



MAB Corporation Syndicated Loan Fund 2

ARSN 121 054 582

Responsible Entity

MAB Funds Management Limited

ABN 36 098 846 701

Interim Financial Report for the half-year ended 31 December 2018

This half-year report is to be read in conjunction with the financial report for the year ended 30 June 2018

**FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

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DIRECTORS' OF THE RESPONSIBLE ENTITY REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

The Directors of MAB Funds Management Limited (ABN 36 098 846 701), the Responsible Entity of MAB Corporation Syndicated Loan Fund 2 ("the Scheme") present their report, together with the financial report and financial statements of the Scheme. The financial report has been prepared in accordance with the AASB 134 – *Interim Financial Reporting*.

Principal Activities

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

Responsible Entity

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

Name

Andrew Buxton
B Sc

Appointed 22 November 2001

Experience and special responsibilities

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

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

Michael Buxton
FAPI, MREI

Appointed 22 November 2001

Experience and special responsibilities

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

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

Nicholas Gray
B Sc, AAPI,
MRICS

Appointed 22 November 2001

Experience and special responsibilities

Nicholas Gray has over 40 years' experience in the property industry, the last 37 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.

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 2001*, 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.

The 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)

Review of Operations

1. Financial Results

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

	Half-year ended 31 Dec 2018 \$	Half-year ended 31 Dec 2017 \$
<i>Net profit</i>	118,354	58,308
<i>Income distributions paid and payable for the period</i>	(118,354)	(58,308)
<i>Changes in equity</i>	-	-

2. Review of Operations

Business Overview

As at 31 December 2018, the Scheme had a total equity invested of \$2,540,900 (2017: \$2,540,900). This has been provided to MAB Corporation as an interest bearing loan.

Operational Overview

During the half year ended 31 December 2018 the Scheme received no new investment applications.

During the half year the scheme made a profit of \$118,354 (December 2017: \$58,308).

3. Capital Management

As at 31 December 2018, the Scheme had distributions payable of \$268,729 (June 2018: \$160,331). This is offset by an interest bearing asset of \$268,729 (June 2018: \$160,331) relating to amounts agreed with the Borrower.

4. Distributions

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

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 dollar.

Auditor's Independence Declaration

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

Signed in accordance with a resolution of the Directors of the Responsible Entity:

On behalf of the Directors



Andrew Buxton
Director
MAB Funds Management Limited

5 March 2019

ARSN 121 054 582

**AUDITOR'S INDEPENDENCE DECLARATION
TO THE MEMBERS OF
MAB CORPORATION SYNDICATED LOAN FUND 2**

In relation to the independent auditor's review for the half year ended 31 December 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 Corporation Syndicated Loan Fund 2 during the period.



N R BULL
Partner

7 March 2019



PITCHER PARTNERS
Melbourne

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Note	Dec-18 \$	Dec-17 \$
INCOME			
Loan Interest Income		118,340	51,948
Other Income		-	4,339
Bank Interest Income		14	2,021
TOTAL INCOME		118,354	58,308
EXPENSES			
TOTAL EXPENSES		-	-
NET PROFIT		118,354	58,308
COMPREHENSIVE INCOME FOR THE PERIOD		118,354	58,308

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

CONDENSED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	Dec-18 \$	Jun-18 \$
CURRENT ASSETS			
Cash and cash equivalents		2,700	2,686
Accrued Income		17	17
Receivable	6	2,831,223	2,712,884
TOTAL CURRENT ASSETS		2,833,940	2,715,587
TOTAL ASSETS		2,833,940	2,715,587
CURRENT LIABILITIES			
Payables		24,311	14,356
Distribution Payable	5	268,729	160,331
TOTAL CURRENT LIABILITIES		293,040	174,687
TOTAL LIABILITIES		293,040	174,687
NET ASSETS		2,540,900	2,540,900
EQUITY			
Issued Units	7	2,540,900	2,540,900
TOTAL EQUITY		2,540,900	2,540,900

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

CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Issued Equity	Retained Earnings	Total Equity
	\$	\$	\$
OPENING BALANCE 1 JULY 2018	2,540,900	-	2,540,900
Net Profit for period	-	118,354	118,354
Total Comprehensive Income for the period	-	118,354	118,354
Transactions with owners in their capacity as owners			
Distributions paid and payable	-	(118,354)	(118,354)
CLOSING BALANCE 31 DECEMBER 2018	2,540,900	-	2,540,900

	Issued Equity	Retained Earnings	Total Equity
	\$	\$	\$
OPENING BALANCE 1 JULY 2017	400,000	-	400,000
Net Profit for period	-	58,308	58,308
Total Comprehensive Income for the period	-	58,308	58,308
Transactions with owners in their capacity as owners			
Proceeds from units issued	2,140,900	-	2,140,900
Distributions paid and payable	-	(58,308)	(58,308)
CLOSING BALANCE 31 DECEMBER 2017	2,540,900	-	2,540,900

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

CONDENSED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Note	Dec-18 \$	Dec-17 \$
CASH FLOW FROM OPERATING ACTIVITIES			
Bank Interest Income		14	2,345
Net cash provided by operating activities		14	2,345
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issue of units		-	2,140,900
Loans Advanced		-	(2,540,900)
Net cash provided by financing activities		-	(400,000)
Net increase in cash and cash equivalents		14	(397,655)
Cash and cash equivalents at the beginning of the period		2,686	400,303
Cash and cash equivalents at the end of the period		2,700	2,648

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

MAB Corporation Syndicated Loan Fund 2 "the Scheme" is a registered managed investment scheme under the *Corporations Act 2001*. The condensed interim financial report of the Scheme is for the half-year ended 31 December 2018.

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 Scheme as at and for the year ended 30 June 2018.

The half year report was authorised for issue by the directors on 5 March 2019.

(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 2018 and the corresponding half-year.

(b) Going Concern

During the 12 months ending 31 December 2019, the Elm and Stone Development in Docklands is expected to reach practical completion, at this time all equity raised, together with interest accrued will be repaid to investors. 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.

(c) Comparatives

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

(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 dollar.

(e) Summary of significant accounting policies

The Scheme has applied AASB 9 – Financial Instruments and AASB 15 – Revenue from Contracts with Customers for the first time in the current period. The application of these accounting standards has not impacted the financial statements.

Notes to the Financial Statement (Continued)

NOTE 2: ACCOUNTING STANDARDS NOT YET EFFECTIVE

There are no new accounting standards or interpretations which are expected to significant impact the financial statements of the Scheme.

NOTE 3: FAIR VALUE MEASUREMENTS

(a) Fair value hierarchy

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

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

No assets or liabilities were held at fair value at 31 December 2018 (30 June 2018: nil)

Transfers between level 1 and level 2

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

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

There were no level 2 or 3 fair value assets at 31 December 2018 (30 June 2018: nil).

NOTE 4: AUDITORS REMUNERATION

	Dec-18	Dec-17
	\$	\$
Audit Services	7,800	7,500
Total Audit Services	7,800	7,500

During the period the fees were paid or payable for service provided by the auditor of the Scheme. These fees will be paid by the Borrower and are not recharged to the Scheme.

NOTE 5: DISTRIBUTION PAYABLE

	Dec-18	Jun-18
	\$	\$
Distribution Payable - MAB Corporation Compensation	266,195	157,809
Distribution Payable - Bank Interest	2,534	2,522
Total Distribution Payable	268,729	160,331

Notes to the Financial Statement (Continued)

NOTE 6: LOANS ADVANCED

	Dec-18	Jun-18
	\$	\$
Receivable from MAB Corporation	2,831,223	2,712,884
Total Loans Advanced	2,831,223	2,712,884

NOTE 7: ASSET BACKING PER UNIT

	Dec-18	Jun-18
	\$	\$
Net Assets attributed to unitholders at beginning of the year	2,540,900	400,000
Changes in net assets attributed to unitholders	-	2,140,900
Capital distributions paid and payable	-	-
Total Equity at the end of the period	2,540,900	2,540,900
Units on Issue	2,540,900	2,540,900
	\$	\$
Net assets attributable per unit	1	1

NOTE 8: CONTINGENT ASSETS AND LIABILITIES

There are no contingent assets or liabilities as at 31 December 2018.

NOTE 9: SUBSEQUENT EVENTS

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

DIRECTORS' OF THE RESPONSIBLE ENTITY DECLARATION FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

The Directors of the Responsible Entity declare that the financial statements and notes set out on pages 6 to 12, 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 Scheme as at 31 December 2018 and of its performance as represented by the results of its operations and its cash flows for the period ended on that date.

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
5 March 2019

MAB CORPORATION SYNDICATED LOAN FUND 2
ARSN 121 054 582

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
MAB CORPORATION SYNDICATED LOAN FUND 2

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of MAB Corporation Syndicated Loan Fund 2, "the Scheme", which comprises the condensed statement of financial position as at 31 December 2018, 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 are responsible for the preparation and fair presentation of the half-year financial report 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 and fair presentation of the half-year financial report that 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 causes us to believe that the half-year financial report is not presented fairly in accordance with the *Corporations Act 2001*. As the auditor of Scheme, 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.

Emphasis of Matter – Basis of Accounting (non-going concern basis)

We draw attention to 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. The Directors of the Responsible Entity are expecting to settle the loan receivable from MAB Corporation in the next 12 months, and this represents the key asset held within this entity. Our opinion is not modified in respect of this matter.

Independence

In conducting our review, we have complied with the independence requirements of the Australian professional accounting bodies.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that causes us believe that the half-year financial report of MAB Corporation Syndicated Loan Fund 2 is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Scheme's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



N R BULL
Partner



PITCHER PARTNERS
Melbourne

7 March 2019