



MAB International Retail Trust

ARSN 121 054 662

Responsible Entity

MAB Funds Management Limited

ABN 36 098 846 701

**Interim financial report
for the half-year ended
31 December 2016**

This half-year report is to be read in conjunction with the financial report for the year ended 30 June 2016

HALF-YEAR REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

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DIRECTORS' OF RESPONSIBLE ENTITY REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

The Directors of MAB Funds Management Ltd "the Responsible Entity", the Responsible Entity of the MAB International Retail Trust present their report together with the financial report for the MAB International Retail Trust and Controlled Entities. The financial report includes financial statements for the MAB International Retail Trust "Scheme" and Controlled Entities "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 Group during the financial period 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 period. The Scheme did not have any employees during the period.

The Scheme's investment is held via its 100% ownership of the units on issue 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 five 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 period are:

Name

Andrew Buxton

Appointed 22 November 2001

B Sc

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.

With Michael, Andrew has led some of Victoria's most visionary projects, including NewQuay at Docklands and University Hill in Bundoora. In 2004 they embarked on their greatest challenge with joint venture partner, Gibson Property Corporation, to develop Victoria's largest fully masterplanned community.

Michael Buxton

Appointed 22 November 2001

AAPI, MREI

Experience and special responsibilities

Michael Buxton has over 43 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 Australia. 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

Appointed 22 November 2001

B Sc, AAPI,
MRICS

Experience and special responsibilities

Nicholas Gray has 41 years of 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 Trust'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.

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 31 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 41 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.



Review of Operations

1. Financial Results

The result of the Group's operations and its performance were as follows:

	Half-year ended 31 Dec 2016 \$ '000	Half-year ended 31 Dec 2015 \$ '000
<i>Net profit</i>	722	1,194
<i>Income distributions paid and payable for the period</i>	(644)	(644)
<i>Changes in equity</i>	934	2,087
<i>Distribution – cents per unit</i>	0.75	0.75

2. Value of Group's Assets

	31 December 2016 \$'000	30 June 2016 \$'000
Total equity attributable to unitholders	33,542	32,608
Net tangible asset backing per unit	\$0.39	\$0.38

The increase in Net Tangible Asset backing has been primarily driven by the AUD weakening against the USD from 0.7426 at 30 June 2016 to 0.7236 at 31 December 2016.

3. Review of Operations

Business Overview

As at 31 December 2016, the Group had a total portfolio value of \$66.5M (US\$48.1M) comprising 5 investment properties. The portfolio is 100% weighted towards grocery anchored retail in North Carolina.

Operational Overview

The Group recorded a net profit after tax of \$0.7M for the six months ended 31 December 2016 (2015: \$1.2M profit).

The investment property portfolio net rental income in USD (functional currency) decreased by approximately 7.8% for the period, an AUD decrease of 11.4%. The decrease been driven primarily by LAT Fitness having a rent free period prior to leaving Cheshire Place in December 2016 and movements in the exchange rates noted above.

In the six months to 31 December 2016, the key leasing activity included:

- At Cheshire Commons Shopping Centre, Anntony's Caribbean Café renewed its lease for 3 years from 31/08/2016 . The centre is 100% leased.
- At Cheshire Place Shopping Centre, LAT Fitness ceased operations in December and a replacement tenant is being sought. Occupancy at the centre has reduced to 74.4%.
- At Terraces at the Park, Charlotte, new tenant Ritu Selects entered into a lease for a term expiring on 31/12/2021. In addition, terms were agreed to lease the former Migun Beds tenancy to Sabor Latin Grill for a 10 year term. Hearts Cleaners renewed its lease for a term expiring on 31/01/2020. The centre is 100% leased.
- At Grandview Plaza, anchor tenant 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. The centre is 100% leased.
- At Eastfield Village, new tenant Comprehab entered into a lease for a term expiring on 06/02/2022. Loco Lime renewed its lease for 5 years from 31/12/2026 and Lee's Martial Arts renewed its lease for 5 years from 31/07/2016. The centre has 3 vacancies.

The portfolio Weighted Average Lease Expiry as at 31 December 2016 was 4.0 years (30 June 2016: 4.3 years).



Property Valuations and Portfolio Metrics

Property Valuations

During June 2016, CBRE undertook an assessment of the Group's property asset known as Eastfield Village with all other assets having been independently valued by CBRE as at 30 June 2015.

The Directors have reviewed the key assumptions of all valuations and assessed them as consistent with the prior valuations completed.

As at 31 December 2016 the portfolio was valued at USD\$48.1M (30 June 2016: USD\$48.1M).

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 an Asset Manager with over 11 years' experience and a valuation specialist with over 40 years' experience who is a member of the Australian Property Institute, Royal Institution of Chartered Surveyors. A review of the valuations completed by CBRE was undertaken to ensure they are appropriate.

Investment Property Portfolio Metrics

The average capitalisation rate for the Investment Property portfolio as at 31 December 2016 was 7.97% (30 June 2016: 7.97%). The tenancy profile remains strong with 39% (June 2016: 39%) of income coming from grocery based anchor tenants. 10.44% of the portfolio income is due to expire within the twelve months of 31 December 2016 (June 2016: 4.27%). Vacancy as at 31 December 2016 is 7.56% (June 2016: 4.9%).

4. Capital Management

As at 31 December 2016, the Group had interest bearing debt of \$33.8M (USD \$24.5M) compared to \$33.4M (USD \$24.7m) as at 30 June 2016. This was primarily due to the AUD weakening against the USD from 0.7426 at 30 June 2016 to 0.7236 at 31 December 2016. This, offset by a \$1.7M increase in the property value, due to movements in the f(x) rate, resulted in a property gearing decrease from 51.6% at June 2016 to 50.8% at 31 December 2016.

The Group has a weighted average debt maturity of 5.4 years as at 31 December 2016.

The Group's interest costs are predominantly fixed via the use of fixed rate loans.

5. Fund Strategy

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

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 half year review for the period is provided with this report.

Signed in accordance with a resolution of the directors.



Michael Buxton
Director
MAB Funds Management Ltd
16 March 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 auditor's review for the half-year ended 31 December 2016, 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 period.



N R BULL
Partner

16 March 2017



PITCHER PARTNERS
Melbourne

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Note	31 Dec 2016 \$'000	31 Dec 2015 \$'000
INCOME			
Net rental income		2,392	2,706
Other revenue		11	23
TOTAL INCOME		2,403	2,729
EXPENSES			
Audit fees	3	57	63
Bad and Doubtful Debts		401	247
Custody, registry, accounting and legal fees		104	87
Finance costs		856	897
Fund management fee		191	194
Net loss from fair value movements of investment properties		47	82
Other expenses		25	60
TOTAL EXPENSES		1,681	1,630
NET LOSS BEFORE TAX		722	1,099
Income tax refund		-	95
NET PROFIT		722	1,194
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to profit and loss			
Movement in foreign currency translation reserve		856	1,537
TOTAL OTHER COMPREHENSIVE INCOME		856	1,537
COMPREHENSIVE INCOME FOR THE PERIOD		1,578	2,731

The accompanying notes form part of these financial statements



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	Note	31 Dec 2016 \$'000	30 Jun 2016 \$'000
CURRENT ASSETS			
Cash and cash equivalents		973	1,735
Trade and other receivables		713	628
Other current assets		680	865
TOTAL CURRENT ASSETS		2,366	3,228
NON CURRENT ASSETS			
Investments – Direct property	5	66,473	64,772
TOTAL NON CURRENT ASSETS		66,473	64,772
TOTAL ASSETS		68,839	68,000
CURRENT LIABILITIES			
Trade and other payables		366	954
Interest bearing liabilities	7	11,013	979
Other liabilities		780	684
Distribution Payable	6	322	322
TOTAL CURRENT LIABILITIES		12,481	2,939
NON CURRENT LIABILITIES			
Interest bearing liabilities	7	22,816	32,453
TOTAL NON CURRENT LIABILITIES		22,816	32,453
TOTAL LIABILITIES		35,297	35,392
NET ASSETS		33,542	32,608
EQUITY			
Issued Equity		35,340	35,340
Accumulated Losses		(6,142)	(6,220)
Reserves		4,344	3,488
TOTAL EQUITY		33,542	32,608

The accompanying notes form part of these financial statements

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Issued Equity \$'000	Accumulated Losses \$'000	Reserves \$'000	Total Equity \$'000
OPENING BALANCE 1 JULY 2016	35,340	(6,220)	3,488	32,608
Net Profit for period	-	722	-	722
Movement in foreign currency translation reserve	-	-	856	856
Total Comprehensive Income for the year	-	722	856	1,578
Transactions with owners in their capacity as owners				
Distributions paid and payable	-	(644)	-	(644)
CLOSING BALANCE 31 DECEMBER 2016	35,340	(6,142)	4,344	33,542

	Issued Equity \$'000	Accumulated Losses \$'000	Reserves \$'000	Total Equity \$'000
OPENING BALANCE 1 JULY 2015	35,397	(7,661)	2,362	30,098
Net Profit for period	-	1,194	-	1,194
Movement in foreign currency translation reserve	-	-	1,537	1,537
Total Comprehensive Income for the year	-	1,194	1,537	2,731
Transactions with owners in their capacity as owners				
Distributions paid and payable	-	(644)	-	(644)
CLOSING BALANCE 31 DECEMBER 2015	35,397	(7,111)	3,899	32,185

The accompanying notes form part of these financial statements



CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	31 Dec 2016 \$000's	31 Dec 2015 \$000's
CASH FLOW FROM OPERATING ACTIVITIES		
Cash receipts from operations	3,413	3,447
Cash payments from operations	(2,385)	(1,942)
Tax Refund Received	-	95
Borrowing costs	(856)	(897)
Interest received	8	22
Net cash provided by operating activities	180	725
CASH FLOW FROM INVESTING ACTIVITIES		
Payments for capital improvements to investment properties	(47)	(82)
Proceeds released from escrow	219	124
Net cash inflow provided by investing activities	172	42
CASH FLOW FROM FINANCING ACTIVITIES		
Distributions paid - Common Stock	(644)	(644)
Net repayment of borrowings	(462)	(454)
Net cash used in by financing activities	(1,106)	(1,098)
Net decrease in cash and cash equivalents	(754)	(331)
Cash and cash equivalents at the beginning of the period	1,735	1,704
Effect of exchange rate changes on cash and cash equivalents	(8)	84
Cash and cash equivalents at the end of the period	973	1,457

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

MAB International Retail Trust "the Scheme" and its Controlled Entities "Group" is a registered managed investment scheme under the *Corporations Act 2001*. The condensed interim financial report of the Group is for the half-year ended 31 December 2016.

The condensed interim financial report is a general purpose financial report which has been prepared in accordance with *AASB 134 Interim Financial Reporting* and the *Corporations Act 2001*.

The condensed interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the annual financial report of the Group as at and for the year ended 30 June 2016.

The half-year financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2016.

The half year report was authorised for issue by the directors on 16 March 2017.

(a) Basis of preparation of the financial report

This condensed consolidated half-year financial report has been prepared in accordance with Australian Accounting Standard *AASB 134 Interim Financial Reporting*, as appropriate for for-profit entities, and the *Corporations Act 2001*.

Compliance with *AASB 134*, as appropriate for for-profit entities, ensures compliance with International Financial Reporting Standard *IAS 34 Interim Financial Reporting*.

The half-year 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.

The accounting policies applied in this half-year financial report are consistent with those of the annual financial report for the year ended 30 June 2016 and the corresponding half-year.

Going Concern

The financial report for the period ended 31 December 2016 has been prepared on a going concern basis.

During the period ended 31 December 2016 the Group recorded total comprehensive income of \$1.6M (2015: \$2.7M), however, as at 31 December 2016 the current liabilities of the Group exceeds its current assets by \$10.1M.

This is primarily due to the current interest bearing senior debt facilities of \$10M (US 7.2M) which is due to expire in October 2017. Management is currently in discussions with the current financier to extend this debt.

In the event the facility is not extended, management will look to secure finance from a different financier or sell property. If no properties can be sold prior to the expiry date additional capital may be required in order to repay the debt facility.

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

(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 power to influence the decision making of the entity, has exposure or rights to variable returns from its involvement with the entity, and for which the parent has the ability to use its power over the entities to affect the amount of its returns.

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by MAB International Retail Trust as at 31 December 2016 and the results of all controlled entities for the period then ended. MAB International Retail Trust and its controlled entities together are referred to in this financial report as the consolidated 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 statement of comprehensive income 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 consolidated entity.

(c) Investments in Subsidiaries

The Scheme's investment is held via its 100% ownership of the units on issue 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 is an entity domiciled in the United States which owns 100% of the membership interests in five individual Limited Liability Companies which are also domiciled in the United States. These Limited Liability Companies invest directly in US retail property.

(d) Rounding of Amounts

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).

(e) Comparatives

Comparative data has been presented on a consistent basis with the prior reporting period.

NOTE 2: ACCOUNTING STANDARDS NOT YET EFFECTIVE

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Scheme has decided not to early adopt any of these new and amended pronouncements. The Scheme's assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below.

AASB 9: Financial Instruments and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2018).

These Standards will replace AASB 139: Financial Instruments: Recognition and Measurement. The key changes that may affect the Group on initial application of AASB 9 and associated amending Standards include:

- simplifying the general classifications of financial assets into those carried at amortised cost and those carried at fair value;
- permitting entities to irrevocably elect on initial recognition to present gains and losses on an equity instrument that is not held for trading in other comprehensive income (OCI);
- simplifying the requirements for embedded derivatives, including removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in OCI, except when it would create an 'accounting mismatch';
- introducing a new model for hedge accounting that permits greater flexibility in the ability to hedge risk, particularly with respect to non-financial items; and
- requiring impairment of financial assets carried at amortised cost based on an expected loss approach.

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

AASB 15: Revenue from Contracts with Customers (applicable for annual reporting periods commencing on or after 1 January 2018).

AASB 15 will provide (except in relation to some specific exceptions, such as lease contracts and insurance contracts) a single source of accounting requirements for all contracts with customers, thereby replacing all current accounting pronouncements on revenue.

These Standards provide a revised principle for recognising and measuring revenue. Under AASB 15, revenue is recognised in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the provider of the goods or services expects to be entitled. To give effect to this principle, AASB 15 requires the adoption of the following 5-step model:

- identify the contract(s) with a customer;
- identify the performance obligations under the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations under the contract(s); and
- recognise revenue when (or as) the entity satisfies the performance obligations.



NOTE 2: ACCOUNTING STANDARDS NOT YET EFFECTIVE (continued)

AASB 15 also provides additional guidance to assist entities in applying the revised principle to licences of intellectual property, warranties, rights of return, principal/agent considerations and options for additional goods and services.

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

AASB 16: Leases (applicable for annual reporting periods commencing on or after 1 January 2019).

AASB 16 will replace AASB 117: Leases and introduces a single lessee accounting model that will require a lessee to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Right-of-use assets are initially measured at their cost and lease liabilities are initially measured on a present value basis. Subsequent to initial recognition:

- right-of-use assets are accounted for on a similar basis to non-financial assets, whereby the right-of-use asset is accounted for in accordance with a cost model unless the underlying asset is accounted for on a revaluation basis, in which case if the underlying asset is:
 - investment property, the lessee applies the fair value model in AASB 140: Investment Property to the right-of-use asset; or
 - property, plant or equipment, the lessee can elect to apply the revaluation model in AASB 116: Property, Plant and Equipment to all of the right-of-use assets that relate to that class of property, plant and equipment; and
- lease liabilities are accounted for on a similar basis as other financial liabilities, whereby interest expense is recognised in respect of the liability and the carrying amount of the liability is reduced to reflect lease payments made.

AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, under AASB 16 a lessor would continue to classify its leases as operating leases or finance leases subject to whether the lease transfers to the lessee substantially all of the risks and rewards incidental to ownership of the underlying asset, and would account for each type of lease in a manner consistent with the current approach under AASB 117.

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

AASB 2016-2: Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107 (applicable for annual reporting periods commencing on or after 1 January 2017).

This Amending Standard amends AASB 107: Statement of Cash Flows to require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. To the extent necessary to satisfy this objective, entities will be required to disclose the following changes in liabilities arising from financing activities:

- changes from financing cash flows;
- changes arising from obtaining or losing control of subsidiaries or other businesses;
- the effect of changes in foreign exchange rates;
- changes in fair values; and
- other changes.

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

NOTE 3: AUDITOR'S REMUNERATION

	31 Dec 2016 \$'000	31 Dec 2015 \$'000
Remuneration of the auditor of the scheme for:		
- Auditing the financial report	13	13
Remuneration of the auditor of foreign subsidiaries:		
- Auditing the financial report	44	50
Total auditors remuneration	57	63

Costs associated with auditing the Group's financial statements were paid for by the Group for the half year ended 31 December 2016. The above audit and related service fees are for the entire Group.

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 provides the fair value classification of those assets and liabilities held by the Group that are measured either on a recurring or non-recurring basis at fair value.

Recurring fair value measurements

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
December 2016				
<i>Assets</i>				
Investment Property	-	-	66,473	66,473
June 2016				
<i>Assets</i>				
Investment Property	-	-	64,772	64,772

Non-Recurring fair value measurements

There are no non-recurring fair value assets or liabilities as at 31 December 2016 (2015: Nil).

(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

There were no level 2 fair value assets at 31 December 2016.

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

Fair valuation techniques and observable inputs for Investment Property relate to use of documented lease terms, Occupancy Rates, Market Rental rates Yields and tenant creditworthiness in order to develop an appropriate capitalisation rate to value each property.

(e) Reconciliation of recurring level 3 fair value movements

	31 Dec 2016 \$'000	30 Jun 2016 \$'000
Investment Property		
Opening balance	64,772	61,849
Increase/(Decrease) due to f(x) movements	1,701	2,115
Total gains and losses recognised in profit and loss ¹	(47)	659
Capital Improvements	47	149
Closing balance	66,473	64,772

¹ Gains and losses recognised in the statement of comprehensive income are included with Net loss from fair value movements of investment properties

NOTE 4: FAIR VALUE MEASUREMENTS (continued)

(f) Valuation processes used for level 3 fair value measurement

The basis of the valuation of investment property is fair value, being the amounts for which the properties could be exchanged between willing parties, in an arm's length transaction. The valuations, conducted by independent valuers in June 2015 for Cheshire Commons, Cheshire Place, Terraces at the Park and Grandview Shopping Centre and Eastfield Village as at June 2016, were based on current prices in an active market for similar properties in the same location and condition, and subject to similar leases.

At 31 December 2016, the Directors reviewed the key assumptions of all property valuations to ensure they remain appropriate.

Current valuations represent a weighted average capitalisation rate of 7.97% (30 June 2016: 7.97%).

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

	December 31, 2016		June 30, 2016	
	Increase/(Decrease) on profit after tax	Increase/(Decrease) on equity	Increase/(Decrease) on profit after tax	Increase/(Decrease) on equity
	\$'000	\$'000	\$'000	\$'000
Capitalisation Rate Increase (0.5%)	(3,759)	(3,759)	(3,831)	(3,831)
Capitalisation Rate Decrease (0.5%)	4,695	4,695	4,346	4,346
Foreign Exchange Rate Decrease (10%)	7,386	7,386	7,197	7,197
Foreign Exchange Rate Increase (10%)	(6,043)	(6,043)	(5,888)	(5,888)

NOTE 5: INVESTMENT PROPERTIES

	31 Dec 2016 \$'000	30 Jun 2016 \$'000
(a) Investment in properties - Freehold properties		
Carrying Value of investment properties	66,473	64,772
<u>Movements in carrying amount of property investments</u>		
Opening Balance at 1 July	64,772	61,849
Capital Improvements	47	149
Foreign exchange movements	1,701	2,115
Fair value adjustment to investment properties	(47)	659
Closing balance at period end	66,473	64,772

The Group leases out its investment property under operating leases. As at the end of the period all properties were earning rental income. The investment property portfolio is provided as security against the interest bearing liabilities listed at Note 7.

NOTE 6: DISTRIBUTION PAYABLE

	31 Dec 2016	31 Dec 2015
	\$'000	\$'000
Interim distributions paid		
September	322	322
Total interim distributions paid	322	322
Provision for distributions payable at 31 December		
	322	322
Total provision for distribution payable	322	322
Total distribution for the period	644	644

NOTE 7: INTEREST BEARING LIABILITIES

	31 Dec 2016	30 Jun 2016
	\$'000	\$'000
Current interest bearing liabilities		
Interest bearing senior debt	11,013	979
Total current interest bearing liabilities	11,013	979
Non-current interest bearing liabilities		
Interest bearing senior debt	22,648	32,290
Other debt	168	163
Total non-current interest bearing liabilities	22,816	32,453
Total interest bearing liabilities	33,829	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 8: NET TANGIBLE ASSET BACKING

	31 Dec 2016	30 Jun 2016
	\$'000	\$'000
Total equity at the end of the period	33,542	32,608
Units on issue		
Units on issue as at beginning of the year	85,951	85,951
Units on issue as at the end of the year	85,951	85,951
	\$	\$
Net assets attributable to unitholders per unit	0.39	0.38

NOTE 9: CONTINGENT ASSETS AND LIABILITIES

There are no contingent assets or liabilities as at 31 December 2016 (June 2016: nil).

NOTE 10: SEGMENT INFORMATION

The Group's operation consists of direct investments in United States of America property.

NOTE 11: SUBSEQUENT EVENTS

There has been no other matter or circumstance, which has arisen since 31 December 2016 that has significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 31 December 2016, of the Group, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial years subsequent to 31 December 2016, of the Group.

DIRECTORS' OF RESPONSIBILITY ENTITY DECLARATION FOR THE YEAR ENDED 31 DECEMBER 2016

The directors declare that the financial statements and notes set out on pages 6 to 16, are in accordance with the *Corporations Act 2001* and;

- (a) Comply with Accounting Standard *AASB 134: Interim Financial Reporting* and the *Corporations Regulations 2001*, and
- (b) Give a true and fair view of the financial position of the Group as at 31 December 2016 and of its performance as represented by the results of its operations and its cash flows for the financial year ended on that date.

There are reasonable grounds to believe that the Group 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.



Michael Buxton
Director
MAB Funds Management Limited
16 March 2017

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

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

We have reviewed the accompanying half-year financial report of MAB International Retail Trust and controlled entities "Group", which comprises the condensed statement of financial position as at 31 December 2016, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of MAB International Retail Trust and controlled entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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

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

Conclusion

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

- (a) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of Matter regarding continuation as a Going Concern

Without qualifying our opinion, we draw attention to the matters described in Note 1(a) in the Financial Report, which indicates that the Group has debt facilities amounting to USD \$7,220,000 due to be repaid in October 2017. If the Group is unable to successfully negotiate new debt facilities with lenders, sell property and/or raise additional capital, these conditions indicate the existence of a material uncertainty which may cast doubt on the Group's ability to continue as a going concern.



N R BULL
Partner
16 March 2016



PITCHER PARTNERS
Melbourne