BAO Trust
Interim financial report
For the half year ended
31 December 2012

BAO Trust

ARSN 160 276 559

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Directors' Report
BAO Trust
For the half year ended 31 December 2012

Introduction
The Directors of Brookfield Capital Management Limited (BCML) (ABN 32 094 936 866), the Responsible Entity of BAO Trust (ARSN 160 276 559) (Fund), present their report together with the condensed consolidated interim financial statements of the Consolidated Entity, being the Fund and its investment in an associate, for the six months ended 31 December 2012 and the Independent Auditor's Review 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 period:

Name	Capacity
F. Allan McDonald (appointed 1 January 2010)	Non-Executive Independent Chairman
Brian Motteram (appointed 21 February 2007)	Non-Executive Independent Director
Barbara Ward (appointed 1 January 2010)	Non-Executive Independent Director
Russell Proutt (appointed 1 January 2010)	Executive Director
Shane Ross (appointed 16 May 2011)	Executive Director

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

Wind up of Brookfield Australian Opportunities Fund and the impact to the Fund
The Directors of BCML, in their capacity as responsible entity of the Brookfield Australian Opportunities Fund (BAO) announced on 22nd August 2012 a proposal to wind up BAO. At a meeting of BAO's investors, held on 24 September 2012, the proposal to de-list 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 in exchange for cash or issuance of units. As a result of this process, the number of units on issue in the Fund increased during the period. Investors on the BAO fund register as at the close of trade on 26 October 2012 were issued with one unit in the Fund for every one unit held in BAO. Prior to the 26 October 2012, the Fund was a wholly owned subsidiary of BAO, therefore the comparative figures to the interim financial statements represent the Fund's results as a subsidiary of BAO.

Review of operations
The Consolidated Entity has recorded a net profit of $1,052,000 for the six month period ended 31 December 2012 (2011: net profit of $100,000).

Some of the significant events during the period are as follows:
- total revenue and other income of $3,504,000 (2011: $100,000);
- net profit attributable to unitholders totaled $1,052,000 (2011: $100,000);
- cash distributions to unitholders of $17,027,000 and distributions per unit (DPU) of 34.5 cents per unit (2011: nil) (see detailed breakdown on page 5);
- net assets of $95,732,000 (30 June 2012: $10,350,000);
- ASX listed portfolio value of $1,262,000 (30 June 2012: $10,350,000);
- unlisted security portfolio value of $68,326,000 (30 June 2012: nil); and
- net tangible assets (NTA) per unit was $0.12 (30 June 2012: $1.27).

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

Cash distributions

During the current period ended 31 December 2012, the following cash distributions were paid by the Fund to its unitholders. No distributions were paid/payable by the Fund for the prior period ended 31 December 2011.

	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
Total distribution for the six months ended 31 December 2012	**34.5026**	**17,027**	

* The September 2012 distribution was paid by the Fund to BAO as the the Fund was a wholly owned subsidiary of BAO at the time and the number of units on issue was 8,137,416 units compared to the October and November 2012 distributions which were at 811,443,720 units.

The October and November 2012 distributions have been treated as returns of capital in the interim financial statements.

Rounding of amounts

The Consolidated Entity is of a kind referred to in ASIC Class Order 98/100, dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005 and CO 06/51 effective 31 January 2006), and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand dollars, unless otherwise stated.

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

The lead auditor's independence declaration is set out on page 6 and forms part of the Directors' Report for the half year ended 31 December 2012.

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 responsibly 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 responsible entity of BAO.

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

Dated at Sydney this 22nd day of February 2013.

Shane Ross
Director
Brookfield Capital Management Limited

Auditor’s Independence Declaration

<insert from Deloitte>

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

BAO Trust

For the half year ended 31 December 2012

	Note	Consolidated Half year ended 31 December 2012 $'000	Consolidated Half year ended 31 December 2011 $'000
Revenue and other income			
Distribution income from ASX listed and unlisted property trusts		1,064	100
Net gain on disposal of ASX listed and unlisted property trusts		2,408	–
Interest income		32	–
Total revenue and other income		**3,504**	**100**
Expenses			
Share of net loss of investment accounted for using the equity method		239	–
Impairment expense	5	1,816	–
Management fees		79	–
Other expenses		318	–
Total expenses		**2,452**	**–**
Net profit for the period		**1,052**	**100**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Change in reserves of investment accounted for using the equity method		(25)	–
Change in fair value of available for sale financial assets		(1,517)	1,397
Other comprehensive (loss)/income for the period		**(1,542)**	**1,397**
Total comprehensive (loss)/income for the period		**(490)**	**1,497**

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

Condensed Consolidated Interim Statement of Financial Position

BAO Trust

As at 31 December 2012

	Note	Consolidated 31 December 2012 $'000	30 June 2012 $'000
Assets			
Current assets			
Cash and cash equivalents		2,709	1
Trade and other receivables		1,044	–
Investments – available for sale	5	1,262	10,350
Total current assets		**5,015**	**10,351**
Non-current assets			
Investments – available for sale	5	68,326	–
Investment accounted for using the equity method		22,573	–
Total non-current assets		**90,899**	**–**
Total assets		**95,914**	**10,351**
Liabilities			
Current liabilities			
Trade and other payables		182	1
Total current liabilities		**182**	**1**
Total non-current liabilities		**–**	**–**
Total liabilities		**182**	**1**
Net assets		**95,732**	**10,350**
Equity			
Units on issue	6	96,673	8,137
Reserves		717	2,259
Undistributed losses		(1,658)	(46)
Total equity		**95,732**	**10,350**

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

Condensed Consolidated Interim Statement of Changes in Equity

BAO Trust

For the half year ended 31 December 2012

Consolidated Entity	Ordinary units $'000	Attributable to unitholders of the Fund Undistributed profits/(losses) $'000	Reserves $'000	Total $'000
Opening equity - 1 July 2012	**8,137**	**(46)**	**2,259**	**10,350**
Change in reserves of investment accounted for using the equity method	–	–	(25)	**(25)**
Change in fair value of available for sale financial assets	–	–	(1,517)	**(1,517)**
Other comprehensive loss for the period	**–**	**–**	**(1,542)**	**(1,542)**
Net profit for the period	–	1,052	–	**1,052**
Total comprehensive income/(loss) for the period	**–**	**1,052**	**(1,542)**	**(490)**
Transactions with unitholders in their capacity as unitholders:				
Units issued	102,899	–	–	**102,899**
Returns of capital	(14,363)	–	–	**(14,363)**
Distributions paid/payable	–	(2,664)	–	**(2,664)**
Total transactions with unitholders in their capacity as unitholders	**88,536**	**(2,664)**	**–**	**85,872**
Closing equity - 31 December 2012	**96,673**	**(1,658)**	**717**	**95,732**

Consolidated Entity	Ordinary units $'000	Attributable to unitholders of the Fund Undistributed profits/(losses) $'000	Reserves $'000	Total $'000
Opening equity - 1 July 2011	**8,137**	**(46)**	**114**	**8,205**
Change in fair value of available for sale financial assets	–	–	1,397	**1,397**
Other comprehensive income for the period	**–**	**–**	**1,397**	**1,397**
Net profit for the period		100	–	**100**
Total comprehensive income for the period	**–**	**100**	**1,397**	**1,497**
Total transactions with unitholders in their capacity as unitholders	**–**	**–**	**–**	**–**
Closing equity - 31 December 2011	**8,137**	**54**	**1,511**	**9,702**

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

Condensed Consolidated Interim Statement of Cash Flows

BAO Trust

For the half year ended 31 December 2012

	Consolidated Half year ended 31 December 2012 $'000	Consolidated Half year ended 31 December 2011 $'000
Cash flows from operating activities		
Cash receipts in the course of operations	786	50
Cash payments in the course of operations	(279)	(1)
Interest received	30	
Net cash flows from operating activities	**537**	**49**
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	12,267	–
Proceeds from return of capital on equity accounted investment	2,195	–
Net cash flows used in investing activities	**(25,756)**	**–**
Cash flows from financing activities		
Proceeds from issue of units	44,954	–
Cash distributions paid to unitholders	(17,027)	–
Net cash flows from financing activities	**27,927**	**–**
Net increase in cash and cash equivalents	2,708	49
Cash and cash equivalents at the beginning of the period	1	1
Cash and cash equivalents at 31 December	**2,709**	**50**

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

Notes to the Condensed Consolidated Interim Financial Statements
BAO Trust
For the half year ended 31 December 2012

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 interim financial report of the Fund as at and for the six months ended 31 December 2012 comprises the Fund and its investment in an associate (together referred to as the Consolidated Entity).

2 Basis of preparation
(a) Statement of compliance
The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

(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 presentation and functional currency.

The Consolidated Entity is of a kind referred to in ASIC Class Order 98/100, dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005 and CO 06/51 effective 31 January 2006), and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand dollars, unless otherwise stated.

(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 financial statements are provided in investments – available for sale (Note 5).

(d) Going concern
The 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 financial statements. The 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.

3 Significant accounting policies
The significant policies set out below have been applied consistently to all periods presented in these 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).

3 Significant accounting policies continued

(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 Condensed Consolidated Interim Statement of Financial Position, except for impairment losses, which are recognised directly in the Condensed Consolidated Interim 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 Condensed Consolidated Interim Statement of Financial Position is recognised in the Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income.

The fair value of listed investments is the quoted bid 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 Statement of Financial Position.

Cash flows are included in the 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.

(e) Income tax – funds

Under current income tax legislation, the Consolidated Entity is not liable for Australian income tax provided that the taxable income is fully distributed to unitholders each year. The Consolidated Entity fully distributes its taxable income each year, calculated in accordance with the Fund's Constitution and applicable legislation to unitholders who are presently entitled to income under the Constitution.

(f) Cash and cash equivalents

For purposes of presentation in the 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.

3 Significant accounting policies continued

(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 Statement of Comprehensive Income. Where listed and unlisted investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in the Statement of 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, 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 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 financial statements.

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.

3 Significant accounting policies continued

(k) Impairment continued

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

(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 31 December 2012 but have not been applied in preparing this financial report:

AASB 9 *Financial Instruments,* AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9*, AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* and AASB 2012-6 *Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures* (effective for annual reporting periods beginning on or after 1 January 2015)
AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and liabilities and will replace the existing AASB 139 *Financial Instruments: Recognition and Measurement*. The standard is not applicable until 1 January 2013 but is available for early adoption. Under AASB 9, financial assets will be classified as subsequently 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 Statement of 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. 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 2016. The Consolidated Entity is still assessing the consequential impact of the amendments.

AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities*, revised AASB 127 *Separate Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* (effective for annual reporting periods beginning on or after 1 January 2013)

3 Significant accounting policies continued

(o) New standards and interpretations not yet adopted continued

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements*, and Interpretation 12 *Consolidation – Special Purpose Entities*. 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. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns. There is also new guidance on participating and protective rights and on agent/principal relationships.

AASB 11 introduces a principles 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 their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a “partial disposal” concept.

The Consolidated Entity does not expect to adopt the new standards and amendments before their operative date and therefore will apply the amendments for the annual reporting period ending 30 June 2014. The Consolidated Entity is still assessing the consequential impact of the new standards and amendments.

AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* (effective for annual reporting periods beginning on or after 1 January 2013)
AASB 13 was released in September 2011 and sets out in a single standard a framework for measuring fair value, including related disclosure requirements in relation to fair value measurement. The Consolidated Entity does not expect to adopt AASB 13 before its operative date and therefore will apply the amendments for the annual reporting period ending 30 June 2014. The Consolidated Entity is still assessing the consequential impact of the new standard.

AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* (effective for annual reporting periods beginning on or after 1 July 2013)
The amendments from AASB 2011-4 remove the individual key management personnel disclosure requirements from AASB 124 *Related Party Disclosures*, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the *Corporations Act 2001.* The Consolidated Entity will adopt the amendments from AASB 2011-4 for the annual reporting period ending 30 June 2014. The Consolidated Entity is still assessing the consequential impact of the amendments.

AASB 2012-2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to AASB 7)* (effective for annual reporting periods beginning on or after 1 January 2013)
AASB 2012-2 amends AASB 7 *Financial Instruments: Disclosures* to require an entity to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement. The Consolidated Entity will adopt the amendments from AASB 2012-2 for the annual reporting period ending 30 June 2014. The Consolidated Entity is still assessing the consequential impact of the amendments.

AASB 2012-3 *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (Amendments to AASB 132)* (effective for annual reporting periods beginning on or after 1 January 2014)
AASB 2012-3 address inconsistencies in current practice when applying the offsetting criteria in AASB 132 *Financial Instruments: Presentation*. Clarifies the meaning of 'currently has a legally enforceable right of setoff' and 'simultaneous

3 Significant accounting policies continued

(o) New standards and interpretations not yet adopted continued

realisation and settlement'. The Consolidated Entity will adopt the amendments from AASB 2012-2 for the annual reporting period ending 30 June 2015. The Consolidated Entity is still assessing the consequential impact of the amendments.

AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle* (effective for annual reporting periods beginning on or after 1 January 2013)

AASB 2012-5 amends a number of pronouncements as a result of the 2009-2011 annual improvements cycle. The Consolidated Entity will adopt the amendments from AASB 2012-2 for the annual reporting period ending 30 June 2014. The Consolidated Entity is still assessing the consequential impact of the amendments.

4 Distributions

During the current period ended 31 December 2012, the following cash distributions were paid by the Fund to its unitholders. No distributions were paid/payable by the Fund for the prior period ended 31 December 2011.

	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
Total distribution for the six months ended 31 December 2012	**34.5026**	**17,027**	

* The September 2012 distribution was paid by the Fund to BAO as the the Fund was a wholly owned subsidiary of BAO at the time and the number of units on issue was 8,137,416 units compared to the October and November 2012 distributions which were at 811,443,720 units.

The October and November 2012 distributions have been treated as returns of capital in the interim financial statements.

5 Investments – available for sale

	Consolidated Half year ended 31 December 2012 $'000	Half year ended 31 December 2011 $'000
ASX listed investments		
Carrying amount as at beginning of period	10,350	8,205
Movement due to acquisitions, disposals and return of capital	(7,956)	–
Changes in fair value recognised in reserves	(1,132)	1,397
Carrying amount at end of period	**1,262**	**9,602**
Unlisted investments		
Movement due to acquisitions, disposals and return of capital	69,515	–
Changes in fair value recognised in reserves	627	–
Impairments recognised during the period	(1,816)	–
Carrying amount at end of period	**68,326**	**–**
Total investments - available for sale	**69,588**	**9,602**

Impairment

During the period, the Consolidated Entity recognised an impairment loss in accordance with accounting standards of $1,816,000 in relation to its available for sale investments (2011: nil). The impairment loss recognised represents the difference between the cost of the investments and their market value as at 31 December 2012, less any previously recorded impairment losses and reductions to accumulated reserves.

The Responsible Entity has determined there is objective evidence at the date of this report that the value of the Consolidated Entity's investment portfolio is impaired, due to the individual circumstances of certain underlying investments.

Notes to the Condensed Consolidated Interim Financial Statements continued

For the half year ended 31 December 2012

5 Investments – available for sale continued

Investment in unlisted property securities

The Consolidated Entity invests directly in 23 unlisted property securities funds. Due to a lack of liquidity in the underlying investment portfolios, or due to the initial structure of the fund as detailed in their original product disclosure statements and constitutions, 2 have suspended redemptions, 15 have always been closed to redemptions due to the investment structure as outlined in their original constitutions, 2 investments were listed on the ASX but are now deemed insolvent and 4 have limited liquidity features, meaning that the Consolidated Entity, should it want to, has limited ability to realise these investments due to limited or no redemption options available through these structures.

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 31 December 2012, 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.

6 Units on issue

	Half year ended 31 December 2012 $'000	Half year ended 31 December 2012 units	Year ended 30 June 2012 $'000	Year ended 30 June 2012 Units
Ordinary units				
Opening balance	8,137	8,137,416	8,137	8,137,416
Units issued	102,899	109,053,178	–	–
Share split	–	694,253,126	–	–
Returns of capital	(14,363)	–	–	–
Closing balance	**96,673**	**811,443,720**	**8,137**	**8,137,416**

On 25 October 2012, a share split was undertaken which resulted in the total units on issue being 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.

7 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 (appointed 1 January 2010)
Brian Motteram (appointed 21 February 2007)
Barbara Ward (appointed 1 January 2010)
Russell Proutt (appointed 1 January 2010)
Shane Ross (appointed 16 May 2011)

The Responsible Entity is entitled to a management fee which is calculated as a proportion of gross assets attributable to unitholders. Refer below for further details related to the management fee the Responsible Entity is entitled to.

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

7 Related parties continued

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	–
Brian Motteram	1,645,516
Barbara Ward	–
Russell Proutt	–
Shane Ross	–

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 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 period ended 31 December 2012 was $79,000 (2011: nil paid out of the Fund). As at 31 December 2012, the management fee payable to the Responsible Entity was $78,000 (30 June 2012: nil payable out of the Fund).

Parent entities

The ultimate Australian parent of the Consolidated Entity is 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 period end (30 June 2012: nil);
- Brookfield Multiplex Capital Pty Ltd holds 9,737,640 units or 1.2% of the Fund at period end (30 June 2012: nil);
- Multiplex APF Pty Ltd, as trustee for Multiplex APF Trust, holds 163,751,624 units or 20.2% of the Fund at period end (30 June 2012: nil); and
- Brookfield Australian Opportunities Fund holds nil units of the Fund at period end (30 June 2012: 8,137,416 units or 100%).

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

- Multiplex European Property Fund – 12,750,050 units or 5.2% (30 June 2012: nil);
- Multiplex New Zealand Property Fund – 43,890,679 units or 20.1% (30 June 2012: nil);
- Multiplex Property Income Fund – 30,075,871 ordinary units or 100% of ordinary units (30 June 2012: nil);
- Multiplex Development and Opportunity Fund – 9,320,388 units or 5.7% (30 June 2012: nil); and
- Brookfield Prime Property Fund – nil (30 June 2012: 2,493,996 units or 5.1%);

7 Related parties continued

	Consolidated 2012 $'000	2011 $'000
Transactions with associates		
Return of capital from equity accounted investment	2,195	–
Equity accounted investment	22,573	–
Transactions with the Responsible Entity		
Management fees	79	–
Cost reimbursements	198	–
Management fee payable	78	–
Cost reimbursements payable	33	–
Transactions with related parties of the Responsible Entity		
Distribution income		
- Brookfield Prime Property Fund	–	200
Investments held (at fair value)		
- Multiplex Development and Opportunity Fund	3,735	–
- Brookfield Prime Property Fund	–	10,350
- Multiplex European Property Fund	1,262	–
- Multiplex Property Income Fund	–	–
Distributions receivable		
- Brookfield Prime Property Fund	–	50
Consideration 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

The Directors of BCML, in their capacity as responsible entity of the Brookfield Australian Opportunities Fund (BAO) announced on 22nd August 2012 a proposal to wind up BAO. At a meeting of BAO's investors, held on 24 September 2012, the proposal to de-list 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 in exchange for cash or issuance of units. Investors on the BAO fund register as at the close of trade on 26 October 2012 were issued with one unit in the Fund for every one unit held in BAO. Prior to the 26 October 2012, the Fund was a wholly owned subsidiary of BAO.

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 responsibly 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 responsible entity of BAO.

8 Contingent liabilities and assets

No contingent liabilities or assets existed at 31 December 2012 (30 June 2012: nil).

9 Events subsequent to the reporting date

Post current period end, the Fund declared a cash distribution of 0.3 cents per unit, totalling $2.4m. This was paid to unitholders on 14 January 2013.

Other than the matters disclosed above, there are no matters or circumstances which have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in subsequent financial periods.

Directors' Declaration
BAO Trust
For the half year ended 31 December 2012

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

a The condensed consolidated interim financial statements and notes, set out in pages 7 to 19, are in accordance with the *Corporations Act 2001*, including:

  i giving a true and fair view of the financial position of the Consolidated Entity as at 31 December 2012 and of its performance for the six month period ended on that date; and

  ii complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*;

b There are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors of Brookfield Capital Management Limited.

Dated at Sydney this 22nd day of February 2013

Shane Ross
Director
Brookfield Capital Management Limited