

BAO Trust
Financial report
For the year ended
30 June 2019

BAO Trust

ARSN 160 276 559

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BAO Trust

For the year ended 30 June 2019

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Directory

BAO Trust

For the year ended 30 June 2019

Responsible Entity

Brookfield Capital Management Limited
Level 22, 135 King Street
Sydney NSW 2000
Telephone: +61 2 9158 5100
Facsimile: +61 2 9322 2001

Directors of Brookfield Capital Management Limited

F. Allan McDonald
Barbara Ward
Shane Ross

Company Secretary of Brookfield Capital Management Limited

Men (Mandy) Chiang

Registered Office of Brookfield Capital Management Limited

Level 22, 135 King Street
Sydney NSW 2000
Telephone: +61 2 9158 5100
Facsimile: +61 2 9322 2001

Custodian

Brookfield Funds Management Limited
Level 22, 135 King Street
Sydney NSW 2000
Telephone: +61 2 9158 5100
Facsimile: +61 2 9322 2001

Location of Share Registry

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

All correspondence to:

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

Auditor

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

Directors' Report

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For the year ended 30 June 2019

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 Fund for the year ended 30 June 2019 and the Independent Auditor's Report thereon.

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

Responsible Entity

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

Directors

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

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

Information on Directors

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

Allan was appointed the Non-Executive Independent Chairman of BCML on 1 January 2010 and also performs that role for Brookfield Funds Management Limited (BFML). Allan has had extensive experience in the role of Chairman and is presently associated with a number of companies as a consultant and Company Director. BFML is the Responsible Entity for the listed Multiplex SITES Trust. Allan's other directorship of listed entities are BCML (Responsible Entity of Brookfield Prime Property Fund, delisted on 3 July 2017) (appointed January 2010) and Astro Japan Property Management Limited (Responsible Entity of Astro Japan Property Trust, delisted on 10 October 2017) in liquidation (appointed February 2005).

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

Barbara was appointed as a Non-Executive Independent Director of BCML on 1 January 2010 and also performs that role for BFML. Barbara has gained extensive business and finance experience through her role as Chief Executive Officer of Ansett Worldwide Aviation Services, as General Manager Finance for the TNT Group and as a Senior Ministerial Advisor. BFML is the Responsible Entity for the listed Multiplex SITES Trust. Barbara's other directorships of listed entities are BCML (Responsible Entity of Brookfield Prime Property Fund, delisted on 3 July 2017) (appointed January 2010), Qantas Airways Limited (appointed June 2008) and Caltex Australia Limited (appointed 1 April 2015).

Shane Ross (BBus), Executive Director

Shane is the Managing Director, Portfolio Management for Brookfield Property Group Australia, and was appointed as an Executive Director of BCML on 6 May 2015. Shane also performs that role for BFML. BFML is the Responsible Entity for the listed Multiplex SITES Trust. Shane joined the organisation in 2003 following a background in banking and has over 23 years of experience in treasury and finance within the property industry.

Information on Company Secretary

Men (Mandy) Chiang

Mandy was appointed Company Secretary of BCML on 15 November 2016. Mandy has over 20 years of company secretarial experience including having previously worked at Brookfield Australia Group for over 8 years.

Directors' Report continued

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For the year ended 30 June 2019

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 Fund and other related bodies corporate as at the date of this report:

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

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

Policy on hedging equity incentive schemes

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

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

Directors' meetings

Director	Board Meetings		Board Risk and Compliance Committee Meetings	
	A	B	A	B
F. Allan McDonald	4	4	3	3
Barbara Ward	4	4	3	3
Shane Ross	4	4	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 Fund is the investment in unlisted property securities.

Review of operations

The Fund has recorded a net loss of \$54,067 for the year ended 30 June 2019 (2018 net profit: \$4,957,068).

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

- total revenue and other income of \$30,344 (2018: \$5,127,867) including \$26,432 unrealised fair value gain on investment;
- net assets of \$717,713 or \$0.001 per unit (2018: \$771,780 or \$0.001 per unit);
- unlisted security portfolio value of \$408,860 (2018: \$382,428); and
- nil cash proceeds (2018: \$4,316,539) from returns of capital received from underlying investments.

The Fund is in wind-up and, when appropriate, assets will be realised in order to return cash to unitholders.

Directors' Report continued

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For the year ended 30 June 2019

Interests of the Responsible Entity

Management Fees

Effective from 1 July 2018, management fees have been waived by the Responsible Entity. For the year ended 30 June 2019, the Fund incurred nil management fees (2018: \$9,746).

Related party unitholders

The following interests were held by related entities in the Fund 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 (2018: 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 (2018: 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 (2018: 163,751,624 units or 20.2%).

Brookfield Funds Management Limited, 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% (2018: 12,750,050 units or 5.2%); and
- Multiplex Development and Opportunity Fund – 9,320,388 units or 5.7% (2018: 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 Fund that occurred during the financial year other than those disclosed in this report or in the financial statements.

Events subsequent to reporting date

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 Fund, the results of those operations, or the state of affairs of the Fund 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 Fund 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 Fund.

Environmental regulation

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

Distributions and returns of capital

No distributions or returns of capital were declared or paid during the financial year ended 30 June 2019.

The following distributions and returns of capital were declared by the Fund to its unitholders during the financial year ended 30 June 2018.

2018	Cents per unit	Total amount \$	Date of payment
Ordinary unitholders			
June 2018 cash distribution	0.4000	3,245,775	19 June 2018
September 2017 cash distribution	0.1200	973,733	22 September 2017
Total distributions and returns of capital for the year ended 30 June 2018	0.5200	4,219,508	

Directors' Report continued

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For the year ended 30 June 2019

Indemnification and insurance of Directors and Company Secretary

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

- liabilities incurred as Director or Secretary of the Company, except for those liabilities incurred in relation to the matters set out in section 199A(2) of the *Corporations Act 2001*; and
- reasonable legal costs incurred in defending an action for a liability as Director or Secretary of the Company, except for costs incurred in relation to matters set out in section 199A(3) of the *Corporations Act 2001*, (the Indemnity).

The Indemnity is satisfied by maintenance of a global directors' and officers' insurance policy, which policy prohibits certain disclosures in relation to the nature of the liability covered and the amount of the premium, however, it can be disclosed that the policy does not insure against liabilities arising out of matters including, but not limited to:

- fraudulent, dishonest or criminal acts or omissions and improper personal profit or advantage);
- violation of *US Securities Act 1993*;
- losses for which coverage under a different kind of insurance policy is readily available such as, liability insurance, employment practices liability and pollution liability (there can be limited coverage for some of these exposures); and
- claims made by a major shareholder (threshold is ownership of 10% or greater).

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

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

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

The lead auditor's independence declaration is set out on page 8 and forms part of the Directors' report for the year ended 30 June 2019.

Dated at Sydney this 27th day of August 2019.

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

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1217 Australia

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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

27 August 2019

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 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully

DELOITTE TOUCHE TOHMATSU.

DELOITTE TOUCHE TOHMATSU

A. COLEMAN.

Andrew J Coleman
Partner
Chartered Accountants

Statement of Profit or Loss and Other Comprehensive Income

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BAO Trust

For the year ended 30 June 2019

	Note	Year ended 30 June 2019 \$	Year ended 30 June 2018 (Restated)* \$
Revenue and other income			
Interest income		3,912	2,622
Distribution income from unlisted property trusts		–	103,811
Net gain on disposal of unlisted property trusts		–	327,827
Gain on disposal of equity accounted investment		–	1,163
Foreign currency gain previously recognised in other comprehensive income on investment accounted for using the equity method		–	4,692,444
Unrealised fair value gain on investments		26,432	–
Total revenue and other income		30,344	5,127,867
Expenses			
Management fees	12	–	9,746
Share of net loss of investment accounted for using the equity method		–	29,689
Unrealised fair value loss on investments		–	2,163
Other expenses	5	84,411	129,201
Total expenses		84,411	170,799
Net (loss)/profit for the year		(54,067)	4,957,068
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Change in reserves of investment accounted for using the equity method		–	(4,726,039)
Other comprehensive loss for the year		–	(4,726,039)
Total comprehensive (loss)/income for the year		(54,067)	231,029

* The comparative information has been restated as a result of the initial application of AASB 9 *Financial Instruments* as disclosed in Note 2. The Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Notes to the Financial Statements.

Statement of Financial Position

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BAO Trust

As at 30 June 2019

	Note	30 June 2019 \$	30 June 2018 (Restated)* \$
Assets			
Current assets			
Cash and cash equivalents		329,281	433,555
Trade and other receivables		375	1,758
Investments	7	77,359	76,427
Total current assets		407,015	511,740
Non-current assets			
Investments	7	331,501	306,001
Total non-current assets		331,501	306,001
Total assets		738,516	817,741
Liabilities			
Current liabilities			
Trade and other payables		20,803	45,961
Total current liabilities		20,803	45,961
Total liabilities		20,803	45,961
Net assets		717,713	771,780
Equity			
Units on issue	8	8,209,957	8,209,957
Undistributed losses	9	(7,492,244)	(7,438,177)
Total equity		717,713	771,780

* The comparative information has been restated as a result of the initial application of AASB 9 *Financial Instruments* as disclosed in Note 2.
The Statement of Financial Position should be read in conjunction with the Notes to the Financial Statements.

Statement of Changes in Equity

BAO Trust

For the year ended 30 June 2019

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Note	Attributable to unitholders of the Fund			Total \$
	Ordinary units \$	Undistributed losses \$	Reserves \$	
Opening equity – 1 July 2018	8,209,507	(7,438,177)	–	771,780
Other comprehensive loss for the year	–	–	–	–
Net loss for the year	–	(54,067)	–	(54,067)
Total comprehensive loss for the year	–	(54,067)	–	(54,067)
Closing equity – 30 June 2019	8,209,957	(7,492,244)	–	717,713

Note	Attributable to unitholders of the Fund			Total \$
	Ordinary units \$	Undistributed losses \$	Reserves \$	
Opening equity - 1 July 2017	12,334,123	(13,295,998)	5,722,134	4,760,259
Change in accounting policy	–	996,095	(996,095)	–
Opening equity – 1 July 2017 (restated)*	12,334,123	(12,299,903)	4,726,039	4,760,259
Change in reserves of investment accounted for using the equity method	–	–	(4,726,039)	(4,726,039)
Other comprehensive loss for the year	–	–	(4,726,039)	(4,726,039)
Net profit for the year	–	4,957,068	–	4,957,068
Total comprehensive income/(loss) for the year	–	4,957,068	(4,726,039)	231,029
Transactions with unitholders in their capacity as unitholders:				
Return of capital	8	(4,124,166)	–	(4,124,166)
Distributions declared	9	–	(95,342)	(95,342)
Total transactions with unitholders in their capacity as unitholders	(4,124,166)	(95,342)	–	(4,219,508)
Closing equity – 30 June 2018 (restated)*	8,209,957	(7,438,177)	–	771,780

* The comparative information has been restated as a result of the initial application of AASB 9 *Financial Instruments* as disclosed in Note 2. The Statement of Changes in Equity should be read in conjunction with the Notes to the Financial Statements.

Statement of Cash Flows

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BAO Trust

For the year ended 30 June 2019

		Year ended 30 June 2019 \$	Year ended 30 June 2018 \$
Cash flows from operating activities			
Cash receipts in the course of operations		–	154,958
Cash payments in the course of operations		(108,211)	(117,090)
Interest received		3,937	2,742
Net cash (outflows)/inflows from operating activities	11	(104,274)	40,610
Cash flows from investing activities			
Proceeds from sale of available for sale assets and returns of capital		–	2,502,274
Proceeds from distribution and returns of capital from equity accounted investment		–	1,814,265
Net cash inflows from investing activities		–	4,316,539
Cash flows from financing activities			
Distributions and returns of capital paid to unitholders		–	(4,219,508)
Net cash outflows from financing activities		–	(4,219,508)
Net (decrease)/increase in cash and cash equivalents		(104,274)	137,641
Cash and cash equivalents at the beginning of the year		433,555	295,914
Cash and cash equivalents at 30 June		329,281	433,555

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

Notes to the Financial Statements

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BAO Trust

For the year ended 30 June 2019

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.

Following the wind-up and cancellation of units of Multiplex New Zealand Property Fund (MNZPF) on 20 June 2018, the Fund ceased consolidating its interest in MNZPF as an associate. The financial statements as at and for the financial year ended 30 June 2019 comprise the Fund's standalone results (consolidated for financial year ended 30 June 2018).

2 Basis of preparation

a Statement of compliance

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

The financial statements were authorised for issue by the Directors on this 27th day of August 2019.

b Basis of measurement

The financial statements have been prepared on the basis of historical cost, except for investments, which are measured at fair value through profit or loss (FVTPL).

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

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

c Use of estimates and judgements

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

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

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are provided in Investments (Note 7).

d Going concern

The financial statements have been prepared on a going concern basis which assumes the Fund 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 financial statements. The financial statements do not include adjustments relating to the recoverability and classification of recorded asset amounts, nor to the amounts and classification of liabilities that might be necessary should the Fund not continue as a going concern.

BAO Trust

For the year ended 30 June 2019

3 Significant accounting policies

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

a Revenue recognition**Dividends and distributions**

Revenue from dividends and distributions is recognised when the right of the Fund 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 Fund in that associate and are not recognised as revenue.

b 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.

c 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 Fund 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.

d Distributions

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

e Units on issue

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

f Adoption of new and revised Australian Accounting Standards

The Fund has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for an accounting period that begins on or after 1 January 2018.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Fund include:

j) AASB 9 *Financial Instruments*

The objective of AASB 9 *Financial Instruments* (AASB 9) is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. This standard has replaced AASB 139 *Financial Instruments: Recognition and Measurement* (AASB 139) upon adoption.

The Fund has adopted AASB 9 *Financial Instruments* from 1 July 2018. In accordance with the transition provisions of AASB 9, the Fund has adopted the full retrospective transition approach.

Key changes from the previous standard were assessed within the following streams:

Classification of financial assets

On 1 July 2018, the Fund assessed which business models apply to the financial instruments held and have classified them into the appropriate AASB 9 categories. The main effects resulting from this reclassification are shown in the table below.

On adoption of AASB 9, the Fund classified financial assets and liabilities as either amortised cost or fair value, depending on the business model for those assets and on the asset's contractual cash flow characteristics. There were no changes in the measurement of the Fund's financial instruments.

The Fund's investments in equity instruments were classified as available-for-sale investments with fair value through other comprehensive income (FVOCI), directly to reserves. On implementation of AASB 9, the investments are classified as fair value through profit or loss (FVTPL).

BAO Trust

For the year ended 30 June 2019

3 Significant accounting policies continued**f Adoption of new and revised Australian Accounting Standards** continued**i) AASB 9 *Financial Instruments*** continued

The following table summarises the impact on the classification and measurement of the Fund's financial instruments at 1 July 2018:

Presented in statement of financial position	Financial instrument	AASB 139	AASB 9	Impact
Cash and cash equivalents	Bank deposits	Loans and receivables	Amortised cost	No change
Trade and other receivables/payables	Loans and receivables	Loans and receivables	Amortised cost	No change
Financial assets	Available-for-sale investments	Fair value through other comprehensive income	Fair value through profit or loss	Note 1

Note 1: On implementation of AASB 9, the investments are classified as fair value through profit or loss (FVTPL). Accordingly the previously stated \$996,065 closing balance of available-for-sale reserve as at 30 June 2017 was transferred to opening retained earnings. The profit or loss decreased by \$613,667 for the comparative year ended 30 June 2018.

Measuring impairment of financial assets

AASB 9 introduced a new expected credit loss (ECL) impairment model which applies to debt instruments measured at amortised cost or at fair value through other comprehensive income, lease receivables, contract assets and written loan commitments and financial guarantee contracts.

The Fund has adopted an ECL position across the Fund's applicable financial assets. The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Fund used judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Fund's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. The main effects resulting from application of the ECL is as follows:

- i. Cash and bank balances: Subject to ECL requirements of AASB 9, however no impairment loss identified.
- ii. Trade and other receivables: Current policies in place effectively capture the expected credit losses from trade counterparties under the ECL impairment model. No material change identified as a result of AASB 9.

ii). AASB 15 *Revenue from Contracts with Customers*

AASB 15 *Revenue from Contracts with Customers* (AASB 15) establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 *Revenue* and AASB 111 *Construction Contracts*.

AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018. The Fund has adopted the modified retrospective approach which means that any cumulative impact of the adoption will be recognised in retained earnings as of 30 June 2018 with no restatement of comparatives.

The core principle of AASB 15 is that an entity recognises revenue related to the transfer of promised goods or services when control of the goods or service passes to the customer. It requires the identification of discrete performance obligations within a transaction and allocating an associated transaction price to these obligations.

The Fund currently recognises revenue from interest and fair value movement.

The Fund has determined that there are no material adjustments required in the opening balance of retained earnings based on the adoption of AASB 15 and the comparative period will not be restated.

BAO Trust

For the year ended 30 June 2019

3 Significant accounting policies continued**g New standards and interpretations not yet adopted****AASB 16 Leases**

AASB 16 *Leases* replaces existing guidance, including AASB 117 *Leases* and IFRIC 4 *Determining whether an Arrangement contains a Lease*. AASB 16 is effective for annual reporting periods beginning on or after 1 January 2019. The revised lease standard sets out a comprehensive model for identifying lease arrangements and subsequent measurement.

Under the new standard, the lessee is required to recognise all right-of-use assets and corresponding lease liabilities on the balance sheet, with the exception of short term and low value leases. The right-of-use asset reflects the lease liability, direct costs and any adjustments for lease incentives or restoration. The lease liability is the net present value of future lease payments for the lease term, which incorporates any options reasonably expected to be exercised. The contracted cash flows are separated into principal repayments and interest components, using the effective interest rate method. Depreciation expense on the right-of-use asset and interest expense on the lease liability will now be recognised instead of a rental expense.

As at 30 June 2019, the Fund does not have any non-cancellable operating lease commitments or any finance lease where the Fund is a lessee. Hence, the directors do not anticipate that the application of AASB 16 will have a significant impact on the amounts recognised in the Fund's financial statements.

The Fund does not intend to adopt the new standard before its effective date.

4 Auditor's remuneration

	Year ended 30 June 2019 \$	Year ended 30 June 2018 \$
Auditors of the Fund:		
Audit and review of the financial report	21,132	21,000
Total auditor's remuneration	21,132	21,000

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

5 Other expenses

	Year ended 30 June 2019 \$	Year ended 30 June 2018 \$
Share registry fee	43,272	60,219
Professional service fee*	27,080	21,909
Custody fee	6,321	30,750
Expenses recovery	7,575	13,658
Other	163	2,665
Total other expenses	84,411	129,201

* Including auditor's remuneration.

Notes to the Financial Statements continued

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BAO Trust

For the year ended 30 June 2019

6 Distributions and returns of capital

No distributions or returns of capital were declared during the year ended 30 June 2019.

The following distributions and returns of capital were declared by the Fund to its unitholders during the year ended 30 June 2018.

2018	Cents per unit	Total amount \$	Date of payment
Ordinary unitholders			
June 2018 cash distribution	0.4000	3,245,775	19 June 2018
September 2017 cash distribution	0.1200	973,733	22 September 2017
Total distributions and returns of capital for the year ended 30 June 2018	0.5200	4,219,508	

7 Investments

	Year ended 30 June 2019 \$	Year ended 30 June 2018 \$
Current		
Unlisted investments		
Carrying amount as at beginning of year	76,427	–
Carrying value at the beginning of the year of investments transferred from non-current to current	–	91,340
Changes in fair value recognised in profit or loss	932	(14,913)
Total investments – Current	77,359	76,427
Non-current		
Unlisted investments		
Carrying amount as at beginning of year	306,001	2,570,098
Carrying value at the beginning of the year of investments transferred from non-current to current	–	(91,340)
Movement due to transfers, disposals and capital returns	–	(2,382,203)
Changes in fair value recorded in profit or loss	25,500	209,446
Total investments – Non-current	331,501	306,001
Total investments	408,860	382,428

Investment in unlisted property securities

On 6 August 2018, the Fund disposed of its holdings in APN Champion Retails Fund and Rubicon Europe Trust Group to a third party. The investments have been held at nil value prior to disposal. There is no gain or loss from disposal.

Consistent with 30 June 2018, the Fund 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 2019, 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 publicly 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 Financial Statements continued

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BAO Trust

For the year ended 30 June 2019

8 Units on issue

	Year ended 30 June 2019 \$	Year ended 30 June 2019 Units	Year ended 30 June 2018 \$	Year ended 30 June 2018 Units
Ordinary units				
Opening balance	8,209,957	811,443,720	12,334,123	811,443,720
Returns of capital	–	–	(4,124,166)	–
Closing balance	8,209,957	811,443,720	8,209,957	811,443,720

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

9 Undistributed losses

	Year ended 30 June 2019 \$	Year ended 30 June 2018 (Restated) \$
Opening balance	(7,438,177)	(12,299,903)
Net (loss)/profit	(54,067)	4,957,068*
Distributions to unitholders	–	(95,342)
Closing balance	(7,492,244)	(7,438,177)

* On implementation of AASB 9, the investments are classified as fair value through profit or loss (FVTPL). Accordingly the previously stated \$996,065 closing balance of available-for-sale reserve as at 30 June 2017 was transferred to opening retained earnings. The profit or loss decreased by \$613,667 for the comparative year ended 30 June 2018.

10 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 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 Fund, along with earnings per unit invested and distributions paid per unit.

BAO Trust

For the year ended 30 June 2019

10 Financial instruments continued**b Financial risk management****Overview**

The Fund is exposed to financial risks in the course of its operations, which arise from the Fund's use of financial instruments. The financial risks can be summarised as follows:

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

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 Fund'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 Fund'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 Fund'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 Fund 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 Fund if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Sources of credit risk and risk management strategies

The Fund is exposed to both direct and indirect credit risk in the normal course of its operations. Direct credit risk arises principally from the Fund's investment securities (in terms of distributions receivable and capital invested). Other credit risk also arises for the Fund 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.

Investments - available for sale – unlisted property trusts

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

Following from the approval of the BAO wind up proposal in 2012, the Fund 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.

Exposure to credit risk

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

	2019 \$	2018 \$
Cash and cash equivalents	329,281	433,555
Trade and other receivables	375	1,758
Investments	408,860	382,428
Total exposure to credit risk	738,516	817,741

Notes to the Financial Statements continued

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BAO Trust

For the year ended 30 June 2019

10 Financial instruments continued

c Credit risk continued

Concentrations of credit risk exposure

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

Financial assets past due but not impaired

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

	2019 \$	2018 \$
Current	375	1,758
Total trade and other receivables	375	1,758

For the Fund, 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 (2018: nil). During the year ended 30 June 2019, nil receivables were written off by the Fund (2018: nil).

d Liquidity risk

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

Sources of liquidity risk and risk management strategies

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

The Fund'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 Fund's reputation.

The Fund's specific risk management strategies are discussed below.

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

The Fund's unlisted investments are not considered as liquid as listed investments.

Following from the approval of the Fund's wind up proposal in 2012, the Fund 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 2019, the Fund was not subject to any covenants, and as such, no covenants have been breached (2018: 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 Fund can be required to pay.

2019	Carrying amount	Contractual cash flows	0 to 12 months	1 to 2 years	2 to 5 years	Greater than 5 years
Trade and other payables	20,803	20,803	20,803	–	–	–
Total financial liabilities	20,803	20,803	20,803	–	–	–

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

BAO Trust

For the year ended 30 June 2019

10 Financial instruments continued**e Market risk**

Market risk is the risk that changes in market prices, interest rates and equity prices will affect the Fund'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 Fund is exposed to market risk in the normal course of their operations. Market risk arises in the form of equity price risk, interest rate risk and foreign currency risk.

The Fund will only invest in funds with investment strategies consistent with the investment objectives of the Fund 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 Fund is derived from cash balances. The Fund is not exposed to interest rate risk on liabilities.

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

	Floating rate \$	Fixed rate \$	Non-interest bearing \$	Total \$
2019				
Financial assets				
Cash and cash equivalents	172,693	156,588	–	329,281
Trade and other receivables	–	–	375	375
Investments	–	–	408,860	408,860
Total financial assets	172,693	156,588	409,235	738,516
Financial liabilities				
Trade and other payable	–	–	20,803	20,803
Total financial liabilities	–	–	20,803	20,803

	Floating rate \$	Fixed rate \$	Non-interest bearing \$	Total \$
2018				
Financial assets				
Cash and cash equivalents	279,297	154,258	–	433,555
Trade and other receivables	–	–	1,758	1,758
Investments	–	–	382,428	382,428
Total financial assets	279,297	154,258	384,186	817,741
Financial liabilities				
Trade and other payables	–	–	45,961	45,961
Total financial liabilities	–	–	45,961	45,961

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 \$1,727 (2018: \$2,793) assuming that all other variables remain constant.

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 Fund has not been exposed to direct foreign currency risk (2018: nil). The Fund is exposed to indirect foreign currency risk due to its investments in Underlying Funds that are exposed to foreign currency risk related to their overseas operations.

Whilst the Fund 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 Fund cannot be reliably measured.

BAO Trust

For the year ended 30 June 2019

10 Financial instruments continued**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 Fund is associated with its unlisted investment portfolio.

The Responsible Entity manages the Fund's market risk on a daily basis in accordance with the Fund'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 \$40,886 (2018: \$38,243) assuming that all other variables remain constant.

Methods for determining fair values

A number of the Fund'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

Fair value for unlisted investments is calculated based on the latest available net asset values. Refer to investments (Note 7) for further details.

Fair values versus carrying amounts

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

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- (b) 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
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Fund'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.

	Level 3 \$	Total \$
At 30 June 2019		
Assets		
Investments		
– Unlisted investments	408,860	408,860
Total assets	408,860	408,860
At 30 June 2018		
Assets		
Investments		
– Unlisted investments	382,428	382,428
Total assets	382,428	382,428

Notes to the Financial Statements continued

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BAO Trust

For the year ended 30 June 2019

10 Financial instruments continued

f Other market risk continued

Reconciliation of level 3 fair value measurements:

For the year ended 30 June 2019	Investments \$	Total \$
Opening balance – 1 July 2018	382,428	382,428
Fair value movement	26,432	26,432
Closing balance – 30 June 2019	408,860	408,860
Total gain for the year included in the profit or loss attributable to gain relating to assets held at the end of year	26,432	26,432

For the year ended 30 June 2018 (restated)*	Investments \$	Total \$
Opening balance – 1 July 2017	2,570,098	2,570,098
Disposals and capital returns	(2,382,203)	(2,382,203)
Gains recognised	194,533	194,533
Closing balance – 30 June 2018	382,428	382,428
Total losses for the year included in the profit or loss attributable to losses relating to assets held at the end of year	(613,667)	(613,667)

* The comparative information has been restated as a result of the initial application of AASB 9 *Financial Instruments* as disclosed in Note 2.

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

11 Reconciliation of cash flows from operating activities

	Year ended 30 June 2019 \$	Year ended 30 June 2018 (restated)* \$
Net (loss)/profit for the year	(54,067)	4,957,068
Adjustments for:		
<i>Items classified as investing activities</i>		
Net gain on disposal of unlisted property trusts and equity accounted investments	–	(940,494)
Other	–	11,059
<i>Non cash items</i>		
Fair value movement on investments	(26,432)	613,667
Share of net gain of investments accounted for using the equity method	–	29,689
Foreign currency gain previously recognised in other comprehensive income on investment accounted for using the equity method	–	(4,692,444)
Operating (loss)/profit before changes in working capital	(80,499)	(21,455)
Changes in assets and liabilities during the year		
Decrease in trade and other receivables	1,384	51,266
(Decrease)/increase in trade and other payables	(25,158)	10,799
Net cash flows from operating activities	(104,274)	40,610

* The comparative information has been restated as a result of the initial application of AASB 9 *Financial Instruments* as disclosed in Note 2.

BAO Trust

For the year ended 30 June 2019

12 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 Fund.

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 Fund 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

Effective from 1 July 2018, management fees have been waived by the Responsible Entity. For the year ended 30 June 2019, the Fund incurred nil in management fees (2018: \$9,746).

Parent entities

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

Related party unitholders

The following interests were held by related entities in the Fund 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 2018: 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 2018: 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 2018: 163,751,624 units or 20.2%).

Brookfield Funds Management Limited, 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% (2018: 12,750,050 units or 5.2%);
- Multiplex Development and Opportunity Fund – 9,320,388 units or 5.7% (2018: 9,320,388 units or 5.7%).

Notes to the Financial Statements continued

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BAO Trust

For the year ended 30 June 2019

12 Related parties continued

	2019 \$	2018 \$
Transactions with associates		
Capital returns and distribution from equity accounted investment	–	1,814,265
Transactions with the Responsible Entity		
Management fees	–	9,746
Management fee payable	–	480
Cost reimbursements	7,575	13,658
Transactions with related parties of the Responsible Entity		
Investments held (at fair value)		
- Multiplex Development and Opportunity Fund	77,359	76,427
- Multiplex European Property Fund	331,501	306,001
Distributions and capital returns		
- Multiplex Development and Opportunity Fund	–	–
- Multiplex European Property Fund	–	–

Transactions with related parties are conducted on normal commercial terms and conditions. Distributions and returns of capital paid by the Fund 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.

13 Contingent liabilities and assets

No contingent liabilities or assets existed at 30 June 2019 (2018: nil).

14 Capital commitments

There were no capital commitments at 30 June 2019 (2018: nil).

15 Events subsequent to reporting date

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 Fund, the results of those operations, or the state of affairs of the Fund in subsequent financial years.

Director's Declaration

BAO Trust

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For the year ended 30 June 2019

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

- a The financial statements and notes, set out in pages 10 to 25, are in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the financial position of the Fund as at 30 June 2019 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 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 27th day of August 2019.



Shane Ross

Director

Brookfield Capital Management Limited

Deloitte Touche Tohmatsu
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Independent Auditor's Report to the Unitholders of BAO Trust

Opinion

We have audited the financial report of BAO Trust (the "Trust") which comprises the statement of financial position as at 30 June 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the 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 2019 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

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

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report included in the Trust's financial report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

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

DELOITTE TOUCHE TOHMATSU.

DELOITTE TOUCHE TOHMATSU

A. COLEMAN.

Andrew J Coleman
Partner
Chartered Accountants
Sydney, 27 August 2019