

BAO Trust  
Financial report  
For the year ended  
30 June 2016

# BAO Trust

ARSN 160 276 559

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## BAO Trust

For the year ended 30 June 2016

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# Directory

## BAO Trust

For the year ended 30 June 2016

### **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  
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  
[www.boardroomlimited.com.au](http://www.boardroomlimited.com.au)

### **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 year ended 30 June 2016

### Introduction

The Directors of Brookfield Capital Management Limited (ABN 32 094 936 866), the Responsible Entity of BAO Trust (ARSN 160 276 559) (Fund), present their report together with the financial statements of the Consolidated Entity, being the Fund and the Consolidated Entity's interest in an associate, for the year ended 30 June 2016 and the Independent Auditor's Report thereon.

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

### Responsible Entity

The Responsible Entity of the Fund is Brookfield Capital Management Limited (BCML). The registered office and principal place of business of the Responsible Entity is Level 22, 135 King Street, Sydney NSW 2000.

### Directors

The following persons were Directors of the Responsible Entity at any time during or since the end of the financial year:

Name	Capacity
F. Allan McDonald	Non-Executive Independent Chairman
Barbara Ward	Non-Executive Independent Director
Shane Ross	Executive Director

### Information on Directors

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

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

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

Barbara was appointed as a Non-Executive Independent Director of BCML on 1 January 2010 and also performs that role for BFML. Barbara has gained extensive business and finance experience through her role as Chief Executive Officer of Ansett Worldwide Aviation Services, as General Manager Finance for the TNT Group and as a Senior Ministerial Advisor. BFML is the Responsible Entity for the listed Multiplex SITES Trust. Barbara is a Director of Qantas Airways Limited and Caltex Australia Limited.

#### Shane Ross (BBus), Executive Director

Shane is the Group General Manager of Treasury for Brookfield Australia Investments Limited and was appointed as an Executive Director of BCML on 16 May 2011, resigned on 28 February 2014 and was appointed Alternate Director for Russell on that date. Subsequently Shane resigned as Alternate Director on 6 May 2015 and appointed as an Executive Director on that date. Shane is also a director of BFML which is the Responsible Entity of Multiplex SITES Trust. Shane joined the organisation in 2003 following a background in banking and has over 20 years of experience in treasury and finance within the property industry.

### Information on Company Secretary

#### Neil Olofsson

Neil has over 19 years of international company secretarial experience and has been with the Brookfield Australia group since 2005.

# Directors' Report continued

## BAO Trust

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For the year ended 30 June 2016

### Directors' interests

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

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

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

### Policy on hedging equity incentive schemes

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

A copy of the Security Trading Policy is available on the Brookfield Australia website at [www.au.brookfield.com](http://www.au.brookfield.com).

### Directors' meetings

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

A – Number of meetings attended.

B – Number of meetings held during the time the Director held office during the year.

### Committee meetings

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

### 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 \$488,000 for the year ended 30 June 2016 (2015: net profit \$890,000).

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

- total revenue and other income of \$1,629,000 (2015: \$1,169,000);
- net assets of \$13,997,000 or net assets per unit \$0.02 (2015: \$21,948,000 or \$0.03);
- ASX listed portfolio value of nil (2015: \$731,000);
- unlisted security portfolio value of \$3,845,000 (2015: \$6,617,000); and
- cash proceeds of \$4,844,000 (2015: \$10,629,000) from realisation of investments during the year.

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

# Directors' Report continued

## BAO Trust

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For the year ended 30 June 2016

### Interests of the Responsible Entity

#### Management Fees

For the year ended 30 June 2016, the Fund incurred \$21,000 in management fees due to the Responsible Entity (2015: \$50,000). \$5,000 of management fees remain payable as at year end (2015: \$8,000).

#### Related party unitholders

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

- Brookfield Capital Securities Limited, as trustee for Brookfield Multiplex PPF Investment No.2 Trust, holds 328,609,014 units or 40.5% of the Fund at year end (2015: 328,609,014 units or 40.5%);
- Brookfield Multiplex Capital Pty Ltd holds 9,737,640 units or 1.2% of the Fund at year end (2015: 9,737,640 units or 1.2%); and
- Multiplex APF Pty Ltd, as trustee for Multiplex APF Trust, holds 163,751,624 units or 20.2% of the Fund at year end (2015: 163,751,624 units or 20.2%).

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

- Multiplex European Property Fund – 12,750,050 units or 5.2% (2015: 12,750,050 units or 5.2%);
- Multiplex New Zealand Property Fund – 43,890,679 units or 20.1% (2015: 43,890,679 units or 20.1%);
- Multiplex Property Income Fund – 30,075,871 ordinary units or 100% of ordinary units (2015: 30,075,871 ordinary units or 100% of ordinary units); and
- Multiplex Development and Opportunity Fund – 9,320,388 units or 5.7% (2015: 9,320,388 units or 5.7%).

### Significant changes in the state of affairs

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

### Events subsequent to reporting date

Subsequent to 30 June 2016, the Fund declared cash distributions totalling of \$7,900,000 or 0.9736 cpu. Payment was made on 15 July 2016. The \$1,756,000 cash distribution payable at 30 June 2016 was settled on 6 July 2016.

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

### Likely developments

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

### Environmental regulation

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

# Directors' Report continued

## BAO Trust

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For the year ended 30 June 2016

### Distributions and returns of capital

The following distributions and returns of capital were declared by the Fund to its unitholders during the current year ended 30 June 2016.

2016	Cents per unit	Total amount \$'000	Date of payment
<b>Ordinary unitholders</b>			
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
March 2016 distribution	0.1570	1,274	4 May 2016
June 2016 distribution	0.2164	1,756	6 July 2016
<b>Total distributions and returns of capital for the year ended 30 June 2016</b>	<b>1.0540</b>	<b>8,553</b>	
<b>2015</b>			
<b>Ordinary unitholders</b>			
October 2014 distribution	0.5000	4,057	16 October 2014
November 2014 distribution	0.7459	6,053	25 November 2014
January 2015 distribution	1.0500	8,520	14 January 2015
<b>Total distribution and returns of capital for the year ended 30 June 2015</b>	<b>2.2959</b>	<b>18,630</b>	

### Indemnification and insurance of officers and auditors

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

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

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

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

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

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

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

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

# Directors' Report continued

## BAO Trust

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For the year ended 30 June 2016

### **Rounding of amounts**

The Consolidated Entity is an entity of the kind referred to in Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the Directors' Report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

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

The lead auditor's independence declaration is set out on page 9 and forms part of the Directors' report for the year ended 30 June 2016.

Dated at Sydney this 25th day of August 2016.

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



**Shane Ross**

Director

Brookfield Capital Management Limited

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

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

25 August 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 for BAO Trust.

As lead audit partner for the audit of the financial statements of BAO Trust for the year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully



DELOITTE TOUCHE TOHMATSU



Andrew J Coleman  
Partner  
Chartered Accountants

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

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## BAO Trust

For the year ended 30 June 2016

	Note	Consolidated Year ended 30 June 2016 \$'000	Year ended 30 June 2015 \$'000
<b>Revenue and other income</b>			
Interest income		10	17
Distribution income from ASX listed and unlisted property trusts		440	505
Net gain on disposal of ASX listed and unlisted property trusts		1,179	–
Share of net profit of investment accounted for using the equity method	5	–	647
<b>Total revenue and other income</b>		<b>1,629</b>	<b>1,169</b>
<b>Expenses</b>			
Loss on disposal of listed and unlisted property trusts		–	84
Management fees	14	21	50
Share of net loss of investment accounted for using the equity method	5	1,957	–
Other expenses		139	145
<b>Total expenses</b>		<b>2,117</b>	<b>279</b>
<b>Net (loss)/profit for the year</b>		<b>(488)</b>	<b>890</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	10	927	(508)
Change in fair value of available for sale financial assets	10	163	856
<b>Other comprehensive income for the year</b>		<b>1,090</b>	<b>348</b>
<b>Total comprehensive income for the year</b>		<b>602</b>	<b>1,238</b>

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

# Consolidated Statement of Financial Position

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## BAO Trust

As at 30 June 2016

	Note	Consolidated 2016 \$'000	2015 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		2,169	2,055
Trade and other receivables		75	79
Investments – available for sale	8	–	731
<b>Total current assets</b>		<b>2,244</b>	<b>2,865</b>
<b>Non-current assets</b>			
Investments – available for sale	8	3,845	6,617
Investment accounted for using the equity method	5	9,713	12,498
<b>Total non-current assets</b>		<b>13,558</b>	<b>19,115</b>
<b>Total assets</b>		<b>15,802</b>	<b>21,980</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	12d	1,805	32
<b>Total current liabilities</b>		<b>1,805</b>	<b>32</b>
<b>Total liabilities</b>		<b>1,805</b>	<b>32</b>
<b>Net assets</b>		<b>13,997</b>	<b>21,948</b>
<b>Equity</b>			
Units on issue	9	20,234	28,172
Reserves	10	6,967	5,877
Undistributed losses	11	(13,204)	(12,101)
<b>Total equity</b>		<b>13,997</b>	<b>21,948</b>

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

# Consolidated Statement of Changes in Equity

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## BAO Trust

For the year ended 30 June 2016

Consolidated Entity	Note	Attributable to unitholders of the Fund			Total \$'000
		Ordinary units \$'000	Undistributed losses \$'000	Reserves \$'000	
<b>Opening equity - 1 July 2015</b>		<b>28,172</b>	<b>(12,101)</b>	<b>5,877</b>	<b>21,948</b>
Change in reserves of investment accounted for using the equity method		–	–	927	927
Change in fair value of available for sale financial assets		–	–	163	163
<b>Other comprehensive income for the year</b>		<b>–</b>	<b>–</b>	<b>1,090</b>	<b>1,090</b>
Net loss for the year		–	(488)	–	(488)
<b>Total comprehensive income for the year</b>		<b>–</b>	<b>(488)</b>	<b>1,090</b>	<b>602</b>
<b>Transactions with unitholders in their capacity as unitholders:</b>					
Capital returns	9	(7,938)	–	–	(7,938)
Distributions declared	11	–	(615)	–	(615)
<b>Total transactions with unitholders in their capacity as unitholders</b>		<b>(7,938)</b>	<b>(615)</b>	<b>–</b>	<b>(8,553)</b>
<b>Closing equity – 30 June 2016</b>		<b>20,234</b>	<b>(13,204)</b>	<b>6,967</b>	<b>13,997</b>

Consolidated Entity	Note	Attributable to unitholders of the Fund			Total \$'000
		Ordinary units \$'000	Undistributed profits/(losses) \$'000	Reserves \$'000	
<b>Opening equity - 1 July 2014</b>		<b>46,392</b>	<b>(12,581)</b>	<b>5,529</b>	<b>39,340</b>
Change in reserves of investment accounted for using the equity method		–	–	(508)	(508)
Change in fair value of available for sale financial assets		–	–	856	856
<b>Other comprehensive income for the year</b>		<b>–</b>	<b>–</b>	<b>348</b>	<b>348</b>
Net profit for the year		–	890	–	890
<b>Total comprehensive income for the year</b>		<b>–</b>	<b>890</b>	<b>348</b>	<b>1,238</b>
<b>Transactions with unitholders in their capacity as unitholders:</b>					
Return of capital	9	(18,220)	–	–	(18,220)
Distributions declared	11	–	(410)	–	(410)
<b>Total transactions with unitholders in their capacity as unitholders</b>		<b>(18,220)</b>	<b>(410)</b>	<b>–</b>	<b>(18,630)</b>
<b>Closing equity – 30 June 2015</b>		<b>28,172</b>	<b>(12,101)</b>	<b>5,877</b>	<b>21,948</b>

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

# Consolidated Statement of Cash Flows

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## BAO Trust

For the year ended 30 June 2016

	Consolidated	
	Year ended 30 June 2016 \$'000	Year ended 30 June 2015 \$'000
<b>Cash flows from operating activities</b>		
Cash receipts in the course of operations	451	686
Cash payments in the course of operations	(151)	(211)
Interest received	11	19
<b>Net cash flows from operating activities</b>	<b>311</b>	<b>494</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of available for sale assets and returns of capital	4,844	10,629
Proceeds from distribution and returns of capital from equity accounted investment	1,756	9,436
<b>Net cash flows from investing activities</b>	<b>6,600</b>	<b>20,065</b>
<b>Cash flows from financing activities</b>		
Distributions and returns of capital paid to unitholders	(6,797)	(18,630)
<b>Net cash flows used in financing activities</b>	<b>(6,797)</b>	<b>(18,630)</b>
Net increase in cash and cash equivalents	114	1,929
Cash and cash equivalents at the beginning of the year	2,055	126
<b>Cash and cash equivalents at 30 June</b>	<b>2,169</b>	<b>2,055</b>

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

# Notes to the Consolidated Financial Statements

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## BAO Trust

For the year ended 30 June 2016

### 1 Reporting entity

BAO Trust (Fund) is an Australian registered managed investment scheme under the *Corporations Act 2001*. Brookfield Capital Management Limited (BCML), the Responsible Entity of the Fund, is incorporated and domiciled in Australia. The consolidated financial statements of the Consolidated Entity as at and for the year ended 30 June 2016 comprise the Fund and the Consolidated Entity's interest in an associate.

### 2 Basis of preparation

#### a Statement of compliance

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

The consolidated financial statements were authorised for issue by the Directors on this 25th day of August 2016.

#### b Basis of measurement

The consolidated financial statements have been prepared on the basis of historical cost, except for the following:

- equity accounted investment which is measured using the equity method; and
- available for sale financial assets which are measured at fair value.

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

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

The Consolidated Entity is an entity of the kind referred to in Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the Directors' Report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

#### c Use of estimates and judgements

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

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

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are provided in investments accounted for using the equity method (Note 5) and investments – available for sale (Note 8).

#### d Going concern

The consolidated financial statements have been prepared on a going concern basis which assumes the Consolidated Entity will be able to realise its assets and discharge its liabilities in the normal course of business.

It is not intended that the Fund will make any further investments. Net income earned from the assets will be distributed on a periodic basis. The capital value of the assets will be maximised and, when appropriate, will be realised in order to return cash to unitholders. Timing of this realisation will be governed by the terms of the underlying assets and the market for the assets.

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

#### e New and amended standards adopted

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2015 that have a material impact on the Fund.

# Notes to the Consolidated Financial Statements continued

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## BAO Trust

For the year ended 30 June 2016

### 3 Significant accounting policies

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

#### a Principles of consolidation

##### Associates

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

#### b Revenue recognition

##### Dividends and distributions

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

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

##### Gains or losses on available for sale financial assets

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

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

#### c Income tax

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

#### d Available for sale financial assets

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

#### e Associates

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

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

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

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

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

# Notes to the Consolidated Financial Statements continued

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## BAO Trust

For the year ended 30 June 2016

### **3 Significant accounting policies** continued

#### **f Trade and other payables**

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

#### **g Distributions**

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

#### **h Units on issue**

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

#### **i New standards and interpretations not yet adopted**

The following standards, amendments to standards and interpretations have been identified as those which may impact the Consolidated Entity in the period of initial application. They are available for early adoption at 30 June 2016 but have not been applied in preparing this financial report:

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

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

AASB 2014-9 *Amendments to Equity Method in Separate Financial Statements*, (effective 1 January 2016) is an amendment to AASB 127 *Separate Financial Statements* and allows an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements at either cost, in accordance with AASB 9 *Financial Instruments* or using the equity method described in AASB 128 *Investments in Associates and Joint Ventures*.

AASB 2015-2 *Amendments to AASB 101*, (effective from 1 January 2016) provides clarification to the existing disclosure requirements in AASB 101 *Presentation of Financial Statements* and ensures that entities are able to use judgements when applying the standard in determining what information to disclose in their financial statements.

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

The Consolidated Entity does not intend to early adopt the above new standards and amendments and management continues to assess their impacts.

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

# Notes to the Consolidated Financial Statements continued

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## BAO Trust

For the year ended 30 June 2016

### 4 Parent entity disclosures

	Fund	
	2016 \$'000	2015 \$'000
<b>Assets</b>		
Current assets	2,236	2,865
Non-current assets	13,558	19,115
<b>Total assets</b>	<b>15,794</b>	<b>21,980</b>
<b>Liabilities</b>		
Current liabilities	1,796	32
<b>Total liabilities</b>	<b>1,796</b>	<b>32</b>
<b>Equity</b>		
Units on issue	20,234	28,172
Reserves	7,389	8,395
Undistributed losses	(13,625)	(14,619)
<b>Total equity</b>	<b>13,998</b>	<b>21,948</b>
	Fund	
	Year ended 30 June 2016 \$'000	Year ended 30 June 2015 \$'000
Net profit for the year	1,609	491
Other comprehensive (loss)/income for the year	(1,006)	747
<b>Total comprehensive income for the year</b>	<b>603</b>	<b>1,238</b>

# Notes to the Consolidated Financial Statements continued

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## BAO Trust

For the year ended 30 June 2016

### 5 Investment accounted for using the equity method

	Consolidated	
	Year ended 30 June 2016 \$'000	Year ended 30 June 2015 \$'000
Multiplex New Zealand Property Fund	9,713	12,498
<b>Total investment accounted for using the equity method</b>	<b>9,713</b>	<b>12,498</b>
<b>Share of net (loss)/profit from investments accounted for using the equity method:</b>		
Multiplex New Zealand Property Fund	(1,957)	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.

	Year ended 30 June 2016 \$'000	Year ended 30 June 2015 \$'000
Current assets	51,851	17,928
Non-current assets	–	50,115
<b>Total assets</b>	<b>51,851</b>	<b>68,043</b>
Current liabilities	3,384	4,541
Non-current liabilities	207	1,404
<b>Total liabilities</b>	<b>3,591</b>	<b>5,945</b>
<b>Net assets</b>	<b>48,260</b>	<b>62,098</b>

	Year ended 30 June 2016 \$'000	Year ended 30 June 2015 \$'000
Opening net assets 1 July	62,098	108,287
Net (loss)/profit for the year	(9,721)	3,215
Other comprehensive income/(loss)	4,605	(2,522)
Capital returns and distributions declared	(8,722)	(46,882)
<b>Closing net assets</b>	<b>48,260</b>	<b>62,098</b>

Consolidated Entity's share in (%)	20.1%	20.1%
Consolidated Entity's share in (\$)	9,713	12,498
<b>Total investment accounted for using the equity method</b>	<b>9,713</b>	<b>12,498</b>

	Year ended 30 June 2016 \$'000	Year ended 30 June 2015 \$'000
Revenues	4,868	11,918
Expenses	(14,760)	(8,268)
Income tax benefit/(expense)	171	(435)
<b>Net (loss)/profit after income tax for the year</b>	<b>(9,721)</b>	<b>3,215</b>
<b>Other comprehensive income/(loss) for the year</b>	<b>4,605</b>	<b>(2,522)</b>
<b>Total comprehensive (loss)/income for the year</b>	<b>(5,116)</b>	<b>693</b>

The Consolidated Entity owns 20.1% of the units of MNZPF (2015: 20.1%). 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 Consolidated Financial Statements continued

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## BAO Trust

For the year ended 30 June 2016

### 6 Auditor's remuneration

	Consolidated 2016 \$	2015 \$
<b>Auditors of the Fund:</b>		
Audit and review of the financial report	17,600	20,000
<b>Total auditor's remuneration</b>	<b>17,600</b>	<b>20,000</b>

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

### 7 Distributions and returns of capital

The following distributions and returns of capital were declared by the Fund to its unitholders during the current year ended 30 June 2016.

2016	Cents per unit	Total amount \$'000	Date of payment
<b>Ordinary unitholders</b>			
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
March 2016 distribution	0.1570	1,274	4 May 2016
June 2016 distribution	0.2164	1,756	6 July 2016
<b>Total distribution and returns of capital for the year ended 30 June 2016</b>	<b>1.0540</b>	<b>8,553</b>	

2015	Cents per unit	Total amount \$'000	Date of payment
<b>Ordinary unitholders</b>			
October 2014 distribution	0.5000	4,057	16 October 2014
November 2014 distribution	0.7459	6,053	25 November 2014
January 2015 distribution	1.0500	8,520	14 January 2015
<b>Total distribution and returns of capital for the year ended 30 June 2015</b>	<b>2.2959</b>	<b>18,630</b>	

# Notes to the Consolidated Financial Statements continued

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## BAO Trust

For the year ended 30 June 2016

### 8 Investments – available for sale

	Consolidated	
	Year ended 30 June 2016 \$'000	Year ended 30 June 2015 \$'000
<b>Current</b>		
<b>ASX listed investments</b>		
Carrying amount as at beginning of year	731	1,182
Movement due to transfers, disposals and capital returns	(947)	(836)
Changes in fair value recognised in reserves	216	385
<b>Total investments – available for sale – Current</b>	<b>–</b>	<b>731</b>
<b>Non-current</b>		
<b>Unlisted investments</b>		
Carrying amount as at beginning of year	6,617	15,405
Movement due to transfers, disposals and capital returns	(2,704)	(9,598)
Changes in fair value recognised in reserves	(68)	810
<b>Total investments – available for sale – Non-current</b>	<b>3,845</b>	<b>6,617</b>
<b>Total investments - available for sale</b>	<b>3,845</b>	<b>7,348</b>

#### Investment in unlisted property securities

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

Consistent with 30 June 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 30 June 2016, or where this has not been provided, the latest available net asset value. In circumstances where the latest available net asset value has not been obtained, an assessment of the appropriateness of the value has been made based on knowledge of valuation and transactional movements in the underlying investment's structure as compared to similar portfolios. Although the Directors of the Responsible Entity consider this value to represent fair value as at the reporting date, uncertainty exists as to the likely unit price of each of the unlisted property securities funds when these funds re-commence acceptance of redemptions.

### 9 Units on issue

	Year ended 30 June 2016 \$'000	Year ended 30 June 2016 Units	Year ended 30 June 2015 \$'000	Year ended 30 June 2015 Units
<b>Ordinary units</b>				
Opening balance	28,172	811,443,720	46,392	811,443,720
Capital returns	(7,938)	–	(18,220)	–
<b>Closing balance</b>	<b>20,234</b>	<b>811,443,720</b>	<b>28,172</b>	<b>811,443,720</b>

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

# Notes to the Consolidated Financial Statements continued

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## BAO Trust

For the year ended 30 June 2016

### 10 Reserves

	Consolidated	
	Year ended 2016 \$'000	Year ended 2015 \$'000
Available for sale reserve	2,272	2,109
Foreign currency translation reserve	4,695	3,768
<b>Total reserves</b>	<b>6,967</b>	<b>5,877</b>

	Consolidated	
	Year ended 30 June 2016 \$'000	Year ended 30 June 2015 \$'000
<a href="#">Available for sale reserve</a>		
Opening balance	2,109	1,253
Movement in relation to unlisted investments	865	736
Movement in relation to ASX listed investments	(702)	120
<b>Closing balance</b>	<b>2,272</b>	<b>2,109</b>

	Consolidated	
	Year ended 30 June 2016 \$'000	Year ended 30 June 2015 \$'000
<a href="#">Foreign currency translation reserve</a>		
Opening balance	3,768	4,276
Share of associate's reserves	927	(508)
<b>Closing balance</b>	<b>4,695</b>	<b>3,768</b>

### 11 Undistributed losses

	Consolidated	
	Year ended 30 June 2016 \$'000	Year ended 30 June 2015 \$'000
Opening balance	(12,101)	(12,581)
Net profit	(488)	890
Distributions to unitholders	(615)	(410)
<b>Closing balance</b>	<b>(13,204)</b>	<b>(12,101)</b>

### 12 Financial instruments

#### Significant accounting policies

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

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

#### a Capital risk management

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

# Notes to the Consolidated Financial Statements continued

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## BAO Trust

For the year ended 30 June 2016

### 12 Financial instruments continued

#### b Financial risk management

##### Overview

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

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

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

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

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

##### Investment mandate

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

#### c Credit risk

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

##### Sources of credit risk and risk management strategies

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

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

##### Investments - available for sale – ASX listed and unlisted property trusts<sup>2</sup>

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

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

# Notes to the Consolidated Financial Statements continued

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## BAO Trust

For the year ended 30 June 2016

### 12 Financial instruments continued

#### c Credit risk continued

##### Exposure to credit risk

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

	Consolidated 2016 \$'000	2015 \$'000
Cash and cash equivalents	2,169	2,055
Trade and other receivables	75	79
Investments – available for sale	3,845	7,348
<b>Total exposure to credit risk</b>	<b>6,089</b>	<b>9,482</b>

##### Concentrations of credit risk exposure

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

##### Collateral obtained/held

Where applicable, the Consolidated Entity obtains collateral from counterparties to minimise the risk of default on their contractual obligations. At the reporting date, the Consolidated Entity did not hold any collateral in respect of its financial assets (2015: nil). During the year ended 30 June 2016, the Consolidated Entity did not call on any collateral provided (2015: nil).

##### Financial assets past due but not impaired

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

	Consolidated 2016 \$'000	2015 \$'000
Current	75	79
<b>Total trade and other receivables</b>	<b>75</b>	<b>79</b>

For the Consolidated Entity, amounts recognised above are not deemed to be impaired. There are no significant financial assets that have had their terms renegotiated that would otherwise have rendered the financial assets past due or impaired (2015: nil). During the year ended 30 June 2016, nil receivables were written off by the Consolidated Entity (2015: nil).

#### d Liquidity risk

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

##### Sources of liquidity risk and risk management strategies

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

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

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

# Notes to the Consolidated Financial Statements continued

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## BAO Trust

For the year ended 30 June 2016

### 12 Financial instruments continued

#### d Liquidity risk continued

##### Interest bearing liabilities

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

##### Unitholders

Prior to November 2013 unitholders were unable to make any transfers on their units during the period. The Fund's Constitution allows, but does not oblige, the Responsible Entity to implement a withdrawal in accordance with the Fund's Constitution or Part 5C.6 of the *Corporations Act 2001*. No withdrawal facilities have been implemented by the Fund to date.

##### Investments - available for sale

The Consolidated Entity's listed investments are considered readily realisable as they are listed on the ASX. The Consolidated Entity's unlisted investments are not considered as liquid as listed investments. Refer to investments – available for sale (Note 8) for further details. The Consolidated Entity manages this risk by ensuring the Consolidated Entity only invests in funds with investment strategies consistent with the investment objectives of the Consolidated Entity and monitoring the performance of those funds. The Consolidated Entity's liquidity risk is also managed in accordance with its investment policy under the Fund's Constitution.

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

##### Defaults and breaches

During the year ended 30 June 2016, the Consolidated Entity was not subject to any covenants, and as such, no covenants have been breached (2015: nil).

##### Maturity analysis of financial liabilities

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

2016	Carrying amount	Contractual cash flows	Consolidated \$'000			
			0 to 12 months	1 to 2 years	2 to 5 years	Greater than 5 years
Trade and other payables	49	49	49	–	–	–
Distributions and capital returns payable	1,756	1,756	1,756	–	–	–
<b>Total financial liabilities</b>	<b>1,805</b>	<b>1,805</b>	<b>1,805</b>	<b>–</b>	<b>–</b>	<b>–</b>

2015	Carrying amount	Contractual cash flows	Consolidated \$'000			
			0 to 12 months	1 to 2 years	2 to 5 years	Greater than 5 years
Trade and other payables	32	32	32	–	–	–
<b>Total financial liabilities</b>	<b>32</b>	<b>32</b>	<b>32</b>	<b>–</b>	<b>–</b>	<b>–</b>

# Notes to the Consolidated Financial Statements continued

## BAO Trust

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For the year ended 30 June 2016

### 12 Financial instruments continued

#### e Market risk

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

#### Sources of market risk and risk management strategies

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

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

#### Interest rate risk

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

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

	Floating rate \$'000	Fixed rate \$'000	Non-interest bearing \$'000	Total \$'000
<b>Consolidated 2016</b>				
<b>Financial assets</b>				
Cash and cash equivalents	1,771	398	–	2,169
Trade and other receivables	–	–	75	75
Investments – available for sale	–	–	3,845	3,845
<b>Total financial assets</b>	<b>1,771</b>	<b>398</b>	<b>3,920</b>	<b>6,089</b>
<b>Financial liabilities</b>				
Trade and other payable	–	–	49	49
Distributions and capital returns payable	–	–	1,756	1,756
<b>Total financial liabilities</b>	<b>–</b>	<b>–</b>	<b>1,805</b>	<b>1,805</b>

	Floating rate \$'000	Fixed rate \$'000	Non-interest bearing \$'000	Total \$'000
<b>Consolidated 2015</b>				
<b>Financial assets</b>				
Cash and cash equivalents	910	1,145	–	2,055
Trade and other receivables	–	–	79	79
Investments – available for sale	–	–	7,348	7,348
<b>Total financial assets</b>	<b>910</b>	<b>1,145</b>	<b>7,427</b>	<b>9,482</b>
<b>Financial liabilities</b>				
Trade and other payables	–	–	32	32
<b>Total financial liabilities</b>	<b>–</b>	<b>–</b>	<b>32</b>	<b>32</b>

#### Sensitivity analysis

A change of +/- 1% in interest rates at the reporting date would increase/(decrease) interest on cash and therefore profit or loss and net assets by \$18,000 (2015: \$9,000) assuming that all other variables remain constant.

# Notes to the Consolidated Financial Statements continued

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## BAO Trust

For the year ended 30 June 2016

### **12 Financial instruments** continued

#### **e Market risk** continued

##### Foreign currency risk

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

During the current year, the Consolidated Entity has not been exposed to direct foreign currency risk (2015: nil). The Consolidated Entity is exposed to indirect foreign currency risk due to its investments in Underlying Funds that are exposed to foreign currency risk related to their overseas operations. The Consolidated Entity manages this risk by ensuring the Consolidated Entity only invests in funds with investment strategies consistent with the investment objectives of the Consolidated Entity and monitoring the performance of those funds.

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

#### **f Other market risk**

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

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

##### Sensitivity analysis

A change of +/- 10% in equity prices would increase/(decrease) the value of investments available for sale and therefore net assets and equity by \$385,000 (2015: \$735,000) assuming that all other variables remain constant.

##### Methods for determining fair values

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

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

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

##### Investments – available for sale

Fair value for ASX listed investments is calculated based on the 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 8) for further details.

# Notes to the Consolidated Financial Statements continued

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## BAO Trust

For the year ended 30 June 2016

### 12 Financial instruments continued

#### g Fair values continued

##### Fair values versus carrying amounts

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

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

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

Consolidated Entity – at 30 June 2016	Level 1 \$'000	Level 3 \$'000	Total \$'000
<b>Assets</b>			
Investments – available for sale			
– Unlisted investments	–	3,845	3,845
<b>Total assets</b>	<b>–</b>	<b>3,845</b>	<b>3,845</b>

Consolidated Entity – at 30 June 2015	Level 1 \$'000	Level 3 \$'000	Total \$'000
<b>Assets</b>			
Investments – available for sale			
– ASX listed investments	731	–	731
– Unlisted investments	–	6,617	6,617
<b>Total assets</b>	<b>731</b>	<b>6,617</b>	<b>7,348</b>

Reconciliation of level 3 fair value measurements:

Consolidated Entity – for the year ended 30 June 2016	Investments available for sale \$'000	Total \$'000
Opening balance – 1 July 2015	6,617	6,617
Disposals, capital returns and transfers	(2,704)	(2,740)
Gains recognised in other comprehensive income	(68)	(68)
<b>Closing balance – 30 June 2016</b>	<b>3,845</b>	<b>3,845</b>
<b>Total losses for the year included in the profit or loss attributable to losses relating to assets held at the end of year</b>	<b>–</b>	<b>–</b>

Consolidated Entity – for the year ended 30 June 2015	Investments available for sale \$'000	Total \$'000
Opening balance – 1 July 2014	15,405	15,405
Disposals and capital returns	(9,598)	(9,598)
Gains recognised in other comprehensive income	810	810
<b>Closing balance – 30 June 2015</b>	<b>6,617</b>	<b>6,617</b>
<b>Total losses for the year included in the profit or loss attributable to losses relating to assets held at the end of year</b>	<b>–</b>	<b>–</b>

During the current year one investments was transferred between levels 1 and 3 (2015: no investment transferred from level 3 to level 1).

# Notes to the Consolidated Financial Statements continued

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## BAO Trust

For the year ended 30 June 2016

### 13 Reconciliation of cash flows from operating activities

	Consolidated	
	Year ended 30 June 2016 \$'000	Year ended 30 June 2015 \$'000
<b>Net (loss)/profit for the year</b>	<b>(488)</b>	<b>890</b>
Adjustments for:		
<i>Items classified as investing activities</i>		
Net loss/(gain) on disposal of ASX listed and unlisted property trusts	(1,179)	84
Other	–	1
<i>Non cash items</i>		
Share of net gain(loss) of investments accounted for using the equity method	1,957	(647)
<b>Operating profit before changes in working capital</b>	<b>290</b>	<b>328</b>
<b>Changes in assets and liabilities during the year</b>		
Decrease in trade and other receivables	4	182
Decrease/(increase) in trade and other payables	17	(16)
<b>Net cash flows from operating activities</b>	<b>311</b>	<b>494</b>

### 14 Related parties

#### Responsible Entity

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

#### Key management personnel

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

F. Allan McDonald  
Barbara Ward  
Shane Ross

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

#### Directors' interests

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

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

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

#### Responsible Entity's fees and other transactions

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

##### Management fee

A management fee based on the gross value of assets (adjusted for related party funds) of the Fund is payable to the Responsible Entity. The fee is payable by the Fund quarterly in arrears. The management fee expense for the year ended 30 June 2016 was \$21,000 (2015: \$50,000). As at 30 June 2016, the management fee payable to the Responsible Entity was \$5,000 (30 June 2015: \$8,000).

##### Parent entities

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

# Notes to the Consolidated Financial Statements continued

## BAO Trust

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For the year ended 30 June 2016

### 14 Related parties continued

#### Related party unitholders

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

- Brookfield Capital Securities Limited, as trustee for Brookfield Multiplex PPF Investment No.2 Trust, holds 328,609,014 units or 40.5% of the Fund at year end (30 June 2015: 328,609,014 units or 40.5%);
- Brookfield Multiplex Capital Pty Ltd holds 9,737,640 units or 1.2% of the Fund at year end (30 June 2015: 9,737,640 units or 1.2%); and
- Multiplex APF Pty Ltd, as trustee for Multiplex APF Trust, holds 163,751,624 units or 20.2% of the Fund at year end (30 June 2015: 163,751,624 units or 20.2%).

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

- Multiplex European Property Fund – 12,750,050 units or 5.2% (2015: 12,750,050 units or 5.2%);
- Multiplex New Zealand Property Fund – 43,890,679 units or 20.1% (2015: 43,890,679 units or 20.1%);
- Multiplex Property Income Fund – 30,075,871 ordinary units or 100% of ordinary units (2015: 30,075,871 ordinary units or 100%); and
- Multiplex Development and Opportunity Fund – 9,320,388 units or 5.7% (2015: 9,320,388 units or 5.7%).

	Consolidated 2016 \$'000	2015 \$'000
<b>Transactions with associates</b>		
Capital returns and distribution from equity accounted investment	1,756	9,436
Equity accounted investment in MNZPF	9,713	12,498
<b>Transactions with the Responsible Entity</b>		
Management fees	21	50
Cost reimbursements	–	1
Management fee payable	5	8
Cost reimbursements payable	–	1
<b>Transactions with related parties of the Responsible Entity</b>		
Investments held (at fair value)		
- Multiplex Development and Opportunity Fund	270	2,045
- Multiplex European Property Fund	1,160	689
Distributions and capital returns		
- Multiplex Development and Opportunity Fund	1,776	1,025

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

#### Deed of indemnity between BAO and the Fund

During the financial year ended 30 June 2013, prior to the wind up of BAO, BAO entered into an agreement with the Fund. Under the agreement, if at any time after the winding up of BAO, the trustee of BAO (which currently is Brookfield Capital Management Limited) becomes aware of any asset to which BAO would have been entitled prior to the winding up and which has not been transferred to the Fund in accordance with the proposal outlined in the BAO explanatory memorandum, the trustee shall hold such asset on behalf of the Fund. Furthermore, the trustee undertakes in its capacity as Responsible Entity of the Fund to indemnify the trustee (in its personal capacity) from the Fund from any claims against the trustee arising from the performance of its duties as the responsible entity of BAO.

### 15 Contingent liabilities and assets

No contingent liabilities or assets existed at 30 June 2016 (2015: nil).

### 16 Capital commitments

There were no capital commitments at 30 June 2016 (2015: nil).

### 17 Events subsequent to reporting date

Subsequent to 30 June 2016, the Fund declared cash distributions totalling of \$7,900,000 or 0.9736 cpu. Payment was made on 15 July 2016. The \$1,756,000 cash distribution payable at 30 June 2016 was settled on 6 July 2016.

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

# Director's Declaration

## BAO Trust

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For the year ended 30 June 2016

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

- a The consolidated financial statements and notes, set out in pages 10 to 29, are in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of the financial position of the Consolidated Entity as at 30 June 2016 and of its performance, for the financial year ended on that date;
  - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
  - iii complying with International Financial Reporting Standards, as stated in Note 2 to the consolidated financial statements.
- b There are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors of Brookfield Capital Management Limited pursuant to Section 295(5) of the *Corporations Act 2001*.

Dated at Sydney this 25th day of August 2016.



**Shane Ross**  
Director

Brookfield Capital Management Limited

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

We have audited the accompanying financial report of BAO Trust ("the Trust"), which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the Trust and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 10 to 30.

### *Directors' Responsibility for the Financial Report*

The directors of the Responsible Entity of the Trust ("the directors") are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

### *Auditor's Responsibility*

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

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

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

## *Auditor's Independence Declaration*

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

## *Opinion*

In our opinion:

- (a) the financial report of BAO Trust is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Trust's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU



Andrew J Coleman  
Partner  
Chartered Accountants  
Sydney, 25 August 2016