



MAB Corporation Syndicated Loan Fund 2 (formerly: MAB Hotel Property Trust)

ARSN 121 054 582

Responsible Entity
MAB Funds Management Limited
ABN 36 098 846 701

Financial Report
for the year ended
30 June 2017

**MAB Corporation Syndicated Loan Fund 2 (formerly: MAB
Hotel Property Trust)
(ARSN 121 054 582)**

**GENERAL PURPOSE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2017**

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MAB Corporation Syndicated Loan Fund 2 (formerly: MAB Hotel Property Trust) (ARSN 121 054 582)

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2017

The Directors of MAB Funds Management Limited (ABN 36 098 846 701), the Responsible Entity of MAB Corporation Syndicated Loan Fund 2 (formerly: MAB Hotel Property Trust) ("the Scheme") present their report, together with the financial report of the Scheme. The financial report includes the financial statements for MAB Corporation Syndicated Loan Fund 2. This financial report has been prepared in accordance with the Australian Accounting Standards.

Principal Activities

The Scheme is a registered managed investment scheme domiciled in Australia that has raised funds to provide a loan to MAB Corporation Pty Ltd ("the Borrower") for use as working capital.

Responsible Entity

The Directors of MAB Funds Management Limited during or since the end of the financial year are:

Name

Andrew Buxton
B Sc

Appointed 22 November 2001

Experience and special responsibilities

Andrew Buxton is the co-founder of MAB Corporation, establishing the organisation with his brother Michael Buxton in 1995.

Andrew has a Bachelor of Civil Engineering from the University of Melbourne, and has since gained over 30 years in the property development industry. Before diversifying into property, Andrew headed Associated Quarries and Asphalts Group as co-Managing Director.

Michael Buxton
FAPI, MREI

Appointed 22 November 2001

Experience and special responsibilities

Michael Buxton has over 40 years of experience in the property industry that commenced with property management and sales in his family's business, JR Buxton Pty Ltd. In 1976 Michael co-founded Becton Corporation and as a Joint Managing Director built the company into one of the most successful property investment and development companies in Melbourne.

At the end of 1994, Michael sold his interest in Becton Corporation and in 1995 founded MAB Corporation with his brother Andrew. Michael is also Executive Director of MAB Corporation Pty Ltd.

Nicholas Gray
B Sc, AAPI,
MRICS

Appointed 22 November 2001

Experience and special responsibilities

Nicholas Gray has over 40 years' experience in the property industry, the last 35 of which have been in property investment and funds management. He is responsible for the overall management of the Scheme's operations. Nicholas has wide experience in the UK from 1976 to 1985 and in Australia since 1985. He was Head of Property at Norwich Union and Norwich Investment Management Ltd from 1987 to 1998 and during 1996-1997 was also General Manager - Funds Management of GRW Property Ltd, a company controlled by Norwich. In 1998 Nicholas was appointed Fund Manager of the Colonial First State Commercial Property Trust. Nicholas joined MAB Corporation in 2001 to establish its property funds management operation.

Nicholas is also a member of the Compliance Committee

MAB Corporation Syndicated Loan Fund 2 (formerly: MAB Hotel Property Trust) (ARSN 121 054 582)

Company Secretary

Mick Brennan

Experience and special responsibilities

B Com

Mick commenced his career as a Chartered Accountant in Brisbane, then following several years in a London Chartered firm he joined Mobil Oil where he worked as Manager in International Corporate Audit (London), Manager General Accounting (Melbourne), Refinery Accounting Manager (Adelaide) and as CFO and Company Secretary of a road surfacing subsidiary which ultimately merged with CSR Road Surfacing to become the leader in the Australian marketplace. In 1997 Mick joined Linfox as General Manager of Accounting and Administration. When Linfox acquired Armaguard in 2003 he became CFO and following numerous further acquisitions he became CEO of the Armaguard group in 2007.

Mick is also a member of the Advisory Board and Chief Financial Officer of MAB since his appointment in April 2010. He has extensive experience in mergers and acquisitions, strategy development/execution as well as general management particularly within finance disciplines.

Review of Operations

The Scheme commenced operations on 18 May 2017, when the Scheme accepted its first application for \$400,000.

A Facility Agreement was executed and loan drawdown occurred on 15 August 2017. As per the PDS the loan accrues interest at a rate of 8.5% per annum, compounding monthly.

Due to delays in drawing down the funds, the Borrower has agreed to pay a contribution to the Scheme in lieu of the drawdown occurring subsequent to year end.

During the year the scheme made a profit of \$4,776 (2016: Nil).

Capital Management

As at 30 June 2017, the Scheme had distribution payable of \$4,108. This is offset by an interest bearing asset of \$4,108 relating to amounts agreed with the Borrower, to be paid to the Scheme in lieu of the initial draw down occurring subsequent to balance date.

Distributions

In accordance with the Product Disclosure Statement, all distributions payable on the equity raised were declared to unitholders during the period.

Unit on Issue

The movement in units on issue of the Scheme for the year was as follows:

| | 2017 | 2016 |
|--|----------------|------------|
| | \$ | \$ |
| Units on issue as at the beginning of the year | 100 | 100 |
| Units issued as cash applications | 400,000 | - |
| Units redeemed | (100) | - |
| Units on issue at the end of the year | 400,000 | 100 |

Responsible Entity Fees and Other Transactions

As per the Product Disclosure Statement, all ongoing administration costs of the Scheme are paid by the Borrower.

Units in the Scheme held by related parties

As at 30 June 2017 there are no units held in the scheme by related parties (2016: MAB Funds Management Ltd held 100 units).

Events Subsequent to Balance Date

On 15 August 2017 the Financing Agreement between MAB Funds Management Ltd and the Borrower was executed and the initial draw down on the facility was completed.

No other matters or circumstances have arisen since the end of financial year that have significantly affected or may significantly affect the operations of the Scheme, the results of those operations, or the state of affairs of the Scheme in future financial years.

MAB Corporation Syndicated Loan Fund 2 (formerly: MAB Hotel Property Trust) **(ARSN 121 054 582)**

Likely Developments

The Scheme will continue to seek equity in order to provide funding to the Borrower.

Significant Changes in the State of Affairs

On 18 May 2017 MAB Corporation Syndicated Loan Fund 2 (formerly: MAB Hotel Property Trust) accepted its first investors who are providing working capital to the Borrower.

Environmental Regulation

The Scheme's operations are not subject to any significant environmental Commonwealth or State regulations or laws.

Compliance Committee

In accordance with the Corporations Act 2001, the Responsible Entity has established a Compliance Committee in respect of the Scheme. A majority of the members of the Compliance Committee are independent of the Responsible Entity. The Compliance Committee Charter governs the operation of the Compliance Committee. The general functions of the Compliance Committee under the Compliance Committee Charter include:

- monitoring the compliance of the Responsible Entity with the Corporations Act, the Compliance Plan, the Constitution and the Responsible Entity's Australian Financial Securities License and reporting any breach to the Board;
- reporting to ASIC if the Compliance Committee is of the view that the Responsible Entity has not taken, or does not propose to take, appropriate action to deal with a matter reported;
- assessing, at regular intervals, whether the Compliance Plan is adequate;
- reporting to the Board on its assessment of the Compliance Plan; and
- making recommendations to the Board about any changes that it considers should be made to the Compliance Plan.

Independent members of the compliance committee include:

Bleddyn Gambold

Mr. Gambold has over 30 years' experience of managed investment schemes gained in Australia and overseas. In London and Hong Kong, he held senior positions within a major international trust bank and a global investment management company. Within Australia, he was a founding director of a company providing independent responsible entity and trustee services to managed investment schemes. In addition, Mr. Gambold sits on a number of Compliance Committees for major fund management/responsible entity companies.

Mr. Gambold has a BA (Hons) degree in Accountancy and is a Fellow of the Institute of Chartered Accountants England and Wales.

Paul Wheeler

Mr. Wheeler has more than 40 years' experience of property consultancy, valuations and estate agency in Victoria and the United Kingdom. His contribution to the real estate sector includes ten years on the Victorian Board of the Property Council of Australia and a similar period on the Victorian Committee of the Australian Property Institute.

Paul obtained an MA in Land Economy from Cambridge University, is a Fellow of the Royal Institution of Chartered Surveyors and is a Life Fellow of the Australian Property Institute. He has satisfied ASIC PS 146 compliance requirements and has acted as a responsible officer for an ASIC licensed responsible entity.

Paul's last full time position was with Urbis where he undertook a wide variety of valuation and consultancy projects. He retired as Director and Chairman in 2002.

Auditor's Independence Declaration

A copy of the auditor's independence declaration in relation to the audit for the period is provided with this report.

MAB Corporation Syndicated Loan Fund 2 (formerly: MAB Hotel Property Trust) (ARSN 121 054 582)

Indemnification and Insurance of Directors, Officers and Auditors

Insurance premiums

During the financial year the Responsible Entity has paid premiums in respect of its officers for liability and legal expenses for the year ended 30 June 2017. The Responsible Entity has paid or agreed to pay in respect of the Scheme, premiums in respect of such insurance contracts for the year ended 30 June 2017. Such insurance contracts insure against certain liability (subject to specific exclusions) for persons who are, or have been, Directors of the Responsible Entity, or Executive Officers of the Responsible Entity.

No insurance premiums have been paid in respect of auditors of the Scheme.

Indemnifications

Under the Scheme constitution the Responsible Entity, including its officers and employees, is indemnified out of the Scheme's assets for any loss, damage, expense or other liability incurred by it in properly performing or exercising any of its powers, duties or rights in relation to the Scheme.

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

On behalf of the Directors



Andrew Buxton
Director
MAB Funds Management Limited

27 September 2017

**MAB CORPORATION SYNDICATED LOAN FUND 2
(FORMERLY: MAB HOTEL PROPERTY TRUST)**

ARSN 121 054 582

**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF MAB CORPORATION SYNDICATED LOAN FUND 2
(FORMERLY: MAB HOTEL PROPERTY TRUST)**

In relation to the independent audit for the year ended 30 June 2017, to the best of my knowledge and belief there have been:

- (i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) No contraventions of APES 110 *Code of Ethics for Professional Accountants*.



N R BULL
Partner

27 September 2017



PITCHER PARTNERS
Melbourne

**MAB Corporation Syndicated Loan Fund 2 (formerly: MAB
Hotel Property Trust)
(ARSN 121 054 582)**

**STATEMENT OF PROFIT AND LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017**

| | Note | 2017 \$ | 2016 \$ |
|--|------|--------------|------------|
| INCOME | | | |
| Other Income | | 4,123 | - |
| Bank Interest Income | | 668 | - |
| TOTAL INCOME | | 4,791 | - |
| EXPENSES | | | |
| Bank Fees and Charges | | 15 | - |
| TOTAL EXPENSES | | 15 | - |
| NET PROFIT | | 4,776 | - |
| COMPREHENSIVE INCOME FOR THE YEAR | | 4,776 | - |

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

**MAB Corporation Syndicated Loan Fund 2 (formerly: MAB
Hotel Property Trust)
(ARSN 121 054 582)**

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017**

| | Note | 2017 \$ | 2016 \$ |
|--------------------------------------|------|----------------|------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 6 | 400,303 | 100 |
| Accrued Income | 7 | 365 | - |
| TOTAL CURRENT ASSETS | | 400,668 | 100 |
| NON CURRENT ASSETS | | | |
| Receivable | 10 | 4,108 | - |
| TOTAL NON CURRENT ASSETS | | 4,108 | - |
| TOTAL ASSETS | | 404,776 | 100 |
| CURRENT LIABILITIES | | | |
| Payables | 8 | 358 | - |
| TOTAL CURRENT LIABILITIES | | 358 | - |
| NON CURRENT LIABILITIES | | | |
| Distribution Payable | 9 | 4,418 | - |
| TOTAL NON CURRENT LIABILITIES | | 4,418 | - |
| TOTAL LIABILITIES | | 4,776 | - |
| NET ASSETS | | 400,000 | 100 |
| EQUITY | | | |
| Issued Units | 11d | 400,000 | 100 |
| TOTAL EQUITY | | 400,000 | 100 |

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

**MAB Corporation Syndicated Loan Fund 2 (formerly: MAB
Hotel Property Trust)
(ARSN 121 054 582)**

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017**

| | Issued Equity | Retained Earnings | Reserves | Total Equity |
|---|------------------|----------------------|----------|-----------------|
| | \$ | \$ | \$ | \$ |
| OPENING BALANCE 1 JULY 2016 | 100 | - | - | 100 |
| Net Profit for period | - | 4,776 | - | 4,776 |
| Total Comprehensive Income for the year | 100 | 4,776 | - | 4,876 |
| Transactions with owners in their capacity as owners | | | | |
| Repayments of units | (100) | - | - | (100) |
| Proceeds from units issued | 400,000 | - | - | 400,000 |
| Distributions paid and payable | - | (4,776) | - | (4,776) |
| CLOSING BALANCE 30 JUNE 2017 | 400,000 | - | - | 400,000 |

| | Issued Equity | Retained Earnings | Reserves | Total Equity |
|---|------------------|----------------------|----------|-----------------|
| | \$ | \$ | \$ | \$ |
| OPENING BALANCE 1 JULY 2015 | 100 | - | - | 100 |
| Net Profit for period | - | - | - | - |
| Total Comprehensive Income for the year | 100 | - | - | 100 |
| Transactions with owners in their capacity as owners | | | | |
| CLOSING BALANCE 30 JUNE 2016 | 100 | - | - | 100 |

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

**MAB Corporation Syndicated Loan Fund 2 (formerly: MAB
Hotel Property Trust)
(ARSN 121 054 582)**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017**

| | Note | 2017 \$ | 2016 \$ |
|--|------|------------|------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Bank Interest Income | | 318 | - |
| Bank Fees and Charges | | (15) | - |
| Net cash provided by operating activities | 12 | 303 | - |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Net cash inflow used in investing activities | | - | - |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Loans Advanced | | - | - |
| Units Redeemed | | (100) | - |
| Proceeds from issue of units | | 400,000 | - |
| Net cash provided by financing activities | | 399,900 | - |
| Net increase in cash and cash equivalents | | 400,203 | - |
| Cash and cash equivalents at the beginning of the year | | 100 | 100 |
| Cash and cash equivalents at the end of the year | | 400,303 | 100 |

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

MAB Corporation Syndicated Loan Fund 2 (formerly: MAB Hotel Property Trust) (ARSN 121 054 582)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied throughout the financial year.

(a) Basis of preparation

This financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. The scheme is a for-profit scheme for the purpose of preparing the financial statements.

The Responsible Entity of the Scheme is MAB Funds Management Limited (the 'Responsible Entity'). The financial report is presented in the Australian currency.

The Schemes objective is to provide returns to investors via interest received from loans provided to the Borrower.

The financial report was authorised for issue by the directors of the Responsible Entity on 27 September 2017.

Compliance with IFRS

The financial report of the Scheme also complies with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical Cost Convention

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes on assets as described in the accounting policies.

Significant accounting estimates

The preparation of the financial report requires the use of certain estimates and judgements in applying the Scheme's accounting policies. Those estimates and judgements significant to the financial report are disclosed in Note 4.

(b) Revenue

Revenue for the Scheme comprises of transaction and interest income all of which is recognised in the income statement on an accruals basis. Transaction fees are recorded on the basis of the various agreements to which the Scheme is a part to.

(c) Accrued Income

Accrued Income relate to accrued cost recoveries from the Borrower and are recognised initially at fair value, and subsequently measured at fair value less a provision for impairment. These are expected to be recovered through the loan settlement process.

(d) Payables

Trade and other payables relate to withholding taxes paid by the Borrower on behalf of the investors. These are expected to be recovered through the loan settlement process.

(e) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(f) Taxation

Under current legislation the Scheme is not subject to Australian income tax as its taxable income (including assessable realised capital gains) is distributed in full to the unitholders.

Provision is made for the amount of any distribution declared, determined or publicly recommended by the directors on or before the end of the period but not distributed at reporting date.

MAB Corporation Syndicated Loan Fund 2 (formerly: MAB Hotel Property Trust) (ARSN 121 054 582)

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments

Classification

The Scheme classifies its financial instruments in the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Loans and Receivables

Loans and receivables are measured at fair value at inception and subsequently at amortised cost using the effective interest rate method.

Financial Liabilities

Financial liabilities include trade payables, other creditors and loans from third parties including amounts due to director-related entities.

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Non-derivative financial instruments

Non-derivative financial instruments consist of investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are initially recognised at fair value, plus directly attributable transaction costs (if any), except for instruments recorded at fair value through profit or loss. After initial recognition, non-derivative financial instruments are measured as described below.

(h) Interest bearing liabilities

Interest bearing liabilities are initially recognised at fair value, net of transaction costs incurred. Interest bearing liabilities are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the interest bearing liability using the effective interest method.

Interest bearing liabilities are classified as current liabilities unless the Scheme has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Interest bearing liabilities are derecognised from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed is recognised in other income or other expenses.

(i) Distributions

A provision is made for the amount of any distribution declared by the Responsible Entity on or before the end of the reporting period but not distributed at the end of the reporting period.

(j) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosure.

(k) New accounting standards and interpretations

Adoption of new and amended accounting standards that are first operative at 30 June 2017

AASB 1057: Application of Australian Accounting Standards and AASB 2015-9: Amendments to Australian Accounting Standards – Scope and Application Paragraphs (applicable for annual reporting periods commencing on or after 1 January 2016).

These Standards make amendments to Australian Accounting Standards and Interpretations to relocate the application paragraphs within the individual Standards and Interpretations to AASB 1057, the primary purpose of which is to facilitate the publication of Australian versions of International Financial Reporting Standards (IFRS). These Standards do not alter the accounting requirements in Australian Accounting Standards and Interpretations.

MAB Corporation Syndicated Loan Fund 2 (formerly: MAB Hotel Property Trust) (ARSN 121 054 582)

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) New accounting standards and interpretations (continued)

These Standards are not expected to significantly impact the Scheme's financial statements.

AASB 2015-1: Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle (applicable for annual reporting periods commencing on or after 1 January 2016).

This Amending Standard amends a number of Australian Accounting Standards arising from the issuance of Annual Improvements to IFRSs 2012-2014 Cycle by the International Accounting Standards Board (IASB), including:

- AASB 7: Financial Instruments: Disclosures to clarify: (a) what 'continuing involvement' means in the context of a transferred financial asset; and (b) the circumstances in which the offsetting disclosures in AASB 2012-2: Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities apply to interim statements;
- AASB 134: Interim Financial Reporting to clarify that certain disclosures may be incorporated in the interim financial statements by cross-reference to another part of the interim financial report.

This Standard is not expected to significantly impact the Scheme's financial statements.

AASB 2015-2: Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 (applicable for annual reporting periods commencing on or after 1 January 2016).

This Amending Standard makes a number of narrow-focus amendments that address concerns regarding the application of some of the presentation and disclosure requirements in AASB 101: Presentation of Financial Statements. These amendments include clarification that:

- an entity discloses its significant accounting policies (not a summary of those policies);
- materiality applies in respect of items specifically required to be presented or disclosed, even when AASB 101 contains a list of specific requirements or describes them as minimum requirements;
- entities have flexibility in relation to the order in which they present their notes; and
- the requirements that apply when additional subtotals are presented in the statement of profit or loss and other comprehensive income and statement of financial position.

This Standard is not expected to significantly impact the Scheme's financial statements.

(l) Borrowing Costs

Borrowing costs can include interest expense calculated using the effective interest method, finance charges in respect of finance leases, and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowing costs are expensed as incurred, except for borrowing costs incurred as part of the cost of the construction of a qualifying asset which are capitalised until the asset is ready for its intended use or sale.

NOTE 2: FINANCIAL RISK MANAGEMENT

The Scheme's activities expose it to financial risks in regards to credit risk and liquidity risk.

Risk management is carried out by the finance department. The department identifies, evaluates and hedges financial risks in close co-operation with the Scheme's operating units.

(a) Market Risk

(i) Price Risk

The Scheme is not exposed to price risk. The only assets held by the Scheme relate to trade amounts receivable provided by the Borrower.

(ii) Cash flow and fair value interest rate risk

The Scheme does not have any cash flow or interest rate risk. All expenses are paid by the Borrower and all interest received/paid is fixed via the PDS and loan documentation.

MAB Corporation Syndicated Loan Fund 2 (formerly: MAB Hotel Property Trust)

(ARSN 121 054 582)

NOTE 2: FINANCIAL RISK MANAGEMENT (continued)

(a) Market Risk (continued)

(iii) Currency Risk

The Scheme is not exposed to currency risk.

(b) Credit Risk

Credit risk represents the loss that would arise if a counterparty to a financial asset fails to discharge an obligation or commitment that they have entered into with the company.

The financial assets exposed to credit risk are cash and cash equivalents and trade and other receivables. At 30 June 2017 the maximum credit risk was \$404,776.

The exposure to credit risk in respect of compensation provided from the Borrower that totalled \$4,108 and is minimised by the covenant requirements of the Borrower as part of the loan documentation signed 15 August 2017.

Cash and cash equivalents are also exposed to credit risk totalling \$400,303. Risk is minimised by cash being held with Australian banks or their subsidiaries.

(c) Liquidity Risk

The Scheme has no liquidity risk, as per the PDS all Scheme administration costs are paid directly by the Borrower, in the case of direct charges to the Scheme

Maturity analysis

The finance facility provided to the Borrower expires at the earlier of:

- Practical completion of the Elm & Stone residential development; and
- 30 June 2020.

Construction of the Elm & Stone project had commenced at 30 June 2017, however completion of the works is not forecast to occur within 12 months, and as a result the loan balance has been classified as non-current.

(d) Fair value compared with carrying amounts

The carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair value as at the reporting date.

MAB Corporation Syndicated Loan Fund 2 (formerly: MAB Hotel Property Trust) (ARSN 121 054 582)

NOTE 3: FAIR VALUE MEASUREMENTS

(a) Fair value hierarchy

Asset and liabilities measured and recognised at fair value have been determined by the following fair value measurement hierarchy:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Input other than quoted prices included within level 1 that are observed for the asset or liability, either directly or indirectly
- Level 3: Inputs for the asset or liability that are not based on observable market data

No Assets or Liabilities were held at fair value at 30 June 2017 (2016:nil)

Transfers between level 1 and level 2

There were no transfers between level 1 and level 2 of the fair value hierarchy during the year.

(b) Valuation techniques and inputs used in level 2 & 3 fair value measurements

There were no level 2 or 3 fair value assets at 30 June 2017 (30 June 2016: nil).

NOTE 4: SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Scheme makes estimates and assumptions concerning the future. The resulting accounting estimates will by definition seldom equal the related actual results. No estimates or assumptions are believed to have a significant risk of causing a material misstatement. These estimates and assumptions include assessment of fair value of deferred tax liabilities. Further information as to how the estimates and assumptions are made is discussed below:

(a) Income tax

Under current legislation the Scheme is not subject to income tax as its taxable income (including assessable realised capital gains) is distributed in full to the unitholders.

In accordance with the Product Disclosure Statement and Constitution, the Scheme fully distributes its taxable income to unitholders. This assumes the continued consistent treatment of this matter by the Australian Taxation Office.

NOTE 5: AUDITORS REMUNERATION

| | 2017 | 2016 |
|-----------------------------|---------------|--------------|
| | \$ | \$ |
| Audit Services | 15,000 | 2,750 |
| Total Audit Services | 15,000 | 2,750 |

During the Period the following fees were paid or payable for service provided by the auditor of the Scheme. During the year ended 30 June 2017, these fees will be paid by the Borrower and were not recharged to the Scheme (2016: Fees were paid by the Responsible Entity and not recharged to the Scheme).

NOTE 6: CASH AND CASH EQUIVALENTS

| | 2017 | 2016 |
|--|----------------|------------|
| | \$ | \$ |
| Cash on hand | 400,303 | - |
| Petty Cash | - | 100 |
| Total Cash and Cash Equivalents | 400,303 | 100 |

MAB Corporation Syndicated Loan Fund 2 (formerly: MAB Hotel Property Trust) (ARSN 121 054 582)

NOTE 7: ACCRUED INCOME

| | 2017 | 2016 |
|-----------------------------|------------|----------|
| | \$ | \$ |
| Accrued Cost Recoveries | 365 | - |
| Total Accrued Income | 365 | - |

Under the Product Disclosure Statement, all Scheme administration costs are paid directly by the Borrower, in the case of direct charges to the Scheme.

NOTE 8: PAYABLES

| | 2017 | 2016 |
|---|------------|----------|
| | \$ | \$ |
| MAB Corporation - Withholding taxes payable | 358 | - |
| Total Payables | 358 | - |

NOTE 9: DISTRIBUTION PAYABLE

| | 2017 | 2016 |
|---|--------------|----------|
| | \$ | \$ |
| Distribution Payable - MAB Corporation Compensation | 3,800 | - |
| Distribution Payable - Bank Interest | 618 | - |
| Total Distribution Payable | 4,418 | - |

Distribution payable –MAB Corporation compensation comprises \$4,108 of distributable income generated by interest bearing compensation, offset by \$308 non-interest bearing receivable. The receivable relates to withholding taxes payable on behalf of the investors for the period from 18 May 2017 to 30 June 2017.

NOTE 10: RECEIVABLES

| | 2017 | 2016 |
|--------------------------------|--------------|----------|
| | \$ | \$ |
| Compensation from the Borrower | 4,108 | - |
| Total Loans Advanced | 4,108 | - |

The loan was not drawn by MAB Corporation until 15 August 2017. Per the Product Disclosure Statement and Facility Agreement, interest will accrue at the date of the initial draw down. The Receivable comprises of amounts agreed by the Borrower to pay the Scheme in lieu of the delays in drawing the funds.

MAB Corporation Syndicated Loan Fund 2 (formerly: MAB Hotel Property Trust) (ARSN 121 054 582)

NOTE 11: ASSET BACKING PER UNIT

(a) Changes in Equity During the Year

| | 2017 \$ | 2016 \$ |
|---|----------------|------------|
| Net Assets attributed to unitholders at beginning of the year | 100 | 100 |
| Changes in net assets attributed to unitholders | 399,900 | - |
| Total Equity at the end of the year | 400,000 | 100 |

(b) Units on Issue

| | 2017 \$ | 2016 \$ |
|--|----------------|------------|
| Units on issue as at the beginning of the year | 100 | 100 |
| Units issued as cash applications | 400,000 | - |
| Units redeemed | (100) | - |
| Units on issue at the end of the year | 400,000 | 100 |

(c) Net assets attributable to unitholders per unit

| | 2017 \$ | 2016 \$ |
|--|-------------|-------------|
| Net Assets attributable to unitholders per unit | 1.00 | 1.00 |

(d) Issue equity at the end of the year

| | 2017 | 2016 |
|---|----------------|------------|
| Issued equity at the end of the year | 400,000 | 100 |

NOTE 12: NOTES TO THE STATEMENT OF CASH FLOWS

| | 2017 \$ | 2016 \$ |
|---|------------|------------|
| Net Profit | 4,776 | - |
| Adjustment for non cash items | - | - |
| Increase/(decrease) in distribution payable | (4,418) | |
| (Decrease)/increase in accrued income | 303 | |
| (Decrease)/increase in payables | (358) | |
| Net Cash inflows from Operating Activities | 303 | - |

NOTE 13: RELATED PARTIES

Responsible Entity

The Responsible Entity of MAB Corporation Syndicated Loan Fund 2 (formerly: MAB Hotel Property Trust) is MAB Funds Management Ltd (ABN 36 098 846 701) whose immediate and ultimate holding company is MAB Corporation Pty Ltd (ABN 78 917 019 883).

(a) Responsible Entity Fees and Other Transactions

There are no Responsible Entity Fees or other transactions. Under the Product Disclosure Statement, all Scheme administration costs are paid directly by the Borrower, in the case of direct charges to the Scheme.

MAB Corporation Syndicated Loan Fund 2 (formerly: MAB Hotel Property Trust) (ARSN 121 054 582)

NOTE 13: RELATED PARTIES (Continued)

(b) Related party investment held by the Scheme

The Scheme has no investment in the Responsible Entity at year end. The Scheme has no investment in other schemes of which the MAB Funds Management Limited is also the Responsible Entity.

(c) Payables to Responsible Entity

The Scheme has no outstanding payable to the Responsible Entity at year end.

(d) Units in the Scheme held by related parties

Details of holdings in the Scheme by the Responsible Entity, directors, director related entities or other Schemes also managed by the Responsible Entity are set out as below:

| | Number of Units Held | Fair Value of Units Held |
|----------------------|-------------------------|-----------------------------|
| 2016 | | |
| MAB Funds Management | 100 | 100 |
| 2017 | | |
| MAB Funds Management | 0 | 0 |

NOTE 14: CONTINGENT ASSETS AND LIABILITIES

There are no contingent assets or liabilities as at 30 June 2017.

NOTE 15: SUBSEQUENT EVENTS

On 15 August 2017 the Loan Agreement between MAB Funds Management Ltd and the Borrower was executed and the initial draw down on the facility was completed.

No other matters or circumstances have arisen since the end of financial year that have significantly affected or may significantly affect the operations of the Scheme, the results of those operations, or the state of affairs of the Scheme in future financial years.

**MAB Corporation Syndicated Loan Fund 2 (formerly: MAB
Hotel Property Trust)
(ARSN 121 054 582)**

**DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2017**

In the opinion of the directors of MAB Funds Management Limited, the Responsible Entity of the MAB Corporation Syndicated Loan Fund 2:

1. The financial statements and notes as set out on pages 7 to 18, are in accordance with the *Corporations Act 2001* and:
 - (a) Comply with Accounting Standards in Australia and the Corporations Regulations 2001;
 - (b) As stated in Note 1(a) the financial statements also comply with International Financial Reporting Standards; and
 - (c) Give a true and fair view of the financial position of the Scheme as at 30 June 2017 and of its performance, as represented by the results of its operations and its cash flows for the financial year ended on that date.
2. There are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable.

This declaration has been made in accordance with a Resolution of the Directors of the Responsible Entity, MAB Funds Management Limited.



Andrew Buxton
Director
MAB Funds Management Limited
27 September 2017

**MAB CORPORATION SYNDICATED LOAN FUND 2
(FORMERLY: MAB HOTEL PROPERTY TRUST)
ARSN 121 054 582**

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
MAB CORPORATION SYNDICATED LOAN FUND 2
(FORMERLY: MAB HOTEL PROPERTY TRUST)**

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of MAB Corporation Syndicated Loan Fund 2, “the Scheme”, which comprises the statement of financial position as at 30 June 2017, the statement of 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 the directors’ declaration.

In our opinion, the accompanying financial report of the Scheme is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Scheme’s financial position as at 30 June 2017 and of its financial performance for the year then ended; and
- (b) 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 Scheme 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 Company, 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 information included in the Scheme’s annual report for the year ended 30 June 2017, 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 accordingly we do not express any form of assurance conclusion thereon.

**MAB CORPORATION SYNDICATED LOAN FUND 2
(FORMERLY: MAB HOTEL PROPERTY TRUST)
ARSN 121 054 582**

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
MAB CORPORATION SYNDICATED LOAN FUND 2
(FORMERLY: MAB HOTEL PROPERTY TRUST)**

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 Company 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 Scheme 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 Scheme 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 Scheme's internal control.

**MAB CORPORATION SYNDICATED LOAN FUND 2
(FORMERLY: MAB HOTEL PROPERTY TRUST)
ARSN 121 054 582**

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
MAB CORPORATION SYNDICATED LOAN FUND 2
(FORMERLY: MAB HOTEL PROPERTY TRUST)**

- 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 Scheme'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 Scheme 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 Scheme to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Scheme 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.



N R BULL
Partner



PITCHER PARTNERS
Melbourne

27 September 2017