlisted investments are not considered as liquid as listed investments. Refer to investments – available for sale (Note 9) for further details. The Consolidated Entity manages this risk by ensuring the Consolidated Entity only invests in funds with investment strategies consistent with the investment objectives of the Consolidated Entity and monitoring the performance of those funds. The Consolidated Entity's liquidity risk is also managed in accordance with its investment policy under the Fund's Constitution.

Following from the approval of the BAO wind up proposal in 2012, the Consolidated Entity will hold the investments, distribute net income earned from the investments to unitholders on a periodic basis together with maximising capital value and, when appropriate, realise the value of the assets and distributing the proceeds. It is not intended that the Fund will make any further investments.

Defaults and breaches

During the year ended 30 June 2014, the Consolidated Entity was not subject to any covenants, and as such, no covenants have been breached (2013: nil).

Maturity analysis of financial liabilities

The following are the contractual maturities of financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Consolidated Entity can be required to pay.

	Consolidated $'000					
	Carrying amount	Contractual cash flows	0 to 12 months	1 to 2 years	2 to 5 years	Greater than 5 years
2014						
Trade and other payables	48	48	48	–	–	–
Total financial liabilities	**48**	**48**	**48**	**–**	**–**	**–**

	Consolidated $'000					
	Carrying amount	Contractual cash flows	0 to 12 months	1 to 2 years	2 to 5 years	Greater than 5 years
2013						
Trade and other payables	113	113	113	–	–	–
Distribution and return of capital payable	17,608	17,608	17,608	–	–	–
Total financial liabilities	**17,721**	**17,721**	**17,721**	**–**	**–**	**–**

13 Financial instruments continued

e Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Consolidated Entity's income or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising returns.

Sources of market risk and risk management strategies

The Consolidated Entity is exposed to both direct and indirect market risk in the normal course of their operations. Direct market risk arises principally from the Consolidated Entity's ASX listed property securities investment portfolio and the related equity price risk. Indirect market risk arises in the form of equity price risk, interest rate risk and foreign currency risk.

The Consolidated Entity will only invest in funds with investment strategies consistent with the investment objectives of the Consolidated Entity and will monitor the performance of those funds.

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Cash and cash equivalents balances will also fluctuate with changes in interest rates due to interest earned. The key source of interest rate risk for the Consolidated Entity is derived from cash balances. The Consolidated Entity is not exposed to interest rate risk on liabilities.

The table below shows the Consolidated Entity's direct exposure to interest rate risk.

	Floating rate $'000	Fixed rate $'000	Non-interest bearing $'000	Total $'000
Consolidated 2014				
Financial assets				
Cash and cash equivalents	126	–	–	**126**
Trade and other receivables	–	–	880	**880**
Investments – available for sale	–	–	16,587	**16,587**
Total financial assets	**126**	**–**	**17,467**	**17,593**
Financial liabilities				
Trade and other payable	–	–	48	**48**
Distribution and return of capital payable	–	–	–	**–**
Total financial liabilities	–	–	**48**	**48**

13 Financial instruments continued

e Market risk continued

	Floating rate $'000	Fixed rate $'000	Non-interest bearing $'000	Total $'000
Consolidated 2013				
Financial assets				
Cash and cash equivalents	597	–	–	**597**
Trade and other receivables	–	1	17,390	**17,390**
Investments – available for sale	–	–	48,830	**48,830**
Total financial assets	**597**	**1**	**66,220**	**66,817**
Financial liabilities				
Trade and other payables	–	–	113	**113**
Distribution and return of capital payable	–	–	17,608	**17,608**
Total financial liabilities	–	–	**17,721**	**17,721**

Sensitivity analysis

A change of +/- 1% in interest rates at the reporting date would have increased/(decreased) profit or loss and equity by the amounts shown below. This analysis assumes that all other variables remain constant.

	2014 + 1% Profit or loss $'000	2014 + 1% Equity $'000	2014 - 1% Profit or loss $'000	2014 - 1% Equity $'000	2013 + 1% Profit or loss $'000	2013 + 1% Equity $'000	2013 - 1% Profit or loss $'000	2013 - 1% Equity $'000
Consolidated								
Interest on cash	1	1	(1)	(1)	6	6	(6)	(6)
Total increase/(decrease)	**1**	**1**	**(1)**	**(1)**	**6**	**6**	**(6)**	**(6)**

Foreign currency risk

Foreign currency risk is the risk that the market value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

During the current year, the Consolidated Entity has not been exposed to direct foreign currency risk (2013: nil). The Consolidated Entity is exposed to indirect foreign currency risk due to its investments in entities that are exposed to foreign currency risk related to their overseas operations. The Consolidated Entity manages this risk by ensuring the Consolidated Entity only invests in funds with investment strategies consistent with the investment objectives of the Consolidated Entity and monitoring the performance of those funds.

Whilst the Consolidated Entity has an indirect risk exposure to foreign currency risk, no sensitivity analysis has been performed as the impact of a reasonably possible change in foreign exchange rates on the Consolidated Entity cannot be reliably measured.

f Other market risk

Other market risk is the risk that the total value of investments will fluctuate as a result of changes in market prices. The primary source of other market risk for the Consolidated Entity is associated with its ASX listed and unlisted investment portfolio.

The Responsible Entity manages the Consolidated Entity's market risk on a daily basis in accordance with the Consolidated Entity's investment objectives and policies. These are detailed in the Fund's Constitution.

13 Financial instruments continued

f Other market risk continued

Sensitivity analysis

A 10% increase in equity prices would have increased/(decreased) profit or loss and equity by the amounts shown below. This analysis assumes that all other variables remain constant.

	2014 + 10% Profit or loss $'000	+ 10% Equity $'000	2014 - 10% Profit or loss $'000	- 10% Equity $'000	2013 + 10% Profit or loss $'000	+ 10% Equity $'000	2013 - 10% Profit or loss $'000	- 10% Equity $'000
Consolidated Entity								
Listed investments	118	118	(118)	(118)	241	241	(241)	(241)
Unlisted investments	1,541	1,541	(1,541)	(1,541)	4,642	4,642	(4,642)	(4,642)
Total increase/(decrease)	**1,659**	**1,659**	**(1,659)**	**(1,659)**	**4,883**	**4,883**	**(4,883)**	**(4,883)**

g Fair values

Methods for determining fair values

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 ASX listed investments is calculated based on the closing bid price of the security at the reporting date. Fair value for unlisted investments is calculated based on the latest available net asset values. Refer to investments – available for sale (note 9) for further details.

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. 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.

Consolidated Entity – at 30 June 2014	Level 1 $'000	Level 3 $'000	Total $'000
Assets			
Investments – available for sale			
– ASX listed investments	1,182	–	**1,182**
– Unlisted investments	–	15,405	**15,405**
Total assets	**1,182**	**15,405**	**16,587**

Consolidated Entity – at 30 June 2013	Level 1 $'000	Level 3 $'000	Total $'000
Assets			
Investments – available for sale			
– ASX listed investments	2,413	–	**2,413**
– Unlisted investments	–	46,417	**46,417**
Total assets	**2,413**	**46,417**	**48,830**

13 Financial instruments continued

g Fair values continued

Reconciliation of level 3 fair value measurements:

Consolidated Entity – for the year ended 30 June 2014	Investments available for sale $'000	Total $'000
Opening balance – 1 July 2013	46,417	**46,417**
Transfers, disposals and return of capital	(32,057)	**(32,057)**
Gains recognised in other comprehensive income	1,045	**1,045**
Closing balance – 30 June 2014	**15,405**	**15,405**
Total losses for the year included in the profit or loss attributable to losses relating to assets held at the end of year	–	–

Consolidated Entity – for the year ended 30 June 2013	Investments available for sale $'000	Total $'000
Opening balance – 1 July 2012	–	**–**
Transfers, disposals and return of capital	47,723	**47,723**
Losses recognised in the profit or loss	(2,566)	**(2,566)**
Gains recognised in other comprehensive income	1,260	**1,260**
Closing balance – 30 June 2013	**46,417**	**46,417**
Total losses for the year included in the profit or loss attributable to losses relating to assets held at the end of year	**(2,566)**	**(2,566)**

During the current year one investment transferred from level 3 to level 1 (2013: one investment transferred from level 3 to level 1).

14 Non-financial assets and liabilities recognised at fair value

The Fund has no non-financial assets and liabilities measured and recognised at fair value at 30 June 2014.

15 Reconciliation of cash flows from operating activities

	Consolidated	
	Year ended 30 June 2014 $'000	Year ended 30 June 2013 $'000
Net profit for the year	**3,034**	**3,790**
Adjustments for:		
Items classified as investing activities		
Net gain on disposal of ASX listed and unlisted property trusts	(420)	(2,324)
Other	6	–
Non cash items		
Impairment expense	–	2,566
Share of net gain of investments accounted for using the equity method	(844)	(1,493)
Operating profit before changes in working capital	**1,776**	**2,539**
Changes in assets and liabilities during the year		
Decrease/(increase) in trade and other receivables	804	(312)
(Decrease)/increase in trade and other payables	(65)	114
Net cash flows from operating activities	**2,515**	**2,341**

16 Related parties

Responsible Entity

The Responsible Entity of the Fund is Brookfield Capital Management Limited.

Key management personnel

The Fund is required to have an incorporated Responsible Entity to manage the activities of the Fund and the Consolidated Entity. The Directors of the Responsible Entity are Key Management Personnel of that entity.

F. Allan McDonald
Barbara Ward
Brian Motteram (resigned 28 February 2014)
Russell Proutt
Shane Ross (resigned and appointed alternate director 28 February 2014)

No compensation is paid to any of the Key Management Personnel of the Responsible Entity directly by the Fund or Consolidated Entity.

Directors' interests

The following table sets out each Director's relevant interest in the units, debentures, rights or options over such instruments, interests in registered schemes and rights or options over such instruments issued by the entities within the Consolidated Entity and other related bodies corporate as at the date of this report:

Director	BAO Trust units held
F. Allan McDonald	–
Barbara Ward	–
Russell Proutt	–
Shane Ross	–

During the year Brian Motteram resigned as a director. Accordingly, his unit holding is no longer disclosed.

No options are held by/have been issued to Directors.

Responsible Entity's fees and other transactions

In accordance with the Fund Constitution, Brookfield Capital Management Limited is entitled to receive:

Management fee

A management fee based on the gross value of assets (adjusted for related party funds) of the Fund is payable to the Responsible Entity. The fee is payable by the Fund quarterly in arrears. The management fee expense for the year ended 30 June 2014 was $119,000 (2013: $228,000). As at 30 June 2014, the management fee payable to the Responsible Entity was $16,000 (30 June 2013: $71,000).

Parent entities

The ultimate Australian parent of the Consolidated Entity is BHCA Pty Limited (formerly Brookfield Holdco (Australia) Pty Limited). The ultimate parent of the Consolidated Entity is Brookfield Asset Management Inc..

Related party unitholders

The following interests were held in the Consolidated Entity during the year:

- Brookfield Capital Securities Limited, as trustee for Brookfield Multiplex PPF Investment No.2 Trust, holds 328,609,014 units or 40.5% of the Fund at year end (30 June 2013: 328,609,014 units or 40.5%);
- Brookfield Multiplex Capital Pty Ltd holds 9,737,640 units or 1.2% of the Fund at year end (30 June 2013: 9,737,640 units or 1.2%);
- Multiplex APF Pty Ltd, as trustee for Multiplex APF Trust, holds 163,751,624 units or 20.2% of the Fund at year end (30 June 2013: 163,751,624 units or 20.2%); and

JP Morgan Chase Bank N.A., as custodian for the Fund, holds the following investments in related party entities at year end:

- Multiplex European Property Fund – 12,750,050 units or 5.2% (2013: 12,750,050 units or 5.2%);
- Multiplex New Zealand Property Fund – 43,890,679 units or 20.1% (2013: 43,890,679 units or 20.1%);
- Multiplex Property Income Fund – 30,075,871 ordinary units or 100% of ordinary units (2013: 30,075,871 units or 100%);and
- Multiplex Development and Opportunity Fund – 9,320,388 units or 5.7% (2013: 9,320,388 units or 5.7%).

16 Related parties continued

	Consolidated 2014 $'000	2013 $'000
Transactions with associates		
Return of capital and distribution from equity accounted investment	7,654	2,195
Equity accounted investment in MNZPF	21,795	25,868
Transactions with the Responsible Entity		
Management fees	119	228
Cost reimbursements	4	224
Management fee payable	16	71
Cost reimbursements payable	–	18
Transactions with related parties of the Responsible Entity		
Distribution income		
- Multiplex European Property Fund	–	127
Investments held (at fair value)		
- Multiplex Development and Opportunity Fund	2,849	3,682
- Multiplex European Property Fund	408	332
- Multiplex Property Income Fund	–	–
Distributions receivable		
- Multiplex European Property Fund	–	127
Return of capital		
- Multiplex Development and Opportunity Fund	1,025	–
- Multiplex European Property Fund	–	1,148
Consideration received for disposal of Brookfield Prime Property Fund units to Brookfield Securities (Australia) Pty Ltd	–	10,500

Transactions with related parties are conducted on normal commercial terms and conditions. Distributions paid by the Consolidated Entity to related party unitholders are made on the same terms and conditions applicable to all unitholders.

Wind up of Brookfield Australian Opportunities Fund and the impact to the Fund

In the prior year, as part of the BAO wind up process, a number of assets held by BAO were transferred to the Fund in exchange for cash or issuance of units, including the related party investments in Multiplex European Property Fund, Multiplex New Zealand Property Fund, Multiplex Property Income Fund and Multiplex Development and Opportunity Fund. Investors on the BAO fund register as at the close of trade on 26 October 2012 were transferred one unit in the Fund for every one unit held in BAO. Prior to 26 October 2012, the Fund was a wholly owned subsidiary of BAO.

As part of the meeting of BAO's investors, held in the prior year on 24 September 2012, the sale of the Fund's investment in Brookfield Prime Property Fund to a related party entity was also approved.

Deed of indemnity between BAO and the Fund

Prior to the wind up of BAO, BAO entered into an agreement with the Fund. Under the agreement, if at any time after the winding up of BAO, the Trustee of BAO (which currently is Brookfield Capital Management Limited) becomes aware of any asset to which BAO would have been entitled prior to the winding up and which has not been transferred to the Fund in accordance with the proposal outlined in the BAO explanatory memorandum, the Trustee shall hold such asset on behalf of the Fund. Furthermore, the Trustee undertakes in its capacity as Responsible Entity of the Fund to indemnify the Trustee (in its personal capacity) from the Fund from any claims against the Trustee arising from the performance of its duties as the responsible entity of BAO.

17 Contingent liabilities and assets

No contingent liabilities or assets existed at 30 June 2014 (2013: nil).

18 Capital commitments

There were no capital commitments at 30 June 2014 (2013: nil).

19 Events subsequent to reporting date

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

Director's Declaration

BAO Trust

For the year ended 30 June 2014

In the opinion of the Directors of Brookfield Capital Management Limited, as Responsible Entity of BAO Trust:

a The consolidated financial statements and notes, set out in pages 10 to 33, 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 30 June 2014 and of its performance, for the financial year ended on that date;

  ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

  iii complying with International Financial Reporting Standards, as stated in Note 2 to the consolidated financial statements.

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 pursuant to Section 295(5) of the *Corporations Act 2001*.

Dated at Sydney this 25th day of August 2014.

Russell Proutt
Director
Brookfield Capital Management Limited

Deloitte.

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Independent Auditor's Report to the Unitholders of BAO Trust

We have audited the accompanying financial report of BAO Trust ('the Trust'), which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the 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 Trust and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 10 to 34.

Directors' Responsibility for the Financial Report

The directors of the Responsible Entity of the Trust ("the Directors") are responsible for the preparation of the 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 financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Independence Declaration

In conducting our audit, 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 the Responsible Entity, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of BAO Trust is in accordance with the *Corporations Act 2001*, including:

 (i) giving a true and fair view of the Trust's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

 (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

DELOITTE TOUCHE TOHMATSU

Helen Hamilton-James
Partner
Chartered Accountants
Parramatta, 25 August 2014