MAB Funds
Property Funds Management

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 2018

FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2018

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DIRECTORS' OF RESPONSIBLE ENTITY REPORT

FOR THE YEAR ENDED 30 JUNE 2018

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 experience 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 36 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

The Scheme recorded a net profit after tax of $3.5M for the year ended 30 June 2018, this was driven by net rental income and a lease surrender fee from Harris Teeter of $4.1M (USD$3M), offset by a revaluation decrease in the property values of $2.6M during the year (2017: $3.6M loss due to a $5.3M revaluation decrease on the assets).

The Investment Property portfolio net rental income in USD has decreased by approximately 11.8% (2017: 1.2% decrease year on year), primarily driven by the lease surrenders of Bi-Lo at Terraces and Harris Teeter at Eastfield.

Key leasing activity included:

At Cheshire Place Shopping Centre, occupancy of 78.8% (2017: 74.4%).

- Tuesday Morning renewed its lease for 5 years from 31/07/2018
- Lotus Cuisine renewed its lease for 5 years from 31/07/2018
- Post 30 June 2018, Fusion Force has agreed to lease the former Gym of 14,720sf for a term of 5 years from commencement. This will increase the centre occupancy to 100%.

At Eastfield Village, occupancy of 58.26% (2017: 89.3%),

- Marco's Pizza renewed its lease for 5 years from 17/03/2018
- Nice Hair Salon renewed its lease for 5 years from 31/01/2018
- H & R Block renewed its lease for 3 years from 30/04/2018
- Harris Teeter surrendered its lease at a surrender fee of USD$3.0M.
- Post 30 June 2018, Food Lion Supermarkets leased 40,000sf of the former Harris Teeter tenancy for a term of 20 years from commencement. This will increase the centre occupancy to approximately 87.5%

During the year a sales campaign was carried out, this resulted in:

- An unconditional sale contract for Terraces at Park Place, for a sale price of USD$12.35M with a settlement date of 8 August 2018.
- A conditional contract of sale for Grandview Plaza was executed on 24 July 2018, for a sale price of USD$5.55M. On 31 August 2018 this became unconditional and is subject to a 30 day settlement period.

Post adjusting for a USD$3M fit out incentive payable to Food Lion at Eastfield, the Directors have resolved to adopt book values of USD$42.65M (2017: USD$44.3M).

Directors' of Responsible Entity Report (Continued)

Property Valuations and Portfolio Metrics

Property Valuations

In determining the Property Values the Directors have considered the following:

- A sales process that resulted in executed unconditional contracts of sale for Terraces at Park Place and Grandview Plaza.
- A sales process that has ended with an offer on Cheshire Commons.
- Key new leasing activity at Eastfield Village and Cheshire Place.
- Independent valuations completed on the Schemes Property by CBRE 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.

The Terraces at Park Place and Grandview Plaza have been valued in line with executed sales contract amounts, Cheshire Commons has been valued in line with an offer received from an independent third party, Eastfield Village and Cheshire Place have been valued in line with a Directors assessment completed at 30 June 2018.

Post adjusting for a USD$3M fit out incentive payable to Food Lion at Eastfield, the overall portfolio has been valued at USD$42.65M (2017: USD$44.3M).

The decreased book values, offset by a USD$3M lease termination fee from Harris Teeter at Eastfield and a weaker Australian Dollar has meant the net tangible asset backing at 30 June 2018 has increased to $0.36 (30 June 2017: $0.32). 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 2018 the early debt repayments penalties would have been $3.1M ($0.04 per unit) (30 June 2017: $4.2M or $0.05 per unit).

Investment Property Portfolio Metrics

The average capitalisation rate for the Investment Property portfolio as at 30 June 2018 was 8.74% (2017: 9.02%). The tenancy profile remains strong with 39% (June 2017: 39%) of income coming from grocery based anchor tenants. 5.36% (June 2017: 3.75%) of the portfolio income is due to expire within twelve months from 30 June 2018. Vacancy as at 30 June 2018 is 29.97% (June 2017: 8.45%), this has been due to lease terminations for Bi-Lo at Terraces at Park Place and Harris Teeter at Eastfield Village. Subsequent to year end, Terraces has been sold and 40,000sf of the Harris Teeter space leased to Food Lion.

Capital Management

As at 30 June 2018, the Scheme had interest bearing debt of $31.6M, increased from $31.4M as at 30 June 2017. This was primarily due the AUD weakening against the USD from 0.7692 at 30 June 2017 to 0.7391 at 30 June 2018, offset by repayments on the loans for USD$0.8M. This increase has been offset by a $0.1M increase in the property value resulted in property gearing increasing from 54.4% at June 2017 to 54.8% as at 30 June 2018.

Distributions

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

	2018 $'000	2018 $ per unit	2017 $'000	2017 $ per unit
Interim income distribution paid	475	0.006	-	-
Interim capital distribution paid	492	0.006	608	0.007
Final income distribution payable	158	0.002	-	-
Final capital distribution payable	164	0.002	-	-
Total Distribution	**1,289**	**0.016**	**608**	**0.007**

Units on Issue

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

	2018 000's	2017 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**

Directors' of Responsible Entity Report (Continued)

Scheme Assets

	2018 $'000	2017 $'000
Value of total scheme assets as at 30 June	64,224	60,123

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

Responsible Entity Fees and Other Transactions

There were no Responsible Entity fees charged 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 2018 was $345,272 (2017: $375,592). Other liabilities include $593,335 (2017: $500,972) payable to MAB Rosenthal LLC for asset management fees at 30 June 2018. 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	Value of units held $'000
2018		
Windyvale Pty Ltd	27,900	10,044
MRB Group No.49 Pty Ltd	28,080	10,109
Andrea Brisbane	23	8
Shadowfield Pty Ltd	17,642	6,351
Andrew Buxton & Geraldine Buxton A/C Jero Pty Ltd Superannuation Fund	1,073	386
Buxton Super Pty Ltd A/C A & G Buxton Superannuation Funds	684	246
Related party total	**75,402**	**27,144**
2017		
Windyvale Pty Ltd	27,900	8,929
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**

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.

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.

Directors' of Responsible Entity Report (Continued)

After Balance Date Events

Subsequent to 30 June 2018, the Scheme has completed the following:

- Settled Terraces at Park Place for USD$12.35M on 8 August 2018. This allowed the repayment of USD$8.8M fixed interest loans, USD$1.1M of early debt repayments penalties associated with the fixed interest loan and USD$1.4M of the variable interest loans.
- Executed unconditional contract of sale on Grandview Plaza for USD$5.55M. This is expected to settle on or about 30 September 2018.
- Executed a lease with Food Lion to take the Supermarket space at Eastfield Village.

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.

Likely Developments

In line with recent investor communications, during the coming 12 months the Scheme will look to sell all assets and wind down the operations of the fund.

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 2018. 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 2018. 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
25 September 2018

PITCHER PARTNERS

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 2018, 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 2018

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 $'000	2017 $'000
INCOME			
Net rental income	6	4,156	4,805
Foreign Exchange Gain		219	9
Other revenue	7	4,148	22
TOTAL INCOME		8,523	4,836
EXPENSES			
Audit fees	8	86	93
Bad and Doubtful Debts		10	493
Custody, registry, accounting and legal fees		212	211
Finance costs		1,730	1,705
Asset management fee		345	376
Net loss from fair value movements of Investment Properties	11	2,556	5,340
Travel Costs		4	125
Other expenses		111	117
TOTAL EXPENSES		5,054	8,460
NET PROFIT/(LOSS) BEFORE TAX		3,469	(3,624)
Income tax expense	15	-	-
NET PROFIT/(LOSS)		3,469	(3,624)
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to profit and loss			
Movement in foreign currency translation reserve		1,137	(1,164)
TOTAL OTHER COMPREHENSIVE INCOME		1,137	(1,164)
COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		4,606	(4,788)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Note	2018 $'000	2017 $'000
CURRENT ASSETS			
Cash and cash equivalents	20(b)	4,999	1,190
Trade and other receivables	9	350	412
Other current assets	10	1,170	916
Investments – Direct property	11	57,705	-
TOTAL CURRENT ASSETS		**64,224**	**2,518**
NON CURRENT ASSETS			
Investments – Direct property	11	-	57,605
TOTAL NON CURRENT ASSETS		-	**57,605**
TOTAL ASSETS		**64,224**	**60,123**
CURRENT LIABILITIES			
Trade and other payables	12	979	893
Interest bearing liabilities	14	31,624	10,391
Other liabilities	13	770	666
Distribution Payable	19	322	-
TOTAL CURRENT LIABILITIES		**33,695**	**11,950**
NON CURRENT LIABILITIES			
Interest bearing liabilities	14	-	20,961
TOTAL NON CURRENT LIABILITIES		-	**20,961**
TOTAL LIABILITIES		**33,695**	**32,911**
NET ASSETS		**30,529**	**27,212**
EQUITY			
Issued Equity	16(d)	32,551	33,207
Accumulated Losses	18	(5,483)	(8,319)
Reserves	17	3,461	2,324
TOTAL EQUITY		**30,529**	**27,212**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES OF EQUITY
FOR THE YEAR ENDED 30 JUNE 2018

	Issued Equity $'000	Retained Earnings $'000	Reserves $'000	Total Equity $'000
OPENING BALANCE 1 JULY 2017	33,207	(8,319)	2,324	27,212
Net Profit for period	-	3,469	-	3,469
Movement in foreign currency translation reserve	-	-	1,137	1,137
Total Comprehensive Income for the year	-	**3,469**	**1,137**	**4,606**
Transactions with owners in their capacity as owners				
Distributions paid and payable	-	(633)	-	(633)
Capital distributions paid and payable	(656)	-	-	(656)
CLOSING BALANCE 30 JUNE 2018	**32,551**	**(5,483)**	**3,461**	**30,529**

	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**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 $000's	2017 $000's
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from operations		10,412	7,383
Cash payments from operations		(2,815)	(3,734)
Borrowing costs		(1,677)	(1,681)
Interest received		82	15
Net cash provided by operating activities	20(a)	**6,002**	**1,983**
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for capital improvements to investment properties	11	(310)	(413)
Payments into escrow		(220)	(160)
Net cash used in investing activities		**(530)**	**(573)**
CASH FLOW FROM FINANCING ACTIVITIES			
Distributions paid		(849)	(967)
Witholding Taxes Paid		(118)	(182)
Repayment of borrowings		(957)	(942)
Net cash used in financing activities		**(1,924)**	**(2,091)**
Net increase/(decrease) in cash and cash equivalents		3,548	(681)
Cash and cash equivalents at the beginning of the year		1,190	1,735
Effect of exchange rate changes on cash and cash equivalents		261	136
Cash and cash equivalents at the end of the year	**20(b)**	**4,999**	**1,190**

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

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 15 August 2018.

The financial report has been prepared using a non-going concern basis of accounting. On March 9 2019, a redemption opportunity exists for the unitholders of the Scheme and the National Australia Bank debt facility of USD$7.2M expires. The Directors of the Responsible Entity intend to sell the remaining property assets & make the final distributions before this date with final termination expected to be completed by 30 June 2019.

Accordingly, the financial report has been prepared on a non-going concern basis.

Under a non-going concern basis of accounting, the recognition and measurement requirements specified by all Australian Accounting Standards and Interpretations have been applied in the context of the Scheme ceasing to be a going concern. As a consequence of ceasing to be a going concern, the application of these requirements may have resulted in the write-down of assets to their recoverable amounts, and the recognition and/or remeasurement of liabilities for obligations that exist at the reporting date.

All balance sheet items are being represented as current due to the expected realisation of the asset and liabilities presented within 12 months of the date of this financial report.

The financial report was authorised for issue by the Directors of the Responsible Entity on 25 September 2018.

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 2018 and the results of all controlled entities for the year ended 30 June 2018. 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.

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.

The valuations in the current year have been assisted by a sales campaign as disclosed in the Directors Report and Note 11.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 The Group 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 2018

AASB 9: Financial Instruments

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 to be based on an expected loss approach.

The Scheme is anticipating liquidation during the year ending 30 June 2019, the Directors do not anticipate that the adoption of AASB 9 would have a significant impact on the Scheme's reported revenue.

AASB 15: Revenue from Contracts with Customers,

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.

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.
The Scheme is anticipating liquidation during the year ending 30 June 2019, the Directors do not anticipate that the adoption of AASB 15 would have a significant impact on the Scheme's reported revenue.

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.

The Scheme is anticipating liquidation during the year ending 30 June 2019, the Directors do not anticipate that the adoption of AASB 16 would have a significant impact on the Scheme's reported revenue.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) New accounting standards and interpretations (continued)

AASB Interpretation 22: Foreign Currency Transactions and Advance Consideration (applicable for annual reporting periods commencing on or after 1 January 2018).

Interpretation 22 clarifies that, in applying AASB 121: The Effects of Changes in Foreign Exchange Rates, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. Accordingly, if there are multiple payments or receipts in advance, the entity is required to determine a date of the transaction for each payment or receipt of advance consideration.

The Scheme is anticipating liquidation during the year ending 30 June 2019, the Directors do not anticipate that the adoption of Interpretation 22 would have a significant impact on the Scheme's reported revenue.

(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 2: PARENT ENTITY INFORMATION

(a) Parent entity

The parent entity of the Group is MAB International Retail Trust. Refer to Note 1(k) for a the composition of the Group.

(b) Financial information

	2018 $'000	2017 $'000
Income Statement information		
Net profit attributable to members of the parent entity	3,966	(4,789)
Comprehensive income information		
Total comprehensive income attributable to members of the parent entity	3,966	(4,789)
Balance Sheet information		
Current assets	616	287
Total assets	31,145	27,506
Current liabilities	619	295
Total liabilities	619	295
Net Assets	**30,526**	**27,211**
Equity attributable to members of the parent entity		
Contributed equity	32,587	33,238
Accumulated losses	(2,061)	(6,027)
Total Equity	**30,526**	**27,211**

(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 2018.

(e) Contractual capital commitments

MAB International Retail Trust does not have any contractual capital commitments as at 30 June 2018.

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 4.22 years.

The Scheme's interest rate expense for the year ended 30 June 2018 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$16.0M) being fixed interest loans. No derivatives are in place at 30 June 2018 (2017: 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	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	%	%	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
(i) Financial assets										
Cash and Cash equivalents	0.20	0.10	-	-	-	-	4,999	1,190	4,999	1,190
Receivables			350	412	-	-	-	-	350	412
Total Financial Assets			350	412	-	-	4,999	1,190	5,349	1,602
(i) Financial liabilities										
Payables			979	893	-	-	-	-	979	893
Borrowings	5.14	5.33	-	-	21,000	21,966	10,624	9,386	31,624	31,352
Total Financial Assets			979	893	21,000	21,966	10,624	9,386	32,603	32,245

(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	Interest rate risk				Foreign exchange risk				Investment price risk			
Jun-18	$'000	-1%		1%		-10%		10%		-10%		10%	
		Profit	Other Equity	Profit	Other Equity	Profit	Other Equity	Profit	Other Equity	Profit	Other Equity	Profit	Other Equity
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Assets													
Cash and cash equivalents	4,999	(50)	-	50	-	555	-	(454)	-	-	-	-	-
Trade and other receivables	350	-	-	-	-	39	-	(32)	-	-	-	-	-
Other current assets	1,170	-	-	-	-	130	-	(106)	-	-	-	-	-
Investments – Direct property	57,705	-	-	-	-	6,412	-	(5,246)	-	(5,771)	-	5,771	-
Liabilities													
Interest bearing liabilities	(31,624)	106	-	(106)	-	(3,514)	-	2,875	-	-	-	-	-
Other Liabilities	(770)	-	-	-	-	(86)	-	70	-	-	-	-	-
Distribution Payable	(322)	-	-	-	-	(36)	-	29	-	-	-	-	-
Trade and other payables	(979)	-	-	-	-	(109)	-	89	-	-	-	-	-
Total increase / (decrease) June 2018		**56**	**-**	**(56)**	**-**	**3,391**	**-**	**(2,775)**	**-**	**(5,771)**	**-**	**5,771**	**-**

Financial Instruments	Carrying amount	Interest rate risk				Foreign exchange risk				Investment price risk			
Jun-17	$'000	-1%		1%		-10%		10%		-10%		10%	
		Profit	Other Equity	Profit	Other Equity	Profit	Other Equity	Profit	Other Equity	Profit	Other Equity	Profit	Other Equity
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'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**	**-**

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 2018 the maximum credit risk was $5,348,755.

The exposure to credit risk in respect to trade and other receivables totalled $349,526 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 $4,999,229. 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 4.22 years.

Maturity analysis

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

Year ended 30 June 2018	< 6 Months	6-12 Months	1-5 years	> 5 years	Total contractual cash flows	Carrying amount
	$'000	$'000	$'000	$'000	$'000	$'000
Interest bearing liabilities	22,203	521	4,273	4,627	31,624	31,624
Trade and other payables	979	-	-	-	979	979
Net maturities	23,182	521	4,273	4,627	32,603	32,603

Year ended 30 June 2017	< 6 Months	6-12 Months	1-5 years	> 5 years	Total contractual cash flows	Carrying amount
	$'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

Although the Scheme has commenced the process of selling all property assets and expects to repay all debt prior to 9 March 2019, the contractual obligations of the debt remain for the properties that have not settled.

All liabilities have been disclosed in the Statement of Financial Position as current, this is due to the Responsible Entities having an intention to sell all remaining assets and repay all debt prior to 9 March 2019:

(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, 2018 and 2017:

June 2018	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Investment Property	-	34,704	23,001	57,705

June 2017				
Assets				
Investment Property	-	51,170	6,435	57,605

Movement in the level 3 valuations has been due to;

- $6.4M decrease due to Grandview Plaza having an executed contract of sale, resulting in a move from Level 3 classification to Level 2 classification;
- $23.0m increase resulting from a transfer from a Level 2 classification as Eastfield Plaza and Cheshire Place are now valued in line with a Directors Valuation.

(b) Transfers between level 1 and level 2

No transfers have occurred between level 1 and level 2 during the current year.

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

All level 2 fair value assets have been based on executed unconditional sales contracts and offers provided by independent third parties (30 June 2017: $51.2M was based on offers provided by independent third parties as part of a portfolio sales campaign in July 2017).

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

All level 3 fair value assets have been based on Directors Valuations; 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 8.74% (2017: 9.02%).

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

	June 30, 2018		June 30, 2017	
	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%)	(3,364)	(3,364)	(3,143)	(3,143)
Capitalisation Rate Decrease (0.5%)	3,780	3,780	3,306	3,306
Foreign Exchange Rate Decrease (10%)	6,863	6,863	6,401	6,401
Foreign Exchange Rate Increase (10%)	(5,615)	(5,615)	(5,237)	(5,237)

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:

NOTE 5: SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

(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$1.2M 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

	2018 $'000	2017 $'000
Property Rental Income	6,324	7,073
less		
Property Expenses	(2,168)	(2,268)
Net property income	**4,156**	**4,805**

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, these will decrease as the Scheme continues to sell Investment Assets in line the current strategy:

	2018 $'000	2017 $'000
Within 1 year	4,490	6,850
Later than 1 year but not later than 5 years	12,447	19,985
Later than 5 years	18,580	28,770
Total non-cancellable future rents	**35,517**	**55,605**

NOTE 7: OTHER INCOME

	2018 $'000	2017 $'000
Interest Income	82	22
Lease buyout payments received	4,066	-
Total other income	**4,148**	**22**

NOTE 8: AUDITOR'S REMUNERATION

	2018 $'000	2017 $'000
Remuneration of the auditor of the Scheme for:		
- Auditing the financial report	28	28
- Other regulatory audit services	19	19
Remuneration of the auditor of foreign subsidiaries:		
- Auditing the financial report	39	46
Total auditors remuneration	**86**	**93**

Costs associated with auditing the Scheme's financial statements were paid for by the Scheme for the year ended 30 June 2018. The above audit and related service fees are for the entire Scheme.

NOTE 9: CURRENT TRADE & OTHER RECEIVABLES

	2018 $'000	2017 $'000
Rent receivables	95	50
Other receivables	269	374
Total trade and other receivables (pre provision for impairment)	**364**	**424**
Balance 1 July	(12)	(24)
Amounts written (back)/off	(10)	(483)
Impairment recognised	8	495
Provision for impairment	**(14)**	**(12)**
Total trade and other receivables	**350**	**412**

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 2018 $'000	Impairment 2018 $'000	Gross 2017 $'000	Impairment 2017 $'000
Not past due	44	14	17	-
Past due 31-60 days	42	-	7	-
Past due 61-90 days	4	-	9	1
Past due more than 91 days	5	-	17	11
Total	**95**	**14**	**50**	**12**

NOTE 10: OTHER CURRENT ASSETS

	2018 $'000	2017 $'000
Amounts held in escrow	814	568
Prepaid expenses	356	348
Total other current assets	**1,170**	**916**

NOTE 11: INVESTMENT PROPERTIES

(a) Investment in properties - Freehold properties	2018 $'000	2017 $'000
Carrying Value of investment properties	57,705	57,605

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. Terraces at Park Place and Grandview Plaza have been valued at the executed sales contract amounts, Cheshire Commons has been valued in line with an offer to purchase, Eastfield Village and Cheshire Place have been valued in line with a Directors valuation completed at 30 June 2018.

Post adjusting for a USD$3M fit out incentive payable to Food Lion at Eastfield, the overall portfolio has been valued at USD$42.65M (2017: USD$44.3M). This adjustment has been recorded through the Fair Value adjustments to Investment Properties below and is currently held as a Cash and Cash Equivalent in the Consolidated Statement of Financial Position.

Current valuations represent a weighted average capitalisation rate of 8.74% (2017: 9.02%).

Movements in carrying amount of property investments		
Opening Balance at 1 July	57,605	64,772
Capital Improvements	310	413
Foreign exchange movements	2,346	(2,240)
Fair value adjustment to investment properties	(2,556)	(5,340)
Closing balance at 30 June	**57,705**	**57,605**

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 14.

(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 12: TRADE & OTHER PAYABLES (CURRENT)

	2018 $'000	2017 $'000
Amounts payable to others	251	232
Accrued Expenses	728	661
Total trade and other payables	**979**	**893**

NOTE 13: OTHER LIABILITIES (CURRENT)

	2018 $'000	2017 $'000
Security Liabilities	177	174
Other Liabilities - Related party	593	492
Total other payables	**770**	**666**

NOTE 14: INTEREST BEARING LIABILITIES

	2018 $'000	2017 $'000
Current interest bearing liabilities		
Interest bearing senior debt	31,624	10,391
Total current interest bearing liabilities	**31,624**	**10,391**
Non-current interest bearing liabilities		
Interest bearing senior debt	-	20,804
Other debt	-	157
Total non-current interest bearing liabilities	**-**	**20,961**
Total interest bearing liabilities	**31,624**	**31,352**

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.

All interest bearing debt has been disclosed in the Statement of Financial Position as current, this is due to the Responsible Entities having an intention to sell all remaining assets and repay all debt prior to 9 March 2019:

NOTE 15: INCOME TAX EXPENSE AND DEFERRED TAX LIABILITY

	2018 $'000	2017 $'000
Reconciliation of income tax expenses to prima facie tax payable		
Profit/(loss) from operations before income tax expense	3,469	(3,624)
Income tax calculated at 30%	1,041	(1,087)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income		
Unrealised movements on fair value movements of investment property	767	1,602
Unrealised foreign exchange movements	(66)	(3)
Utilisation of carried forward losses not eligible to be classified as deferred tax assets	(1,742)	(512)
Income Tax Expense	-	-

The Scheme has carried forward tax losses of approximately USD$1.2M (2017: 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.

NOTE 16: NET ASSET BACKING PER UNIT

(a) Changes in equity during the year	2018 $'000	2017 $'000
Net assets attributable to unitholders at the beginning of the year	27,212	32,608
Changes in net assets attributable to unitholders	3,973	(4,788)
Capital distributions paid and payable	(656)	(608)
Equity as at the end of the year	**30,529**	**27,212**

(b) Units on issue	2018 000	2017 000
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	0.36	0.32

(d) Issue Equity	$'000	$'000
Issued Equity at the end of the year	**32,551**	**33,207**

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 17: RESERVES

	2018 $'000	2017 $'000
Foreign currency translation reserve	3,461	2,324
Total reserves	**3,461**	**2,324**

Foreign currency translation reserve relates to recording differences between the USD functional currency for operations of the Investment Assets, against the AUD presentational currency of the Scheme.

NOTE 18: ACCUMULATED LOSSES

	2018 $'000	2017 $'000
Opening Balance	(8,319)	(4,695)
Net Profit	3,469	(3,624)
Distributions Paid/Payable	(633)	-
Closing balance	**(5,483)**	**(8,319)**

NOTE 19: DISTRIBUTIONS

	2018 $'000	2017 $'000
Interim distributions paid		
September	322	322
December	322	322
March	323	-
Withholding Taxes (refundable)/paid in the United States	-	(36)
Total interim distributions paid	**967**	**608**
Provision for capital distribution payable June	322	-
Total provision for distribution payable	**322**	**-**

NOTE 20: NOTES TO THE STATEMENT OF CASH FLOWS

	2018 $'000	2017 $'000
(a) Reconciliation of net cash provided by operating activities to net profit		
Net Profit/(Loss)	3,469	(3,624)
Adjustments for;		
Fair value movement on investment properties	2,556	5,340
Net foreign exchange gain/(loss)	219	9
Changes in assets and liabilities during the financial year		
(Decrease)/Increase in other payables	124	159
(Decrease)/Increase in accrued expenses	66	(238)
Decrease/(Increase) in other current assets	(261)	(51)
Decrease/(Increase) in trade and other receivables	69	208
Net unrealised foreign exchange gain/(loss)	(240)	180
Net cash provided by operating activities	**6,002**	**1,983**
(b) Reconciliation of cash		
Cash Balance comprises		
Cash at bank	940	1,190
Restricted Cash	4,059	-
Closing cash balance	**4,999**	**1,190**

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

Restricted Cash consists of funds allocated to payment of a Food Lion lease incentive, as part of their new lease at Eastfield Village.

NOTE 21: 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	Value of units held $'000
2018		
Windyvale Pty Ltd	27,900	10,044
MRB Group No.49 Pty Ltd	28,080	10,109
Andrea Brisbane	23	8
Shadowfield Pty Ltd	17,642	6,351
Andrew Buxton & Geraldine Buxton A/C Jero Pty Ltd Superannuation Fund	1,073	386
Buxton Super Pty Ltd A/C A & G Buxton Superannuation Funds	684	246
Related party total	**75,402**	**27,144**
2017		
Windyvale Pty Ltd	27,900	8,929
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**

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, 2018 was $345,272 ($375,592 for the year ended June 30, 2017). Other liabilities include $593,335 payable to MAB Rosenthal LLC for asset management fees at June 30, 2018 ($500,972 at June 30, 2017).

NOTE 22: CONTINGENT ASSETS AND LIABILITIES

There are no contingent assets or liabilities as at 30 June 2018 (30 June 2017: Nil)

NOTE 23: SUBSEQUENT EVENTS

Subsequent to 30 June 2018, the Scheme has completed the following:

- Settled Terraces at Park Place for USD$12.35M on 8 August 2018. This allowed the repayment of USD$8.8M fixed interest loans, USD$1.1M of early debt repayments penalties associated with the fixed interest loan and USD$1.4M of the variable interest loans.
- Executed unconditional contract of sale on Grandview Plaza for USD$5.55M. This is expected to settle on or about 30 September 2018.
- Executed a lease with Food Lion to take the Supermarket space at Eastfield Village.

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.

NOTE 24: 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 2018

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 2018 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
25 September 2018

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 2018, the consolidated statement of profit and loss and other 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 2018 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 Responsible Entity would be in the same terms if given to the directors as at the time of this auditor's report.

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

Emphasis of Matter – Basis of Accounting (Non-going concern)
We draw attention to the matters described in Note 1 in the Financial Report, which indicates that the non-going concern basis of accounting has been applied in the preparation of the financial report. On March 9 2019, a redemption opportunity exists for the unitholders of the Scheme and the National Australia Bank debt facility USD $7,220,000 expires. The Directors of the Responsible Entity intend to sell the remaining property assets and make the final distributions before this date with final termination expected to be completed by 30 June 2019.

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

Other Information

The Directors of the Responsible Entity 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 2018, 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.

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 of the Responsible Entity for the Financial Report

The Directors of the Responsible Entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors of the Responsible Entity 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 of the Responsible Entity 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 of the Responsible Entity 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors of the Responsible Entity.
- Conclude on the appropriateness of the Directors' of the Responsible Entity use of the non-going concern basis of accounting, based on the audit evidence obtained.
- 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 of the Responsible Entity 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.

We also provide the Directors of the Responsible Entity with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

N R BULL
Partner

PITCHER PARTNERS
Melbourne

27 September 2018