



MA Financial Group

MA Priority Income Fund

ARSN 648 809 849

Annual Report for the year ended
30 June 2022

Annual Report for the year ended 30 June 2022

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Directors' report

The Directors of MAAM RE Limited, in its capacity as the Responsible Entity of the MA Priority Income Fund (the "Fund") present their report together with the financial statements of the Fund, for the year ended 30 June 2022 ("year").

The Fund was constituted on 12 November 2018 as an Australian wholesale unit trust (unregistered managed investment scheme). On 17 March 2021 the Fund changed its name from MA Fixed Income Fund to MA Priority Income Fund, and the former trustee MA Asset Management Limited retired as Trustee and MAAM RE Limited became the Trustee. On 1 April 2021 the Fund became a registered managed investment scheme and MAAM RE Limited became the Responsible Entity.

Principal activities

The Fund is a registered managed investment scheme that is an unlisted Australian unit trust. All references to the Fund hereafter are taken to mean the Fund as a whole, which is the MA Priority Income Fund.

The Fund invests in Class A units of the MA Master Credit Trust (the "Master Trust"), an unregistered wholesale Australian unit trust which invests in a portfolio of credit investments, as set out in the current Product Disclosure Statement, and in accordance with the provisions of the Fund's governing documents.

A wholly owned subsidiary of MAFG co-invests via Class B units in the Master Trust an amount equal to 10% of the Fund's investment in Class A units of the Master Trust (Manager Co-Investment). The Manager Co-Investment is made on a first loss and subordinated basis. As at 30 June 2022, no impairment of the Capital Buffer has been noted.

The Fund did not have any employees during the year.

There were no significant changes in the nature of the Scheme's activities during the year.

The various service providers to the Fund are outlined below:

Service providers

Responsible Entity	- MAAM RE Limited
Investment Manager	- MA Investment Management Pty Limited
Custodian	- Certane CT Pty Limited
Administrator	- Alter Domus Australia Pty Limited
Unit Registry	- Boardroom Pty Limited
Auditor	- KPMG (Previously Deloitte Touche Tohmatsu)

Directors

The following persons held office as Directors of the Responsible Entity during the year, or since the end of the year and up to the date of this report:

Andrew Martin
Graham Lello
Jannamaria Robertson

This report is made in accordance with a resolution of the Directors.

Directors' report (continued)

Review and results of operations

During the year, the Fund was managed in accordance with the investment objective and strategy set out in the Fund's Product Disclosure Statement and in accordance with its Constitution.

The performance of the Fund, as represented by the results of its operations, was as follows:

	FOR THE YEAR 1 JULY 2021 TO 30 JUNE 2022	FOR THE PERIOD 1 APRIL 2021 TO 30 JUNE 2021	FOR THE PERIOD 1 JULY 2020 TO 31 MARCH 2021
Profit/loss attributable to unitholders (\$'000)	11,482	2,147	3,752
Distributions paid or payable (\$'000)	11,484	2,147	3,752
Distribution per units (in cents)*	8.3466	2.0443	6.1002

**Comparative information has been restated to provide information that is comparable to the current year presentation change.*

Significant changes in state of affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the Fund that occurred during the year.

Likely developments and expected results of operations

The Fund will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Fund and in accordance with the provisions of the Constitution.

The results of the Fund's operations will be affected by a number of factors, including the performance of investment markets in which the Fund invests. Investment performance is not guaranteed, and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

Indemnity and insurance of officers

No insurance premiums are paid for out of the assets of the Fund in regard to insurance cover provided to either the officers of the Responsible Entity or the auditors of the Fund. So long as the officers of the Responsible Entity act in accordance with the Fund Constitution and the Law, the officers remain indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund.

Indemnity of auditor

The auditors of the Fund are in no way indemnified out of the assets of the Fund.

Fees paid to and interests held in the Fund by the Responsible Entity or its associates

Fees paid to the Responsible Entity and its associates out of Fund property during the year are disclosed in note 7 to the financial statements.

No fees were paid out of Fund property to the Directors of the Responsible Entity during the year.

The number of interests in the Fund held by the Responsible Entity or its associates as at the end of the year are disclosed in note 7 to the financial statements.

Interests in the Fund

The movement in units on issue in the Fund during the year is disclosed in note 5 to the financial statements.

The value of the Fund's assets and liabilities is disclosed on the balance sheet and derived using the basis set out in note 2 to the financial statements.

Directors' report (continued)

Environmental regulation

The operations of the Fund are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

Matters subsequent to the end of the financial period

Subsequent to 30 June 2022 the Fund has paid the 30 June 2022 distribution to unitholders of \$1,398,570.

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect:

- the operations of the Fund in future financial years, or
- the results of those operations in future financial years, or
- the state of affairs of the Fund in future financial years.

Change in auditor

Effective 1 August 2022, KPMG was appointed as auditor for the Fund. This appointment follows the outcome of an audit tender process. In accordance with this process and s.329(5) of the Corporations Act 2001 (Cth), the Fund has received the resignation of Deloitte Touche Tohmatsu following ASIC's consent to the resignation.

Auditor's independence declaration

The auditor's independence declaration as required under s.307C of the Corporations Act 2001 (Cth) is set out immediately after the Directors' Report.

Rounding of amounts

In accordance with *ASIC Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191* amounts in the Directors' Report and the Annual Report have been rounded off to the nearest thousand dollar unless otherwise indicated.

Signed in accordance with a resolution of the Board of Directors of MAAM RE Limited as Responsible Entity of the MA Priority Income Fund.



Graham Lello
Director
29 September 2022

Directors' declaration

In the opinion of the Directors of MAAM RE Ltd as Responsible Entity of the MA Priority Income Fund:

- (a) The financial statements and notes, set out on pages 8 to 34, are in accordance with the *Corporations Act 2001*, including:
 - (i) Give a true and fair view of the Fund's financial position as at 30 June 2022 and of its performance as represented by the results of the operations and its cash flows, for the year ended on that date in accordance with the accounting policies described in note 2;
 - (ii) Comply with Australian Accounting Standards (including the Australian Accounting Interpretations) to the extent described in Note 2, and the *Corporations Regulations 2001*; and
- (b) There are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

Dated in Sydney this 29 day of September 2022.

Signed in accordance with a resolution of the Directors of MAAM RE Ltd as Responsible Entity of the MA Priority Income Fund.



Graham Lello
Director
29 September 2022



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of MA Priority Income Fund

I declare that, to the best of my knowledge and belief, in relation to the audit of MA Priority Income Fund for the financial year ended 30 June 2022 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Shaun Kendrigan

Partner

Sydney

29 September 2022

Statement of comprehensive income

For the year ended 30 June 2022

	NOTES	FOR THE YEAR 1 JULY 2021 TO 30 JUNE 2022 (\$'000)	FOR THE PERIOD 1 APRIL 2021 TO 30 JUNE 2021 (\$'000)	FOR THE PERIOD 1 JULY 2020 TO 31 MARCH 2021 (\$'000)
Investment income				
Distribution income	6	11,484	2,147	3,752
Expense reimbursement income*	7	136	33	-
Total investment income		11,620	2,180	3,752
Expenses				
Remuneration paid to auditors*	8	27	33	-
Other operating expenses*	7	111	-	-
Total operating expenses		138	33	-
Profit for the period		11,482	2,147	3,752
Other comprehensive income		-	-	-
Total comprehensive income for the period		11,482	2,147	3,752

* Comparative information has been restated to provide information that is comparable to the current year presentation change. There has been no change in the total comprehensive income for the comparative period.

All amounts presented are in Australian Dollars.

The above Statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position

As at 30 June 2022

	NOTES	30 JUNE 2022 (\$'000)	30 JUNE 2021 (\$'000)	31 MARCH 2021 (\$'000)
Assets				
Cash and cash equivalents		2	170	7,913
Financial assets at fair value through profit or loss	3	365,356	215,428	121,332
Other receivables		1,426	735	427
Total assets		366,784	216,333	129,672
Liabilities				
Management fees payable	7	-	-	-
Distribution payable	6	1,398	703	417
Other payables		30	200	7,921
Total liabilities		1,428	903	8,338
Net assets attributable to unitholders - equity	5	365,356	215,430	121,334

All amounts presented are in Australian Dollars.

The above Statement of financial position should be read in conjunction with the accompanying notes.

Statement of changes in equity

For the year ended 30 June 2022

	NOTES	30 JUNE 2022 (\$'000)	30 JUNE 2021 (\$'000)	31 MARCH 2021 (\$'000)
Total equity at the beginning of the year		215,430	121,334	117,137
Comprehensive income for the year				
Profit for the year		11,482	2,147	3,752
Other comprehensive income		-	-	-
Total comprehensive income for the year		11,482	2,147	3,752
Capital transactions				
Applications	5	211,621	104,499	15,276
Redemptions	5	(62,493)	(10,413)	(11,087)
Units issued upon reinvestment of distributions	5	800	10	8
Distributions paid and payable	6	(11,484)	(2,147)	(3,752)
Total transactions with unitholders		138,444	91,949	445
Total equity at the end of the year		365,356	215,430	121,334

All amounts presented are in Australian Dollars.

The above Statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of cash flows

For the year ended 30 June 2022

	30 JUNE 2022 (\$'000)	30 JUNE 2021 (\$'000)	31 MARCH 2021 (\$'000)
Cash Flow from operating activities			
Profit or loss for the year	11,482	2,147	3,752
Adjustments to reconcile net change in net assets resulting from operations to net cash from/(used in) operating activities:			
Change in operating assets and liabilities:			
Increase in other receivables	4	(4)	409
(Decrease)/increase in other payables	(170)	(7,721)	6,878
Net cash from/(used in) operating activities	11,316	(5,578)	11,039
Cash flows used in investing activities			
Acquisition of financial assets at FVTPL	(212,421)	(32,529)	(15,284)
Disposal of financial assets at FVTPL	62,493	9,310	11,087
Increase in distribution receivable	(695)	(304)	(428)
Net cash used in investing activities	(150,623)	(23,523)	(4,625)
Cash flows from financing activities			
Distributions paid to unitholders	(10,789)	(1,851)	(3,327)
Proceeds from subscriptions of units	212,421	33,622	15,276
Payments for redemptions of units	(62,493)	(10,413)	(11,087)
Net cash from financing activities	139,139	21,358	862
Net (decrease)/increase	(168)	(7,743)	7,276
Cash and cash equivalents at the beginning of the year	170	7,913	637
Cash and cash equivalents at the end of year	2	170	7,913
Non-cash financing activities			
Reinvestment of distributions	800	10	8
Subscription of units - issue of 35,438,352 units to former unitholders of MA Fixed Income Fund II in exchange for 35,438,352 Class A units of the Master Trust	-	70,877	-
Non-cash operating activities			
Financial assets at FVTPL - acquisition of 35,438,352 Class A units in the Master Trust in exchange for issue of 35,438,352 units to former unitholders of the MA Fixed Income Fund II	-	70,877	-

All amounts presented are in Australian Dollars.

The above Statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

For the year ended 30 June 2022

1 Corporate information

MA Priority Income Fund (the "Fund") (ARSN 648 809 849) is a registered managed investment scheme domiciled in Sydney, Australia. MAAM RE Limited (the "Responsible Entity") acts as Responsible Entity of the Fund. The Responsible Entity's address is Level 27, Brookfield Place, 10 Carrington Street, Sydney, NSW 2000. The Investment Manager of the Fund is MA Investment Management Pty Ltd (the "Investment Manager").

The Fund was constituted on 12 November 2018 as an Australian wholesale unit trust (unregistered managed investment scheme). On 17 March 2021 the Fund changed its name from MA Fixed Income Fund to MA Priority Income Fund, and the former trustee MA Asset Management Limited retired as trustee and MAAM RE Limited became the Responsible Entity. On 1 April 2021 the Fund became a registered managed investment scheme.

The Fund is an open-ended fund whose investment strategy is primarily focused on Australian private debt that is secured, asset-backed or otherwise has defensive characteristics. Investments are sourced from both MA Financial Group proprietary and third-party origination platforms. The objective of the Fund is to provide investors with a target net cash yield (after all fees and costs) equal to the RBA Cash Rate + 4.00% per annum. The Fund seeks to achieve this through investing in Class A units of the MA Master Credit Trust (the "Master Trust"), an unregistered Australian unit trust which invests in a portfolio of credit investments, as set out in the current Product Disclosure Statement, and in accordance with the provisions of the Fund's governing documents. The Investment Manager is also the Investment Manager of the Master Trust.

The Responsible Entity has appointed Alter Domus Australia Pty Limited to act as Administrator of the Fund, Certane CT Pty Limited to act as Custodian of the Fund, and Boardroom Pty Limited to act as Unit Registry of the Fund.

The comparative period has been split into two columns, the period from the date of registration 1 April 2021 to 30 June 2021, and the period from 1 July 2020 to 31 March 2021. Both comparative periods have been included in order to present a full comparative of 12 months.

The financial statements were authorised for issue by the Responsible Entity of the Fund on 29 September 2022. The Directors of the Responsible Entity have the power to amend and reissue the financial statements.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated in the following text.

2.1 Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Accounting Standards Board and the Corporations Act 2001 in Australia. The Fund is a for-profit unit trust for the purpose of preparing the financial statements.

The financial statements are prepared on the basis of historical cost, except for financial assets held at fair value through profit or loss (FVTPL), that are measured at fair value.

The Statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are expected to be recovered or settled within twelve months, except for financial assets at fair value through profit or loss and net assets attributable to unitholders.

Notes to the financial statements

For the year ended 30 June 2022

2 Significant accounting policies (continued)

2.1 Basis of Preparation (continued)

The Fund manages financial assets at fair value through profit or loss based on the economic circumstances at any given point in time, as well as to meet any liquidity requirements. As such, it is expected that a portion of the portfolio will be realised within twelve months, however, an estimate of that amount cannot be determined as at balance date.

(i) Compliance with International Financial Reporting Standards

The financial statements of the Fund also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

(ii) New accounting standards and interpretations

There are no new standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2021 that would be expected to have a material impact on the Fund.

2.2 Amendments to Accounting Standards that are mandatorily effective for the current reporting period

The new and revised Standards and Interpretation effective during the period do not materially affect the Fund's accounting policies or any of the amounts recognised in the Annual Report.

Standards and interpretations not yet adopted

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2020-1 <i>Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current</i>	1 January 2023	31 December 2023
AASB 2021-2 <i>Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates</i>	1 January 2023	31 December 2023
AASB 2021-5 <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023	31 December 2023
AASB 2014-10 <i>Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, AASB 2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and AASB 2017-5 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections</i>	1 January 2025	31 December 2025

Notes to the financial statements

For the year ended 30 June 2022

2 Significant accounting policies (continued)

2.3 Financial instruments

(i) Classification

- Financial assets

The Fund classifies its financial assets in the following measurement categories:

- those to be measured at fair value through profit or loss; and
- those to be measured at amortised cost.

The Fund classifies its financial assets based on the Fund's business model for managing those financial assets and contractual cash flow characteristics of the financial assets.

For Fund's investment in unit trusts, the contractual cash flows of these instruments do not represent solely payments of principal and interest. Consequently, these investments are measured at fair value through profit or loss.

For cash and cash equivalents and receivables, these assets are held in order to collect the contractual cash flows and the contractual terms of these assets give rise on specified dates to cash flow that are solely payments of principal and interest on the principal amount outstanding. Consequently, these are measured at amortised cost.

- Financial liabilities

For financial liabilities that are not classified at fair value through profit or loss, these are classified as financial liabilities at amortised cost (management fees payable, administration fees payable, audit fees payable and other payables).

(ii) Recognition and derecognition

The Fund recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in the fair value of the financial assets or financial liabilities from that date.

Investments are derecognised when the right to receive cashflows from the investments have expired or have been transferred and the Fund has transferred substantially all of the risks and rewards of ownership.

The Fund derecognises financial liabilities when, and only when, the Fund's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Notes to the financial statements

For the year ended 30 June 2022

2 Significant accounting policies

2.3 Financial instruments (continued)

(iii) Measurement

- Financial instruments

At initial recognition, the Fund measures financial assets and financial liabilities at fair value. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in the statement of comprehensive income.

Subsequent to initial recognition, all financial assets or liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of 'financial assets or liabilities at fair value through profit or loss' category are presented in the Statement of comprehensive income within 'net gains/(losses) on financial assets at fair value through profit or loss' in the period in which they arise.

Financial assets and liabilities at amortised cost are measured by using the effective interest rate ("EIR") method. The EIR is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating and recognising the interest income or interest expense in Statement of comprehensive income over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where applicable, to the net carrying amount of the financial asset or liability. When calculating the EIR, the Fund estimates cash flows considering all contractual terms of financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between the parties to the contract that are an integral part of EIR, including transaction costs and all other premiums or discounts.

- Impairment

The measurement of Expected Credit Losses ("ECL") is a function of the Probability of Default ("PD"), Loss Given Default ("LGD") and Exposure at Default ("EAD"). The approach is to analyse the market available data to determine probability of default and historic track record performance in order to derive the loss given default. The EAD is equated using the entire facility amounts at amortised cost (including undrawn elements and accrued PIK interest).

The ECL drivers of PD, EAD and LGD are modelled which considers vintage, maturity, exogenous and other credit factors and applied across all loans and receivables at initial recognition. The result is therefore an unbiased probability-weighted estimation of credit losses as determined by evaluating a range of possible outcomes and considering future economic conditions. When there is a non-linear relationship between forward-looking economic scenarios and their associated credit losses, multiple scenarios are modelled to ensure an unbiased representative sample of the complete distribution when determining the expected loss. Alongside a review of the economic climate, management have considered a variety of weightings in the assessment of the macroeconomic outlook. The weightings address the risk of non-linearity in the relationship between credit losses and economic conditions, with provisions increasing more in unfavorable conditions (particularly severe conditions) than they reduce in favorable conditions. The loan loss provision recognised is therefore the probability-weighted sum of the provisions calculated under a range of economic scenarios. The scenarios and the weightings are derived using external data together with management judgement, to determine scenarios which span an appropriately wide range of plausible economic conditions.

Notes to the financial statements

For the year ended 30 June 2022

2 Significant accounting policies (continued)

2.3 Financial instruments (continued)

(iii) Measurement (continued)

- Impairment (continued)

ECLs are recognised – on an individual or collective basis – in three stages under AASB 9 *Financial Instruments*:

- Stage 1 – When a financial asset is purchased, ECLs resulting from default events that are possible within the next 12 months are recognised (12-month ECL) and a loss allowance is established. On subsequent reporting dates, 12-month ECL also applies to existing financial asset with no significant increase in credit risk since their initial recognition. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired. Interest revenue is calculated on the financial asset's gross carrying amount (that is, without deduction for ECLs).
- Stage 2 – If a financial asset's credit risk has increased significantly since initial recognition and is not considered low, lifetime ECLs are recognised. The calculation of interest revenue is the same as for Stage 1.
- Stage 3 – If the financial asset's credit risk increases to the point where it is considered credit-impaired, interest revenue is calculated based on the gross carrying amount less the loss allowance. Lifetime ECLs continues to be recognised, as in Stage 2.

(iv) Offsetting financial instruments

Financial assets and financial liabilities are offset, and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.4 Net assets attributable to unitholders

Units are redeemable at the unitholders' option; however, applications and redemptions may be suspended by the Responsible Entity if it is in the best interests of the unitholders. The units can be put back to the Fund at any time for cash based on the redemption price, which is equal to a proportionate share of the Fund's net asset value attributable to the unitholders. The units are carried at the redemption amount that is payable at balance sheet date if the holder exercises the right to put the unit back to the Fund. This amount represents the expected cash flows on redemption of these units.

Under AASB 132 Financial instruments: Presentation, puttable financial instruments meet the definition of a financial instrument to be classified as equity where certain strict criteria are met. The Fund shall classify a financial instrument as an equity instrument from the date when the instrument has all the features and meets the conditions.

Notes to the financial statements

For the year ended 30 June 2022

2 Significant accounting policies (continued)

2.4 Net assets attributable to unitholders (continued)

Units are classified as equity when they satisfy the following criteria under AASB 132 *Financial instruments: Presentation*:

- the puttable financial instrument entitles the holder to a pro-rata share of net assets in the event of the Fund's liquidation;
- the puttable financial instrument is in the class of instruments that is subordinate to all other classes of instruments and class features are identical;
- the puttable financial instrument does not include any contractual obligations to deliver cash or another financial asset, or to exchange financial instruments with another entity under potentially unfavourable conditions to the Fund, and it is not a contract settled in the Fund's own equity instruments; and
- the total expected cash flows attributable to the puttable financial instrument over the life are based substantially on the profit or loss.

The Fund's units have been classified as equity as they satisfied all the above criteria.

2.5 Cash and cash equivalents

For the purpose of presentation in the Statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Payments and receipts relating to the purchase and sale of investment securities are classified as cashflows from operating activities, as movements in the fair value of these securities represent the Fund's main income generating activity.

2.6 Investment income

(i) Interest income

Interest income from a financial asset at amortised cost is recognised when it is probable that the economic benefits will flow to the Fund and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

(ii) Distribution income

Distribution income from financial assets at fair value through profit or loss is recognised in the Statement of comprehensive income within distribution income when the Fund's right to receive payments is established.

2.7 Expenses

All expenses are recognised in the Statement of comprehensive income on an accrual basis.

Notes to the financial statements

For the year ended 30 June 2022

2 Significant accounting policies (continued)

2.8 Income taxation

Under current legislation, the Fund is not subject to income tax as income of the Fund is attributed to the unitholders.

Realised capital losses are not attributed to unitholders but are retained within the Fund to be offset against any realised capital gains. If realised capital gains exceed realised capital losses, the excess is distributed to unitholders.

The benefits of imputation credits and tax paid are generally passed on to unitholders.

2.9 Distributions

In accordance with the Constitution, the Fund attributes its taxable income, and any other amounts determined by the Responsible Entity to unitholders by cash or reinvestment. Distributions are recognised in the Statement of changes in equity as distributions paid and payable.

2.10 Increase/decrease in net assets attributable to unitholders

Income not distributed is included in net assets attributable to unitholders. Where the Fund's units are classified as equity, movements in net assets attributable to unitholders are recognised in the Statement of changes in equity.

2.11 Foreign currency transactions

(i) Functional and presentation currency

The financial statements of the Fund are presented in the currency of the primary economic environment in which the Fund operates (its functional currency). The results and financial position are expressed in Australian dollars ("A\$", "AUD"), which is the functional currency of the Fund and the presentation currency for the financial statements.

(ii) Transactions and balances

All foreign currency transactions during the year are recognised at the exchange rate prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the year in which they arise except for certain exchange differences on transactions entered into in order to hedge certain foreign currency risks.

2.12 Receivables

Receivables may include amounts for interest and trust distributions. Trust distributions are accrued when the right to receive payment is established. Where applicable, interest is accrued on a daily basis. Amounts are generally received within 30 days of being recorded as receivables.

Notes to the financial statements

For the year ended 30 June 2022

2 Significant accounting policies (continued)

2.13 Receivables (continued)

Receivables are recognised at amortised cost using the effective interest method, less any allowance for ECL. The Fund has applied a simplified approach to measuring ECL, which uses a lifetime expected loss allowance. To measure the ECL, receivables have been grouped based on days overdue. All of the Fund's receivables are neither past due nor impaired and are assessed to be fully recoverable (30 June 2021: fully recoverable and 31 March 2021: fully recoverable). Our assessment is based upon historical information about counterparty default risks.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

2.13 Payables

Payables include liabilities and accrued expenses owed by the Fund which are unpaid as at the end of the reporting period.

The amount of distribution payable to unitholders as at the reporting date is recognised separately in the Statement of financial position.

2.14 Applications and redemptions

Applications received for units in the Fund are recorded net of any entry fees payable prior to the issue of units in the Fund. Redemptions from the Fund are recorded gross of any exit fees payable after the cancellation of units redeemed.

2.15 Use of estimates

The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities within the current and next year. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Key estimates and assumptions relate to the valuation of financial assets at fair value through profit or loss and impairment of financial assets. Management assesses impairment of financial assets at each reporting date by evaluating conditions specific to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined.

2.16 Prior period comparatives

Comparative information has been disclosed in respect of the previous period for amounts reported in the financial statements. Where the presentation or classification of items in the financial statements is amended, the comparative amounts have been reclassified to conform with current period presentation.

Notes to the financial statements

For the year ended 30 June 2022

2 Significant accounting policies (continued)

2.17 Rounding of amounts

In accordance with Australian Securities and Investments Commission Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, amounts in the Directors' report and the financial report have been rounded to the nearest thousand Australian dollars, unless otherwise indicated.

3 Financial assets at fair value through profit or loss

	AS AT 30 JUNE 2022 (\$'000)	AS AT 30 JUNE 2021 (\$'000)	AS AT 31 MARCH 2021 (\$'000)
Investment in Class A units of the Master Trust	365,356	215,428	121,332
Total financial assets	365,356	215,428	121,332

A wholly owned subsidiary of MAFG co-invests via Class B units in the Master Trust an amount equal to 10% of the Fund's investment in Class A units of the Master Trust (Manager Co-Investment). The Manager Co-Investment is made on a first loss and subordinated basis, which means that:

- the Manager Co-Investment is first impacted in the event of an impairment of capital, providing Unitholders with the benefit of a Capital Buffer; and
- Unitholders are expected to benefit from priority returns, providing a significant degree of capital and income protection.

MAFG will only receive a return on the Manager Co-Investment if unitholders have been paid the full Target Return (in all prior periods) and the Capital Buffer is equal to 10% of the Fund's invested capital (Invested Capital). As at 30 June 2022, no impairment of the Capital Buffer has been noted.

	AS AT 30 JUNE 2022 (\$'000)	AS AT 30 JUNE 2021 (\$'000)	AS AT 31 MARCH 2021 (\$'000)
Master Trust NAV (excluding ECL)	453,598	236,090	210,937
Class A ownership	412,356	214,627	191,761*
Class B ownership	41,242	21,463	19,176

* Class A ownership as at 31 March 2021 includes MA Fixed Income Fund II

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, and the relevant activities are directed by means of contractual arrangements. The Fund considers the Master Trust to be a structured entity. The Fund invests in Class A units of the Master Trust for the purpose of receiving the Target Return.

Notes to the financial statements

For the year ended 30 June 2022

4 Financial risk management

The Fund, through its investment in the Master Trust, is exposed to a number of risks due to the nature of its activities and as further set out in its offer document. These risks include market risk (including price risk and interest rate risk), credit risk and liquidity risk.

The Fund's overall risk management program focuses on ensuring compliance with the Fund's Product Disclosure Statement and the investment guidelines of the Fund. It also seeks to maximise the returns derived for the level of risk to which the Fund is exposed and seeks to minimise potential adverse effects on the Fund's financial performance.

The management of these risks is carried out by the Investment Manager on behalf of the Fund, who manages the Fund's assets in accordance with its investment objective. This involves an ongoing process of identification, measurement, monitoring and controlling of risks. The Investment Manager is aware of the risks associated with the business of investment management.

The Investment Manager uses different methods to measure different types of risk to which the Fund is exposed through its investment in the Master Trust and the Master Trust is exposed to through its investments in loans. These methods are explained below.

(a) Credit risk

The Fund is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when they fall due, causing a financial loss to the Fund.

The main concentration of credit risk, to which the Fund is exposed, arises from the Fund's investment in Class A units issued by the Master Trust. The Master Trust is exposed to credit risk in its portfolio of investments in loans.

The Investment Manager of the underlying investments in the Master Trust intends that each new investment opportunity will be subject to the Investment Manager's established and rigorous evaluation and approval process, which is focused on in-depth credit analysis with the key emphasis on capital preservation. Once a potential investment opportunity is identified, the Investment Manager follows a defined screening, due diligence, and approval process.

The investment team will undertake a detailed review of the company and the sector within which it operates and present a detailed investment proposal to the Investment Committee. Alongside this proposal, the investment team will also build a financial model to forecast credit risk and perform multiple downside scenario analyses. At the committee meeting the investment team will be challenged and, if required, further research will be undertaken. The outcome of the Investment Committee process is a decision on the approved holding limits of an investment if the transaction is approved.

Comprehensive due diligence will be undertaken as part of each new transaction in which the Fund is involved. The scope of the due diligence undertaken will include all areas of potential risk in the transaction.

Once a deal is completed there is regular and active post-investment monitoring which is designed to identify risks within the portfolio. The Investment Manager will be responsible for the execution and monitoring of the investment, all the way through to exit. Monitoring of investments is a continuous process and the key components of the Investment Manager's post investment risk management are as follows:

Notes to the financial statements

For the year ended 30 June 2022

4 Financial risk management (continued)

(a) Credit risk (continued)

- Regular interaction with investee company management teams;
- Monthly or quarterly review of individual investment performance upon receipt of management accounts from the investment; and
- Each quarter, the Investment Committee reviews each investment in the portfolio. Risk ratings are assigned to each investment to enable the Investment Manager to monitor both the operating performance of the business and the absolute credit risk compared with original expectations. The review also includes an assessment of valuations, future realisations and repayment dates.

The Investment Manager believes that close contact with investee companies and the monthly and quarterly reviews are essential to ensure effective monitoring of its investments. It also helps to provide an early indication of changes in the performance and credit risk of an investee company. The Investment Manager executives and senior management continuously share information about market conditions and industry wide issues in order to enhance risk management and improve monitoring across the business.

The Fund is also exposed to counterparty credit risk on cash and cash equivalents and other receivables. The maximum exposure to credit risk before any credit enhancements at the end of each reporting period is the carrying amount of the financial assets.

(b) Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund is exposed to monthly cash redemptions of its units.

The Fund has invested in unlisted Class A units issued by the Master Trust and as such may not be able to quickly liquidate its investments in these instruments at an amount close to their fair value to meet its liquidity requirements or to respond to specific events such as deterioration in the creditworthiness of any particular issuer or counterparty.

In order to manage the Fund's overall liquidity, the Responsible Entity has the discretion to reject an application for units and to defer or adjust redemption of units if the exercise of such discretion is in the best interests of unitholders. The Fund did not reject or withhold any redemptions during the year ended 30 June 2022, and periods ended 30 June 2021 and 31 March 2021.

Compliance with the Fund's policy is reported to the Board on a quarterly basis.

Notes to the financial statements

For the year ended 30 June 2022

4 Financial risk management (continued)

(b) Liquidity risk (continued)

Maturity analysis for financial liabilities

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the end of the year to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	LESS THAN 1 MONTH (\$'000)	1 – 6 MONTHS (\$'000)	6 - 12 MONTHS (\$'000)	1 - 2 YEARS (\$'000)	TOTAL (\$'000)
30 JUNE 2022					
Distributions payable	1,398	-	-	-	1,398
Other payables	30	-	-	-	30
Contractual cash flows	1,428	-	-	-	1,428
30 JUNE 2021					
Distributions payable	703	-	-	-	703
Other payables	200	-	-	-	200
Contractual cash flows	903	-	-	-	903
31 MARCH 2021					
Distributions payable	417	-	-	-	417
Other payables	7,921	-	-	-	7,921
Contractual cash flows	8,338	-	-	-	8,338

(c) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange (currency risk), market interest rates (interest rate risk) and market prices (price risk). The Fund manages this risk via outsourcing its investment management whereby; the Investment Manager manages the financial risks relating to the operations of the Fund in accordance with an investment objective set out in accordance with the Constitution and Product Disclosure Statement. There has been no change to the Fund's exposure to market risks or the manner in which it manages and measures the risk.

Notes to the financial statements

For the year ended 30 June 2022

4 Financial risk management (continued)

(c) Market risk (continued)

(i) Market price risk

Market price risk is the risk that the fair value of investment decreases as a result of changes in market prices, whether those changes are caused by factors specific to the individual assets or factors affecting all instruments in the market. The Fund is invested in the Class A units issued by the Master Trust. The value of the Fund's units in the Master Trust is primarily based on the value of the Master Trust portfolios of loans and other securities. As a result, the price risk arising from the Fund's investments is impacted by changes in the value of the Master Trust's investment portfolios.

The Fund monitors its market price risk exposure to ensure concentrations of risk remain within acceptable levels. The sensitivity analysis to a change in the net asset value of the Fund's investment in the Class A units in the Master Trust is disclosed in note 4(d).

(ii) Foreign currency risk

Foreign currency risk includes the risk that the future cash flows of a financial instrument will fluctuate due to changes in foreign currency exchange rates.

The Fund does not hold any monetary assets and liabilities denominated in foreign currency.

(iii) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows of financial instruments.

The table below summarises the Fund's exposure to interest rate risk.

30 JUNE 2022 (\$'000)	FLOATING INTEREST RATE	FIXED INTEREST RATE	NON- INTEREST BEARING	TOTAL
Assets				
Cash and cash equivalents	2	-	-	2
Financial assets at fair value through profit or loss	-	-	365,356	365,356
Other receivables	-	-	1,426	1,426
Total assets	2	-	366,782	366,784
Liabilities				
Management fees payable	-	-	-	-
Distribution payables	-	-	1,398	1,398
Other payables	-	-	30	30
Total liabilities	-	-	1,428	1,428
Net Exposure	2	-	365,354	365,356

Notes to the financial statements

For the year ended 30 June 2022

4 Financial risk management (continued)

(c) Market risk (continued)

30 JUNE 2021 (\$'000)	FLOATING INTEREST RATE	FIXED INTEREST RATE	NON- INTEREST BEARING	TOTAL
Assets				
Cash and cash equivalents	170	-	-	170
Financial assets at FVTPL	-	-	215,428	215,428
Other receivables	-	-	735	735
Total assets	170	-	216,163	216,333
Liabilities				
Management fees payable	-	-	-	-
Distribution payables	-	-	703	703
Other payables	-	-	200	200
Total liabilities	-	-	903	903
Net Exposure	170	-	215,260	215,430

31 MARCH 2021 (\$'000)	FLOATING INTEREST RATE	FIXED INTEREST RATE	NON- INTEREST BEARING	TOTAL
Assets				
Cash and cash equivalents	7,913	-	-	7,913
Financial assets at FVTPL	-	-	121,332	121,332
Other receivables	-	-	427	427
Total assets	7,913	-	121,759	129,672
Liabilities				
Management fees payable	-	-	-	-
Distribution payables	-	-	417	417
Other payables	-	-	7,921	7,921
Total liabilities	-	-	8,338	8,338
Net Exposure	7,913	-	113,421	121,334

Notes to the financial statements

For the year ended 30 June 2022

4 Financial risk management (continued)

(d) Fair value measurement

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the following fair value hierarchy;

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

Recognised fair value measurements

The following table presents the Fund's financial assets measured and recognised at fair value as at 30 June 2022, 30 June 2021 and 31 March 2021.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	LEVEL 1 (\$'000)	LEVEL 2 (\$'000)	LEVEL 3 (\$'000)	TOTAL (\$'000)
30 JUNE 2022				
Class A units of the Master Trust	-	-	365,356	365,356
30 JUNE 2021				
Class A units of the Master Trust	-	-	215,428	215,428
31 MARCH 2021				
Class A units of the Master Trust	-	-	121,332	121,332

Notes to the financial statements

For the year ended 30 June 2022

4 Financial risk management (continued)

(d) Fair value measurement (continued)

Valuation techniques used to derive level 2 and level 3 fair value

The fair value of financial assets and liabilities that are not exchange-traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This may be the case for certain unlisted shares, certain corporate debt securities and unlisted unit trusts with suspended applications and withdrawals. The level 3 asset, being the investment in the Master Trust, is valued as the proportionate share of the Net asset value of the Master Trust.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Fund's holds.

Valuations are therefore adjusted, where appropriate, to allow for additional factors including liquidity risk and counterparty risk.

The determination of what constitutes 'observable' requires significant judgement by management. Management consider observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market.

The Fund's investment in the Master Trust is recorded at the net asset value (NAV) as reported by the Trust. The Fund may make adjustments to the value based on considerations such as the; liquidity of the Investee Fund or its underlying investments, the value date of the net asset value provided, or any restrictions on redemptions and the basis of accounting. As these inputs are not market observable, the Fund's investment in unit trusts is categorised in Level 3 of the fair value hierarchy.

Valuation inputs and relationship to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in the level 3 fair value measurements.

Financial Asset	Fair Value (\$'000)	Unobservable Inputs	Impact to Valuation from an Increase in Input
AS AT 30 JUNE 2022 Class A units of the Master Trust	365,356	Net asset value of the trust and percentage of the trust owned	Higher the net asset value, higher the value of investment
AS AT 30 JUNE 2021 Class A units of the Master Trust	215,428	Net asset value of the trust and percentage of the trust owned	Higher the net asset value, higher the value of investment
AS AT 31 MARCH 2021 Class A units of the Master Trust	121,332	Net asset value of the trust and percentage of the trust owned	Higher the net asset value, higher the value of investment

Notes to the financial statements

For the year ended 30 June 2022

4 Financial risk management (continued)

(d) Fair value measurement (continued)

The following table presents the movement in level 3 financial instruments.

Opening balance – 1 July 2021	215,428
Additions	212,421
Redemptions	(62,493)
CLOSING BALANCE – 30 JUNE 2022	365,356
<hr/>	
Opening balance – 1 April 2021	121,332
Additions	103,406
Redemptions	(9,310)
CLOSING BALANCE – 30 JUNE 2021	215,428
<hr/>	
Opening balance – 1 July 2020	117,135
Additions	15,284
Redemptions	(11,087)
CLOSING BALANCE – 31 MARCH 2021	121,332

The Fund's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There were no transfers between fair value hierarchy levels during the year (30 June 2021 and 31 March 2021: None).

The below table illustrates the sensitivity of the Class A units of Master Trust if there was a change in the valuation in the underlying assets.

		30 JUNE 2022	30 JUNE 2021	31 MARCH 2021
		(\$'000)	(\$'000)	(\$'000)
Impact on Class A units of the Master Trust	+/-10%	-/ -	-/ -	-/ -

The Manager's Co-investment will be the first impacted in the event of an impairment of capital and therefore provides the investors of the Fund a Capital Buffer equal to 10% of the Invested Capital.

5 Net assets attributable to unitholders

Subscriptions

Applications to invest in the Fund are made by way of the Subscription Agreement provided by the Investment Manager. To invest in the Fund, completed Subscription Agreements and associated documents (such as proof of identity documents) must be received by the Responsible Entity and/or the transfer agent. Applications may be refused in full or in part by the Responsible Entity in its absolute discretion.

Notes to the financial statements

For the year ended 30 June 2022

5 Net assets attributable to unitholders (continued)

Subscriptions (continued)

Units issued will be issued at the Unit Price as determined in accordance with the Responsible Entity's Unit Pricing Policy (rounded to the nearest four decimal places) and adjusted for any transaction costs. The number of units ultimately issued to a unitholder is determined by dividing the amount a unitholder agrees to invest by the relevant issue price (rounded to the nearest four decimal places).

The Constitution was amended by Supplemental Deed dated 31 March 2021, giving rise to new redemption provisions. Where the Fund is not liquid, withdrawals from the Fund may only be effected pursuant to a regulated withdrawal offer issued by Responsible Entity in accordance with the Corporations Act. Under normal market conditions, the Responsible Entity expects that the Fund will be liquid. Where the Fund is liquid, Investors may request to redeem all or a portion of their Units with a 30-day notice period, or a lesser period as determined by the Responsible Entity.

The movements in number of units and net assets attributable to unitholders during the year were as follows:

	FOR THE YEAR 1 JULY 2021 TO 30 JUNE 2022		FOR THE PERIOD 1 APRIL 2021 TO 30 JUNE 2021		FOR THE PERIOD 1 JULY 2020 TO 31 MARCH 2021	
	30 JUNE 2022 AUD (\$'000)	30 JUNE 2022 UNITS ('000)	30 JUNE 2021 AUD (\$'000)	30 JUNE 2021 UNITS ('000)	31 MARCH 2021 AUD (\$'000)	31 MARCH 2021 UNITS ('000)
Opening balance	215,430	107,715	121,334	60,667	117,137	58,569
Subscriptions	211,621	105,811	104,499	52,249	15,276	7,638
Redemptions	(62,493)	(31,247)	(10,413)	(5,207)	(11,087)	(5,544)
Distribution reinvested	800	400	10	5	8	4
Decrease in net assets attributable to unitholders	(2)	-	-	-	-	-
Closing balance	365,356	182,678	215,430	107,715	121,334	60,667

As stipulated within the Fund Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund.

On 5 May 2016, a new tax regime applying to Managed Investment Trusts ("MITs") was established under the Tax Laws Amendment (New Tax System for Managed Investment Trusts) Act 2016. The Attribution Managed Investment Trust ("AMIT") regime allows MITs that meet certain requirements to make an irrevocable choice to be an AMIT. The Fund meets the Attributed Managed Investment Trust (AMIT) requirements and elected into the AMIT regime in the 2020 financial year. The Responsible Entity is not contractually obligated to pay distributions. This has been considered in the classification of the Fund's units as equity.

Notes to the financial statements

For the year ended 30 June 2022

5 Net assets attributable to unitholders (continued)

Capital risk management

The Fund considers its net assets attributable to unitholders as capital. The amount of net assets attributable to unitholders can change significantly on a monthly basis as the Fund is subject to monthly applications and redemptions at the discretion of unitholders. Net assets attributable to unitholders are representative of the expected cash outflows on redemption. Monthly applications and redemptions are reviewed relative to the liquidity of the Fund's underlying assets on a periodic basis by the Responsible Entity. Under the terms of the Fund's Constitution, the Responsible Entity has the discretion to reject an application for units and to defer or adjust a redemption of units if the exercise of such discretion is in the best interests of unitholders.

6 Distributions to unitholders

	30 JUNE 2022 (\$'000)	30 JUNE 2022 CPU	30 JUNE 2021 (\$'000)	30 JUNE 2021 CPU	31 MARCH 2021 (\$'000)	31 MARCH 2021 CPU
Distributions paid*	10,086		1,444		3,335	
Distribution payable	1,398		703		417	
	11,484	8.3466	2,147	2.0443	3,752	6.1002

Distribution is expressed as cents per unit in Australian Dollars. During the year, \$1,479 of other operating expenses were expensed, however, these expenses were added back for distribution purposes, which is in line with the Fund's constitution, where the Distributable Income of the Trust for an Accounting Period or Period is equal to Net Income or such amount as the Responsible Entity determines in its discretion is the Distributable Income of the Trust.

*Some distributions were satisfied by the issue of units (reinvestment). See note 5.

Notes to the financial statements

For the year ended 30 June 2022

7 Related party disclosures

(a) Responsible Entity

As disclosed in note 1 of this financial report, the Responsible Entity of the Fund is MAAM RE Limited and it is managed by MA Investment Management Pty Ltd. The ultimate holding company of the Responsible Entity and the Manager is MA Financial Group Limited. All entities are incorporated in Australia.

(b) Key management personnel

Key management personnel of the Fund include the Directors of the Responsible Entity, and members on the Investment Committee.

The key management personnel of the Responsible Entity held units in the Fund as follows:

	30 JUNE 2022 (\$'000)	30 JUNE 2021 (\$'000)	31 MARCH 2021 (\$'000)	30 JUNE 2022 (UNITS)	30 JUNE 2021 (UNITS)	31 MARCH 2021 (UNITS)
John Sheffield	270	125	-	135,000	62,500	-
Steve Bennett	400	100	100	200,000	50,000	50,000
Christopher Wyke	585	-	-	292,500	-	-

No other members of the Investment Committee, nor the Board of the Responsible Entity hold investments in the Fund except for the above.

(c) Transactions with key management personnel

Key management personnel services are provided by the Responsible Entity and included in the management fees disclosed in note (d) below. There is no separate charge for these services. There was no compensation paid directly by the Fund to any of the key management personnel.

The following transactions occurred with key management personnel during the reporting period:

	30 JUNE 2022 (\$'000)	30 JUNE 2021 (\$'000)	31 MARCH 2021 (\$'000)
Application for units	1,230	125	-
Redemption of units	(200)	-	-

Except as disclosed above, no key management personnel have entered into any transactions with the Fund during the year and there were no material balances involving key management personnel's interests outstanding at year end.

The Fund has not made, guaranteed or secured, directly or indirectly, any loans to key management personnel or their personally related entities at any time during the reporting period.

Notes to the financial statements

For the year ended 30 June 2022

7 Related party disclosures (continued)

(d) Responsible Entity's fees and other transactions

During the year the Responsible Entity rendered services in accordance with the Fund's Constitution. The Responsible Entity is entitled to a fee out of the assets of the Fund of up to 2% (excluding GST) of the Fund's NAV, accrued daily and payable monthly in arrears (Responsible Entity Fee). The Responsible Entity waived its entitlement to this fee for as long as the Investment Manager remains Manager of the Fund and Master Trust. If the Investment Manager ceases to be the Manager of the Fund and Master Trust, the Responsible Entity intends to charge this fee. The Investment Manager charges the Master Trust a management fee of 0.5% (including GST) of the Master Trust's NAV.

The Fund has an Expense Reimbursement Agreement with the Master Trust that the Master Trust will reimburse all fees and expenses including remuneration paid to auditors and other operating expenses incurred by the Fund from the date of establishment of the Fund. Fees and fees reimbursed are outlined below.

	30 JUNE 2022 (\$'000)	30 JUNE 2021 (\$'000)	31 MARCH 2021 (\$'000)
Income:			
Expense reimbursement income	136	33	-
Expenses:			
Remuneration paid to auditors*	27	33	-
Other operating expenses*	109	-	-
Total expenses	136	33	-

**Comparative information has been restated to provide information that is comparable to the current year presentation change.*

Notes to the financial statements

For the year ended 30 June 2022

7 Related party disclosures (continued)

(e) Related party unitholdings

The only related party to the Fund as defined by AASB 124 *Related Party Disclosures* is the Responsible Entity which has no unit holdings in the fund. Other schemes (managed by related parties of the Responsible Entity), held units in the Fund as follows:

	NO. OF UNITS HELD OPENING (UNITS)	NO. OF UNITS HELD CLOSING (UNITS)	FAIR VALUE OF INVESTMENT (\$'000)	INTEREST HELD (%)	NO. OF UNITS ACQUIRED (UNITS)	NO. OF UNITS DISPOSED (UNITS)	DISTRIBUTIONS PAID/ PAYABLE BY THE FUND (\$'000)
30 JUNE 2022							
MA Fixed Income Fund III	30,610,639	25,303,806	50,608	13.9%	-	5,306,833	2,183
MA Wholesale Priority Income Fund	-	7,243,554	14,487	4.0%	7,243,554	-	148
MA Credit Portfolio Investments Pty Ltd	-	-	-	-	12,500,000	(12,500,000)	253
	30,610,639	32,547,360	65,095	17.9%	19,743,554	(7,193,167)	2,584
30 JUNE 2021							
MA Fixed Income Fund III	30,912,297	30,610,639	61,221	28.9	-	301,658	628
	30,912,297	30,610,639	61,221	28.9	-	301,658	628
31 MARCH 2021							
MA Fixed Income Fund III	25,944,522	30,912,297	61,825	32.2	5,467,775	2,491,200	1,846
	25,944,522	30,912,297	61,825	32.2	5,467,775	2,491,200	1,846

(f) Investments

The Fund held investments in the following unit trusts which are also managed by the Investment Manager

	FAIR VALUE OF INVESTMENT (\$'000)	DISTRIBUTIONS RECEIVED/ RECEIVABLE (\$'000)	UNITS ACQUIRED DURING THE PERIOD NO.	UNITS DISPOSED DURING THE PERIOD NO.
30 JUNE 2022				
MA Master Credit Trust	365,356	11,484	106,210,055	31,246,260
30 JUNE 2021				
MA Master Credit Trust	215,428	2,147	59,337,714	9,426,833
31 MARCH 2021				
MA Master Credit Trust	121,332	3,752	5,940,564	3,481,993

Notes to the financial statements

For the year ended 30 June 2022

7 Related party disclosures (continued)

(f) Investments (continued)

As at 30 June 2022, there are \$1,426,389 (30 June 2021: \$713,764 and 31 March 2021: \$427,637) of related distribution receivables from the Master Trust and \$254,137 (30 June 2021: \$206,307 and 31 March 2021: \$215,285) of distributions payable to Other schemes (managed by related parties of the Responsible Entity) unitholders by the Fund.

The Fund did not hold any investments in the Responsible Entity or its related parties during the year.

Transactions with related parties have taken place at arm's length and in the ordinary course of business.

8 Remuneration of auditor

During the year the following fees were paid or payable for services provided by the auditor of the Fund:

	30 JUNE 2022 (\$'000)	30 JUNE 2021 (\$'000)	31 MARCH 2021 (\$'000)
KPMG (Comparatives Deloitte Touche Tohmatsu)			
Audit of the financial statements	17	23	-
Audit of compliance plan	10	10	-
Total	27	33	-

The audit fees paid or payable are borne by the Master Trust by virtue of an Expense Reimbursement agreement with the Fund (refer to note 7(d)).

9 Events occurring after the reporting period

Subsequent to 30 June 2022 the Fund has paid the 30 June 2022 distribution to unitholders of \$1,398,570.

No other matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Fund, the results of those operations or the state of affairs of the entity in subsequent financial years.

10 Contingent assets and liabilities and commitments

There are no outstanding contingent assets and liabilities or commitments as at 30 June 2022 (30 June 2021 and 31 March 2021: none).



Independent Auditor's Report

To the unitholders of MA Priority Income Fund

Opinion

We have audited the **Financial Report** of the MA Priority Income Fund (the Scheme).

In our opinion, the accompanying **Financial Report** of the MA Priority Income Fund is in accordance with the *Corporations Act 2001*, including

- giving a true and fair view of the Scheme's financial position as at 30 June 2022, and of its financial performance and its cash flows for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises the:

- Statement of financial position as at 30 June 2022;
- Statement of comprehensive income for the year then ended;
- Statement of changes in equity, and statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 *Corporations Act 2001* and the relevant ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code). We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other Information

Other Information is financial and non-financial information in the MA Priority Income Fund's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors of MAAM RE Limited (the Responsible Entity) are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, the auditor does 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. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of Directors for the Financial Report

The Directors of MAAM RE Limited (the Responsible Entity) are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Scheme's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Scheme or to cease operations or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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.

A further description of our responsibilities for the Audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our Auditor's Report.

KPMG

Shaun Kendrigan

Partner

Sydney

29 September 2022