



MAB Corporation Syndicated Loan Fund 2

ARSN 121 054 582

Responsible Entity

MAB Funds Management Limited

ABN 36 098 846 701

**Final Financial Report
for the year ended
30 June 2019**

**GENERAL PURPOSE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2019**

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DIRECTORS OF RESPONSIBLE ENTITY REPORT FOR THE YEAR ENDED 30 JUNE 2019

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 of the Scheme. The financial report includes the financial statements for MAB Corporation Syndicated Loan Fund 2. This financial report has been prepared in accordance with the Australian Accounting Standards.

Principal Activities

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

Following the completion of the Elm & Stone Tower in Docklands the Scheme has distributed all funds to unitholders and has been terminated as at 30 June 2019.

Responsible Entity

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

Name

Andrew Buxton Appointed 22 November 2001

B Sc

Experience and special responsibilities

Andrew Buxton began his career in the quarry and asphalt industry. From 1974 to 1988 Andrew was Co-Managing Director of the Associated Quarries and Asphalts Group.

Andrew diversified into property development and in 1995 founded MAB Corporation with Michael Buxton. He has over 30 years' experience in the property industry and is also the Managing Director of MAB Corporation Pty Ltd.

Michael Buxton Appointed 22 November 2001

FAPI, MREI

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 Appointed 22 November 2001

B Sc, AAPI,

Experience and special responsibilities

MRICS

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 Corporation Pty Ltd 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

During the year ended 30 June 2019 the Scheme made a profit of \$180,258 (2018: \$169,911).

Practical completion was achieved for units in the Elm & Stone Building between 8 March 2019 and 9 May 2019. In line with the Product Disclosure Statement (PDS), the loan facility and capitalised interest were repaid as practical completion was achieved on the respective units.

The Scheme directors have terminated the Scheme as at 30 June 2019.

Capital Management

As at 30 June 2019, the Scheme has no net assets following full distribution to the unitholders.

Distributions

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

	2019	2018
	\$	\$
Interest Distribution Paid	325,280	-
Capital Distribution Paid	2,540,900	-
Total Distribution	2,866,180	-

Unit on Issue

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

	2019	2018
	\$	\$
Net Assets attributed to unitholders at beginning of the year	2,540,900	400,000
Changes in net assets attributed to unitholders	(2,540,900)	2,140,900
Total Equity at the end of the year	-	2,540,900

Responsible Entity Fees and Other Transactions

As per the PDS, all administration costs of the Scheme were paid by the Borrower.

Directors' of Responsible Entity Report (Continued)

Units in the Scheme held by the responsible entity and its associates

As at 30 June 2019 there are no units held in the Scheme by the Responsible Entity and its associates (2018: No units held at year end).

Events Subsequent to Balance Date

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

Likely Developments

There are no likely developments as the Scheme has been terminated.

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.

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 Directors;
- 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 Directors on its assessment of the Compliance Plan; and
- making recommendations to the Directors about any changes that it considers should be made to the Compliance Plan.

Independent members of the compliance committee include:

Bleddyn Gambold

Mr. Gambold has over 30 years' experience of managed investment schemes gained in Australia and overseas.

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

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

Paul Wheeler

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

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

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

Directors' of Responsible Entity Report (Continued)

Rounding

In Accordance with ASIC Corporations (rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts in the Director's 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 audit for the period is provided with this report.

Indemnification and Insurance of Directors, Officers and Auditors

Insurance premiums

During the financial year the Responsible Entity has paid premiums in respect of its officers for liability and legal expenses for the year ended 30 June 2019. 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 2019. Such insurance contracts insure against certain liability (subject to specific exclusions) for persons who are, or have been, Directors of the Responsible Entity, or Executive Officers of the Responsible Entity.

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

Indemnifications

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

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

Fees Paid to the Responsible Entity

There were no fees paid to the Responsible Entity during the current year (2018: nil)



On behalf of the Directors
Andrew Buxton
Director
MAB Funds Management Limited

26 September 2019

MAB CORPORATION SYNDICATED LOAN FUND 2
ARSN 121 054 582

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

In relation to the independent audit for the year ended 30 June 2019, to the best of my knowledge and belief there have been:

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



N R BULL
Partner

30 September 2019



PITCHER PARTNERS
Melbourne

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 \$	2018 \$
INCOME			
Loan Interest Income		180,240	163,443
Other Income		-	4,433
Bank Interest Income		18	2,035
TOTAL INCOME		180,258	169,911
EXPENSES			
TOTAL EXPENSES		-	-
NET PROFIT		180,258	169,911
COMPREHENSIVE INCOME FOR THE YEAR		180,258	169,911

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

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Note	2019 \$	2018 \$
CURRENT ASSETS			
Cash and cash equivalents	6	-	2,686
Accrued Income	7	-	17
Receivable	10	-	2,712,884
TOTAL CURRENT ASSETS		-	2,715,587
TOTAL ASSETS			
		-	2,715,587
CURRENT LIABILITIES			
Payables	8	-	14,356
Distribution Payable	9	-	160,331
TOTAL CURRENT LIABILITIES		-	174,687
TOTAL LIABILITIES			
		-	174,687
NET ASSETS		-	2,540,900
EQUITY			
Issued Units	11d	-	2,540,900
TOTAL EQUITY		-	2,540,900

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

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

	Issued Equity	Retained Earnings	Total Equity
	\$	\$	\$
OPENING BALANCE 1 JULY 2018	2,540,900	-	2,540,900
Net Profit for year	-	180,258	180,258
Total Comprehensive Income for the year	2,540,900	180,258	2,721,158
Transactions with owners in their capacity as owners			
Repayments of units	(2,540,900)	-	(2,540,900)
Distributions paid and payable	-	(180,258)	(180,258)
CLOSING BALANCE 30 JUNE 2019	-	-	-

	Issued Equity	Retained Earnings	Total Equity
	\$	\$	\$
OPENING BALANCE 1 JULY 2017	400,000	-	400,000
Net Profit for year	-	169,911	169,911
Total Comprehensive Income for the year	400,000	169,911	569,911
Transactions with owners in their capacity as owners			
Repayments of units	-	-	-
Proceeds from units issued	2,140,900	-	2,140,900
Distributions paid and payable	-	(169,911)	(169,911)
CLOSING BALANCE 30 JUNE 2018	2,540,900	-	2,540,900

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

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 \$	2018 \$
CASH FLOW FROM OPERATING ACTIVITIES			
Bank Interest Income		18	2,383
Proceeds from interest on loans advanced		352,226	-
Bank Fee Recoveries		15	-
Net cash provided by operating activities	12	352,259	2,383
CASH FLOW FROM FINANCING ACTIVITIES			
Loans Advanced		-	(2,540,900)
Units Redeemed		(2,540,900)	-
Proceeds from repayment of loans advanced		2,540,900	-
Proceeds from issue of units		-	2,140,900
Distribution Payments		(325,280)	-
Withholding Tax Payments		(29,665)	-
Net cash provided by financing activities		(354,945)	(400,000)
Net decrease in cash and cash equivalents		(2,686)	(397,617)
Cash and cash equivalents at the beginning of the year		2,686	400,303
Cash and cash equivalents at the end of the year		-	2,686

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

This final financial report is a General purpose financial report that has been prepared in accordance with Australian Accounting Standards.

During the 12 months ending 30 June 2019, the Elm and Stone Development in Docklands reached practical completion. Consequently all equity raised, together with interest accrued has been repaid to unitholders. Accordingly, the final 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 final financial report was authorised for issue by the Directors of the Responsible Entity on 26 September 2019.

Compliance with IFRS

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

Critical accounting estimates

The preparation of final financial statements in conformity with Australian equivalents to International Financial Reporting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Scheme's accounting policies.

(b) Revenue

Revenue for the Scheme comprises of transaction and interest income all of which is recognised in the income statement on an accruals basis.

(c) Accrued Income

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

(d) Payables

Trade and other payables relate to withholding taxes paid by the Borrower on behalf of the unitholders. These were recovered through the loan settlement process.

(e) Cash and cash equivalents

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Taxation

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

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

(g) Financial instruments

Classification

Financial assets recognised by the Scheme are subsequently measured in their entirety at either amortised cost or fair value, subject to their classification and whether the Scheme irrevocably designates the financial asset on initial recognition at fair value through other comprehensive income (FVtOCI) in accordance with the relevant criteria in AASB 9.

Financial assets not irrevocably designated on initial recognition at FVtOCI are classified as subsequently measured at amortised cost, FVtOCI or fair value through profit or loss (FVtPL) on the basis of both:

- (a) the Scheme's business model for managing the financial assets; and
- (b) the contractual cash flow characteristics of the financial asset.

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Scheme becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the Scheme commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value adjusted for transaction costs, except where the instrument is classified as fair value through profit or loss, in which case transaction costs are immediately recognised as expenses in profit or loss.

Trade and other receivables

Trade and other receivables arise from the Scheme's transactions with its customers and are normally settled within 30 days.

Consistent with both the Scheme's business model for managing the financial assets and the contractual cash flow characteristics of the assets, trade and other receivables are subsequently measured at amortised cost.

Impairment of financial assets

The following financial assets are tested for impairment by applying the 'expected credit loss' impairment model:

- (a) debt instruments measured at amortised cost;
- (b) debt instruments classified at fair value through other comprehensive income; and
- (c) receivables from contracts with customers and contract assets.

The Scheme applies the simplified approach under AASB 9 to measuring the allowance for credit losses for receivables from contracts with customers. Under the AASB 9 simplified approach, the Scheme determines the allowance for credit losses for receivables from contracts with customers on the basis of the lifetime expected credit losses of the instrument. Lifetime expected credit losses represent the expected credit losses that are expected to result from default events over the expected life of the financial asset.

For all other financial assets subject to impairment testing, when there has been a significant increase in credit risk since the initial recognition of the financial asset, the allowance for credit losses is recognised on the basis of the lifetime expected credit losses. When there has not been an increase in credit risk since initial recognition, the allowance for credit losses is recognised on the basis of 12-month expected credit losses. '12-month expected credit losses' is the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The Scheme considers a range of information when assessing whether the credit risk has increased significantly since initial recognition. This includes such factors as the identification of significant changes in external market indicators of credit risk, significant adverse changes in the financial performance or financial position of the counterparty, significant changes in the value of collateral, and past due information.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments (continued)

The Scheme assumes that the credit risk on a financial asset has not increased significantly since initial recognition when the financial asset is determined to have a low credit risk at the reporting date. The Scheme considers a financial asset to have a low credit risk when the counter party has an external 'investment grade' credit rating (if available) of BBB or higher, or otherwise is assessed by the Scheme to have a strong financial position and no history of past due amounts from previous transactions with the Scheme.

The measurement of expected credit losses reflects the Scheme's 'expected rate of loss', which is a product of the probability of default and the loss given default, and its 'exposure at default', which is typically the carrying amount of the relevant asset. Expected credit losses are measured as the difference between all contractual cash flows due and all contractual cash flows expected based on the Scheme's exposure at default, discounted at the financial asset's original effective interest rate.

Financial assets are regarded as 'credit-impaired' when one or more events have occurred that have a detrimental impact on the estimated future cash flows of the financial asset. Indicators that a financial asset is 'credit-impaired' include observable data about the following:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) breach of contract;
- (c) the lender, for economic or contractual reasons relating to the borrower's financial difficulty, has granted concessions to the borrower that the lender would not otherwise consider; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

The gross carrying amount of a financial asset is written off (i.e., reduced directly) when the counterparty is in severe financial difficulty and the Scheme has no realistic expectation of recovery of the financial asset. Financial assets written off remains subject to enforcement action by the Scheme. Recoveries, if any, are recognised in profit or loss.

(h) Interest bearing liabilities

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

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

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

(i) Distributions

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

(j) Comparatives

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

(k) New accounting standards and interpretations

The Scheme has applied all new and revised Australian Accounting Standards that apply to annual reporting periods beginning on or after 1 July 2018, including AASB 9 Financial Instruments (AASB 9) and AASB 15 Revenue from Contracts with Customers (AASB 15).

AASB 9 replaces AASB 139: Financial Instruments: Recognition and Measurement. The key changes introduced by AASB 9 in relation to the accounting treatment for financial instruments include:

- simplifying the general classifications of financial assets into those measured at amortised cost and those measured at fair value;
- permitting entities to irrevocably elect, on initial recognition, for gains and losses on equity instruments not held for trading to be presented in other comprehensive income (OCI);
- simplifying the requirements for embedded derivatives, including removing the requirement to separate and measure embedded derivatives at fair value, in relation to embedded derivatives associated with financial assets measured at amortised cost;

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) New accounting standards and interpretations (continued)

- requiring entities that elect to measure financial liabilities at fair value, to present the portion of the change in fair value arising from 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
- Introducing a new 'expected credit loss' impairment model (replacing the 'incurred loss' impairment model of previous accounting standard).

In accordance with the transition requirements of AASB 9, the Scheme has elected to apply AASB 9 retrospectively to each prior reporting period presented in the financial statements, with the cumulative impact, if any, of initially applying the new standard recognised as at the beginning of the earliest prior period presented (i.e., as at 1 July 2017). The Scheme has also applied to consequential amendments to AASB 7 Financial Instruments: Disclosure to the disclosure of information about the Scheme's financial instruments for the current financial year, and the comparative reporting period.

The application of AASB 9 has not materially impacted the classification and measurement of the Scheme's financial assets and financial liabilities.

AASB 15 provides (other than 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. The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to a customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under the previous accounting standard, AASB 118 Revenue, revenue from the sale of goods was recognised when the significant risks and rewards of ownership of the goods transferred to the buyer, and revenue from the rendering of services was recognised by reference to the stage of completion of the transaction at the end of the reporting period.

In accordance with the transition requirements of AASB 15, the Scheme has elected to apply AASB 15 retrospectively to each prior reporting period presented in the financial statements, with the cumulative impact, if any, of initially applying the new standard recognised as at the beginning of the earliest prior period presented (i.e., as at 1 July 2017).

The application of AASB 15 has not materially impacted the recognition and measurement of the Scheme's revenue from contracts with customers.

(l) Accounting standards issued but not yet effective at 30 June 2019

AASB 2017-1 amendments to Australia Accounting Standards – Transfer of Investment Property, Annual Improvements 2014-2106:

AASB 2017-1 amends:

- (a) AASB 1: First-time Adoption of Australian Accounting Standards to delete some short-term exemptions for first-time adopters that were available only for reporting periods that have passed and to add exemptions arising from AASB Interpretation 22: Foreign Currency Transactions and Advance Consideration;
- (b) AASB 128: Investments in Associates and Joint Ventures to clarify that:
 - i. a venture capital organisation, or a mutual fund, unit trust and similar entities may elect, at initial recognition, to measure investments in an associate or joint venture at fair value through profit or loss separately for each associate or joint venture; and
 - ii. an entity that is not an investment entity may elect to retain the fair value measurement applied by its associates and joint ventures that are investment entities when applying the equity method. This choice is available separately for each investment entity associate or joint venture; and
- (c) AASB 140: Investment Property to reflect the principle that an entity transfers a property to, or from, investment property when, and only when, there is a change in use of the property supported by evidence that a change in use has occurred.

AASB 2017-1 mandatorily applies to annual reporting periods commencing on or after 1 January 2019. The Scheme is terminated effective 30 June 2019, therefore the Directors do not anticipate that AASB 2017-1 will have impact upon the Scheme.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Borrowing Costs

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

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

NOTE 2: FINANCIAL RISK MANAGEMENT

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

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

(a) Market Risk

(i) Price Risk

The Scheme is not exposed to price risk. As at 30 June 2019 the Scheme holds no net assets.

(ii) Cash flow and fair value interest rate risk

The Scheme does not have any cash flow or interest rate risk as the Scheme has no net assets as at 30 June 2019.

(iii) Currency Risk

The Scheme is not exposed to currency risk as the Scheme has no net assets as at 30 June 2019.

(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 Scheme.

The Scheme is not exposed to any credit risk as the Scheme has no net assets as at 30 June 2019.

(c) Liquidity Risk

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

Maturity analysis

The finance facility provided to the Borrower expired on the 9th of May 2019 with repayment occurring in line with the facility documentation.

(d) Fair value compared with carrying amounts

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

NOTE 3: FAIR VALUE MEASUREMENTS

(a) Fair value hierarchy

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

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

No assets or liabilities were held at fair value at 30 June 2019 (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 year.

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

There were no level 2 or 3 fair value assets at 30 June 2019 (30 June 2018: nil).

NOTE 4: SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

(a) Income tax

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

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

NOTE 5: AUDITORS REMUNERATION

	2019	2018
	\$	\$
Audit Services	15,700	15,300
Total Audit Services	15,700	15,300

During the period the following fees were paid or payable for service provided by the auditor of the Scheme. During the year ended 30 June 2019, these fees will be paid by the Borrower and were not recharged to the Scheme (2018: Fees were paid by the Borrower and not recharged to the Scheme).

NOTE 6: CASH AND CASH EQUIVALENTS

	2019	2018
	\$	\$
Cash on hand	-	2,686
Total Cash and Cash Equivalents	-	2,686

NOTE 7: ACCRUED INCOME

	2019	2018
	\$	\$
Accrued Cost Recoveries	-	17
Total Accrued Income	-	17

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

NOTE 8: PAYABLES

	2019	2018
	\$	\$
Payables	-	14,356
Total Payables	-	14,356

NOTE 9: DISTRIBUTION PAYABLE

	2019	2018
	\$	\$
Distribution Payable - MAB Corporation Compensation	-	157,809
Distribution Payable - Bank Interest	-	2,522
Total Distribution Payable	-	160,331

NOTE 10: RECEIVABLES

	2019	2018
	\$	\$
Receivable from MAB Corporation	-	2,712,884
Total Loans Advanced	-	2,712,884

NOTE 11: ASSET BACKING PER UNIT

(a) Changes in Equity During the Year

	2019	2018
	\$	\$
Net Assets attributed to unitholders at beginning of the year	2,540,900	400,000
Changes in net assets attributed to unitholders	(2,540,900)	2,140,900
Total Equity at the end of the year	-	2,540,900

(b) Units on Issue

	2019	2018
Units on issue as at the beginning of the year	2,540,900	400,000
Units issued as cash applications	-	2,140,900
Units redeemed	(2,540,900)	-
Units on issue at the end of the year	-	2,540,900

(c) Net assets attributable to unitholders per unit

	2019	2018
	\$	\$
Net Assets attributable to unitholders per unit	-	1.00

(d) Issued equity at the end of the year

	2019	2018
Issued equity at the end of the year	-	2,540,900

NOTE 12: NOTES TO THE STATEMENT OF CASH FLOWS

	2019	2018
	\$	\$
Net Profit	180,258	169,911
Adjustment for non cash items	-	-
(Increase)/decrease in receivables	172,018	(167,361)
(Decrease)/increase in accrued income	(17)	(167)
Net Cash inflows from Operating Activities	352,259	2,383

NOTE 13: RELATED PARTIES

Responsible Entity

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

(a) Responsible Entity Fees and Other Transactions

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

(b) Related party investment held by the Scheme

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

(c) Payables to Responsible Entity

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

NOTE 13: RELATED PARTIES (CONTINUED)

(d) Units in the Scheme held by related parties

There are no holdings in the Scheme by the Responsible Entity, Directors, Director related entities or other Schemes also managed by the Responsible Entity (2018:nil).

NOTE 14: CONTINGENT ASSETS AND LIABILITIES

There are no contingent assets or liabilities as at 30 June 2019.

NOTE 15: SUBSEQUENT EVENTS

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

DIRECTORS' DECLARATION FOR THE YEAR ENDED 30 JUNE 2019

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

1. The financial statements and notes as set out on pages 8 to 19, are in accordance with the *Corporations Act 2001* and:
 - (a) Comply with Accounting Standards in Australia and the *Corporations Regulations 2001*;
 - (b) As stated in Note 1(a) the financial statements also comply with International Financial Reporting Standards; and
 - (c) Give a true and fair view of the financial position of the Scheme as at 30 June 2019 and of its performance, as represented by the results of its operations and its cash flows for the financial year ended on that date.

2. There are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable.

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



Andrew Buxton
Director
MAB Funds Management Limited
26 September 2019

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of MAB Corporation Syndicated Loan Fund 2, "the Scheme", which comprises the statement of financial position as at 30 June 2019, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (a) giving a true and fair view of the Scheme's financial position as at 30 June 2019 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 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 have commenced the process of terminating the Scheme. The loan receivable has been received and all liabilities have settled prior to 30 June 2019. Our opinion is not modified in respect of this matter.

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

Other Information

The Directors of Responsible Entity are responsible for the other information. The other information comprises the information included in the Scheme's Directors' report for the year ended 30 June 2019, 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 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 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

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

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.



N R BULL
Partner



PITCHER PARTNERS
Melbourne

30 September 2019

