

BAO Trust
Interim financial report
For the half year ended
31 December 2015

BAO Trust

ARSN 160 276 559

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BAO Trust

For the half year ended 31 December 2015

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Directory

BAO Trust

For the half year ended 31 December 2015

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

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
Telephone: +61 2 9290 9600
Facsimile: +61 2 9279 0664
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Auditor

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

Directors' Report

BAO Trust

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For the half year ended 31 December 2015

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 the Consolidated Entity's interest in an associate, for the six months ended 31 December 2015 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 | Non-Executive Independent Chairman |
| Barbara Ward | Non-Executive Independent Director |
| Shane Ross | Executive Director |

Principal activities

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

Review of operations

The Consolidated Entity has recorded a net loss of \$1,131,000 for the half year ended 31 December 2015 (2014: \$329,000).

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

- total revenue and other income of \$296,000 (2014: \$942,000);
- cash distributions to unitholders totalling \$5,523,000 or 0.68 cents per unit (cpu) and treated as a combination of income distributions and returns of capital in the financial statements (2014: \$10,110,000 or 1.25 cpu);
- net assets of \$17,322,000 or \$0.02 per unit (30 June 2015: \$21,948,000 or \$0.03);
- ASX listed portfolio value of nil (30 June 2015: \$731,000); and
- unlisted security portfolio value of \$5,094,000 (30 June 2015: \$6,617,000).

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.

Distributions and returns of capital

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

| | Cents per unit | Total amount \$'000 | Date of payment |
|---|----------------|---------------------|-------------------|
| Ordinary unitholders | | | |
| August 2015 distribution | 0.2000 | 1,623 | 14 August 2015 |
| September 2015 distribution | 0.2500 | 2,029 | 22 September 2015 |
| December 2015 distribution | 0.2306 | 1,871 | 18 December 2015 |
| Total distributions and returns of capital for the six months ended 31 December 2015 | 0.6806 | 5,523 | |
| Ordinary unitholders | | | |
| October 2014 distribution | 0.5000 | 4,057 | 16 October 2014 |
| November 2014 distribution | 0.7459 | 6,053 | 25 November 2014 |
| Total distributions and returns of capital for the six months ended 31 December 2014 | 1.2459 | 10,110 | |

Directors' Report continued

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For the half year ended 31 December 2015

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 2015.

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

Dated at Sydney this 24th day of February 2016.



Shane Ross

Director

Brookfield Capital Management Limited

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

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

24 February 2016

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 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely

DELOITTE TOUCHE TOHMATSU
DELOITTE TOUCHE TOHMATSU



AG Collinson
Partner
Chartered Accountants

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 2015

| | Note | Consolidated | |
|---|------|--|--|
| | | Half year ended 31 December 2015 \$'000 | Half year ended 31 December 2014 \$'000 |
| Revenue and other income | | | |
| Distribution income from ASX listed and unlisted property trusts | | 282 | 332 |
| Gain on disposal of listed and unlisted property trust | | 7 | – |
| Interest income | | 7 | 9 |
| Share of net profit of investment accounted for using the equity method | 6 | – | 601 |
| Total revenue and other income | | 296 | 942 |
| Expenses | | | |
| Share of net loss of investments accounted for using the equity method | 6 | 1,335 | – |
| Net loss on disposal of ASX listed and unlisted property trusts | | – | 506 |
| Management fees | | 11 | 34 |
| Other expenses | | 81 | 73 |
| Total expenses | | 1,427 | 613 |
| Net (loss)/profit for the period | | (1,131) | 329 |
| Other comprehensive income | | | |
| Items that may be reclassified subsequently to profit or loss | | | |
| Change in reserves of investment accounted for using the equity method | | 718 | 527 |
| Change in fair value of available for sale financial assets | | 1,310 | 765 |
| Other comprehensive income for the period | | 2,028 | 1,292 |
| Total comprehensive income for the period | | 897 | 1,621 |

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

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BAO Trust

As at 31 December 2015

| | Note | Consolidated 31 December 2015 \$'000 | 30 June 2015 \$'000 |
|--|------|---|---------------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | | 332 | 2,055 |
| Trade and other receivables | | 50 | 79 |
| Investments – available for sale | 5, 8 | – | 731 |
| Total current assets | | 382 | 2,865 |
| Non-current assets | | | |
| Investments – available for sale | 5, 8 | 5,094 | 6,617 |
| Investment accounted for using the equity method | 6 | 11,881 | 12,498 |
| Total non-current assets | | 16,975 | 19,115 |
| Total assets | | 17,357 | 21,980 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | | 35 | 32 |
| Total current liabilities | | 35 | 32 |
| Total liabilities | | 35 | 32 |
| Net assets | | 17,322 | 21,948 |
| Equity | | | |
| Units on issue | 7 | 23,126 | 28,172 |
| Reserves | | 7,905 | 5,877 |
| Undistributed losses | | (13,709) | (12,101) |
| Total equity | | 17,322 | 21,948 |

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

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BAO Trust

For the half year ended 31 December 2015

| Consolidated Entity | Attributable to unitholders of the Fund | | | Total \$'000 |
|---|---|---|--------------------|-----------------|
| | Ordinary units \$'000 | Undistributed profits/(losses) \$'000 | Reserves \$'000 | |
| Opening equity - 1 July 2015 | 28,172 | (12,101) | 5,877 | 21,948 |
| Change in reserves of investment accounted for using the equity method | – | – | 718 | 718 |
| Change in fair value of available for sale financial assets | – | – | 1,310 | 1,310 |
| Other comprehensive income for the period | – | – | 2,028 | 2,028 |
| Net loss for the period | – | (1,131) | – | (1,131) |
| Total comprehensive income for the period | – | (1,131) | 2,028 | 897 |
| Transactions with unitholders in their capacity as unitholders: | | | | |
| Returns of capital declared | (5,046) | – | – | (5,046) |
| Distributions declared | – | (477) | – | (477) |
| Total transactions with unitholders in their capacity as unitholders | (5,046) | (477) | – | (5,523) |
| Closing equity - 31 December 2015 | 23,126 | (13,709) | 7,905 | 17,322 |

| Consolidated Entity | Attributable to unitholders of the Fund | | | Total \$'000 |
|---|---|---|--------------------|-----------------|
| | Ordinary units \$'000 | Undistributed profits/(losses) \$'000 | Reserves \$'000 | |
| Opening equity - 1 July 2014 | 46,392 | (12,581) | 5,529 | 39,340 |
| Change in reserves of investment accounted for using the equity method | – | – | 527 | 527 |
| Change in fair value of available for sale financial assets | – | – | 765 | 765 |
| Other comprehensive income for the period | – | – | 1,292 | 1,292 |
| Net profit for the period | – | 329 | – | 329 |
| Total comprehensive income for the period | – | 329 | 1,292 | 1,621 |
| Transactions with unitholders in their capacity as unitholders: | | | | |
| Returns of capital declared | (9,885) | – | – | (9,885) |
| Distributions declared | – | (225) | – | (225) |
| Total transactions with unitholders in their capacity as unitholders | (9,885) | (225) | – | (10,110) |
| Closing equity - 31 December 2014 | 36,507 | (12,477) | 6,821 | 30,851 |

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 2015

| | Consolidated | |
|---|--|--|
| | Half year ended 31 December 2015 \$'000 | Half year ended 31 December 2014 \$'000 |
| Cash flows from operating activities | | |
| Cash receipts in the course of operations | 309 | 502 |
| Cash payments in the course of operations | (87) | (100) |
| Interest received | 8 | 11 |
| Net cash flows from operating activities | 230 | 413 |
| Cash flows from investing activities | | |
| Payments for purchase of available for sale assets | – | 9,146 |
| Proceeds from sale of available for sale assets and returns of capital | 3,570 | – |
| Proceeds from distributions and returns of capital on equity accounted investment | – | 9,436 |
| Net cash flows from investing activities | 3,570 | 18,582 |
| Cash flows from financing activities | | |
| Distributions and returns of capital paid to unitholders | (5,523) | (10,110) |
| Net cash flows used in from financing activities | (5,523) | (10,110) |
| Net (decrease)/increase in cash and cash equivalents | (1,723) | 8,885 |
| Cash and cash equivalents at the beginning of the period | 2,055 | 126 |
| Cash and cash equivalents at 31 December | 332 | 9,011 |

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 2015

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 2015 comprises the Fund and the Consolidated Entity's interest 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 2015. For the purpose of preparing the consolidated financial statements, the Fund is a for profit entity.

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 2015.

AASB 1031 *Materiality* has been effectively withdrawn from 1 July 2015.

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 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 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.

3 Estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are provided in investments – available for sale (Note 5) and investment accounted for using the equity method (Note 6).

Notes to the Condensed Consolidated Interim Financial Statements continued

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BAO Trust

For the half year ended 31 December 2015

4 Distributions and returns of capital

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

| | Cents per unit | Total amount \$'000 | Date of payment |
|---|----------------|---------------------|-------------------|
| Ordinary unitholders | | | |
| August 2015 distribution | 0.2000 | 1,623 | 14 August 2015 |
| September 2015 distribution | 0.2500 | 2,029 | 22 September 2015 |
| December 2015 distribution | 0.2306 | 1,871 | 18 December 2015 |
| Total distributions and returns of capital for the six months ended 31 December 2015 | 0.6806 | 5,523 | |
| Ordinary unitholders | | | |
| October 2014 distribution | 0.5000 | 4,057 | 16 October 2014 |
| November 2014 distribution | 0.7459 | 6,053 | 25 November 2014 |
| Total distributions and returns of capital for the six months ended 31 December 2014 | 1.2459 | 10,110 | |

5 Investments – available for sale

| | Consolidated | |
|---|-------------------------|---------------------|
| | 31 December 2015 \$'000 | 30 June 2015 \$'000 |
| ASX listed investments | | |
| Carrying amount as at beginning of period | 731 | 1,182 |
| Movement due to transfers, disposals and returns of capital | (870) | (836) |
| Changes in fair value recognised in reserves | 139 | 385 |
| Total investments – available for sale | – | 731 |
| Unlisted investments | | |
| Carrying amount as at beginning of period | 6,617 | 15,405 |
| Movement due to transfers, disposals and returns of capital | (2,701) | (9,598) |
| Changes in fair value recognised in reserves | 1,178 | 810 |
| Total investments – available for sale | 5,094 | 6,617 |
| Total investments – available for sale | 5,094 | 7,348 |
| Total investments – available for sale – current | – | 731 |
| Total investments – available for sale – non-current | 5,094 | 6,617 |
| Total investments – available for sale | 5,094 | 7,348 |

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 2015, 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 2015, 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 or considered representative of fair value, 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 and/or other publically available information. 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.

Notes to the Condensed Consolidated Interim Financial Statements continued

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BAO Trust

For the half year ended 31 December 2015

6 Investment accounted for using the equity method

| | Consolidated Half year ended 31 December 2015 \$'000 | Year ended 30 June 2015 \$'000 |
|--|--|--------------------------------------|
| Multiplex New Zealand Property Fund | 11,881 | 12,498 |
| Total investment accounted for using the equity method | 11,881 | 12,498 |
| Share of net profit from investments accounted for using the equity method: | | |
| Multiplex New Zealand Property Fund | (1,335) | 647 |

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. Following is a summary of financial information for MNZPF, not adjusted for the percentage ownership held by the Consolidated Entity.

| | Half year ended 31 December 2015 \$'000 | Year ended 30 June 2015 \$'000 |
|--------------------------|--|--------------------------------------|
| Current assets | 17,836 | 17,928 |
| Non-current assets | 56,576 | 50,115 |
| Total assets | 74,412 | 68,043 |
| Current liabilities | 13,368 | 4,541 |
| Non-current liabilities | 2,009 | 1,404 |
| Total liabilities | 15,377 | 5,945 |
| Net assets | 59,035 | 62,098 |

| | Half year ended 31 December 2015 \$'000 | Year ended 30 June 2015 \$'000 |
|---|--|--------------------------------------|
| Opening net assets 1 July | 62,098 | 108,287 |
| Net profit for the period/year | (6,632) | 3,215 |
| Other comprehensive income | 3,569 | (2,522) |
| Return of capital and distributions declared | - | (46,882) |
| Closing net assets | 59,035 | 62,098 |
| Consolidated Entity's share in (%) | 20.1% | 20.1% |
| Consolidated Entity's share in (\$) | 11,881 | 12,498 |
| Total investment accounted for using the equity method | 11,881 | 12,498 |

| | Half year ended 31 December 2015 \$'000 | Year ended 30 June 2015 \$'000 |
|---|--|--------------------------------------|
| Revenues | 3,098 | 11,918 |
| Expenses | (9,098) | (8,268) |
| Income tax expense | (632) | (435) |
| Net (loss)/profit after income tax for the period/year | (6,632) | 3,215 |
| Other comprehensive income/(loss) for the period/year | 3,569 | (2,522) |
| Total comprehensive (loss)/income for the period/year | (3,063) | 693 |

The Consolidated Entity owns 20.1% of the units of MNZPF (30 June 2015: 20.1%). In accordance with accounting standards, the Consolidated Entity has significant influence over MNZPF and accounts for its investment under the equity accounting method whereby the Consolidated Entity records its share of profit or loss of MNZPF's operations. Any changes to the results and operations of the underlying investment are presented in the Consolidated Entity's financial statements through the share of net profit or loss of investment accounted for using the equity method line item in the Consolidated Statement of Profit or Loss and Other Comprehensive Income and the carrying value of the investment accounted for using the equity method in the Consolidated Statement of Financial Position.

Notes to the Condensed Consolidated Interim Financial Statements continued

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BAO Trust

For the half year ended 31 December 2015

7 Units on issue

| | Half year ended 31 December 2015 \$'000 | Half year ended 31 December 2015 units | Year ended 30 June 2015 \$'000 | Year ended 30 June 2015 Units |
|------------------------|--|---|--------------------------------------|-------------------------------------|
| Ordinary units | | | | |
| Opening balance | 28,172 | 811,443,720 | 46,392 | 811,443,720 |
| Returns of capital | (5,046) | – | (18,220) | – |
| Closing balance | 23,126 | 811,443,720 | 28,172 | 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.

8 Financial instruments

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

Cash and cash equivalents and trade and other receivables

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

Investments – available for sale

Fair value for 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 financial 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.

| | Level 1 \$'000 | Level 3 \$'000 | Total \$'000 |
|--|-------------------|-------------------|-----------------|
| Consolidated Entity – at 31 December 2015 | | | |
| Assets | | | |
| Investments – available for sale | | | |
| – ASX listed investments | – | – | – |
| – Unlisted investments | – | 5,094 | 5,094 |
| Total assets | – | 5,094 | 5,094 |
| | | | |
| Consolidated Entity – at 30 June 2015 | | | |
| Assets | | | |
| Investments – available for sale | | | |
| – ASX listed investments | 731 | – | 731 |
| – Unlisted investments | – | 6,617 | 6,617 |
| Total assets | 731 | 6,617 | 7,348 |

Notes to the Condensed Consolidated Interim Financial Statements continued

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BAO Trust

For the half year ended 31 December 2015

8 Financial instruments continued

Fair values versus carrying amounts continued

Reconciliation of level 3 fair value measurements:

| | Investments available for sale \$'000 | Total \$'000 |
|--|--|-----------------|
| Consolidated Entity – for the period ended 31 December 2015 | | |
| Opening balance – 1 July 2015 | 6,617 | 6,617 |
| Transfers, disposals and returns of capital | (2,701) | (2,701) |
| Net gains recognised in other comprehensive income | 1,178 | 1,178 |
| Closing balance – 31 December 2015 | 5,094 | 5,094 |
| Total losses for the period included in the profit or loss attributable to losses relating to assets held at period end | – | – |
| Consolidated Entity – for the period ended 31 December 2014 | | |
| Opening balance – 1 July 2014 | 15,405 | 15,405 |
| Transfers, disposals and returns of capital | (8,415) | (8,415) |
| Gains recognised in other comprehensive income | 480 | 480 |
| Closing balance – 31 December 2014 | 7,470 | 7,470 |
| Total losses for the period included in the profit or loss attributable to losses relating to assets held at period end | – | – |

During the current period one financial asset transferred from level 1 to level 3 as a result of a listed investment delisting from the ASX. In the prior period no financial assets were transferred between levels.

9 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 2015.

10 Contingent liabilities and assets

No contingent liabilities or assets existed at 31 December 2015 (30 June 2015: none).

11 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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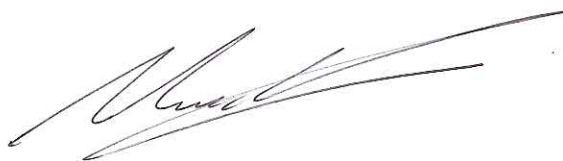
For the half year ended 31 December 2015

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 2015 and of its performance for the six month period ended on that date; and
 - ii complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*;
- b There are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

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

Dated at Sydney this 24th day of February 2016



Shane Ross
Director
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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 statement of financial position as at 31 December 2015, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the Fund and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 7 to 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 2015 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 2015 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*.

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AG Collinson
Partner
Chartered Accountants
Sydney, 24 February 2016