

BAO Trust  
Interim financial report  
For the half year ended  
31 December 2013

# BAO Trust

ARSN 160 276 559

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## BAO Trust

For the half year ended 31 December 2013

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# Directory

## BAO Trust

For the half year ended 31 December 2013

### **Responsible Entity**

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

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

F. Allan McDonald  
Brian Motteram  
Barbara Ward  
Russell Proutt  
Shane Ross

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

Neil Olofsson

### **Registered Office of Brookfield Capital Management Limited**

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

### **Custodian**

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

### **Location of Share Registry**

Boardroom (Victoria) Pty Limited  
Level 8, 446 Collins Street  
Melbourne VIC 3000

All correspondence to:

GPO Box 3993  
Sydney NSW 2001  
Telephone: 1300 737 760  
Facsimile: 1300 653 459  
International  
T: +61 2 9290 9600  
F: +61 2 9279 0664  
[www.boardroomlimited.com.au](http://www.boardroomlimited.com.au)

### **Auditor**

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

# Directors' Report

## BAO Trust

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For the half year ended 31 December 2013

### Introduction

The Directors of Brookfield Capital Management Limited (BCML) (ABN 32 094 936 866), the Responsible Entity of 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 2013 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:

<u>Name</u>	<u>Capacity</u>
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.

### Review of operations

The Consolidated Entity has recorded a net profit of \$2,787,000 for the six month period ended 31 December 2013 (2012: \$1,052,000).

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

- total revenue and other income of \$3,603,000 (2012: \$3,504,000);
- net profit attributable to unitholders of \$2,787,000 (2012: \$1,052,000);
- total distributions and returns of capital to unitholders of \$27,298,000 or 3.4 cents per unit (cpu) (2012: \$17,027,000 or 34.5cpu);
- net assets of \$52,873,000 (30 June 2013: \$74,964,000);
- ASX listed portfolio value of \$2,866,000 (30 June 2013: \$2,413,000);
- unlisted security portfolio value of \$19,347,000 (30 June 2013: \$46,417,000); and
- net assets per unit of \$0.07 (30 June 2013: \$0.09).

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.

# Directors' Report continued

## BAO Trust

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For the half year ended 31 December 2013

### Distributions and returns of capital

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

	Cents per unit	Total amount \$'000	Date of payment
<b>Ordinary unitholders</b>			
September 2013 distribution	0.2500	2,028	30 September 2013
November 2013 distribution	2.8902	23,452	20 November 2013
December 2013 distribution	0.2240	1,818	17 December 2013
<b>Total distributions and returns of capital for the six months ended 31 December 2013</b>	<b>3.3642</b>	<b>27,298</b>	
<b>Ordinary unitholders</b>			
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
<b>Total distributions and returns of capital for the six months ended 31 December 2012</b>	<b>34.5026</b>	<b>17,027</b>	

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

### Rounding of amounts

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

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

The lead auditor's independence declaration is set out on page 6 and forms part of the Directors' Report for the half year ended 31 December 2013.

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

Dated at Sydney this 21st day of February 2014.



**Russell Prutt**

Director

Brookfield Capital Management Limited

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

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

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

The Board of Directors  
Brookfield Capital Management Limited  
(as Responsible Entity for BAO Trust)  
Level 22, 135 King St  
SYDNEY NSW 2000

21 February 2014

Dear Directors

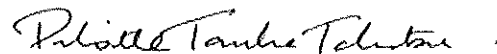
## BAO Trust

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

As lead audit partner for the review of the financial statements of BAO Trust for the half year ended 31 December 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Helen Hamilton-James  
Partner  
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

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

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## BAO Trust

For the half year ended 31 December 2013

	Note	Consolidated	
		Half year ended 31 December 2013 \$'000	Half year ended 31 December 2012 \$'000
<b>Revenue and other income</b>			
Distribution income from ASX listed and unlisted property trusts		1,373	1,064
Net gain on disposal of ASX listed and unlisted property trusts		–	2,408
Interest income		8	32
Share of net profit of investment accounted for using the equity method		2,222	–
<b>Total revenue and other income</b>		<b>3,603</b>	<b>3,504</b>
<b>Expenses</b>			
Share of net loss of investment accounted for using the equity method		–	239
Impairment expense	5, 7	–	1,816
Net loss on disposal of ASX listed and unlisted property trusts		639	–
Management fees		78	79
Other expenses		99	318
<b>Total expenses</b>		<b>816</b>	<b>2,452</b>
<b>Net profit for the period</b>		<b>2,787</b>	<b>1,052</b>
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Change in reserves of investment accounted for using the equity method		2,452	(25)
Change in fair value of available for sale financial assets		(32)	(1,517)
<b>Other comprehensive income/(loss) for the period</b>		<b>2,420</b>	<b>(1,542)</b>
<b>Total comprehensive income/(loss) for the period</b>		<b>5,207</b>	<b>(490)</b>

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

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As at 31 December 2013

	Note	Consolidated 31 December 2013 \$'000	30 June 2013 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		834	597
Trade and other receivables		320	17,390
Investments – available for sale	5, 7	2,866	2,413
<b>Total current assets</b>		<b>4,020</b>	<b>20,400</b>
<b>Non-current assets</b>			
Investments – available for sale	5, 7	19,347	46,417
Investment accounted for using the equity method		29,576	25,868
<b>Total non-current assets</b>		<b>48,923</b>	<b>72,285</b>
<b>Total assets</b>		<b>52,943</b>	<b>92,685</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		70	113
Distributions and returns of capital payable		–	17,608
<b>Total current liabilities</b>		<b>70</b>	<b>17,721</b>
<b>Total liabilities</b>		<b>70</b>	<b>17,721</b>
<b>Net assets</b>		<b>52,873</b>	<b>74,964</b>
<b>Equity</b>			
Units on issue	6	59,430	86,050
Reserves		5,597	3,177
Undistributed losses		(12,154)	(14,263)
<b>Total equity</b>		<b>52,873</b>	<b>74,964</b>

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



# Condensed Consolidated Interim Statement of Changes in Equity

## BAO Trust

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For the half year ended 31 December 2013

Consolidated Entity	Attributable to unitholders of the Fund			Total \$'000
	Ordinary units \$'000	Undistributed profits/(losses) \$'000	Reserves \$'000	
<b>Opening equity - 1 July 2013</b>	<b>86,050</b>	<b>(14,263)</b>	<b>3,177</b>	<b>74,964</b>
Change in reserves of investment accounted for using the equity method	–	–	2,452	2,452
Change in fair value of available for sale financial assets	–	–	(32)	(32)
<b>Other comprehensive income for the period</b>	<b>–</b>	<b>–</b>	<b>2,420</b>	<b>2,420</b>
Net profit for the period	–	2,787	–	2,787
<b>Total comprehensive income for the period</b>	<b>–</b>	<b>2,787</b>	<b>2,420</b>	<b>5,207</b>
<b>Transactions with unitholders in their capacity as unitholders:</b>				
Returns of capital declared/paid	(26,620)	–	–	(26,620)
Distributions declared/paid	–	(678)	–	(678)
<b>Total transactions with unitholders in their capacity as unitholders</b>	<b>(26,620)</b>	<b>(678)</b>	<b>–</b>	<b>(27,298)</b>
<b>Closing equity - 31 December 2013</b>	<b>59,430</b>	<b>(12,154)</b>	<b>5,597</b>	<b>52,873</b>

Consolidated Entity	Attributable to unitholders of the Fund			Total \$'000
	Ordinary units \$'000	Undistributed profits/(losses) \$'000	Reserves \$'000	
<b>Opening equity - 1 July 2012</b>	<b>8,137</b>	<b>(46)</b>	<b>2,259</b>	<b>10,350</b>
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)
<b>Other comprehensive loss for the period</b>	<b>–</b>	<b>–</b>	<b>(1,542)</b>	<b>(1,542)</b>
Net profit for the period	–	1,052	–	1,052
<b>Total comprehensive income/(loss) for the period</b>	<b>–</b>	<b>1,052</b>	<b>(1,542)</b>	<b>(490)</b>
<b>Transactions with unitholders in their capacity as unitholders:</b>				
Units issued	102,899	–	–	102,899
Returns of capital declared/paid	(14,363)	–	–	(14,363)
Distributions declared/paid	–	(2,664)	–	(2,664)
<b>Total transactions with unitholders in their capacity as unitholders</b>	<b>88,536</b>	<b>(2,664)</b>	<b>–</b>	<b>85,872</b>
<b>Closing equity - 31 December 2012</b>	<b>96,673</b>	<b>(1,658)</b>	<b>717</b>	<b>95,732</b>

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

# Condensed Consolidated Interim Statement of Cash Flows

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## BAO Trust

For the half year ended 31 December 2013

	Consolidated	
	Half year ended 31 December 2013 \$'000	Half year ended 31 December 2012 \$'000
<b>Cash flows from operating activities</b>		
Cash receipts in the course of operations	2,118	786
Cash payments in the course of operations	(218)	(279)
Interest received	7	30
<b>Net cash flows from operating activities</b>	<b>1,907</b>	<b>537</b>
<b>Cash flows from investing activities</b>		
Payments for purchase of available for sale assets	–	(40,218)
Proceeds from sale of available for sale assets and returns of capital	42,271	12,267
Proceeds from return of capital on equity accounted investment	966	2,195
<b>Net cash flows from/(used in) investing activities</b>	<b>43,237</b>	<b>(25,756)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of units	–	44,954
Distributions and returns of capital paid to unitholders	(44,907)	(17,027)
<b>Net cash flows (used in)/from financing activities</b>	<b>(44,907)</b>	<b>27,927</b>
Net increase in cash and cash equivalents	237	2,708
Cash and cash equivalents at the beginning of the period	597	1
<b>Cash and cash equivalents at 31 December</b>	<b>834</b>	<b>2,709</b>

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

# Notes to the Condensed Consolidated Interim Financial Statements

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## BAO Trust

For the half year ended 31 December 2013

### 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 2013 comprises the Fund and its investment in an associate (together referred to as the Consolidated Entity).

### 2 Significant accounting policies

#### Statement of compliance

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The consolidated interim financial report does not include notes of the type normally included in annual financial statements and should be read in conjunction with the most recent annual financial statements of the Consolidated Entity as at and for the year ended 30 June 2013.

#### Basis of preparation

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

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

The accounting policies and methods of computation adopted in the preparation of the consolidated interim financial report are consistent with those adopted and disclosed in the consolidated financial report as at and for the year ended 30 June 2013, except for the impact of the Standards and Interpretations described below.

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

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

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

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

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

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

# Notes to the Condensed Consolidated Interim Financial Statements continued

## BAO Trust

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For the half year ended 31 December 2013

### 2 Significant accounting policies *continued*

#### Basis of preparation *continued*

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

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

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

#### 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.

It is not intended that the Fund will make any further investments. Net income earned from the Fund's assets will be distributed on a periodic basis. The capital value of the assets will be maximised and, when appropriate, 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 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.

### 3 Estimates

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

### 4 Distributions and returns of capital

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

	Cents per unit	Total amount \$'000	Date of payment
<b>Ordinary unitholders</b>			
September 2013 distribution	0.2500	2,028	30 September 2013
November 2013 distribution	2.8902	23,452	20 November 2013
December 2013 distribution	0.2240	1,818	17 December 2013
<b>Total distributions and returns of capital for the six months ended 31 December 2013</b>	<b>3.3642</b>	<b>27,298</b>	
<b>Ordinary unitholders</b>			
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
<b>Total distributions and returns of capital for the six months ended 31 December 2012</b>	<b>34.5026</b>	<b>17,027</b>	

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

# Notes to the Condensed Consolidated Interim Financial Statements continued

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## BAO Trust

For the half year ended 31 December 2013

### 5 Investments – available for sale

	Consolidated	
	Half year ended 31 December 2013 \$'000	Half year ended 31 December 2012 \$'000
<b>Current</b>		
<b>ASX listed investments</b>		
Carrying amount as at beginning of period	2,413	10,350
Movement due to acquisitions, disposals, transfers and returns of capital	12	(7,956)
Changes in fair value recognised in reserves	441	(1,132)
<b>Total investments – available for sale - Current</b>	<b>2,866</b>	<b>1,262</b>
<b>Non-current</b>		
<b>Unlisted investments</b>		
Carrying amount as at beginning of period	46,417	–
Movement due to acquisitions, disposals, transfers and returns of capital	(27,530)	69,515
Changes in fair value recognised in reserves	460	627
Impairments recognised during the period	–	(1,816)
<b>Total investments – available for sale – Non-current</b>	<b>19,347</b>	<b>68,326</b>
<b>Total investments - available for sale</b>	<b>22,213</b>	<b>69,588</b>

#### Impairment expense

No further impairment loss has been recognised by the Consolidated Entity in relation to its available for sale investments during the current period (2012: \$1,816,000).

#### Investment in unlisted property securities

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

Consistent with 30 June 2013, the Consolidated Entity has generally valued its investments in each of the underlying unlisted property securities funds based on the net asset value provided as at 31 December 2013, 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 2013 \$'000	Half year ended 31 December 2013 units	Year ended 30 June 2013 \$'000	Year ended 30 June 2013 Units
<b>Ordinary units</b>				
Opening balance	86,050	811,443,720	8,137	8,137,416
Units issued	–	–	102,899	109,053,178
Share split	–	–	–	694,253,126
Returns of capital	(26,620)	–	(24,986)	–
<b>Closing balance</b>	<b>59,430</b>	<b>811,443,720</b>	<b>86,050</b>	<b>811,443,720</b>

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.

# Notes to the Condensed Consolidated Interim Financial Statements continued

## BAO Trust

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For the half year ended 31 December 2013

### 7 Financial instruments

A number of the Consolidated Entity's financial assets and liabilities are measured at fair value at the end of each reporting period. Fair values have been determined for measurement and/or disclosure purposes based on the following methods.

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

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

#### Investments – available for sale

Fair value for ASX listed investments is calculated based on the quoted closing price of the security at the reporting date. Fair value for unlisted investments is calculated based on the latest available net asset values. Refer to investments – available for sale (note 5) for further details.

#### Non-derivative financial liabilities

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

#### Fair values versus carrying amounts

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

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

The following table presents the Consolidated Entity's assets and liabilities measured and recognised at fair value at 31 December 2013. The carrying amounts of cash and cash equivalents, trade and other receivables, and trade and other payables are assumed to reasonably approximate their fair values due to their short-term nature. Accordingly, fair value disclosures are not provided for such assets and liabilities.

Consolidated Entity – at 31 December 2013	Level 1 \$'000	Level 3 \$'000	Total \$'000
<b>Assets</b>			
Investments – available for sale			
– ASX listed investments	2,866	–	2,866
– Unlisted investments	–	19,347	19,347
<b>Total assets</b>	<b>2,866</b>	<b>19,347</b>	<b>22,213</b>

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

Reconciliation of level 3 fair value measurements:

Consolidated Entity – for the period ended 31 December 2013	Investments available for sale \$'000	Total \$'000
Opening balance – 1 July 2013	46,417	46,417
Acquisitions, disposals and returns of capital	(26,439)	(26,439)
Transfers out of level 3	(1,091)	(1,091)
Gains recognised in other comprehensive income	460	460
<b>Closing balance – 31 December 2013</b>	<b>19,347</b>	<b>19,347</b>
<b>Total losses for the period included in the profit or loss attributable to losses relating to assets held at period end</b>	<b>–</b>	<b>–</b>

# Notes to the Condensed Consolidated Interim Financial Statements continued

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## BAO Trust

For the half year ended 31 December 2013

### 7 Financial instruments continued

	Investments available for sale \$'000	Total \$'000
<b>Consolidated Entity – for the period ended 31 December 2012</b>		
Opening balance – 1 July 2012	–	–
Acquisitions, disposals and return of capital	69,515	<b>69,515</b>
Losses recognised in the profit or loss	(1,816)	<b>(1,816)</b>
Gains recognised in other comprehensive income	627	<b>627</b>
<b>Closing balance – 31 December 2012</b>	<b>68,326</b>	<b>68,326</b>
<b>Total losses for the period included in the profit or loss attributable to losses relating to assets held at period end</b>	<b>(1,816)</b>	<b>(1,816)</b>

As at 31 December 2013 and 31 December 2012, there were no financial assets or liabilities in level 2. During the current period, one financial asset transferred from level 3 to level 1 as a result of an unlisted investment stapling with another entity and the new stapled group ultimately listing on the ASX (2012: no transfers).

### 8 Related parties

There have been no significant changes to the related party transactions as disclosed in the annual report for the year ended 30 June 2013.

### 9 Contingent liabilities and assets

No contingent liabilities or assets existed at 31 December 2013 (30 June 2013: none).

### 10 Events subsequent to the reporting date

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

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For the half year ended 31 December 2013

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 15, are in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of the financial position of the Consolidated Entity as at 31 December 2013 and of its performance for the six month period ended on that date; and
  - ii complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*;
- b There are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

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

Dated at Sydney this 21st day of February 2014



**Russell Proutt**  
**Director**  
Brookfield Capital Management Limited



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## Independent Auditor's Review Report to the Unitholders of BAO Trust

We have reviewed the accompanying half-year financial report of BAO Trust ("the Fund"), which comprises the condensed consolidated interim statement of financial position as at 31 December 2013, and the condensed consolidated interim statement of profit or loss and other comprehensive income, the condensed consolidated interim statement of cash flows and the condensed consolidated interim statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the Fund and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 7 to 16.

### *Directors' Responsibility for the Half-Year Financial Report*

The directors of Brookfield Capital Management Limited, the Responsible Entity of the Fund, are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Fund's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Fund, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Auditor's Independence Declaration*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Brookfield Capital Management Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of BAO Trust is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

  
DELOITTE TOUCHE TOHMATSU



Helen Hamilton-James  
Partner  
Chartered Accountants  
Parramatta, 21 February 2014