

BAO Trust
Financial report
For the year ended
30 June 2018

BAO Trust

ARSN 160 276 559

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BAO Trust

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Directory

BAO Trust

For the year ended 30 June 2018

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 Secretary of Brookfield Capital Management Limited

Men (Mandy) Chiang
Neil Olofsson (resigned 9 February 2018)

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

JP Morgan Chase Bank N.A. (Sydney Branch)
Level 18
85 Castlereagh Street
Sydney NSW 2000

Location of Share Registry

Boardroom (Victoria) Pty Limited
Level 7, 333 Collins Street
Melbourne, VIC 3000

All correspondence to:

GPO Box 3993
Sydney NSW 2001
Telephone: 1300 737 760
Facsimile: 1300 653 459
International
Telephone: +61 2 9290 9600
Facsimile: +61 2 9279 0664
www.boardroomlimited.com.au

Auditor

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

Directors' Report

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For the year ended 30 June 2018

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 2018 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:

F. Allan McDonald	Non-Executive Independent Chairman
Barbara Ward	Non-Executive Independent Director
Shane Ross	Executive 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. BFML is the Responsible Entity for the listed Multiplex SITES Trust. Allan's other directorship of listed entities are BCML (Responsible Entity of Brookfield Prime Property Fund, delisted on 3 July 2017) (appointed January 2010) and Astro Japan Property Management Limited (Responsible Entity of Astro Japan Property Trust, delisted on 10 October 2017) (appointed February 2005).

Barbara Ward, AM (BEcon, MPoEcon, MAICD), Non-Executive Independent Director and Chairperson of Audit Committee and Board Risk and Compliance Committee

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. BFML is the Responsible Entity for the listed Multiplex SITES Trust. Barbara's other directorships of listed entities are BCML (Responsible Entity of Brookfield Prime Property Fund, delisted on 3 July 2017) (appointed January 2010), Qantas Airways Limited (appointed June 2008) and Caltex Australia Limited (appointed 1 April 2015).

Shane Ross (BBus), Executive Director

Shane is the Chief Financial Officer for Brookfield Australia Investments Limited and was appointed as an Executive Director of BCML on 6 May 2015. Shane also performs that role for BFML. BFML is the Responsible Entity for the listed Multiplex SITES Trust. Shane joined the organisation in 2003 following a background in banking and has over 22 years of experience in treasury and finance within the property industry.

Information on Company Secretary

Men (Mandy) Chiang

Mandy was appointed Company Secretary of BCML on 15 November 2016. Mandy has over 20 years of company secretarial experience including having previously worked at Brookfield Australia Group for over 9.5 years.

Directors' Report continued

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For the year ended 30 June 2018

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	–
Shane Ross	–

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

Policy on hedging equity incentive schemes

The Board of BCML do not receive any equity-based remuneration, and therefore will not be engaging in any hedge arrangements in relation to their remuneration.

A copy of the Security Trading Policy is available on the Brookfield Australia website at www.au.brookfield.com.

Directors' meetings

Director	Board Meetings		Audit Committee Meetings		Board Risk and Compliance Committee Meetings	
	A	B	A	B	A	B
F. Allan McDonald	4	4	1	1	2	2
Barbara Ward	4	4	1	1	2	2
Shane Ross	4	4	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.

Committee meetings

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

The Audit Committee was dissolved on 23 November 2017 and its function and role was assumed by the Board of Directors.

Principal activities

The principal activity of the Consolidated Entity is the investment in National Stock Exchange (NSX) and unlisted property securities.

Review of operations

The Consolidated Entity has recorded a net profit of \$5,570,735 for the year ended 30 June 2018 (2017: \$1,042,719).

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

- total revenue and other income of \$5,739,371 (2017: \$1,207,551) included the transfer of the opening foreign currency reserve of \$4,726,039 to the Statement of Profit or Loss;
- net assets of \$771,780 (2017: \$4,760,259);
- unlisted security portfolio value of \$382,428 (2017: \$2,570,098); and
- cash proceeds of \$4,316,539 (2017: \$8,834,501) from returns of capital received from underlying investments.

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.

Directors' Report continued

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For the year ended 30 June 2018

Interests of the Responsible Entity

Management Fees

For the year ended 30 June 2018, the Fund incurred \$9,746 in management fees to the Responsible Entity (2017: \$15,049). \$480 of management fees remain payable as at year end (2017: \$2,872).

Related party unitholders

The following interests were held by related entities 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 (2017: 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 (2017: 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 (2017: 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% (2017: 12,750,050 units or 5.2%); and
- Multiplex Development and Opportunity Fund – 9,320,388 units or 5.7% (2017: 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

On 6 August 2018 the Fund disposed of its holding in APN Champion Retail Fund to a third party. The investment has been held at nil value for many years.

Other than as disclosed above, 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 on 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 by the Fund to its unitholders during the current year ended 30 June 2018.

2018	Cents per unit	Total amount \$	Date of payment
Ordinary unitholders			
June 2018 cash distribution	0.4000	3,245,775	19 June 2018
September 2017 cash distribution	0.1200	973,733	22 September 2017
Total distributions and returns of capital for the year ended 30 June 2018	0.5200	4,219,508	
2017			
Ordinary unitholders			
March 2017 cash distribution	0.1400	1,136,021	5 April 2017
July 2016 cash distribution	0.9736	7,900,216	15 July 2016
Total distribution and returns of capital for the year ended 30 June 2017	1.1136	9,036,237	

Directors' Report continued

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For the year ended 30 June 2018

Indemnification and insurance of Directors and Company Secretary

Under deeds of access and indemnity, Brookfield Australia Investments Limited or Brookfield Australia Pty Ltd has agreed to indemnify the Directors and Company Secretary of the Fund, to the extent permitted by law, against:

- liabilities incurred as Director or Company Secretary of the Fund, 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 as Director or Company Secretary of the Fund, except for costs incurred in relation to matters set out in section 199A(3) of the *Corporations Act 2001* (the "Indemnity").

The Indemnity is satisfied by maintenance of a global directors' and officers' insurance policy, which policy prohibits certain disclosures in relation to the nature of the liability covered and the amount of the premium, however, it can be disclosed that the policy 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 1993*;
- losses for which coverage under a different kind of insurance policy is readily available such as, liability insurance, employment practices liability and pollution liability (there can be limited coverage for some of these exposures); and
- claims made by a major unitholder (threshold is ownership of 10% or greater).

The obligation to effect, maintain and pay the premium of the global director's and officers' insurance policy continues for a period of seven years after the Director or Company Secretary of the Fund has left office, to the extent such coverage is available with reasonable terms in the commercial insurance marketplace.

The Fund 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 the Fund or any related body corporate against a liability incurred as such an officer or auditor.

Lead auditor's independence declaration under Section 307C of the *Corporations Act 2001*

The lead auditor's independence declaration is set out on page 8 and forms part of the Directors' report for the year ended 30 June 2018.

Dated at Sydney this 28th day of August 2018.

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



Shane Ross

Director

Brookfield Capital Management Limited

Deloitte Touche Tohmatsu
A.B.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 BAO Trust)
Level 22, 135 King Street
Sydney NSW 2000

28 August 2018

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 2018, 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

A. COLEMAN.

Andrew J Coleman
Partner
Chartered Accountants

Consolidated Statement of Profit or Loss and Other Comprehensive Income

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BAO Trust

For the year ended 30 June 2018

	Note	Consolidated Year ended 30 June 2018 \$	Year ended 30 June 2017 \$
Revenue and other income			
Interest income		2,622	7,143
Distribution income from unlisted property trusts		103,811	233,011
Net gain on disposal of unlisted property trusts		939,331	934,179
Gain on disposal of equity accounted investment		1,163	–
Share of net profit of investment accounted for using the equity method	5	–	33,218
Foreign currency gain previously recognised in other comprehensive income on investment accounted for using the equity method		4,692,444	–
Total revenue and other income		5,739,371	1,207,551
Expenses			
Management fees	14	9,746	15,049
Share of net loss of investment accounted for using the equity method	5	29,689	–
Other expenses		129,201	149,783
Total expenses		168,636	164,832
Net profit for the year		5,570,735	1,042,719
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Change in reserves of investment accounted for using the equity method	10	(4,726,039)	30,827
Change in fair value of available for sale financial assets	10	(613,667)	(1,274,790)
Other comprehensive loss for the year		(5,339,706)	(1,243,963)
Total comprehensive income/(loss) for the year		231,029	(201,244)

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

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BAO Trust

As at 30 June 2018

	Note	Consolidated 2018 \$	2017 \$
Assets			
Current assets			
Cash and cash equivalents		433,555	295,914
Trade and other receivables		1,758	53,024
Investments – available for sale	8	76,427	–
Total current assets		511,740	348,938
Non-current assets			
Investments – available for sale	8	306,001	2,570,098
Investment accounted for using the equity method	5	–	1,876,385
Total non-current assets		306,001	4,446,483
Total assets		817,741	4,795,421
Liabilities			
Current liabilities			
Trade and other payables		45,961	35,162
Total current liabilities		45,961	35,162
Total liabilities		45,961	35,162
Net assets		771,780	4,760,259
Equity			
Units on issue	9	8,209,957	12,334,123
Reserves	10	382,428	5,722,134
Undistributed losses	11	(7,820,605)	(13,295,998)
Total equity		771,780	4,760,259

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

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BAO Trust

For the year ended 30 June 2018

Consolidated Entity	Note	Attributable to unitholders of the Fund			Total \$
		Ordinary units \$	Undistributed losses \$	Reserves \$	
Opening equity - 1 July 2017		12,334,123	(13,295,998)	5,722,134	4,760,259
Change in reserves of investment accounted for using the equity method		–	–	(4,726,039)	(4,726,039)
Change in fair value of available for sale financial assets		–	–	(613,667)	(613,667)
Other comprehensive loss for the year		–	–	(5,339,706)	(5,339,706)
Net profit for the year		–	5,570,735	–	5,570,735
Total comprehensive income/(loss) for the year		–	5,570,735	(5,339,706)	231,029
Transactions with unitholders in their capacity as unitholders:					
Return of capital	9	(4,124,166)	–	–	(4,124,166)
Distributions declared	11	–	(95,342)	–	(95,342)
Total transactions with unitholders in their capacity as unitholders		(4,124,166)	(95,342)	–	(4,219,508)
Closing equity – 30 June 2018		8,209,957	(7,820,605)	382,428	771,780

Consolidated Entity	Note	Attributable to unitholders of the Fund			Total \$
		Ordinary units \$	Undistributed losses \$	Reserves \$	
Opening equity - 1 July 2016		20,234,339	(13,202,696)	6,966,097	13,997,740
Change in reserves of investment accounted for using the equity method		–	–	30,827	30,827
Change in fair value of available for sale financial assets		–	–	(1,274,790)	(1,274,790)
Other comprehensive loss for the year		–	–	(1,243,963)	(1,243,963)
Net profit for the year		–	1,042,719	–	1,042,719
Total comprehensive income/(loss) for the year		–	1,042,719	(1,243,963)	(201,244)
Transactions with unitholders in their capacity as unitholders:					
Return of capital	9	(7,900,216)	–	–	(7,900,216)
Distributions declared	11	–	(1,136,021)	–	(1,136,021)
Total transactions with unitholders in their capacity as unitholders		(7,900,216)	(1,136,021)	–	(9,036,237)
Closing equity – 30 June 2017		12,334,123	(13,295,998)	5,722,134	4,760,259

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

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For the year ended 30 June 2018

		Consolidated	
		Year ended 30 June 2018	Year ended 30 June 2017
		\$	\$
Cash flows from operating activities			
Cash receipts in the course of operations		154,958	246,896
Cash payments in the course of operations		(117,090)	(169,251)
Interest received		2,742	7,319
Net cash flows from operating activities	13	40,610	84,964
Cash flows from investing activities			
Proceeds from sale of available for sale assets and returns of capital		2,502,274	934,179
Proceeds from distribution and returns of capital from equity accounted investment		1,814,265	7,900,322
Net cash flows from investing activities		4,316,539	8,834,501
Cash flows from financing activities			
Distributions and returns of capital paid to unitholders		(4,219,508)	(10,792,201)
Net cash flows used in financing activities		(4,219,508)	(10,792,201)
Net increase/(decrease) in cash and cash equivalents		137,641	(1,872,736)
Cash and cash equivalents at the beginning of the year		295,914	2,168,650
Cash and cash equivalents at 30 June		433,555	295,914

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

BAO Trust

For the year ended 30 June 2018

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 Consolidated Entity as at and for the year ended 30 June 2018 comprise the Fund and the Consolidated Entity's interest in an associate.

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 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 Board (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 28th day of August 2018.

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.

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 accounted for using the equity method (Note 5) and investments – available for sale (Note 8).

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.

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 do 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

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2017 that have a material impact on the Fund.

Notes to the Consolidated Financial Statements Continued 14

BAO Trust

For the year ended 30 June 2018

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

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(e).

b Revenue recognition

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.

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.

c Income tax

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.

d 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.

e 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.

On disposal of the Consolidated Entity's investment in associates the foreign currency translation reserve (FCTR) balance related to that investment is crystallised and brought to account in the Statement of Profit or Loss. The movement in the FCTR prior to disposal is recognised in other comprehensive income.

Notes to the Consolidated Financial Statements Continued 15

BAO Trust

For the year ended 30 June 2018

3 Significant accounting policies continued

f 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.

g 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.

h 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.

i New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the Fund in the period of initial application. They are available for early adoption at 30 June 2018 but have not been applied in preparing this financial report:

AASB 9 *Financial Instruments* (and applicable amendments), (effective from 1 January 2018) addresses the classification, measurement and derecognition of financial assets and financial liabilities. It has now also introduced revised rules around hedge accounting and impairment. The standard is not applicable until 1 January 2018 but is available for early adoption.

AASB 15 *Revenue from Contracts with Customers* (and applicable amendments), (effective from 1 January 2018) is a new standard for the recognition of revenue. This will replace AASB 118 *Revenue* which covers contracts for goods and services and AASB 111 *Construction Contracts* which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer, so the notion of control replaces the existing notion of risks and rewards.

Management has assess the impacts of the above new standards. There is no material impact to the opening net assets of the Consolidated Entity. The key impacts relate to the presentation of the financial statements.

The Fund currently recognises changes in unrealised fair value movements on investments available for sale directly to equity, through the available for sale reserve as part of other comprehensive income.

Fair value movements under AASB 9 for investments in equity instruments (held for capital and income) are recognised in the profit and loss (FVTPL) with an option to recognise directly unrealised movements to equity as part of other comprehensive income (FVTOCI).

Under AASB 9, the Fund's investment in MDOF is classified as a debt instrument and fair value movements for debt instruments are only able to be recognised as FVTPL with no option to recognise fair value movements through equity as part of other comprehensive income (OCI).

On implementation of AASB 9, the Fund shall restate its opening comparatives by recognising the fair value movements on all its investments, including MDOF through the profit or loss (FVTPL). Accordingly, in the consolidated financial statements for the year ended 30 June 2019 the available for sale reserve balance of \$382,428 shall be transferred to retained earnings and the profit or loss will decrease by \$2,163 for the comparative period ended 30 June 2018.

The Fund has not early adopted the above new standards and amendments.

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

Notes to the Consolidated Financial Statements Continued 16

BAO Trust

For the year ended 30 June 2018

4 Parent entity disclosures

	Fund 2018 \$	2017 \$
Assets		
Current assets	511,740	348,938
Non-current assets	306,001	4,446,483
Total assets	817,741	4,795,421
Liabilities		
Current liabilities	45,961	35,162
Total liabilities	45,961	35,162
Equity		
Units on issue	8,209,957	12,334,123
Reserves	382,428	2,872,481
Undistributed losses	(7,820,605)	(10,446,345)
Total equity	771,780	4,760,259
	Fund	
	Year ended 30 June 2018 \$	Year ended 30 June 2017 \$
Net profit for the year	2,721,084	4,315,130
Other comprehensive loss for the year	(2,490,052)	(4,516,717)
Total comprehensive income/(loss) for the year	231,032	(201,587)

Notes to the Consolidated Financial Statements Continued 17

BAO Trust

For the year ended 30 June 2018

5 Investment accounted for using the equity method

	Consolidated	
	Year ended 30 June 2018	Year ended 30 June 2017
	\$	\$
Multiplex New Zealand Property Fund	–	1,876,385
Total investment accounted for using the equity method	–	1,876,385
Share of net (loss)/profit from investments accounted for using the equity method before foreign currency losses previously recognised in other comprehensive income :		
Multiplex New Zealand Property Fund	(29,689)	33,218
<p>Multiplex New Zealand Property Fund's (MNZPF's) place of establishment is Australia and predominantly comprises of operations that are located in New Zealand. Its principal activity is investment in properties in New Zealand. The following is a summary of financial information for MNZPF, not adjusted for the percentage ownership held by the Consolidated Entity.</p>		
	Year ended 30 June 2018	Year ended 30 June 2017
	\$	\$
Current assets	–	9,538,756
Total assets	–	9,538,756
Current liabilities	–	210,774
Total liabilities	–	210,774
Net assets	–	9,327,982
	Year ended 30 June 2018	Year ended 30 June 2017
	\$	\$
Opening net assets 1 July	9,327,982	48,259,956
Net (loss)/profit for the year	(23,781,148)	165,035
Other comprehensive income	23,466,747	153,152
Capital returns and distributions declared	(9,013,581)	(39,250,161)
Closing net assets	–	9,327,982
Consolidated Entity's share in (%)	20.1%	20.1%
Consolidated Entity's share in (\$)	–	1,876,385
Total investment accounted for using the equity method	–	1,876,385
	Year ended 30 June 2018	Year ended 30 June 2017
	\$	\$
Revenues	108,125	801,547
Expenses	(272,926)	(457,227)
Income tax benefit/(expense)	17,302	(179,285)
Net (loss)/profit before foreign currency losses previously recognised in other comprehensive income after income tax for the year	(147,499)	165,035
Foreign currency losses previously recognised in other comprehensive income	(23,633,649)	–
Net (loss)/profit after income tax for the year	(23,781,148)	165,035
Other comprehensive income for the year	23,466,747	153,152
Total comprehensive (loss)/income for the year	(314,401)	318,187

Prior to MNZPF's wind up and cancellation of units on 12 June 2018, the Consolidated Entity owed 20.1% of the units of MNZPF (2017: 20.1%). The Consolidated Entity had significant influence over MNZPF and accounted 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 were 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.

Notes to the Consolidated Financial Statements Continued 18

BAO Trust

For the year ended 30 June 2018

6 Auditor's remuneration

	Consolidated Year ended 30 June 2018 \$	Year ended 30 June 2017 \$
Auditors of the Fund:		
Audit and review of the financial report	21,000	20,000
Total auditor's remuneration	21,000	20,000

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 by the Fund to its unitholders during the current year ended 30 June 2018.

	Cents per unit	Total amount \$	Date of payment
2018			
Ordinary unitholders			
June 2018 cash distribution	0.4000	3,245,775	19 June 2018
September 2017 cash distribution	0.1200	973,733	22 September 2017
Total distributions and returns of capital for the year ended 30 June 2018	0.5200	4,219,508	
2017			
Ordinary unitholders			
March 2017 cash distribution	0.1400	1,136,021	5 April 2017
July 2016 cash distribution	0.9736	7,900,216	15 July 2016
Total distribution and returns of capital for the year ended 30 June 2017	1.1136	9,036,237	

Notes to the Consolidated Financial Statements Continued 19

BAO Trust

For the year ended 30 June 2018

8 Investments – available for sale

	Consolidated	
	Year ended 30 June 2018 \$	Year ended 30 June 2017 \$
Current		
Unlisted investments		
Carrying amount as at beginning of year	–	–
Carrying value at the beginning of the year of investments transferred from non-current to current	91,340	–
Movement due to transfers, disposals and capital returns	–	–
Changes in fair value recognised in reserves	(14,913)	–
Total investments – available for sale – Current	76,427	–
Non-current		
Unlisted investments		
Carrying amount as at beginning of year	2,570,098	3,844,888
Carrying value at the beginning of the year of investments transferred from non-current to current	(91,340)	–
Movement due to transfers, disposals and capital returns	(2,382,203)	(934,179)
Changes in fair value recognised in reserves	209,446	(340,611)
Total investments – available for sale – Non-current	306,001	2,570,098
Total investments – available for sale	382,428	2,570,098

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 2017, 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 2018, 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.

9 Units on issue

	Year ended 30 June 2018 \$	Year ended 30 June 2018 Units	Year ended 30 June 2017 \$	Year ended 30 June 2017 Units
	Ordinary units			
Opening balance	12,334,123	811,443,720	20,234,339	811,443,720
Returns of capital	(4,124,166)	–	(7,900,216)	–
Closing balance	8,209,957	811,443,720	12,334,123	811,443,720

In accordance with the Fund's 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.

Notes to the Consolidated Financial Statements Continued 20

BAO Trust

For the year ended 30 June 2018

10 Reserves

	Consolidated 2018 \$	2017 \$
Available for sale reserve	382,428	996,095
Foreign currency translation reserve	–	4,726,039
Total reserves	382,428	5,722,134

	Consolidated Year ended 30 June 2018 \$	Year ended 30 June 2017 \$
Available for sale reserve		
Opening balance	996,095	2,270,885
Movement in relation to unlisted investments	(613,667)	(1,274,790)
Closing balance	382,428	996,095

	Consolidated Year ended 30 June 2018 \$	Year ended 30 June 2017 \$
Foreign currency translation reserve		
Opening balance	4,726,039	4,695,212
Share of associate's reserves	(33,595)	30,827
Foreign currency losses previously recognised in other comprehensive income ¹	(4,692,444)	–
Closing balance	–	4,726,039

1. transferred to profit or loss on disposal of MNZPF.

11 Undistributed losses

	Consolidated Year ended 30 June 2018 \$	Year ended 30 June 2017 \$
Opening balance	(13,295,998)	(13,202,696)
Net profit	5,570,735	1,042,719
Distributions to unitholders	(95,342)	(1,136,021)
Closing balance	(7,820,605)	(13,295,998)

12 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 assets of the Consolidated Entity, along with earnings per unit invested and distributions paid per unit.

Notes to the Consolidated Financial Statements Continued 21

BAO Trust

For the year ended 30 June 2018

12 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.

Investments - available for sale – unlisted property trusts

Credit risk arising from investments is mitigated by investing in securities in accordance with 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 distribute the proceeds. It is not intended that the Fund will make any further investments.

Notes to the Consolidated Financial Statements Continued 22

BAO Trust

For the year ended 30 June 2018

12 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 2018 \$	2017 \$
Cash and cash equivalents	433,555	295,914
Trade and other receivables	1,758	53,024
Investments – available for sale	382,428	2,570,098
Total exposure to credit risk	817,741	2,919,036

Concentrations of credit risk exposure

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

Financial assets past due but not impaired

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

	Consolidated 2018 \$	2017 \$
Current	1,758	53,024
Total trade and other receivables	1,758	53,024

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 (2017: nil). During the year ended 30 June 2018, nil receivables were written off by the Consolidated Entity (2017: 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 Consolidated Entity's specific risk management strategies are discussed below.

Notes to the Consolidated Financial Statements Continued 23

BAO Trust

For the year ended 30 June 2018

12 Financial instruments continued

d Liquidity risk continued

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 2001*. No withdrawal facilities have been implemented by the Fund to date.

Investments - available for sale

The Consolidated Entity's unlisted investments are not considered as liquid as listed investments. Refer to investments – available for sale (Note 8) for further details.

Following from the approval of the Fund's 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 2018, the Consolidated Entity was not subject to any covenants, and as such, no covenants have been breached (2017: 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.

2018	Carrying amount	Contractual cash flows	Consolidated \$			
			0 to 12 months	1 to 2 years	2 to 5 years	Greater than 5 years
Trade and other payables	45,961	45,961	45,961	–	–	–
Total financial liabilities	45,961	45,961	45,961	–	–	–

2017	Carrying amount	Contractual cash flows	Consolidated \$			
			0 to 12 months	1 to 2 years	2 to 5 years	Greater than 5 years
Trade and other payables	35,162	35,162	35,162	–	–	–
Total financial liabilities	35,162	35,162	35,162	–	–	–

Notes to the Consolidated Financial Statements Continued 24

BAO Trust

For the year ended 30 June 2018

12 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 market risk in the normal course of their operations. 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 \$	Fixed rate \$	Non-interest bearing \$	Total \$
Consolidated 2018				
Financial assets				
Cash and cash equivalents	279,297	154,258	–	433,555
Trade and other receivables	–	–	1,758	1,758
Investments – available for sale	–	–	382,428	382,428
Total financial assets	279,297	154,258	384,186	817,741
Financial liabilities				
Trade and other payable	–	–	45,961	45,961
Total financial liabilities	–	–	45,961	45,961

	Floating rate \$	Fixed rate \$	Non-interest bearing \$	Total \$
Consolidated 2017				
Financial assets				
Cash and cash equivalents	44,398	251,516	–	295,914
Trade and other receivables	–	–	53,024	53,024
Investments – available for sale	–	–	2,570,098	2,570,098
Total financial assets	44,398	251,516	2,623,122	2,919,036
Financial liabilities				
Trade and other payables	–	–	35,162	35,162
Total financial liabilities	–	–	35,162	35,162

Sensitivity analysis

A change of +/- 1% in interest rates at the reporting date would increase/(decrease) interest on cash and therefore profit or loss and net assets by \$2,793 (2017: \$444) assuming that all other variables remain constant.

Notes to the Consolidated Financial Statements Continued 25

BAO Trust

For the year ended 30 June 2018

12 Financial instruments continued

e Market risk continued

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 (2017: nil). The Consolidated Entity is exposed to indirect foreign currency risk due to its investments in Underlying Funds that are exposed to foreign currency risk related to their overseas operations.

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 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.

Sensitivity analysis

A change of +/- 10% in equity prices would increase/(decrease) the value of investments available for sale and therefore net assets and equity by \$38,243 (2017: \$257,010) assuming that all other variables remain constant.

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 unlisted investments is calculated based on the latest available net asset values. Refer to investments – available for sale (Note 8) for further details.

Notes to the Consolidated Financial Statements Continued 26

BAO Trust

For the year ended 30 June 2018

12 Financial instruments continued

g Fair values continued

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. 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 2018	Level 3 \$	Total \$
Assets		
Investments – available for sale		
– Unlisted investments	382,428	382,428
Total assets	382,428	382,428

Consolidated Entity – at 30 June 2017	Level 3 \$'000	Total \$'000
Assets		
Investments – available for sale		
– Unlisted investments	2,570,098	2,570,098
Total assets	2,570,098	2,570,098

Reconciliation of level 3 fair value measurements:

Consolidated Entity – for the year ended 30 June 2018	Investments available for sale \$	Total \$
Opening balance – 1 July 2017	2,570,098	2,570,098
Disposals, capital returns and transfers	(2,382,203)	(2,382,203)
Losses recognised in other comprehensive income	194,533	194,533
Closing balance – 30 June 2018	382,428	382,428
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 2017	Investments available for sale \$	Total \$
Opening balance – 1 July 2016	3,844,888	3,844,888
Disposals and capital returns	(934,179)	(934,179)
Gains recognised in other comprehensive income	(340,611)	(340,611)
Closing balance – 30 June 2017	2,570,098	2,570,098
Total losses for the year included in the profit or loss attributable to losses relating to assets held at the end of year	–	–

During the current and prior year no investments was transferred between levels.

Notes to the Consolidated Financial Statements Continued 27

BAO Trust

For the year ended 30 June 2018

13 Reconciliation of cash flows from operating activities

	Consolidated	
	Year ended 30 June 2018 \$	Year ended 30 June 2017 \$
Net profit for the year	5,570,735	1,042,719
Adjustments for:		
<i>Items classified as investing activities</i>		
Net gain on disposal of unlisted property trusts and equity accounted investments	(940,494)	(934,179)
Other	11,059	–
<i>Non cash items</i>		
Share of net gain of investments accounted for using the equity method	29,689	(33,218)
Foreign currency gain previously recognised in other comprehensive income on investment accounted for using the equity method	(4,692,444)	–
Operating (loss)/profit before changes in working capital	(21,455)	75,322
Changes in assets and liabilities during the year		
Decrease in trade and other receivables	51,266	22,163
Increase/(decrease) in trade and other payables	10,799	(12,521)
Net cash flows from operating activities	40,610	84,964

14 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. The Directors of the Responsible Entity are Key Management Personnel of that entity.

F. Allan McDonald
Barbara Ward
Shane Ross

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, 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	–
Shane Ross	–

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 2018 was \$9,746 (2017: \$15,049). As at 30 June 2018, the management fee payable to the Responsible Entity was \$480 (30 June 2017: \$2,872).

Parent entities

The ultimate Australian parent of the Consolidated Entity is BHCA 1 Pty Limited (previously BHCA Pty Limited). The ultimate parent of the Consolidated Entity is Brookfield Asset Management Inc.

Notes to the Consolidated Financial Statements Continued 28

BAO Trust

For the year ended 30 June 2018

14 Related parties continued

Related party unitholders

The following interests were held by related entities 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 2017: 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 2017: 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 (30 June 2017: 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% (2017: 12,750,050 units or 5.2%);
- Multiplex Development and Opportunity Fund – 9,320,388 units or 5.7% (2017: 9,320,388 units or 5.7%).

	Consolidated 2018 \$	2017 \$
Transactions with associates		
Capital returns and distribution from equity accounted investment	1,814,265	7,900,216
Equity accounted investment in MNZPF	–	1,876,385
Transactions with the Responsible Entity		
Management fees	9,746	15,049
Management fee payable	480	2,872
Transactions with related parties of the Responsible Entity		
Investments held (at fair value)		
- Multiplex Development and Opportunity Fund	76,427	91,340
- Multiplex European Property Fund	306,001	293,251
Distributions and capital returns		
- Multiplex Development and Opportunity Fund	–	172,427
- Multiplex European Property Fund	–	761,752

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

Deed of indemnity between BAO and the Fund

During the financial year ended 30 June 2013, 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.

15 Contingent liabilities and assets

No contingent liabilities or assets existed at 30 June 2018 (2017: nil).

16 Capital commitments

There were no capital commitments at 30 June 2018 (2017: nil).

17 Events subsequent to reporting date

On 6 August 2018 the Fund disposed of its holding in APN Champion Retail Fund to a third party. The investment has been held at nil value for many years.

Other than as disclosed above, 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

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For the year ended 30 June 2018

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 28, 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 2018 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 28th day of August 2018.



Shane Ross

Director

Brookfield Capital Management Limited

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Independent Auditor's Report to the Unitholders of BAO Trust

Opinion

We have audited the financial report of BAO Trust (the "Trust") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report included in the Group's financial report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Group 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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DELOITTE TOUCHE TOHMATSU

A. COLEMAN.

Andrew J Coleman
Partner
Chartered Accountants
Sydney, 28 August 2018