



MAB International Retail Trust

ARSN 121 054 662

Responsible Entity

MAB Funds Management Limited

ABN 36 098 846 701

**Financial report
for the year ended
30 June 2017**

FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2017

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DIRECTORS' OF RESPONSIBLE ENTITY REPORT FOR THE YEAR ENDED 30 JUNE 2017

The Directors of MAB Funds Management Limited ("the Responsible Entity"), the Responsible Entity of the MAB International Retail Trust ("Scheme") present their report together with the consolidated financial report for the MAB International Retail Trust. The financial report includes financial statements for the MAB International Retail Trust and Controlled Entities ("MAB International Retail Trust Consolidated" or "Group"). This financial report has been prepared in accordance with Australian Accounting Standards.

Principal Activities

The Scheme is a Managed Investment Scheme domiciled in Australia. The principal activity of the Scheme during the financial year was property investment in the United States of America in accordance with the Scheme's constitution. There has been no significant change in the nature of these activities during the financial year. The Scheme did not have any employees during the year.

The Scheme's investment is carried out via its 100% holding in MAB International Holdings No 1 Trust, which in turn owns 100% of the ordinary shares on issue in MAB American Property REIT Inc. MAB American Property REIT Inc currently has six fully owned subsidiaries which invest directly in US retail property.

Directors

The Directors of the Responsible Entity 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

Directors' of Responsible Entity Report (Continued)

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 and Results

As at 30 June 2017, the Scheme's portfolio comprised 5 investment properties weighted 100% towards grocery anchored retail in North Carolina. As at 30 June 2017, the portfolio's valuation of \$57.6M has decreased by AUD\$7.2M from \$64.8M at 30 June 2016.

Management considered new independent valuations and the results of a sales campaign carried out to gauge market interest, and decided to adopt book values of US \$44.3M, being a decrease of USD\$3.8M from 2016. This together with foreign exchange movements (AUD strengthened against the USD from 0.7426 to 0.7692), lead to a valuation of \$57.6M (US \$44.3M), decreasing from \$64.8M in 2016 (US\$48.1M).

Operational Overview

The Scheme recorded a net loss after tax of \$3.6M for the year ended 30 June 2017 due to the revaluation decrease on the property assets of \$5.3M (2016: \$2.8M profit).

The investment property portfolio net rental income in USD has decreased by approximately 1.2% (2016: 2.4% decrease year on year).

In the twelve months to 30 June 2017, the key leasing activity included:

At Cheshire Commons Shopping Centre, occupancy of 100% (2016: 100%):

- Anntony's Caribbean Café renewed its lease for 3 years from 31/08/2016.

At Cheshire Place Shopping Centre, occupancy of 74.4% (2016: 100%).

- LAT Fitness ceased operations in December and a replacement tenant is being sought.
- Avis Car Rental renewed its lease for 3 years from 31/01/2017
- Dr Tally renewed his lease for 5 years from 31/03/2017

At Terraces at the Park, Charlotte, occupancy of 93.3% (2016: 96.9%).

- New tenant Ritu Selects entered into a lease for a term expiring on 31/12/2021.
- New tenant, Sabor Latin Grill has entered into a lease for a 10 year term from 14/01/2017.
- Hearts Cleaners renewed its lease for a term expiring on 31/01/2020.
- Mecklenburg Bridal vacated its tenancy on lease expiry on 01/05/2017.

At Grandview Plaza, occupancy of 100% (2016: 100%).

- Food Lion, agreed to extend its lease renewal option by a further 5 years giving a total new term of 10 years from 10/12/2016.
- Subway agreed to renew its lease for 3 years from 31/10/2017

At Eastfield Village, occupancy of 89.3% (2016: 89.0%),

- New tenant Comprehab entered into a lease for a term expiring on 06/02/2022.
- Loco Lime renewed its lease for 5 years from 31/12/2016
- Lee's Martial Arts renewed its lease for 5 years from 31/07/2016.
- Dr Kendrick renewed his lease for 10 years from 30/04/2017
- Eastfield Bar & Grill agreed to renew its lease for 5 years from 31/01/2017

The portfolio Weighted Average Lease Expiry as at 30 June 2017 was 4.2 years (30 June 2016: 4.3 years).

Directors' of Responsible Entity Report (Continued)

Property Valuations and Portfolio Metrics

Property Valuations

During May and June 2017, the Scheme underwent a sales process to gauge market interest in the property portfolio. Additionally, CBRE undertook an independent assessment of the Scheme's property assets as at 30 June 2017.

The sales process was managed by Berkeley Capital Advisors who specialise in property transactions in the South East of the USA.

CBRE is a global firm specialising in valuations of commercial property as well as sales, leasing and property management and was selected based on the individual valuers expertise and knowledge of the property markets for each specific asset valued.

The Management Team includes a valuation specialist with over 40 years' experience who is a member of the Australian Property Institute, Royal Institution of Chartered Surveyors.

Post these processes, all properties, other than Grandview Plaza, have been valued at the purchase offers received. Grandview property did not receive a stand-alone offer and has been valued at the CBRE external valuation. The overall portfolio has been valued at USD\$44.3M (2016 USD\$48.1M).

The decreased book values and strengthening Australian Dollar have meant the net tangible asset backing at 30 June 2017 has decreased to \$0.32 (30 June 2016: \$0.38). This value does not include any transaction costs or early debt repayments penalties that may be incurred in the sale of each property. If the debt was to be repaid as at 30 June 2017 the early debt repayments penalties would have been \$4.2M (\$0.05 per unit).

Investment Property Portfolio Metrics

The average capitalisation rate for the Investment Property portfolio as at 30 June 2017 was 9.02% (2016: 7.97%). The tenancy profile remains strong with 39% (June 2016: 39%) of income coming from grocery based anchor tenants. 3.75% (June 2016: 4.27%) of the portfolio income is due to expire within the twelve months of 30 June 2017. Vacancy as at 30 June 2017 is 8.45% (June 2016: 4.9%).

Capital Management

As at 30 June 2017, the Scheme had interest bearing debt of \$31.4M, decreased from \$33.4M as at 30 June 2016. This was primarily due to repayments on the loans for USD\$0.7M offset by the AUD strengthening against the USD from 0.7426 at 30 June 2016 to 0.7692 at 30 June 2017. This offset by a \$5.3M decrease in the property value resulted in property gearing increasing from 51.6% at June 2016 to 54.4% as at 30 June 2017.

Distributions

Distribution paid or payable in respect of the financial year were:

	2017	2017	2016	2016
	\$'000	\$ per unit	\$'000	\$ per unit
Interim income distribution paid	-	-	-	-
Interim capital distribution paid	608	0.007	1,100	0.013
Final income distribution payable	-	-	-	-
Final capital distribution payable	-	-	322	0.004
Total Distribution	608	0.007	1,422	0.017

Directors' of Responsible Entity Report (Continued)

Units on Issue

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

	2017 000's	2016 000's
Units on issue at the beginning of the year	85,951	85,951
Units redeemed	-	-
Units on issue at the end of the year	85,951	85,951

Scheme Assets

	2017 \$'000	2016 \$'000
Value of total scheme assets as at 30 June	60,123	68,000

The basis for valuation of the assets is disclosed in Note 1.

Responsible Entity Fees and Other Transactions

There were no Responsible Entity fees charges during the financial year.

MAB Rosenthal LLC is a related party of MAB Funds Management Limited and has provided asset management services for the Company's properties. The aggregate amount paid by the Group to MAB Rosenthal LLC for these services during the year ended 30 June 2017 was \$375,592. Other liabilities include \$500,972 payable to MAB Rosenthal LLC for asset management fees at 30 June 2017. Under the arrangement with MAB Rosenthal LLC, a portion of the asset management fees is contingent on the profitability of the Company.

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 '000	Number of units held \$'000
2017		
Windyvale Pty Ltd	27,900	8,928
MRB Group No.49 Pty Ltd	28,080	8,986
Andrea Brisbane	23	7
MAB Administration and Management Services P/L	17,642	5,645
Andrew Buxton & Geraldine Buxton A/C Jero Pty Ltd Superannuation Fund	1,073	343
Buxton Super Pty Ltd A/C A & G Buxton Superannuation Funds	684	219
Related party total	75,402	24,129
2016		
Windyvale Pty Ltd	27,900	10,602
MRB Group No.49 Pty Ltd	28,080	10,670
Andrea Brisbane	23	9
MAB Administration and Management Services P/L	17,642	6,704
Andrew Buxton & Geraldine Buxton A/C Jero Pty Ltd Superannuation Fund	1,073	408
Buxton Super Pty Ltd A/C A & G Buxton Superannuation Funds	684	260
Related party total	75,402	28,653

Derivatives and other financial instruments

The Scheme's investments and trading activities expose it to changes in interest rates and equity market variations as well as credit and liquidity risk. The directors have approved policies and procedures in each of these areas to manage these exposures. The Scheme does not speculatively trade derivatives and only utilises derivatives to manage the risk and return of the Scheme's investments.

Directors' of Responsible Entity Report (Continued)

Significant Changes in the State of Affairs

Other than stated within the review of operations there have been no significant changes in the Scheme's state of affairs during the financial year.

After Balance Date Events

Subsequent to 30 June 2017, the Scheme has extended the expiry date relating the USD\$7.2M financing facility with National Australia Bank from 31 October 2017, until the next unit redemption opportunity on 9 March 2019.

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

Likely Developments

The Scheme will continue to pursue its operating strategy to provide returns through real estate investment management.

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 are:

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.

Directors' of Responsible Entity Report (Continued)

Indemnification and Insurance of Directors, Officers and Auditors

Insurance premiums

During the period the Responsible Entity has paid premiums in respect of its officers for liability and legal expenses for the period 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. Under the terms of the contract with the insurer, disclosure of the premiums and coverage levels is prohibited.

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.

Rounding

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts in the directors' report and in the financial report have been rounded to the nearest one thousand dollars, or in certain cases, to the nearest dollar (where indicated).

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.

Signed in accordance with a resolution of the directors.



Andrew Buxton
Director
MAB Funds Management Limited
27 September 2017

**MAB INTERNATIONAL RETAIL TRUST
AND CONTROLLED ENTITIES
ARSN 121 054 662**

**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF MAB INTERNATIONAL RETAIL TRUST
AND CONTROLLED ENTITIES**

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*.

This declaration is in respect of MAB International Retail Trust and the entities it controlled during the year.



N R BULL
Partner



PITCHER PARTNERS
Melbourne

27 September 2017

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

	Note	2017 \$'000	2016 \$'000
INCOME			
Net rental income	6	4,805	4,990
Net gain from fair value movements of Investment Properties	10	-	659
Foreign Exchange Gain		9	-
Other revenue		22	37
TOTAL INCOME		4,836	5,686
EXPENSES			
Audit fees	7	93	85
Bad and Doubtful Debts		493	267
Custody, registry, accounting and legal fees		211	209
Finance costs		1,705	1,779
Asset management fee		376	397
Net loss from fair value movements of Investment Properties	10	5,340	-
Travel Costs		125	-
Foreign Exchange loss		-	1
Other expenses		117	142
TOTAL EXPENSES		8,460	2,880
NET LOSS BEFORE TAX		(3,624)	2,806
Income tax expense	14	-	-
NET PROFIT/(LOSS)		(3,624)	2,806
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to profit and loss			
Movement in foreign currency translation reserve		(1,164)	1,126
TOTAL OTHER COMPREHENSIVE INCOME		(1,164)	1,126
COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		(4,788)	3,932

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	Note	2017 \$'000	2016 \$'000
CURRENT ASSETS			
Cash and cash equivalents	19(b)	1,190	1,735
Trade and other receivables	8	412	628
Other current assets	9	916	865
TOTAL CURRENT ASSETS		2,518	3,228
NON CURRENT ASSETS			
Investments – Direct property	10	57,605	64,772
TOTAL NON CURRENT ASSETS		57,605	64,772
TOTAL ASSETS		60,123	68,000
CURRENT LIABILITIES			
Trade and other payables	11	893	954
Interest bearing liabilities	13	10,391	979
Other liabilities	12	666	684
Distribution Payable	18	-	322
TOTAL CURRENT LIABILITIES		11,950	2,939
NON CURRENT LIABILITIES			
Interest bearing liabilities	13	20,961	32,453
TOTAL NON CURRENT LIABILITIES		20,961	32,453
TOTAL LIABILITIES		32,911	35,392
NET ASSETS		27,212	32,608
EQUITY			
Issued Equity	15(d)	33,207	33,815
Accumulated Losses	17	(8,319)	(4,695)
Reserves	16	2,324	3,488
TOTAL EQUITY		27,212	32,608

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES OF EQUITY FOR THE YEAR ENDED 30 JUNE 2017

	Issued Equity \$'000	Retained Earnings \$'000	Reserves \$'000	Total Equity \$'000
OPENING BALANCE 1 JULY 2016	33,815	(4,695)	3,488	32,608
Net Loss for period	-	(3,624)	-	(3,624)
Movement in foreign currency translation reserve	-	-	(1,164)	(1,164)
Total Comprehensive Income for the year	-	(3,624)	(1,164)	(4,788)
Transactions with owners in their capacity as owners				
Distributions paid and payable	-	-	-	-
Capital distributions paid and payable	(608)	-	-	(608)
CLOSING BALANCE 30 JUNE 2017	33,207	(8,319)	2,324	27,212

	Issued Equity \$'000	Retained Earnings \$'000	Reserves \$'000	Total Equity \$'000
OPENING BALANCE 1 JULY 2015	35,237	(7,501)	2,362	30,098
Net Profit for period	-	2,806	-	2,806
Movement in foreign currency translation reserve	-	-	1,126	1,126
Total Comprehensive Income for the year	-	2,806	1,126	3,932
Transactions with owners in their capacity as owners				
Distributions paid and payable	-	-	-	-
Capital distributions paid and payable	(1,422)	-	-	(1,422)
CLOSING BALANCE 30 JUNE 2016	33,815	(4,695)	3,488	32,608

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 \$000's	2016 \$000's
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from operations		7,383	7,477
Cash payments from operations		(3,734)	(3,362)
Borrowing costs		(1,681)	(1,767)
Interest received		15	39
Net cash provided by operating activities	19(a)	1,983	2,387
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for capital improvements to investment properties	10	(413)	(149)
Proceeds released from escrow		(160)	(75)
Net cash used in investing activities		(573)	(224)
CASH FLOW FROM FINANCING ACTIVITIES			
Distributions paid		(967)	(1,422)
Withholding Taxes Paid		(182)	-
Net repayment of borrowings		(942)	(897)
Net cash used in financing activities		(2,091)	(2,319)
Net decrease in cash and cash equivalents		(681)	(156)
Cash and cash equivalents at the beginning of the year		1,735	1,704
Effect of exchange rate changes on cash and cash equivalents		136	187
Cash and cash equivalents at the end of the year	19(b)	1,190	1,735

The accompanying notes form part of these financial statements.

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 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 Scheme's objective is to provide returns to investors via the management and sale of real estate properties, in accordance with the objectives disclosed in the Product Disclosure Statements dated 17 January 2007 and updated by Investor communication dated 12 August 2016.

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

Going Concern

The financial report for the year ended 30 June 2017 has been prepared on a going concern basis.

As at 30 June 2017 the current liabilities of the Scheme exceeds its current assets by \$9.4M, primarily due to the \$9.4M (US\$7.2M) current interest bearing senior debt expiring in October 2017.

Subsequent to year end, Management received credit approved terms from the financier to extend the facility until March 2019. The facility extension is expected to be executed prior to the expiry of the current facility.

The directors of the Responsible Entity, after reviewing the Scheme's going concern status and management's plans, have concluded that the Scheme has reasonable grounds to expect to be able to pay its debts as and when they become due and payable.

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 of assets as described in the accounting policies.

Critical accounting estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain significant accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Refer to note 5 for details of critical accounting estimates.

(b) Principles of Consolidation

A controlled entity is any entity controlled by MAB International Retail Trust. Control exists where MAB International Retail Trust has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with MAB International Retail Trust to achieve the objectives of the Group.

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by MAB International Retail Trust as at 30 June 2017 and the results of all controlled entities for the year ended 30 June 2017. MAB International Retail Trust and its controlled entities together are referred to in this financial report as the consolidated entity.

All inter-group balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Transactions, balances and unrealised gains on transactions between group entities are eliminated on consolidation.

Where control of an entity is obtained during a financial period, its results are included in the consolidated income statement from the date on which control commences. Where control of an entity ceases during a financial period its results are included for that part of the period where control existed.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the parent entity.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. Specific revenues are recognised as follows:

Interest income

Interest revenue is recognised when it becomes receivable on a proportional basis taking into account the interest rates applicable to the financial assets.

Net rental income

Net Rental income is the rental income paid by each tenant less any direct expenses incurred in that tenant being able to operate the business and is brought to account on an accrual basis.

Expenses

Expenses are brought to account on an accruals basis.

(d) Distributions and 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.

The Scheme invests in an entity located in the United States of America that may be subject to certain state and local taxes on its income and property, and for federal income and excise taxes on its undistributed income. Consequently, the Scheme recognises deferred tax balances for any tax that may become payable in relation to this subsidiaries income and property.

Deferred tax balances are determined by calculating temporary differences based on the carrying amounts of an entity's assets and liabilities in the balance sheet and their associated tax bases. Specifically, a deferred tax balance is recognised for the capital gains tax payable in overseas jurisdictions on the disposal of foreign investments.

Deferred tax assets are recognised where Management is virtually certain that there will be sufficient future economic benefit generated to utilise the asset balance.

(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) Trade and other receivables

Trade receivables are recognised initially at fair value, and subsequently measured at fair value less a provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of receivables is raised when objective evidence of impairment in relation to collection exists on a case by case basis.

The provision is the difference between the assets carrying amount and the present value of estimated cash flows, discounted at the original effective interest rate. Cash flows for short term receivables are not discounted if the effect of discounting is immaterial.

(g) Trade and other payables

These amounts represent liabilities for goods and services provided to the Scheme prior to the end of the reporting period and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(h) Goods and Services Tax (GST)

The GST incurred on the costs of various services provided to the Responsible Entity by third parties such as audit fees, custodial services, compliance committee fees, legal fees and investment management fees, have been passed onto the Scheme. The Scheme qualifies for Reduced Input Tax Credits (RITC's) at a rate of 75% hence investment management fees, custodial fees and other expenses have been recognised in the Income Statement net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable are inclusive of GST. Cash flows relating to GST are included in the Statement of Cash Flows on a gross basis.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) 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.

Hedge Accounting

Certain derivatives may be designated as hedging instruments and are further classified as either fair value hedges or cash flow hedges.

At the inception of each hedging transaction the Scheme documents the relationship between the hedging instruments and hedged items, its risk management objective and its strategy for undertaking the hedge transaction. The Scheme also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

Fair value hedge

Changes in fair value of derivatives that are designated and qualified as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Cash flow hedge

To qualify as a cash flow hedge the underlying transactions generating the cash flows must be highly probable.

Changes in the fair value of derivatives that are designated and qualified as cash flow hedges are recognised in net assets attributable to unitholders in the cash flow hedging reserve. This gain or loss is released to profit or loss in the same period when the forecast transactions occur, thereby mitigating any foreign exchange and interest rate fluctuations that would have transpired in the absence of the hedge.

(j) Investment Property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at fair value. The Scheme has an internal valuation process for determining the fair value at each reporting date. An external, independent valuer, having an appropriate recognised professional qualification and recent experience in the location and category of property being valued, values individual properties every two years on a rotation basis or on a more regular basis if considered appropriate and as determined by management in accordance with Responsible Entity approved valuation policy. These external valuations are taken into consideration when determining the fair value of the investment properties. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties have each acted knowledgeably, prudently and without compulsion.

Valuations reflect, where appropriate; the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting of vacant accommodation and the market's general perception of their credit-worthiness; the allocation of maintenance and insurance responsibilities between lessor and lessee; and the remaining economic life of the property. It has been assumed that whenever rent reviews or lease renewals are pending with anticipated reversionary increases, all notices and where appropriate counter notices have been served validly and within the appropriate time.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Investment Property (continued)

The valuations in the current year have been assisted by a sales campaign as disclosed in the Directors Report and Note 10.

(k) Investments in Subsidiaries

The Scheme's investment is carried out via its 100% holding in an Australian unit trust; MAB International Holdings No 1 Trust, which in turn owns 100% of the ordinary shares on issue in MAB American Property REIT Inc. MAB American Property REIT INC is an entity domiciled in the United States which owns 100% of the membership interests in six individual Limited Liability Companies which are also domiciled in the United States. These Limited Liability Companies invest directly in US retail property.

(l) 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.

(m) Provisions

A provision is recognised in the balance sheet when MAB International Retail Trust Consolidated has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(n) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of MAB International Retail Trust Consolidated are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Australian dollars which is the functional and presentation currency of MAB International Retail Trust Consolidated.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currency are recognised in the income statement, except when deferred in unitholders' funds as qualifying cash flow hedges and qualifying net investment hedges, or are attributable to part of the net investment in a foreign operation.

(iii) Consolidated Entities

The results and financial position of foreign subsidiaries which has a functional currency different from the presentation currency is translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses in the income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of unitholders' funds.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments are taken to unitholders' funds. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the income statement as part of the gain or loss on sale.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) 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.

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.

These Standards are 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.

(p) Rounding of Amounts

The Parent entity and the consolidated entity have applied the relief available under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and accordingly, the amounts in the consolidated financial statements and in the directors' report have been rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar (where indicated).

(q) 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 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Comparative Information

During the current year the Scheme reallocated \$1.5M of prior year distributions from Accumulated Losses to Issued Equity.

This occurred due to a review of the distribution classification from the United States revealing that not all of the distributions related to US Taxable Profits and therefore the treatment in Australia was adjusted to reflect this.

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

NOTE 2: PARENT ENTITY INFORMATION

(a) Parent entity

The parent entity of the Group is MAB International Retail Trust.

(b) Financial information

	2017 \$'000	2016 \$'000
<i>Income Statement information</i>		
Net profit attributable to members of the parent entity	(4,789)	2,559
<i>Comprehensive income information</i>		
Total comprehensive income attributable to members of the parent entity	(4,789)	2,559
<i>Balance Sheet information</i>		
Current assets	287	72
Total assets	27,506	33,102
Current liabilities	295	494
Total liabilities	295	494
Net Assets	27,211	32,608
Equity attributable to members of the parent entity		
Contributed equity	33,238	33,846
Accumulated losses	(6,027)	(1,238)
Total Equity	27,211	32,608

(c) Guarantees

MAB International Retail Trust has not entered into any guarantees in the current or previous financial year.

(d) Contingent liabilities

MAB International Retail Trust has no contingent liabilities at 30 June 2017.

(e) Contractual capital commitments

MAB International Retail Trust does not have any contractual capital commitments as at 30 June 2017.

NOTE 3: FINANCIAL RISK MANAGEMENT

The MAB International Retail Trust's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk, cash flow interest rate risk, foreign exchange risk and price risk), credit risk and liquidity risk. The Scheme's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Scheme. The Scheme uses derivative financial instruments such as interest rate and foreign exchange swaps to hedge certain risk exposures. The Scheme uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and other price risks and ageing analysis for credit 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. Written principles for risk management covering specific areas, such as interest rate risk and use of derivative financial instruments have been developed and are regularly monitored.

(a) Market Risk

(i) Price Risk

The Scheme is exposed to property market price risk. This arises from investments held by the Group of properties held in the United States of America. To manage its price risk arising from investments in property, the Scheme monitors closely the market fundamentals including market rents, supply and demand characteristics of the various retail and office markets and capital expenditure requirements.

(ii) Cash flow and fair value interest rate risk

The Scheme's main interest rate risk arises from borrowings with the National Australia Bank. Borrowings issued at variable rates expose the Scheme to cash flow interest rate risk. The Scheme policy is to maintain an appropriate level of its borrowings at fixed rate using interest rate swaps or fixed rate loans to achieve this when necessary. Interest rate swaps and fixed rate agreements currently have a weighted average to expiry of 6.83 years.

The Scheme's interest rate expense for the year ended 30 June 2017 would be affected by a movement in interest rates at year end to the extent of the loans with our Australian Lender (USD\$7.2M) due to loans with United States lenders (USD\$16.8M) being fixed interest loans. No derivatives are in place at 30 June 2017 (2016: nil) and therefore if interest rates were to rise by 1% it would not impact the valuation of liabilities.

Financial Instruments	Weighted average effective interest rate		Non-interest bearing		Fixed interest rate		Floating interest rate		Total carrying amount as per the Balance Sheet	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	%	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
(i) Financial assets										
Cash and Cash equivalents	0.10	0.16	-	-	-	-	1,190	1,735	1,190	1,735
Receivables			412	628	-	-	-	-	412	628
Total Financial Assets			412	628	-	-	1,190	1,735	1,602	2,363
(i) Financial liabilities										
Payables			893	954	-	-	-	-	893	954
Borrowings	5.33	5.22	-	-	21,966	23,709	9,386	9,723	31,352	33,432
Total Financial Assets			893	954	21,966	23,709	9,386	9,723	32,245	34,386

(iii) Currency Risk

Management will continue to monitor the foreign exchange risk and weigh up this risk against the additional collateral required to support such contracts. Management will re-enter foreign exchange risk protection on the capital invested when it is deemed in the best interest of the Scheme.

The Scheme's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as per Note 3(a)(iv).

NOTE 3: FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market Risk (continued)

(iv) Summarised sensitivity analysis

Interest rate risk represents the effect of a change in interest rates applied to the interest rate risk exposures at reporting date, including the estimated change in the value of financial instruments that are carried at fair value. Cash and floating rate debt at reporting date are multiplied by the reasonably possible change in interest rates to determine the effect on profit for the year. The Scheme's financial instruments whose carrying values are affected by changes in interest rates are interest rate swaps carried at fair value. In calculating the change in value of interest rate swaps, a change in interest rates at reporting date is assumed to result in a parallel shift in the forward yield curve. A change in interest rates of up to 100 basis points (1%) is considered to be reasonably possible in the current economic environment.

The following table summarises the impact on Scheme's profit and equity of a reasonably possible upwards or downwards movement in each of the risk variables below, assuming that all other variables remain constant. These movements are based on management's best estimate, having regard to a number of factors, including historical levels of changes in interest rates and foreign exchange rates and volatility in asset prices. Due to unexpected market conditions, actual movements may be greater than anticipated, and therefore these ranges should not be used as a definitive indicator of future movements in the stated risk variables.

Financial Instruments	Carrying amount \$'000	Interest rate risk				Foreign exchange risk				Investment price risk			
		-1%		1%		-10%		10%		-10%		10%	
		Profit \$'000	Other Equity \$'000	Profit \$'000	Other Equity \$'000	Profit \$'000	Other Equity \$'000	Profit \$'000	Other Equity \$'000	Profit \$'000	Other Equity \$'000	Profit \$'000	Other Equity \$'000
Assets													
Cash and cash equivalents	1,190	(12)	-	12	-	132	-	(108)	-	-	-	-	-
Trade and other receivables	412	-	-	-	-	46	-	(37)	-	-	-	-	-
Other current assets	916	-	-	-	-	102	-	(83)	-	-	-	-	-
Investments – Direct property	57,605	-	-	-	-	6,401	-	(5,237)	-	(5,761)	-	5,761	-
Liabilities													
Interest bearing liabilities	(31,352)	94	-	(94)	-	(3,484)	-	2,850	-	-	-	-	-
Other Liabilities	(666)	-	-	-	-	(74)	-	61	-	-	-	-	-
Distribution Payable	-	-	-	-	-	-	-	-	-	-	-	-	-
Trade and other payables	(893)	-	-	-	-	(99)	-	81	-	-	-	-	-
Total increase / (decrease) June 2017		82	-	(82)	-	3,024	-	(2,473)	-	(5,761)	-	5,761	-

Financial Instruments	Carrying amount \$'000	Interest rate risk				Foreign exchange risk				Investment price risk			
		-1%		1%		-10%		10%		-10%		10%	
		Profit \$'000	Other Equity \$'000	Profit \$'000	Other Equity \$'000	Profit \$'000	Other Equity \$'000	Profit \$'000	Other Equity \$'000	Profit \$'000	Other Equity \$'000	Profit \$'000	Other Equity \$'000
Assets													
Cash and cash equivalents	1,735	(17)	-	17	-	193	-	(158)	-	-	-	-	-
Trade and other receivables	628	-	-	-	-	70	-	(57)	-	-	-	-	-
Other current assets	865	-	-	-	-	96	-	(79)	-	-	-	-	-
Investments – Direct property	64,772	-	-	-	-	7,197	-	(5,888)	-	(6,477)	-	6,477	-
Liabilities													
Interest bearing liabilities	(33,432)	97	-	(97)	-	(3,715)	-	3,039	-	-	-	-	-
Other Liabilities	(684)	-	-	-	-	(76)	-	62	-	-	-	-	-
Distribution Payable	(322)	-	-	-	-	(36)	-	29	-	-	-	-	-
Trade and other payables	(954)	-	-	-	-	(106)	-	87	-	-	-	-	-
Total increase / (decrease) June 2016		80	-	(80)	-	3,623	-	(2,965)	-	(6,477)	-	6,477	-

NOTE 3: FINANCIAL RISK MANAGEMENT (CONTINUED)

(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 consolidated entity. The consolidated entity has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

The financial assets exposed to credit risk are cash and cash equivalents, financial derivatives and trade and other receivables. At 30 June 2017 the maximum credit risk was \$1,602,855.

The exposure to credit risk in respect to trade and other receivables totalled \$412,368 and is minimised by the diverse number, and quality of tenants. Risk is also mitigated by obtaining bank guarantees and other security arrangements. Trade receivables are monitored closely to ensure any tenant defaults are recognised at an early stage and appropriate action taken.

Cash and cash equivalents are also exposed to credit risk totalling \$1,190,487. Risk is minimised by cash being held with Australian banks or their subsidiaries which have a credit rating of AA- (S&P) or higher and with a global bank headquartered in the United States with a credit rating of A (S&P) or higher.

(c) Liquidity Risk

Prudent liquidity risk management is carried out by maintaining sufficient access to cash including maintaining working capital and access to other banking facilities. The consolidated entity does not currently have access to any further debt facilities. The Scheme has an average debt maturity of 4.9 years.

Maturity analysis

The table below represents the undiscounted contractual settlement terms for interest bearing liabilities:

Year ended 30 June 2017	< 6 Months	6-12 Months	1-5 years	> 5 years	Total	Carrying amount
					contractual cash flows	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Interest bearing liabilities	9,888	503	4,744	16,217	31,352	31,352
Trade and other payables	893	-	-	-	893	893
Net maturities	10,781	503	4,744	16,217	32,245	32,245

Year ended 30 June 2016	< 6 Months	6-12 Months	1-5 years	> 5 years	Total	Carrying amount
					contractual cash flows	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Interest bearing liabilities	489	490	14,356	18,097	33,432	33,432
Trade and other payables	954	-	-	-	954	954
Net maturities	1,443	490	14,356	18,097	34,386	34,386

(d) Fair value compared with carrying amounts

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

NOTE 4: 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.

The following table presents the financial instruments carried at fair value as of June 30, 2017 and 2016:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
June 2017				
Assets				
Investment Property	-	51,170	6,435	57,605
June 2016				
Assets				
Investment Property	-	-	64,772	64,772

Movement in the level 3 valuations has been due to;

- \$4.9m decrease in the valuations;
- \$2.2m decrease resulting from the AUD strengthening from 0.7426 at 30 June 2016 to 0.7692 at 30 June 2017 against the USD;
- \$51.2m decrease resulting from a transfer to a Level 2 classification. All assets other than Grandview Plaza are now being valued at the third party offers, received as part of the portfolio sales campaign in June and July 2017.

(b) 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.

(c) Valuation techniques and inputs used in level 2 fair value measurements

All level 2 fair value assets have been based on indicative bid offers provided by independent third parties as part of a portfolio sales campaign in July 2017 (30 June 2016: nil).

(d) Valuation techniques and significant unobservable inputs used in level 3 fair value measurements

All level 3 fair value assets have been based on independent valuations received in June 2017; these are based on current prices in an active market for similar properties in the same location and condition, and subject to similar leases.

Current valuations represent a weighted average capitalisation rate of 9.02% (2016: 7.97%).

(e) Sensitivity analysis for recurring level 3 fair value measurements

	June 30, 2017		June 30, 2016	
	Increase/(Decrease) on profit after tax \$'000	Increase/(Decrease) on equity \$'000	Increase/(Decrease) on profit after tax \$'000	Increase/(Decrease) on equity \$'000
Capitalisation Rate Increase (0.5%)	(3,143)	(3,143)	(3,831)	(3,831)
Capitalisation Rate Decrease (0.5%)	3,306	3,306	4,346	4,346
Foreign Exchange Rate Decrease (10%)	6,401	6,401	7,197	7,197
Foreign Exchange Rate Increase (10%)	(5,237)	(5,237)	(5,888)	(5,888)

NOTE 5: 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 investment properties and the use of exchange rates. 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 by cash. This assumes the continued consistent treatment of this matter by the Australian Taxation Office.

The Scheme has carried forward tax losses of approximately USD\$5.1M within the US REIT relating to both trading and capital value movements of the property assets. As there is no certainty that these losses will be able to be utilised in the future they have not been recognised as a deferred tax asset.

(b) Property valuations

Critical judgements are made by the Responsible Entity in respect of the fair values of investment properties. The fair values of these investments are reviewed regularly by the Responsible Entity with reference to external independent property valuations, recent offers and market conditions existing at reporting date. The Scheme continues to obtain independent valuations of properties at least once every two years.

The critical assumptions underlying the Responsible Entity's estimates of fair values relate to the receipt of contractual rents, expected future market rentals, maintenance requirements and discount rates that reflect current market uncertainties. If there is any change in these assumptions or regional or national economic conditions, the fair value of investment properties may differ.

NOTE 6: NET RENTAL INCOME

	2017	2016
	\$'000	\$'000
Property Rental Income	7,073	7,257
<i>less</i>		
Property Expenses	(2,268)	(2,267)
Net property income	4,805	4,990

The investment properties are leased to tenants under operating leases. No contingent rents are charged.

Future minimum rents are scheduled to be received under non-cancellable tenant leases as follows:

	2017	2016
	\$'000	\$'000
Within 1 year	6,850	6,274
Later than 1 year but not later than 5 years	19,985	21,176
Later than 5 years	28,770	30,865
Total non-cancellable future rents	55,605	58,315

NOTE 7: AUDITOR'S REMUNERATION

	2017	2016
	\$'000	\$'000
Remuneration of the auditor of the Scheme for:		
- Auditing the financial report	28	28
- Other regulatory audit services	19	11
Remuneration of the auditor of foreign subsidiaries:		
- Auditing the financial report	46	46
Total auditors remuneration	93	85

Costs associated with auditing the Scheme's financial statements were paid for by the Scheme for the year ended 30 June 2017. The above audit and related service fees are for the entire Scheme.

NOTE 8: CURRENT TRADE & OTHER RECEIVABLES

	2017	2016
	\$'000	\$'000
Rent receivables	50	115
Other receivables	374	537
Total trade and other receivables (pre provision for impairment)	424	652
Balance 1 July	(24)	(109)
Amounts written (back)/off	(483)	(258)
Impairment recognised	495	343
Provision for impairment	(12)	(24)
Total trade and other receivables	412	628

Trade and other receivables consist of a large number of customers. The Scheme does not have any significant credit risk exposure to a single customer or groups of customers. Ongoing credit evaluation is performed on the financial condition of customers and, where appropriate, a provision for impairment of receivables is raised. The Scheme holds collateral in certain circumstances which takes the form of bank guarantees, security deposits, personal guarantee or a mortgage over property until completion. There is no concentration of credit risk with respect to receivables as the Scheme has a large number of customers, geographically dispersed.

Rent receivables ageing analysis at 30 June is:

	Gross 2017 \$'000	Impairment 2017 \$'000	Gross 2016 \$'000	Impairment 2016 \$'000
Not past due	17	-	58	-
Past due 31-60 days	7	-	7	-
Past due 61-90 days	9	1	20	-
Past due more than 91 days	17	11	30	24
	50	12	115	24

NOTE 9: OTHER CURRENT ASSETS

	2017 \$'000	2016 \$'000
Amounts held in escrow	568	408
Prepaid expenses	348	457
Total other current assets	916	865

NOTE 10: INVESTMENT PROPERTIES

	2017	2016
	\$'000	\$'000
(a) Investment in properties - Freehold properties		
Carrying Value of investment properties	57,605	64,772

The basis of the valuation for investment properties is fair value, being the amounts for which the properties could be exchanged between willing parties, in an arm's length transaction. Other than Grandview Plaza, the valuations are based on purchasers offer received as part of a portfolio sales campaign in July 2017, Grandview Plaza did not receive any stand-alone offers, this has been valued in accordance with independent valuers report dated 30 June 2017, which was based on current prices in an active market for similar properties in the same location and condition, and subject to similar leases.

Current valuations represent a weighted average capitalisation rate of 9.02% (2016: 7.97%).

Movements in carrying amount of property investments

Opening Balance at 1 July	64,772	61,849
Capital Improvements	413	149
Foreign exchange movements	(2,240)	2,115
Fair value adjustment to investment properties	(5,340)	659
Closing balance at 30 June	57,605	64,772

The Scheme leases out its investment property under operating leases. As at the end of the financial year all properties were earning rental income. The investment property portfolio is provided as security against the interest bearing liabilities listed at note 13.

(b) Amount recognised in profit and loss for investment properties

Refer to Note 6 for information on property revenue and expenses recognised for investment properties.

NOTE 11: TRADE & OTHER PAYABLES (CURRENT)

	2017	2016
	\$'000	\$'000
Amounts payable to others	232	55
Accrued Expenses	661	899
Total trade and other payables	893	954

NOTE 12: OTHER LIABILITIES (CURRENT)

	2017	2016
	\$'000	\$'000
Security Liabilities	174	197
Other Liabilities - related party	492	487
Total other payables	666	684

NOTE 13: INTEREST BEARING LIABILITIES

	2017	2016
	\$'000	\$'000
Current interest bearing liabilities		
Interest bearing senior debt	10,391	979
Total current interest bearing liabilities	10,391	979
Non-current interest bearing liabilities		
Interest bearing senior debt	20,804	32,290
Other debt	157	163
Total non-current interest bearing liabilities	20,961	32,453
Total interest bearing liabilities	31,352	33,432

All interest bearing senior debt is secured via first mortgage over investment properties. In addition there is a floating charge over the net assets of MAB American Property REIT Inc. All other debt is unsecured.

NOTE 14: INCOME TAX EXPENSE AND DEFERRED TAX LIABILITY

	2017	2016
	\$'000	\$'000
(a) Reconciliation of income tax expenses to prima facie tax payable		
Profit/(loss) from operations before income tax expense	(3,624)	2,806
Income tax calculated at 30%	(1,087)	842
Tax effect of amounts which are not deductible (taxable) in calculating taxable income		
Unrealised movements on fair value movements of investment property	1,602	(198)
Unrealised foreign exchange movements	(3)	-
Utilisation of carried forward losses not eligible to be classified as deferred tax assets	(512)	(644)
Income Tax Expense	-	-

The Scheme has carried forward tax losses of approximately USD\$5.1M (2016: \$5.4M) within the US REIT relating to both trading and capital value movements of the property assets. As there is no certainty that these losses will be able to be utilised in the future they have not been recognised as a deferred tax asset.

NOTE 15: NET ASSET BACKING PER UNIT

	2017	2016
	\$'000	\$'000
(a) Changes in equity during the year		
Net assets attributable to unitholders at the beginning of the year	32,608	30,098
Changes in net assets attributable to unitholders	(4,788)	3,932
Capital distributions paid and payable	(608)	(1,422)
Equity as at the end of the year	27,212	32,608
(b) Units on issue		
Units on issue at the beginning of the year	85,951	85,951
Units issued	-	-
Units redeemed	-	-
Units on issue at the end of the year	85,951	85,951

The rights associated with the units are as follows:

- Units are of equal value;
- Units are entitled to a proportional share in the income of MAB International Retail Trust;
- Unitholders' liability is limited to equity invested;
- Unitholders participate in distribution and the proceeds on winding up of MAB International Retail Trust group in proportion to the number of units held;
- Unitholders are entitled to vote at meetings.

	\$	\$
(c) Net assets attributable to unitholders per unit	0.32	0.38
(d) Issue Equity		
Issued Equity at the end of the year	\$'000 33,207	\$'000 33,815

When managing capital, management's objective is to ensure the Scheme provides unitholders with optimal returns through the effective management of the underlying assets of the Scheme.

NOTE 16: RESERVES

	2017	2016
	\$'000	\$'000
Foreign currency translation reserve	2,324	3,488
Total reserves	2,324	3,488

NOTE 17: ACCUMULATED LOSSES

	2017	2016
	\$'000	\$'000
Opening Balance	(4,695)	(7,501)
Net Profit	(3,624)	2,806
Closing balance	(8,319)	(4,695)

NOTE 18: DISTRIBUTIONS

	2017	2016
	\$'000	\$'000
Interim distributions paid		
September	322	322
December	322	322
March	-	322
Withholding Taxes (refundable)/paid in the United States	(36)	134
Total interim distributions paid	608	1,100
Provision for capital distribution payable June	-	322
Total provision for distribution payable	-	322

NOTE 19: NOTES TO THE STATEMENT OF CASH FLOWS

	2017	2016
	\$'000	\$'000
(a) Reconciliation of net cash provided by operating activities to net profit		
Net Profit/(Loss)	(3,624)	2,806
<i>Adjustments for;</i>		
Fair value movement on investment properties	5,340	(659)
Net foreign exchange gain/(loss)	9	(1)
Changes in assets and liabilities during the financial year		
(Decrease)/Increase in other payables	159	(6)
(Decrease)/Increase in accrued expenses	(238)	259
Decrease/(Increase) in other current assets	(51)	(154)
Decrease/(Increase) in trade and other receivables	208	89
Net unrealised foreign exchange gain/(loss)	180	53
Net cash provided by operating activities	1,983	2,387
(b) Reconciliation of cash		
Cash Balance comprises		
Cash at bank	1,190	1,735
Closing cash balance	1,190	1,735

The consolidated entity does not currently have access to any further debt facilities.

NOTE 20: RELATED PARTIES

Responsible Entity

The Responsible Entity of MAB International Retail Trust is MAB Funds Management Limited (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 were no Responsible Entity fees or other related party charges during the financial year.

(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

There were no payables to the Responsible Entity as at the end of the financial year.

(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 '000	Number of units held \$'000
2017		
Windyvale Pty Ltd	27,900	8,928
MRB Group No.49 Pty Ltd	28,080	8,986
Andrea Brisbane	23	7
MAB Administration and Management Services P/L	17,642	5,645
Andrew Buxton & Geraldine Buxton A/C Jero Pty Ltd Superannuation Fund	1,073	343
Buxton Super Pty Ltd A/C A & G Buxton Superannuation Funds	684	219
Related party total	75,402	24,129
2016		
Windyvale Pty Ltd	27,900	10,602
MRB Group No.49 Pty Ltd	28,080	10,670
Andrea Brisbane	23	9
MAB Administration and Management Services P/L	17,642	6,704
Andrew Buxton & Geraldine Buxton A/C Jero Pty Ltd Superannuation Fund	1,073	408
Buxton Super Pty Ltd A/C A & G Buxton Superannuation Funds	684	260
Related party total	75,402	28,653

Other related party transactions

MAB Rosenthal LLC provides asset management services for the Scheme's investment properties. The aggregate amount paid by the Scheme to MAB Rosenthal LLC for these services during the year ended June 30, 2017 was \$375,592 (\$393,380 for the year ended June 30, 2016). Other liabilities include \$500,972 payable to MAB Rosenthal LLC for asset management fees at June 30, 2017 (\$487,423 at June 30, 2016).

NOTE 21: CONTINGENT ASSETS AND LIABILITIES

There are no contingent assets or liabilities as at 30 June 2017 (30 June 2016: Nil)

NOTE 22: SUBSEQUENT EVENTS

Subsequent to 30 June 2017, the Scheme has extended the expiry date relating the USD\$7.2M financing facility with National Australia Bank from 31 October 2017, until the next unit redemption opportunity on 9 March 2019.

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

NOTE 23: RESPONSIBLE ENTITY DETAILS

The registered office of the Responsible Entity is:

Level 5
441 St Kilda Road
Melbourne VIC 3004

The principal place of business is:

Level 5
441 St Kilda Road
Melbourne VIC 3004

DIRECTORS' OF RESPONSIBILITY ENTITY DECLARATION FOR THE YEAR ENDED 30 JUNE 2017

In the opinion of the directors of MAB Funds Management Limited, the Responsible Entity of the Scheme:

1. The financial statements and notes set out on pages 8 to 28 in accordance with the *Corporations Act 2001* and;
 - (a) Comply with Accounting Standards and the *Corporations Regulations 2001*, and
 - (b) As stated in Note 1(a) the consolidated 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 is 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 INTERNATIONAL RETAIL TRUST AND CONTROLLED ENTITIES
ARSN 121 054 662**

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
MAB INTERNATIONAL RETAIL TRUST AND CONTROLLED ENTITIES**

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of MAB International Retail Trust and controlled entities, “the Scheme”, which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated 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 INTERNATIONAL RETAIL TRUST AND CONTROLLED ENTITIES
ARSN 121 054 662**

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
MAB INTERNATIONAL RETAIL TRUST AND CONTROLLED ENTITIES**

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 INTERNATIONAL RETAIL TRUST AND CONTROLLED ENTITIES
ARSN 121 054 662**

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
MAB INTERNATIONAL RETAIL TRUST AND CONTROLLED ENTITIES**

- 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