

BAO Trust  
Interim condensed financial report  
For the half year ended  
31 December 2019

# BAO Trust

ARSN 160 276 559

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## BAO Trust

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# Directory

## BAO Trust

For the half year ended 31 December 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:

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Sydney NSW 2001  
Telephone: 1300 737 760  
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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

# Directors' Report

## BAO Trust

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For the half year ended 31 December 2019

### Introduction

The Directors of Brookfield Capital Management Limited (BCML) (ABN 32 094 936 866), the Responsible Entity of BAO Trust (ARSN 160 276 559) (Fund), present their report together with the interim condensed financial statements of BAO Trust (Fund) for the half year ended 31 December 2019 and the Independent Auditor's Review Report thereon.

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

### Responsible Entity

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

### Directors

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

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

### Principal activities

The principal activity of the Fund is the investment in unlisted property securities.

### Review of operations

The Fund has recorded a net loss of \$49,392 for the half year ended 31 December 2019 (half year ended 31 December 2018 net loss: \$31,887).

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

- total revenue and other income of \$1,120 (2018: \$14,631);
- net assets of \$668,321 or \$0.001 per unit (30 June 2019: \$717,713 or \$0.001); and
- unlisted security portfolio value of \$175,597 (30 June 2019: \$408,860).

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

### Distributions and returns of capital

No distributions or returns of capital were declared or paid during the half year ended 31 December 2019 (half year ended 31 December 2018: Nil).

# Directors' Report continued

## BAO Trust

For the half year ended 31 December 2019

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

The lead auditor's independence declaration is set out on page 6 and forms part of the Directors' Report for the half year ended 31 December 2019.

Dated at Sydney this 25<sup>th</sup> day of February 2020.

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



Shane Ross

Director

Brookfield Capital Management Limited

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

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

25 February 2020

Dear Directors

### **BAO Trust**

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

As lead audit partner for the review of the financial statements of BAO Trust for the half year ended 31 December 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

*DELOITTE TOUCHE TOHMATSU.*

DELOITTE TOUCHE TOHMATSU

*A. COLEMAN.*

Andrew J Coleman  
Partner  
Chartered Accountants

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

## BAO Trust

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For the half year ended 31 December 2019

	Note	Half year ended 31 December 2019 \$	Half year ended 31 December 2018 \$
<b>Revenue and other income</b>			
Interest income		1,120	1,881
Unrealised fair value gain on investments		–	12,750
<b>Total revenue and other income</b>		<b>1,120</b>	<b>14,631</b>
<b>Expenses</b>			
Unrealised fair value loss on investments		932	–
Other expenses	5	49,580	46,518
<b>Total expenses</b>		<b>50,512</b>	<b>46,518</b>
<b>Net loss for the period</b>		<b>(49,392)</b>	<b>(31,887)</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		–	–
<b>Other comprehensive loss for the period</b>		<b>–</b>	<b>–</b>
<b>Total comprehensive loss for the period</b>		<b>(49,392)</b>	<b>(31,887)</b>

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

# Interim Condensed Statement of Financial Position

## BAO Trust

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As at 31 December 2019

	Note	31 December 2019 \$	30 June 2019 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		522,471	329,281
Trade and other receivables		100	375
Investments	6	76,427	77,359
<b>Total current assets</b>		<b>598,998</b>	<b>407,015</b>
<b>Non-current assets</b>			
Investments	6	99,170	331,501
<b>Total non-current assets</b>		<b>99,170</b>	<b>331,501</b>
<b>Total assets</b>		<b>698,168</b>	<b>738,516</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		29,847	20,803
<b>Total current liabilities</b>		<b>29,847</b>	<b>20,803</b>
<b>Total liabilities</b>		<b>29,847</b>	<b>20,803</b>
<b>Net assets</b>		<b>668,321</b>	<b>717,713</b>
<b>Equity</b>			
Units on issue	7	8,209,957	8,209,957
Undistributed losses		(7,541,636)	(7,492,244)
<b>Total equity</b>		<b>668,321</b>	<b>717,713</b>

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



# Interim Condensed Statement of Changes in Equity

## BAO Trust

For the half year ended 31 December 2019

	Attributable to unitholders of the Fund			Total \$
	Ordinary units \$	Undistributed losses \$	Reserves \$	
Opening equity - 1 July 2019	8,209,957	(7,492,244)	-	717,713
Other comprehensive profit for the period	-	-	-	-
Net loss for the period	-	(49,392)	-	(49,392)
Total comprehensive loss for the period	-	(49,392)	-	(49,392)
Closing equity - 31 December 2019	8,209,957	(7,541,636)	-	668,321

	Attributable to unitholders of the Fund			Total \$
	Ordinary units \$	Undistributed profits/(losses) \$	Reserves \$	
Opening equity - 1 July 2018	8,209,957	(7,820,605)	382,428	771,780
Change in accounting policy	-	382,428	(382,428)	-
Opening equity - 1 July 2018 (restated)	8,209,957	(7,438,177)	-	771,780
Other comprehensive profit for the period	-	-	-	-
Net loss for the period	-	(31,887)	-	(31,887)
Total comprehensive loss for the period	-	(31,887)	-	(31,887)
Closing equity - 31 December 2018	8,209,957	(7,470,064)	-	739,893

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

# Interim Condensed Statement of Cash Flows

## BAO Trust

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For the half year ended 31 December 2019

	Half year ended 31 December 2019 \$	Half year ended 31 December 2018 \$
<b>Cash flows from operating activities</b>		
Cash receipts in the course of operations	–	–
Cash payments in the course of operations	(40,326)	(67,660)
Interest received	1,185	1,873
<b>Net cash flows from operating activities</b>	<b>(39,141)</b>	<b>(65,787)</b>
<b>Cash flows from investing activities</b>		
Proceeds from distributions and returns of capital on equity accounted investment	232,331	–
<b>Net cash flows from investing activities</b>	<b>232,331</b>	<b>–</b>
<b>Cash flows from financing activities</b>		
Distributions and returns of capital paid to unitholders	–	–
<b>Net cash flows used in financing activities</b>	<b>–</b>	<b>–</b>
Net increase/(decrease) in cash and cash equivalents	193,190	(65,787)
Cash and cash equivalents at the beginning of the period	329,281	433,555
<b>Cash and cash equivalents at 31 December</b>	<b>522,471</b>	<b>367,768</b>

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

# Notes to the Interim Condensed Financial Statements

## BAO Trust

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For the half year ended 31 December 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.

### 2 Significant accounting policies

#### Statement of compliance

The interim condensed financial report is a general purpose financial report which has been prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting* (AASB 134). Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The interim condensed financial report does not include notes of the type normally included in annual financial statements and should be read in conjunction with the most recent annual financial statements of the Fund as at and for the year ended 30 June 2019.

#### Basis of preparation

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

The accounting policies and methods of computation adopted in the preparation of the interim condensed financial report are consistent with those adopted and disclosed in the financial report as at and for the year ended 30 June 2019.

#### 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 Fund's assets will be distributed on a periodic basis. The capital value of the assets will be maximised and, when appropriate, realised in order to return cash to unitholders. Timing of this realisation will be governed by the terms of the underlying assets and the market for the assets.

Based on the above, the Directors of the Responsible Entity believe it is appropriate to adopt the going concern basis for this set of interim condensed financial statements. The interim condensed 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.

### 3 Estimates

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

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

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are provided in investments (Note 6).

# Notes to the Interim Condensed Financial Statements continued

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For the half year ended 31 December 2019

#### 4 Distributions and returns of capital

No distributions or returns of capital were declared during the half year ended 31 December 2019 (half year ended 31 December 2018: Nil).

#### 5 Other expenses

	Half year ended 31 December 2019 \$	Half year ended 31 December 2018 \$
Share registry fees	29,519	27,423
Professional service fees	15,080	16,670
Other fees	4,981	2,425
<b>Total other expenses</b>	<b>49,580</b>	<b>46,518</b>

#### 6 Investments

	31 December 2019 \$	30 June 2019 \$
<b>Current</b>		
<b>Unlisted investments</b>		
Carrying amount as at beginning of period	77,359	76,427
Changes in fair value	(932)	932
<b>Total investments – Current</b>	<b>76,427</b>	<b>77,359</b>
<b>Non-current</b>		
<b>Unlisted investment</b>		
Carrying amount as at beginning of period	331,501	306,001
Movement due to transfers, disposals and returns of capital	(232,331)	–
Changes in fair value	–	25,500
<b>Total investments – Non-current</b>	<b>99,170</b>	<b>331,501</b>
<b>Total investments</b>	<b>175,597</b>	<b>408,860</b>

#### Investment in unlisted property securities

Consistent with 30 June 2019, 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 31 December 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.

# Notes to the Interim Condensed Financial Statements continued

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For the half year ended 31 December 2019

### 7 Units on issue

	Half year ended 31 December 2019 \$	Half year ended 31 December 2019 units	Year ended 30 June 2019 \$	Year ended 30 June 2019 Units
<b>Ordinary units</b>				
Opening balance	8,209,957	811,443,720	8,209,957	811,443,720
Returns of capital	–	–	–	–
<b>Closing balance</b>	<b>8,209,957</b>	<b>811,443,720</b>	<b>8,209,957</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 is entitled to one vote at unitholder meetings. In accordance with the Fund's Constitution, each unit represents a right to an individual share in the Fund and does not extend to an interest in a particular part of the Fund.

### 8 Financial instruments

A number of the 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 6) for further details.

#### Non-derivative financial liabilities

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

#### Fair values versus carrying amounts

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

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>31 December 2019</b>				
<b>Assets</b>				
Investments				
– Unlisted investments	–	–	175,597	175,597
<b>Total assets</b>	<b>–</b>	<b>–</b>	<b>175,597</b>	<b>175,597</b>
<b>30 June 2019</b>				
<b>Assets</b>				
Investments				
– Unlisted investments	–	–	408,860	408,860
<b>Total assets</b>	<b>–</b>	<b>–</b>	<b>408,860</b>	<b>408,860</b>

# Notes to the Interim Condensed Financial Statements continued

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For the half year ended 31 December 2019

### 8 Financial instruments continued

#### Fair values versus carrying amounts continued

Reconciliation of level 3 fair value measurements:

	Investments available for sale \$	Total \$
<b>For the period ended 31 December 2019</b>		
Opening balance – 1 July 2019	408,860	408,860
Return of capital	(232,331)	(232,331)
Net gains recognised in Profit or Loss	(932)	(932)
<b>Closing balance – 31 December 2019</b>	<b>175,597</b>	<b>175,597</b>
<b>Total profit for the period included in the profit or loss attributable to profit relating to assets held at period end</b>	<b>(932)</b>	<b>(932)</b>
<b>For the period ended 31 December 2018</b>		
Opening balance – 1 July 2018	382,428	382,428
Net gains recognised in Profit or Loss	12,750	12,750
<b>Closing balance – 31 December 2018</b>	<b>395,178</b>	<b>395,178</b>
<b>Total profit for the period included in the profit or loss attributable to profit relating to assets held at period end</b>	<b>-</b>	<b>-</b>

During the half year ended 31 December 2019 no investments were transferred between levels 1, 2 and 3 (Half year ended 31 December 2018: no investment transferred between levels 1, 2 and 3).

### 9 Related parties

During the half year ended 31 December 2019 the Fund received a return of capital of \$232,331 from a related party.

There have been no other significant changes to the related party transactions as disclosed in the annual report for the year ended 30 June 2019.

### 10 Contingent liabilities and assets

No contingent liabilities or assets existed at 31 December 2019 (30 June 2019: nil).

### 11 Events subsequent to the reporting date

There are no matters or circumstances which have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Fund, the results of those operations, or the state of affairs of the Fund in subsequent financial periods.

# Directors' Declaration

## BAO Trust

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For the half year ended 31 December 2019

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

- a The interim condensed financial statements and notes, set out in pages 7 to 14, 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 31 December 2019 and of its performance for the half year period ended on that date; and
  - ii complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*;
- b There are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

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

Dated at Sydney this 25<sup>th</sup> day of February 2020.



**Shane Ross**  
Director  
Brookfield Capital Management Limited

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

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

We have reviewed the accompanying half-year financial report of BAO Trust ("the Fund"), which comprises the condensed statement of financial position as at 31 December 2019, and the condensed statement of profit or loss and other comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Fund at the end of the half-year or from time to time during the half-year as set out on pages 7 to 15.

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

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

### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Fund's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Fund, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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



*Auditor's Independence Declaration*

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

*Conclusion*

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

- (a) giving a true and fair view of the Fund's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

DELOITTE TOUCHE TOHMATSU.

DELOITTE TOUCHE TOHMATSU

A. COLEMAN.

Andrew J Coleman  
Partner  
Chartered Accountants  
Sydney, 25 February 2020