

Centro MCS 10 and Centro MCS 10 Unit Trust

ARSN 086 893 969 and ARSN 086 893 816

Responsible Entity

Centro MCS Manager Limited

ABN 69 051 908 984

Financial report

for the year ended 30 June 2011

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This financial report covers Centro MCS 10 ("CMCS 10", "the Trust", or "the Syndicate") and Centro MCS 10 Unit Trust ("CMCS 10 UT" or "the Unit Trust"). The financial report is presented in Australian currency.

Centro MCS 10 and Centro MCS 10 Unit Trust are trusts, incorporated and domiciled in Australia. The registered office and principal place of business is:

3rd Floor, Centro The Glen
235 Springvale Road
Glen Waverley
Victoria 3150

A description of the nature of the CMCS 10 and CMCS 10 UT's operations and its principal activities are included in the Directors' report on page 2, which does not form part of this financial report.

The financial report was authorised for issue by the Directors of the Responsible Entity on 14 September 2011. The Responsible Entity has the power to amend and reissue the financial report.

Through the use of the internet, we have ensured that our reporting is timely, complete and available globally at minimum cost. All press releases, financial reports and other information are available on our website: www.centro.com.au

| | |
|--|--|
| Responsible Entity | Centro MCS Manager Limited A.B.N. 69 051 908 984 3rd Floor, Centro The Glen 235 Springvale Road Glen Waverley, VIC 3150 Telephone: (03) 8847 0000 |
| Directors of the Responsible Entity | Peter Day (Chairman) Bill Bowness Anna Buduls (Appointed 15 November 2010) Paul Cooper Michael Humphris Fraser MacKenzie Jim Hall (Retired 15 November 2010) |
| Secretaries of the Responsible Entity | Elizabeth Hourigan Dimitri Kiriacoulacos Paul Flanigan |
| Auditor | Moore Stephens Level 10, 530 Collins Street Melbourne, VIC 3000 |
| Security Registry | Link Market Services Limited Level 4, 333 Collins Street Melbourne, VIC 3000 |

Directors' report

The Directors of Centro MCS Manager Limited, the Responsible Entity, present their report on Centro MCS 10 ("CMCS 10", "the Trust", or "the Syndicate") and Centro MCS 10 Unit Trust ("CMCS 10 UT" or "the Unit Trust") for the year ended 30 June 2011.

Responsible Entity

Pursuant to the Managed Investments Act, which came into effect on 1 July 1998, Centro MCS Manager Limited was appointed and registered as the Responsible Entity of CMCS 10 and CMCS 10 UT on 25 July 2003.

The registered office and principal place of business of the Responsible Entity is 3rd floor, Centro The Glen, 235 Springvale Road, Glen Waverley, VIC 3150.

Directors

The following persons were Directors of Centro MCS Manager Limited during the financial year and up to the date of this report (unless otherwise stated):

Peter Day (Chairman)
Bill Bowness
Anna Buduls (Appointed 15 November 2010)
Paul Cooper
Michael Humphris
Fraser MacKenzie
Jim Hall (Retired 15 November 2010)

Company Secretaries

The Company Secretaries of Centro MCS Manager Limited are Elizabeth Hourigan and Dimitri Kiriacoulacos. Paul Flanigan is the Assistant Company Secretary and acts as the Company Secretary as required.

Principal activities

The principal activity of CMCS 10 during the course of the year was investment in property.

The principal activity of CMCS 10 UT during the course of the year was the investment in an unlisted unit trust, being CMCS 10.

There was no significant change in the nature of these activities during the year.

Review of operations

CMCS 10

CMCS 10 recorded a net profit after tax of \$1.520 million for the year ended 30 June 2011 (2010: \$3.003 million loss).

The movement in net profit after tax for the year compared to the corresponding year is largely due to:

- Revaluation gains from investment properties; and offset by
- Decrease in net property income (Note 3), resulting from the sale of Kmart Alice Spring in June 2010.

Distributions paid/payable to unitholders are in line with an expected annual rate of 2.00% (2010: 5.00%). During the year CMCS 10 recorded a basic distributable income of 1.99 cents (2010: 7.75 cents) per unit as disclosed in note 16.

CMCS 10 UT

CMCS 10 UT recorded a net profit after tax of \$0.494 million for the year ended 30 June 2011 (2010: \$0.976 million loss).

The movements in the net profit after tax for the year compared to the corresponding year is largely due to improvement in the net profit of its investment which is equity accounted.

Distributions paid/payable to unitholders are in line with an expected annual rate of 2.00% (2010: 5.00%). During the year CMCS 10 UT recorded a basic distributable income of 1.99 cents (2010: 7.75 cents) per unit as disclosed in note 16.

Distributions attributable to unitholders

CMCS 10

Final distributions of 0.5 cents per unit have been declared for the quarter ended 30 June 2011. Distributions paid or payable to unitholders for the year totalled \$0.650 million (2010: \$1.625 million). Distributions paid or to be paid in respect of the current financial year are as follows:

| Quarter | Cents per unit | Date paid |
|-----------------------------------|-----------------------|------------------|
| September 2010 | 0.50 | 25 October 2010 |
| December 2010 | 0.50 | 24 January 2010 |
| March 2011 | 0.50 | 29 April 2011 |
| June 2011 | <u>0.50</u> | 25 July 2011 |
| Total paid/payable to unitholders | <u>2.00</u> | |

The tax components of the annual distribution are set out below:

| | Cents per unit |
|--|-----------------------|
| Taxable income | 7.12 |
| Tax deferred component | <u>3.22</u> |
| Gross distribution per unit | 10.34 |
| Less interest component on investors' loan (i) | <u>(8.34)</u> |
| Net distribution per unit | <u>2.00</u> |

(i) Investors' loan - borrowings on behalf of unitholders of the Syndicates.

CMCS 10 UT

Final distributions of 0.5 cents per unit have been declared for the quarter ended 30 June 2011. Distributions paid or payable to unitholders for the year totalled \$0.212 million (2010: \$0.529 million). Distributions paid or to be paid in respect of the current financial year are as follows:

| Quarter | Cents per unit | Date paid |
|-----------------------------------|-----------------------|------------------|
| September 2010 | 0.50 | 25 October 2010 |
| December 2010 | 0.50 | 24 January 2010 |
| March 2011 | 0.50 | 29 April 2011 |
| June 2011 | <u>0.50</u> | 25 July 2011 |
| Total paid/payable to unitholders | <u>2.00</u> | |

The tax components of the annual distribution are set out below:

| | Cents per unit |
|--|-----------------------|
| Taxable income | - |
| Tax deferred component | <u>2.00</u> |
| Gross distribution per unit | 2.00 |
| Less interest component on investors' loan | <u>-</u> |
| Net distribution per unit | <u>2.00</u> |

Significant changes in the state of affairs

An option was given to an external party during March 2011 to buy Maitland Hunter Mall, which expired on 31 July 2011. Negotiations are continuing regarding this potential sale, although there is no certainty that a sale will be completed.

Matters subsequent to the end of the financial year

Major Restructure Developments

Centro MCS Manager Limited, the current Responsible Entity, is a wholly owned subsidiary of Centro Properties Group ("CNP").

On 9 August 2011, CNP announced that it had entered into an agreement ("Implementation Agreement") with a majority of its senior lenders and certain CNP managed funds to aggregate Australian assets and interests held by CNP, Centro Retail Trust and certain CNP managed funds (excluding Centro MCS Syndicates) to form a new listed Australian Retail Property Trust ("A-REIT") ("Aggregation"). The Implementation Agreement is subject to a significant number of regulatory and other conditions.

Matters subsequent to the end of the financial year (continued)

Amongst other terms, the Implementation Agreement contains provisions for the transfer of ownership and control of Centro MCS Manager Limited, the Responsible Entity for this Syndicate, from CNP to the A-REIT, whereby it will then become a wholly-owned subsidiary of the A-REIT in the event of a successful Aggregation.

There have been no adjustments made in the financial report associated with this restructure.

For further details readers should refer to the announcement on 9 August 2011 which was lodged with the Australian Securities Exchange ("ASX") or can be found at www.centro.com.au. The announcement includes the signed Implementation Agreement.

Debt Refinancing

CMCS 10 has entered into a conditional agreement with a new lender for an amount of \$32.528 million for the existing borrowings expiring on 20 December 2011, which is subject to numerous conditions precedent that must be satisfied or waived. The new borrowings is for a period of 3 years and will mature on 30 September 2014.

Except for the matters discussed above, no other matter or circumstance has arisen in the interval between 30 June 2011 and the date hereof that has significantly affected, or may significantly affect:

- (a) the Trust and the Unit Trust's operations in future financial years;
- (b) the results of those operations in future financial years; or
- (c) the Trust and the Unit Trust's state of affairs in future financial years.

Likely developments and expected results of operations

Information on the likely developments in the operations of CMCS 10 and CMCS 10 UT, other than matters subsequent to the end of the financial year provided above, has not been included in the report because the Directors believe it would be likely to result in unreasonable prejudice to the CMCS 10 and CMCS 10 UT.

Environmental regulation

As a property owner, the Syndicate is subject to the normal environmental regulations of landowners within Australia. These include regulation against air pollution, liquid discharge and soil contamination. The Syndicate has plans in place regarding the proper care and maintenance of asbestos, which is present in a number of properties and there are no matters requiring specific disclosure.

Other information

CMCS 10 Issued Units

During the year ended 30 June 2011, no units were issued (2010: no units) and no units were redeemed (2010: no units). At 30 June 2011, total units on issue were 32,500,000 (2010: 32,500,000 units).

CMCS 10 UT Issued Units

During the year ended 30 June 2011, no units were issued (2010: no units) and no units were redeemed (2010: no units). At 30 June 2011, total units on issue were 10,575,000 (2010: 10,575,000 units).

CMCS 10 Total Assets

At 30 June 2011 CMCS 10 total assets were \$63.513 million (2010: \$63.032 million).

CMCS 10 UT Total Assets

At 30 June 2011 CMCS 10 UT total assets were \$9.441 million (2010: \$9.101 million).

Fees paid to and interests held in CMCS 10 and CMCS 10 UT by the Responsible Entity or its related entities

Fees paid to the Responsible Entity and its related entities out of CMCS 10 and CMCS 10 UT during the year are disclosed in note 21.

No fees were paid out of CMCS 10 and CMCS 10 UT to the directors of the Responsible Entity during the year.

The number of interests in CMCS 10 and CMCS 10 UT held by the Responsible Entity or its related entities as at the end of the year are disclosed in note 21.

Remuneration report

Key Management Personnel ('KMP') are defined in AASB 124 *Related Party Disclosures* as those having the authority and responsibility for planning, directing and controlling the activities of CMCS 10 and CMCS 10 UT. The Responsible Entity meets the definition of KMP as it has authority in relation to the activities of CMCS 10 and CMCS 10 UT.

Remuneration report (continued)

Fees paid/payable to the Responsible Entity during the year totalled \$890,213 (2010:\$1,137,059).

Indemnification and Insurance of Directors and Officers

The Responsible Entity must indemnify the Directors on a full indemnity basis and to the extent permitted by law, against all losses or liabilities incurred by the Directors as an officer of the Responsible Entity or of a related body corporate provided that the loss or liability does not arise out of misconduct including lack of good faith.

During the financial year the Responsible Entity insured its Directors, Secretaries and Officers against liability to third parties and for costs incurred in defending any civil or criminal proceedings that may be brought against them in their capacity as Directors or Officers of Centro MCS Manager Limited. This excludes a liability which arises out of a wilful breach of duty or improper use of inside information. The premium also insures the Responsible Entity for any indemnity payments it may make to its Officers in respect of costs and liabilities incurred. Disclosure of the premium payable is prohibited under the conditions of the policy.

Proceedings on behalf of the Trusts

No person has applied for leave of Court to bring proceedings on behalf of the Responsible Entity of the Trusts, or to intervene in any proceedings to which the Responsible Entity of the Trust is a party for the purpose of taking responsibility on behalf of the Trusts for all or any part of those proceedings.

The Responsible Entity of the Trusts was not a party to any such proceedings during the year.

Combining registered scheme financial reports

The Trusts have applied the relief available in Class Order 06/441 issued by the Australian Securities & Investments Commission in the preparation of this report. This Class Order allows registered schemes with a common Responsible Entity to include multiple financial statements in adjacent columns in a single financial report.

Under the Constitution of each relevant Trust there is no general right of redemption or withdrawal from the Trust, as the Trusts are closed-end funds. Therefore, there are no facilities in place for the proceeds of a withdrawal from a Trust to be applied to the acquisition of an interest in other trusts included in this financial report.

Further interests in the relevant Trust may not be issued unless the Responsible Entity decides to conduct an equity raising in the form of a rights issue.

Meetings of directors

The following table sets out the numbers of meetings of Directors of Centro MCS Manager Limited, the Responsible Entity of the Trust (including meetings of committees of Directors), held during the year ended 30 June 2011 and the number of meetings attended by each Director.

| Centro MCS Manager Limited | Board Meetings | Risk Committee Meetings | Audit Committee Meetings | Compliance Committee Meetings | Remunerations and HR Committee Meetings | Finance Committee Meetings | Nominations Committee Meetings |
|--|-----------------------|--------------------------------|---------------------------------|--------------------------------------|--|-----------------------------------|---------------------------------------|
| Number of meetings held: | 41 | 4 | 10 | 5 | 7 | 6 | 1 |
| Number of meetings attended: | | | | | | | |
| Peter Day | 41 | # | # | # | 7 | # | 1 |
| Bill Bowness | 38 | 4 | # | 5 | 7 | # | 1 |
| Anna Buduls (Appointed 15 November 2010) | 24/24 | 3/3 | 6/6 | # | # | 2/4 | # |
| Paul Cooper | 40 | # | # | 4 | # | # | 1 |
| Michael Humphris | 36 | # | 9 | 2 | 3 | 5 | # |
| Fraser MacKenzie | 35 | 4 | 10 | # | 7 | 6 | # |
| Jim Hall (Retired 15 November 2010) | 17/17 | 1/1 | 3/3 | # | # | 2/2 | # |

Not a member of the relevant committee

All directors were eligible to attend all meetings held during the term of their appointment, with the exception of Anna Buduls who was appointed to the Risk, Audit and Finance Committees on 2 December 2010.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 7.

Rounding of amounts to the nearest thousand dollars

The Trust and the Unit Trust are of a kind referred to in Class Order 98/100 issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' Report and Financial Report. Amounts in the Directors' Report and Financial Report have been rounded off, in accordance with that Class Order, to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Signed in accordance with a resolution of the Board of Directors.



Peter Day
Director

Melbourne
14 September 2011

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Melbourne VIC 3000

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www.moorestephens.com.au

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT
TO THE DIRECTORS OF THE RESPONSIBLE ENTITY OF CENTRO MCS 10 AND CENTRO
MCS 10 UNIT TRUST**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2011 there has 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.



MOORE STEPHENS
Chartered Accountants



Kevin W. Neville
Partner
Melbourne, 14 September 2011

Centro MCS 10 and Centro MCS 10 Unit Trust
Income statements
For the year ended 30 June 2011

| | Notes | CMCS 10 | | CMCS 10 UT | |
|--|-------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| | | 30 June 2011 \$'000 | 30 June 2010 \$'000 | 30 June 2011 \$'000 | 30 June 2010 \$'000 |
| Revenue | | | | | |
| Property rental revenue | 3 | 6,618 | 8,229 | - | - |
| Property outgoings recovered | 3 | 731 | 1,107 | - | - |
| Interest revenue | | <u>167</u> | <u>101</u> | <u>-</u> | <u>-</u> |
| Total revenue | | <u>7,516</u> | <u>9,437</u> | <u>-</u> | <u>-</u> |
| Share of net profits/(losses) from investments accounted for using the equity method | | - | - | 494 | (976) |
| Expenses, gains and losses | | | | | |
| Direct property expenses | 3 | (2,890) | (2,565) | - | - |
| Lease incentives | 3 | (15) | (25) | - | - |
| Responsible Entity management fees | | (463) | (624) | - | - |
| Financing costs | 4 | (3,400) | (3,680) | - | - |
| Other expenses | | (201) | (130) | - | - |
| Net movement on mark to market of derivatives | | 167 | (394) | - | - |
| Net loss on sale of investment property | | - | (588) | - | - |
| Fair value adjustment to investment property | 9 | <u>806</u> | <u>(4,434)</u> | <u>-</u> | <u>-</u> |
| Net profit/(loss) before income tax expense | | <u>1,520</u> | <u>(3,003)</u> | <u>494</u> | <u>(976)</u> |
| Income tax benefit/(expense) | | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net profit/(loss) for the year | 16 | <u>1,520</u> | <u>(3,003)</u> | <u>494</u> | <u>(976)</u> |
| Net profit/(loss) for the year is attributable to: | | | | | |
| Unitholders of Centro MCS 10 and Centro MCS 10 Unit Trust | | <u>1,520</u> | <u>(3,003)</u> | <u>494</u> | <u>(976)</u> |
| | | <u>1,520</u> | <u>(3,003)</u> | <u>494</u> | <u>(976)</u> |

The above income statements should be read in conjunction with the accompanying notes.

Centro MCS 10 and Centro MCS 10 Unit Trust
Statements of comprehensive income
For the year ended 30 June 2011

| | CMCS 10 | | CMCS 10 UT | |
|--|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| | 30 June 2011 \$'000 | 30 June 2010 \$'000 | 30 June 2011 \$'000 | 30 June 2010 \$'000 |
| Net profit/(loss) for the year | 1,520 | (3,003) | 494 | (976) |
| Other comprehensive income/(loss) | | | | |
| Reclassification to profit and loss from hedge reserve | 421 | 182 | 137 | 59 |
| Changes in the fair value of cash flow hedges | <u>-</u> | <u>609</u> | <u>-</u> | <u>198</u> |
| Other comprehensive income for the year | <u>421</u> | <u>791</u> | <u>137</u> | <u>257</u> |
| Total comprehensive income/(loss) for the year | <u>1,941</u> | <u>(2,212)</u> | <u>631</u> | <u>(719)</u> |
| Total comprehensive income/(loss) for the year is attributable to: | | | | |
| Unitholders of Centro MCS 10 and Centro MCS 10 Unit Trust | <u>1,941</u> | <u>(2,212)</u> | <u>631</u> | <u>(719)</u> |
| | <u>1,941</u> | <u>(2,212)</u> | <u>631</u> | <u>(719)</u> |

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

Centro MCS 10 and Centro MCS 10 Unit Trust
Balance sheets
As at 30 June 2011

| | Notes | CMCS 10 | | CMCS 10 UT | |
|---|-------|---------------------------|---------------------------|---------------------------|---------------------------|
| | | 30 June 2011 \$'000 | 30 June 2010 \$'000 | 30 June 2011 \$'000 | 30 June 2010 \$'000 |
| ASSETS | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | 6 | 1,837 | 4,973 | - | - |
| Trade and other receivables | 7 | 751 | 1,180 | 53 | 132 |
| Other current assets | 8 | 425 | 379 | - | - |
| Total current assets | | 3,013 | 6,532 | 53 | 132 |
| Non-current assets | | | | | |
| Investment property | 9 | 60,500 | 56,500 | - | - |
| Investments accounted for using the equity method | 10 | - | - | 9,388 | 8,969 |
| Total non-current assets | | 60,500 | 56,500 | 9,388 | 8,969 |
| Total assets | | 63,513 | 63,032 | 9,441 | 9,101 |
| LIABILITIES | | | | | |
| Current liabilities | | | | | |
| Trade and other payables | 11 | 960 | 983 | - | - |
| Interest bearing liabilities | 12 | 32,506 | - | - | - |
| Provisions | 13 | 163 | 406 | 53 | 132 |
| Derivative financial instruments | 14 | 119 | - | - | - |
| Total current liabilities | | 33,748 | 1,389 | 53 | 132 |
| Non-current liabilities | | | | | |
| Interest bearing liabilities | 12 | - | 32,462 | - | - |
| Derivative financial instruments | 14 | 911 | 1,618 | - | - |
| Total non-current liabilities | | 911 | 34,080 | - | - |
| Total liabilities | | 34,659 | 35,469 | 53 | 132 |
| Net assets | | 28,854 | 27,563 | 9,388 | 8,969 |
| EQUITY | | | | | |
| Contributed equity | 15 | 31,541 | 31,541 | 10,263 | 10,263 |
| Reserves | 19(e) | (562) | (983) | (183) | (320) |
| Accumulated losses | | (2,125) | (2,995) | (692) | (974) |
| Total equity | | 28,854 | 27,563 | 9,388 | 8,969 |

The above balance sheets should be read in conjunction with the accompanying notes.

Centro MCS 10 and Centro MCS 10 Unit Trust
Statements of changes in equity
For the year ended 30 June 2011

| CMCS 10 | Notes | Contributed equity \$'000 | Hedging reserves \$'000 | Retained earnings \$'000 | Total equity \$'000 |
|--|-------|--|--|---|------------------------------------|
| Balance at 1 July 2009 | | 31,541 | (1,774) | 1,633 | 31,400 |
| Net loss for the year | | - | - | (3,003) | (3,003) |
| Other comprehensive income | | - | 791 | - | 791 |
| Total comprehensive income/(loss) for the year | | <u>-</u> | <u>791</u> | <u>(3,003)</u> | <u>(2,212)</u> |
| Transactions with owners in their capacity as owners: | | | | | |
| Distributions provided for or paid | 5 | - | - | (1,625) | (1,625) |
| Balance at 30 June 2010 | | <u>31,541</u> | <u>(983)</u> | <u>(2,995)</u> | <u>27,563</u> |
| CMCS 10 | | Contributed equity \$'000 | Hedging reserves \$'000 | Retained earnings \$'000 | Total equity \$'000 |
| Balance at 1 July 2010 | | 31,541 | (983) | (2,995) | 27,563 |
| Net profit for the year | | - | - | 1,520 | 1,520 |
| Other comprehensive income | | - | 421 | - | 421 |
| Total comprehensive income for the year | | <u>-</u> | <u>421</u> | <u>1,520</u> | <u>1,941</u> |
| Transactions with owners in their capacity as owners: | | | | | |
| Distributions provided for or paid | 5 | - | - | (650) | (650) |
| Balance at 30 June 2011 | | <u>31,541</u> | <u>(562)</u> | <u>(2,125)</u> | <u>28,854</u> |

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

Centro MCS 10 and Centro MCS 10 Unit Trust
Statements of changes in equity
For the year ended 30 June 2011
(continued)

| CMCS 10 UT | Notes | Contributed equity \$'000 | Hedging reserves \$'000 | Retained earnings \$'000 | Total equity \$'000 |
|--|-------|--|--|---|------------------------------------|
| Balance at 1 July 2009 | | 10,263 | (577) | 531 | 10,217 |
| Net loss for the year | | - | - | (976) | (976) |
| Other comprehensive income | | - | 257 | - | 257 |
| Total comprehensive income/(loss) for the year | | <u>-</u> | <u>257</u> | <u>(976)</u> | <u>(719)</u> |
| Transactions with owners in their capacity as owners: | | | | | |
| Distributions provided for or paid | 5 | - | - | (529) | (529) |
| Balance at 30 June 2010 | | <u>10,263</u> | <u>(320)</u> | <u>(974)</u> | <u>8,969</u> |
| CMCS 10 UT | | Contributed equity \$'000 | Hedging reserves \$'000 | Retained earnings \$'000 | Total equity \$'000 |
| Balance at 1 July 2010 | | 10,263 | (320) | (974) | 8,969 |
| Net profit for the year | | - | - | 494 | 494 |
| Other comprehensive income | | - | 137 | - | 137 |
| Total comprehensive income for the year | | <u>-</u> | <u>137</u> | <u>494</u> | <u>631</u> |
| Transactions with owners in their capacity as owners: | | | | | |
| Distributions provided for or paid | 5 | - | - | (212) | (212) |
| Balance at 30 June 2011 | | <u>10,263</u> | <u>(183)</u> | <u>(692)</u> | <u>9,388</u> |

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

Centro MCS 10 and Centro MCS 10 Unit Trust
Cash flow statements
For the year ended 30 June 2011

| | Notes | CMCS 10 | | CMCS 10 UT | |
|---|-------|---------------------------|---------------------------|--|--|
| | | 30 June 2011 \$'000 | 30 June 2010 \$'000 | 30 June 2011 \$'000 ⁽ⁱ⁾ | 30 June 2010 \$'000 ⁽ⁱ⁾ |
| Cash flows from operating activities | | | | | |
| Receipts from customers (inclusive of goods and services tax) | | 8,105 | 11,598 | - | - |
| Payments to suppliers (inclusive of goods and services tax) | | (4,202) | (5,623) | - | - |
| Interest received | | 167 | 101 | - | - |
| Interest paid | | (3,360) | (3,778) | - | - |
| Net cash inflow from operating activities | 18 | <u>710</u> | <u>2,298</u> | <u>-</u> | <u>-</u> |
| Cash flows from investing activities | | | | | |
| Payments for investment property | | (2,953) | (574) | - | - |
| Proceeds from sale of assets | | - | 15,742 | - | - |
| Net cash (outflow)/inflow from investing activities | | <u>(2,953)</u> | <u>15,168</u> | <u>-</u> | <u>-</u> |
| Cash flows from financing activities | | | | | |
| Distributions paid | 13 | (893) | (1,910) | - | - |
| Repayments of interest bearing liabilities | | - | (12,642) | - | - |
| Net cash outflow from financing activities | | <u>(893)</u> | <u>(14,552)</u> | <u>-</u> | <u>-</u> |
| Net (decrease)/increase in cash and cash equivalents | | | | | |
| Cash and cash equivalents at the beginning of the financial year | 6 | 4,973 | 2,059 | - | - |
| Cash and cash equivalents at the end of the financial year | 6 | <u>1,837</u> | <u>4,973</u> | <u>-</u> | <u>-</u> |

The above cash flow statements should be read in conjunction with the accompanying notes.

⁽ⁱ⁾ CMCS 10 UT does not maintain any bank accounts. Accordingly, CMCS 10 UT does not have any cash Flow movements and distributions are paid out of CMCS 10 directly to CMCS 10 UT's unitholders.

1 Summary 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 to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Centro MCS 10 ("CMCS 10", "the Trust", or "the Syndicate") and Centro MCS 10 Unit Trust ("CMCS 10 UT" or "the Unit Trust").

(a) Statement of compliance with International Financial Reporting Standards

This general purpose financial report complies with Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial report, comprising the financial statements and the notes thereto, complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(b) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year except as detailed in note 1(u). When the presentation or classification of items in the financial report is amended, comparative amounts are also reclassified unless it is impractical.

The financial statements of each Trust have been presented in this single document in accordance with the requirements of ASIC Class Order 06/441 issued by the Australian Securities and Investment Commission. The Class Order allows the Responsible Entity to combine the financial reports of the Trusts in adjacent columns in a single financial report.

The Trust have not elected to early adopt any new Australian Accounting Standards that have been issued but are not yet effective. The financial report is presented in Australian dollars.

Going concern

CMCS 10

The financial report for the year ended 30 June 2011 has been prepared on a going concern basis.

As at 30 June 2011 the current liabilities of the Trust exceeds its current assets by \$30.735 million, primarily due to loan facilities expiring within 12 months.

As a result significant uncertainty exists in relation to CMCS 10 ability to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in the financial report, due to certain external loan amounting to \$32.528 million expiring within 12 months as disclosed in note 12(a). As at 30 June 2011, CMCS 10 was reliant on the continued support of its external lenders, through the extension or refinancing of certain loan facilities beyond existing expiry dates.

After taking into account all available information, the Directors have concluded that there are reasonable grounds to believe:

- Maturing facilities will be able to be refinanced or extended;
- CMCS10 will be able to pay its debts as and when they become due and payable; and
- The basis of preparation of the financial report on a going concern basis is appropriate.

The Directors have formed this view based on a number of factors including:

- CMCS10's net asset position of \$28.854 million and gearing ratio of 51.20% as at 30 June 2011;
- The underlying performance of CMCS10's investment portfolio, including the forecast cash flows; and
- The expectation that CMCS10 will be able to meet its covenant obligations.

No adjustments were made to the assets and liabilities within the financial report in relation to this uncertainty.

1 Summary of significant accounting policies (continued)

CMCS 10 UT

CMCS 10 UT's investment is through a 32.54% ownership in CMCS 10. As a result of CMCS 10's position discussed above, a significant uncertainty exists in relation to CMCS 10 UT's ability to realise the value of its investment as stated in the financial report.

Due to the Directors' determination of CMCS 10 being a going concern, the financial report of CMCS 10 UT has been prepared on a going concern basis.

Historical cost convention

These financial statements have been prepared on an historical cost basis, except for available-for-sale financial assets, certain financial assets and liabilities (including derivative instruments) and investment property which have all been recognised at fair value.

Significant accounting estimates, judgements and assumptions

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Trust's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

CMCS 10 and CMCS 10 UT recognises revenue when the amount of revenue can be reliably measured, it is probable that the future economic benefits will flow to the entity and specific criteria have been met for each of CMCS 10 and CMCS 10 UT's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the revenue have been resolved.

(i) Property ownership revenue

As the owner of a number of shopping centres, CMCS 10 and CMCS 10 UT derive rental revenue from the leasing of these properties. Lease income is recognised on a straight-line basis over the lease term. Contingent rental revenue is recognised on an accruals basis as earned.

(ii) Distribution revenue

Distribution revenue is recognised as revenue when the right to receive payment is established.

(iii) Interest revenue

Interest revenue is recognised on a time proportion basis using the effective interest method.

(d) Income tax

Under current income tax legislation no income tax is payable by CMCS 10 and CMCS 10 UT provided the taxable income is fully distributed to unitholders or the unitholders become presently entitled to all the taxable income.

(e) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held 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 and bank overdrafts. Bank overdrafts are shown within interest bearing liabilities in current liabilities.

(f) Trade and other receivables

Trade and other receivables are recognised initially at fair value, and subsequently measured at amortised cost using the effective interest method, less a provision for impairment.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off when identified. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that CMCS 10 and CMCS 10 UT will not be able to collect all amounts due according to the original terms of the receivables.

1 Summary of significant accounting policies (continued)

(g) Investment properties

Investment properties are initially measured at cost including transaction costs. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to CMCS 10 and CMCS 10 UT.

Subsequent to initial recognition as assets, investment properties are revalued to fair value. Directors assess fair value of the investment properties at end of each reporting period and obtain independent valuations on a regular basis to assist in assessing fair value.

Property that is being constructed or redeveloped for future use as investment property is measured at fair value. The best measure of fair value is the previous valuation (if applicable) plus redevelopment costs, operational capital expenditure, expected underlying income and yield of the developments.

Changes in fair values are recorded in the income statements.

(h) Investments in associates

Investments in associates are accounted for in the Trust's financial statements using the equity method or at fair value through profit or loss in accordance with the Trust's election under the exemption in AASB 128 *Investments in Associates*. Under the equity method, the Trust's share of the post-acquisition profits or losses of associates is recognised in the income statements, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment. Associates are those entities over which the Trust exercise significant influence, but not control. Investments in associates are accounted for as available-for-sale in the individual financial statements of Centro MCS 10.

(i) Financial assets

CMCS 10 and CMCS 10 UT classify their investments in financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired.

Classification

(i) Financial assets at fair value through profit or loss

These include financial assets that are held for trading purposes which may be sold.

Financial assets designated at fair value through profit or loss at inception, are those that are managed and their performance evaluated on a fair value basis in accordance with CMCS 10 and CMCS 10 UT's documented investment strategy. CMCS 10 and CMCS 10 UT's policy is for the Responsible Entity to evaluate the information about these financial assets on a fair value basis together with other related financial information.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when CMCS 10 provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets and will be discounted to present value. Loans and receivables are included in receivables in the balance sheet.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that CMCS 10 and CMCS 10 UT have the positive intention and ability to hold to maturity.

(iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable securities, are non-derivatives that are either designated in this category or not classified in any of the other categories.

Recognition and derecognition

Purchases and sales of investments are recognised on trade date - the date on which CMCS 10 and CMCS 10 UT commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and CMCS 10 and CMCS 10 UT have transferred substantially all the risks and rewards of ownership.

1 Summary of significant accounting policies (continued)

Subsequent measurement

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statements in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non monetary securities classified as available-for-sale are recognised in unitholders' funds in the available-for-sale investments revaluation reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments deferred in equity are recycled to the income statements.

If the market for a financial asset is not active (as for unlisted securities), CMCS 10 and CMCS 10 UT establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

Impairment

The Trust and the Unit Trust assess at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statements. Impairment losses recognised in the income statements on equity instruments are not reversed through the income statements.

(j) Trade and other payables

These amounts represent liabilities for goods and services provided to CMCS 10 and CMCS 10 UT prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Trade and other payables are carried at amortised cost and are not discounted due to their short term nature.

(k) Borrowings

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

Borrowings are classified as current liabilities unless CMCS 10 and CMCS 10 UT have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(l) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. All other borrowing costs are expensed as incurred.

(m) Provisions

Provisions are recognised when CMCS 10 and CMCS 10 UT have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period using a discounted cash flow methodology. The risks specific to the provision are factored into the cash flows and as such a risk-free government bond rate relative to the expected life of the provision is used as a discount rate.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

1 Summary of significant accounting policies (continued)

(n) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

CMCS 10 and CMCS 10 UT designates certain derivatives as either:

- hedges of fair valued assets or liabilities or a firm commitment (fair value hedge); or
- hedges of highly probable forecast transactions (cash flow hedges).

CMCS 10 and CMCS 10 UT documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as their risk management objective and strategy for undertaking various hedge transactions. CMCS 10 and CMCS 10 UT also documents their assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statements, together with any changes in the fair value of the hedge asset or liability that are attributable to the hedged risk.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statements.

Amounts accumulated in equity are recycled in the income statements in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place).

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting or when a hedge designation is cancelled, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statements. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statements.

(iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. A change in the fair value of any derivative instrument that does not qualify for hedge accounting is immediately recognised in the income statements. No derivative financial instruments were designated into a hedging relationship and therefore all movements in fair value have been taken to the income statements.

(o) Fair value estimation

The fair value of financial instruments is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs. Financial assets are valued at bid prices, while financial liabilities are valued at asking prices.

If a quoted market price is not available on a recognised stock exchange or from a broker / dealer for non-exchange-traded financial instruments, the fair value of the instrument is estimated using valuation techniques, including use of recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow techniques, or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on market data at the end of the reporting period.

1 Summary of significant accounting policies (continued)

The fair value of derivatives that are not exchange traded is estimated at the amount that the entity would receive or pay to terminate the contract at the end of the reporting period taking into account current market conditions (e.g. appropriate yield curve) and the current credit worthiness of the counterparties. Specifically, the fair value of a forward exchange contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates on the valuation date. The fair value of interest rate swaps and cross currency interest rate swaps is the estimated amount that the entity would receive or pay to terminate the swap at the end of the reporting period taking into account current interest rates, foreign exchange rates and the current credit worthiness of swap counterparties.

Investments in other unlisted funds are recorded at the exit price as reported by the managers of the funds.

(p) Contributed equity

Ordinary units are classified as equity.

Incremental costs directly attributable to the issue of new units are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new units for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(q) Net tangible asset backing per unit

(i) Basic net tangible asset backing per unit

Basic net tangible asset backing per unit is determined by dividing the net assets attributable to unitholders (excluding intangible assets) by the number of units outstanding at balance date.

(ii) Adjusted net tangible asset backing per unit

Adjusted net tangible asset backing per unit adjusts the figures used in the determination of basic net tangible asset backing per unit by taking into account the equity notes.

(r) Distributions

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

(s) Distributable income per unit

(i) Basic distributable income per unit

Basic distributable income per unit is determined by dividing the distributable income before tax by the weighted average number of equivalent units outstanding during the period, adjusted for bonus elements in units issued during the year.

(ii) Adjusted distributable income per unit

Adjusted distributable income per unit adjusts the figures used in the determination of basic distributable income per unit by including the equity notes as unitholders' funds in distributable income per unit that will arise as a result of conversion to, calling of or subscription for unit capital.

(t) Goods and Services Tax (GST)

Revenues, expenses and assets of Australian entities are recognised net of the amount of GST, except where the amount of the GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the balance sheets are shown inclusive of GST.

The net amount of GST recoverable from or payable to the taxation authority is included in other receivables or payables in the balance sheets.

Cashflows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from or payable to the taxation authority, are presented as operating cashflow.

1 Summary of significant accounting policies (continued)

(u) Changes in accounting policy

From 1 July 2010 the Trust has adopted the following Australian Accounting Standards and Interpretations.

- AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* (mandatory for annual reporting periods beginning on or after 1 January 2010)
- AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project* (mandatory for annual reporting periods beginning on or after 1 July 2010)
- Interpretation 19 *Extinguishing financial liabilities with equity instruments* (mandatory for annual reporting periods beginning on or after 1 July 2010)

Adoption of these Accounting Standards and Interpretations did not have any material effect on the financial position or performance of the Trust. The amending standards which introduce the changes to these standards have also been adopted from 1 July 2010 and 1 July 2009 as necessary.

(v) Australian Accounting Standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. CMCS 10 and CMCS 10 UT's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 *Financial Instruments* and AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9*

AASB 9 is applicable for annual reporting periods beginning on or after 1 January 2013. AASB 9 replaces the multiple classification and measurement models in AASB 139 *Financial Instruments: Recognition and measurement* with a single model that has only two classification categories: amortised cost and fair value. These changes may impact the classification and measurement of investments held by the Trust and the Unit Trust. The Trust and the Unit Trust are still assessing the impacts of this standard; however it is not expected to have a material impact on total comprehensive income.

(ii) Revised AASB 124 *Related Party Disclosures*

The amended AASB 124 is applicable for annual reporting periods beginning on or after 1 January 2011, and requires prior period disclosures to be revised accordingly. The amendment provides simplification of the definition of a related party, clarifying its intended meaning and eliminating inconsistencies in the definition. CMCS 10 and CMCS 10 UT will apply the amended standard from 1 July 2011 and its effects are not expected to have an impact on the related party disclosures of CMCS 10 and CMCS 10 UT.

(iii) AASB 2009-12 *Amendments to Australian Accounting Standards*

AASB 2009-12 is applicable for annual reporting periods beginning on or after 1 January 2011. The amendments introduced by AASB 2009-12 are primarily editorial amendments and changes in terminology and are not expected to have a material impact on CMCS 10 and CMCS 10 UT's financial statements. CMCS 10 and CMCS 10 UT will apply the amended standard from 1 July 2011.

(iv) AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*

AASB 2010-4 is applicable for annual reporting periods beginning on or after 1 January 2011, with specific application dates for each of the standards it amends. The amendments are part of the IASB's third annual improvements project and introduce various changes that are not expected to have a material impact on CMCS 10 and CMCS 10 UT's financial statements. CMCS 10 and CMCS 10 UT will apply the amended standard from 1 July 2011.

(v) AASB 2010-5 *Amendments to Australian Accounting Standards*

AASB 2010-5 is applicable for annual reporting periods beginning on or after 1 January 2011 and is available for early adoption in certain circumstances. The amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the International Accounting Standards Board.

The Trust will apply this standard from 1 July 2011 and is not expected to have a material impact on the Trust's net assets or net results

1 Summary of significant accounting policies (continued)

(vi) *AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfer of Financial Assets*

AASB 2010-6 is applicable for annual reporting periods beginning on or after 1 July 2011 and is available for early adoption. The amendments add and amend the disclosure requirements relating to transfers of financial assets, namely where risk exposures arise or are retained on transfer. The amendments will affect entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties.

The Trust will apply this amendment prospectively from 1 July 2011. The amendment is not expected to have a material impact on the net results or net position of the Trust upon adoption.

(vii) *AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9*

AASB 2010-7 is applicable for annual reporting periods beginning on or after 1 January 2013 and is available for early adoption. The amendment addresses the current measurement models of financial liabilities in AASB 139 *Financial Instruments: Recognition and Measurement*. Under the revised model, financial liabilities which are designated at Fair Value through Profit or Loss are required to have any 'own credit' adjustments' pass through other comprehensive income and there is no recycling of these adjustments to profit or loss on extinguishment.

The amendment will be applied from 1 July 2013, and is not expected to have a material impact on the financial statements as the Trust currently does not have any financial liabilities designated at Fair Value through Profit or Loss.

(viii) *AASB 2011-2 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence project - Reduced disclosure regime*

This Standard makes amendments to the application of the revised disclosures to Tier 2 entities, that are applying AASB 1053, and is applicable from 1 January 2013.

The amendment will be applied from 1 July 2012, and is not expected to have a material impact on the net results or net assets of the Trust.

(ix) *IFRS 10 Consolidated Financial Statements*

IFRS 10 was issued by the International Accounting Standards Board, but not yet adopted by the Australian Accounting Standards Board.

Interpretation 19 is applicable for annual reporting periods beginning on or after 1 July 2010. The Interpretation requires an entity to measure equity instruments issued to a creditor to extinguish a financial liability at the fair value of the equity instruments issued, or the fair value of the liability exchanged, whichever is more reliably determinable. The difference between the carrying amount of the financial liability extinguished and the initial measurement of the amount of the equity instruments issued is required to be recognised in the Income Statement. This Interpretation will only impact extinguishments that occur from 1 July 2010. CMCS 10 and CMCS 10 UT will apply this Interpretation from 1 July 2010. *Consolidated Financial Statements* and AASB Interpretation 112 *Special Purpose Entities*. The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. This is likely to lead to more entities being consolidated into the group.

The Trust and the Unit Trust anticipates they will apply this standard from 1 July 2013 and is not expected to have a material impact on the Trust and the Unit Trust's net assets or net results.

(x) *IFRS 11 Joint arrangements*

IFRS 11 was issued by the International Accounting Standards Board, but not yet adopted by the Australian Accounting Standards Board.

AASB 2010-3 is applicable for annual reporting periods beginning on or after 1 July 2010, with specific application dates for each of the standards it amends. The amendments are part of the IASB's third annual improvements project and introduce various changes that are not expected to have a material impact on CMCS 10 and CMCS 10 UT's financial statements. CMCS 10 and CMCS 10 UT will apply the amended standard from 1 July 2010. *Joint Ventures*. The standard is applicable for annual reporting periods beginning on or after 1 January 2013, and is available for early adoption under certain circumstances. IFRS 11 clarifies the distinction between joint operations and joint ventures, and eliminates the option to use proportionate consolidation in accounting from joint ventures.

The Trust and the Unit Trust anticipates they will apply this standard from 1 July 2013 and is not expected to have a material impact on the Trust and the Unit Trust's net assets or net results.

1 Summary of significant accounting policies (continued)

(xi) *IFRS 12 Disclosure of interest in other entities*

IFRS 12 was issued by the International Accounting Standards Board, but not yet adopted by the Australian Accounting Standards Board.

IFRS 12 is applicable for annual reporting periods beginning on or after 1 January 2013, and is available for early adoption under certain circumstances. IFRS 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.

The Trust and the Unit Trust anticipates they will apply this standard from 1 July 2013. Additional disclosures are likely to be required on adoption of IFRS 12; however there will be not impact on the Trust and the Unit Trust's net assets or net results.

(xii) *IFRS 13 Fair value measurement*

IFRS 13 was issued by the International Accounting Standards Board, but not yet adopted by the Australian Accounting Standards Board.

This standard is applicable for annual reporting periods beginning on or after 1 January 2013 and is available for early adoption. The amendment does not change when an entity is required to use fair value, but rather establishes a single source of guidance on how fair value is determined under IFRS when fair value is required or permitted by IFRS. IFRS 13 also expands the disclosure requirements for all assets or liabilities recognised at fair value, including where disclosures of assets at fair value are required. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.

The Trust and the Unit Trust anticipates they will apply this standard from 1 July 2013 and is not expected to have a material impact on the Trust and the Unit Trust's net assets or net results.

(xiii) *AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements*

AASB 1053 is applicable for annual reporting periods beginning on or after 1 July 2013 and is available for early adoption. AASB 1053 introduces a differential reporting framework with Tier 1 and Tier 2 reporting requirements for preparing general purpose financial statements. Whilst the recognition, measurement and presentation requirements will remain unchanged under the second tier, there will be substantially reduced disclosures in relation to these requirements for entities that do not have public accountability (as defined by the standard). CMCS 10 and CMCS 10 UT are still assessing the appropriateness of application of Tier 2 reporting requirements and the impacts of this standard.

(xiv) *AASB 1054 Australian Additional Disclosures and AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence project*

This standard is as a consequence of phase 1 of the joint Trans-Tasman Convergence project of the AASB and FRSB. This standard relocates all Australian specific disclosures from other standards to one place and revises disclosures in the following areas:

- (a) Compliance with Australian Accounting Standards
- (b) The statutory basis or reporting framework for financial statements
- (c) Whether the financial statements are general purpose or special purpose
- (d) Audit fees
- (e) Imputation credits

The amendment will be applied from 1 July 2012, and is not expected to have a material impact on the net results or net assets of the Trust.

(xv) *Presentation of items of Other Comprehensive Income (Amendments to IAS 1)*

The amendment is applicable for annual reporting periods beginning on or after 1 July 2012 and is available for early adoption. The amendment requires entities to group items presented in Other Comprehensive Income (OCI), on the basis of whether they are potentially required to be recycled to profit or loss subsequently (reclassification adjustments). This includes the tax effect if OCI items are presented before tax.

The amendment will be applied from 1 July 2012, and is not expected to have a material impact on the net results or net assets of the Trust.

1 Summary of significant accounting policies (continued)

(w) Rounding of amounts

CMCS 10 and CMCS 10 UT are of a kind referred to in Class order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars (\$'000), or in certain cases, the nearest dollar.

2 Significant accounting estimates, judgements and assumptions

The preparation of financial statements requires estimates and assumptions concerning the application of accounting policies to be made by the CMCS 10 and CMCS 10 UT. Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Investment Property Values

Investment properties are carried at their fair value. Valuations are either based on an independent valuation or on a Directors' valuation which is supported by the extrapolation of independent valuations on similar properties. Valuations are determined based on assessments and estimates of uncertain future events, including upturns and downturns in property markets and availability of similar properties, vacancy rates, market rents and capitalisation and discount rates. Please refer to note 9 for further information regarding investment property valuations.

At 30 June 2011, the carrying value of investment properties held by the Trust is \$60.500 million (2010: \$56.500 million). Refer to note 9 for the reconciliation of the movements in investment property.

Fair value of mark to market derivatives and other financial instruments

Management uses their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For mark to market derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. Other financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates.

Collectability of trade receivables

Collectability of trade receivables is reviewed on an ongoing basis. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that CMCS 10 will not be able to collect all amounts due according to the original terms of the receivables.

CMCS 10 estimates the amount to be provided for based on knowledge of individual retailers circumstances, customer credit-worthiness, and current economic trends. The amount of the allowance is continually reassessed following any changes in individual retailer circumstances, such as bankruptcy, with a complete review undertaken every six months.

3 Net property income

| | CMCS 10 | | CMCS 10 UT | |
|------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | 30 June 2011 \$'000 | 30 June 2010 \$'000 | 30 June 2011 \$'000 | 30 June 2010 \$'000 |
| Property rental revenue | 6,618 | 8,229 | - | - |
| Property outgoings recovered | <u>731</u> | <u>1,107</u> | - | - |
| Property revenue | 7,349 | 9,336 | - | - |
| Less | | | | |
| Direct property expenses | (2,890) | (2,565) | - | - |
| Lease incentives | <u>(15)</u> | <u>(25)</u> | - | - |
| Property expenses | <u>(2,905)</u> | <u>(2,590)</u> | - | - |
| Net property income | <u>4,444</u> | <u>6,746</u> | - | - |

4 Financing costs

| | CMCS 10 | | CMCS 10 UT | |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| | 30 June 2011 \$'000 | 30 June 2010 \$'000 | 30 June 2011 \$'000 | 30 June 2010 \$'000 |
| Interest on borrowings | 3,356 | 3,635 | - | - |
| Amortisation of prepaid borrowing fees | <u>44</u> | <u>45</u> | <u>-</u> | <u>-</u> |
| | <u>3,400</u> | <u>3,680</u> | <u>-</u> | <u>-</u> |

5 Distributions

| | CMCS 10 | | CMCS 10 UT | |
|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | 30 June 2011 \$'000 | 30 June 2010 \$'000 | 30 June 2011 \$'000 | 30 June 2010 \$'000 |
| Total gross distributions | <u>650</u> | <u>1,625</u> | <u>212</u> | <u>529</u> |

Of the total net cash distributed by CMCS 10 31.19% is tax advantaged (2010: 53.78%)

Of the total net cash distribution by CMCS 10 UT 100% is tax advantaged (2010: nil%).

6 Current assets - Cash and cash equivalents

| | CMCS 10 | | CMCS 10 UT | |
|--------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | 30 June 2011 \$'000 | 30 June 2010 \$'000 | 30 June 2011 \$'000 | 30 June 2010 \$'000 |
| Cash at bank and on hand | <u>1,837</u> | <u>4,973</u> | <u>-</u> | <u>-</u> |

(a) Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the cash flow statements as follows:

| | CMCS 10 | | CMCS 10 UT | |
|-----------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | 30 June 2011 \$'000 | 30 June 2010 \$'000 | 30 June 2011 \$'000 | 30 June 2010 \$'000 |
| Balances as above | <u>1,837</u> | <u>4,973</u> | <u>-</u> | <u>-</u> |
| Balances per cash flow statements | <u>1,837</u> | <u>4,973</u> | <u>-</u> | <u>-</u> |

7 Current assets - Trade and other receivables

| | CMCS 10 | | CMCS 10 UT | |
|-------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | 30 June 2011 \$'000 | 30 June 2010 \$'000 | 30 June 2011 \$'000 | 30 June 2010 \$'000 |
| Property receivables | 265 | 27 | - | - |
| Impairment of receivables (a) | <u>(26)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | 239 | 27 | - | - |
| Distributions receivables | - | - | 53 | 132 |
| Other receivables | 505 | 1,143 | - | - |
| Accrued income | <u>7</u> | <u>10</u> | <u>-</u> | <u>-</u> |
| | <u>751</u> | <u>1,180</u> | <u>53</u> | <u>132</u> |

(a) Impaired trade receivables

CMCS 10 has recognised a loss of \$0.027 million (2010: \$0.004 million) in respect of impaired trade receivables during the year ended 30 June 2011.

There are no impaired trade receivables for CMCS 10 UT in 2011 or 2010.

Movements in the provision for impairment of receivables are as follows:

| | CMCS 10 | | CMCS 10 UT | |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| | 30 June 2011 \$'000 | 30 June 2010 \$'000 | 30 June 2011 \$'000 | 30 June 2010 \$'000 |
| Opening balance at 1 July | - | - | - | - |
| Provision for impairment recognised during the year | (27) | (4) | - | - |
| Receivables written off during the year as uncollectible | <u>1</u> | <u>4</u> | <u>-</u> | <u>-</u> |
| Closing balance at 30 June | <u>(26)</u> | <u>-</u> | <u>-</u> | <u>-</u> |

The creation and release of the provision for impaired receivables has been included in 'direct property expenses' in the income statement.

(b) Past due but not impaired

As at 30 June 2011, trade receivables of \$0.184 million (2010: \$0.013 million) were past due but not impaired. These related to a number of independent customers for whom there is no recent history of default.

The ageing analysis of trade receivables is as follows:

| | CMCS 10 | | CMCS 10 UT | |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| | 30 June 2011 \$'000 | 30 June 2010 \$'000 | 30 June 2011 \$'000 | 30 June 2010 \$'000 |
| Less than 30 days (not past due) | 55 | 14 | - | - |
| Between 31 days and 60 days (past due) | 106 | 5 | - | - |
| Between 61 days and 90 days (past due) | 20 | 3 | - | - |
| Greater than 91 days (past due) | <u>58</u> | <u>5</u> | <u>-</u> | <u>-</u> |
| | <u>239</u> | <u>27</u> | <u>-</u> | <u>-</u> |

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due. The Trust does not hold any collateral in relation to these receivables.

8 Current assets - Other current assets

| | CMCS 10 | | CMCS 10 UT | |
|--------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | 30 June 2011 \$'000 | 30 June 2010 \$'000 | 30 June 2011 \$'000 | 30 June 2010 \$'000 |
| Prepaid incentives | 26 | 21 | - | - |
| Other prepayments | 399 | 358 | - | - |
| | <u>425</u> | <u>379</u> | <u>-</u> | <u>-</u> |

9 Non-current assets - Investment property

| | Valuation basis | CMCS 10 | | CMCS 10 UT | |
|-----------------------------|--------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | | 30 June 2011 \$'000 | 30 June 2010 \$'000 | 30 June 2011 \$'000 | 30 June 2010 \$'000 |
| Property investments | | | | | |
| Maitland Hunter Mall | (l) | 12,000 | 12,000 | - | - |
| Centro Lennox | (l) | 48,500 | 44,500 | - | - |
| | | <u>60,500</u> | <u>56,500</u> | <u>-</u> | <u>-</u> |

The reconciliation below details the movements for the year:

| | CMCS 10 | | CMCS 10 UT | |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| | 30 June 2011 \$'000 | 30 June 2010 \$'000 | 30 June 2011 \$'000 | 30 June 2010 \$'000 |
| At fair value | | | | |
| Opening balance at 1 July | 56,500 | 76,300 | - | - |
| Capitalised expenditure | 3,294 | 589 | - | - |
| Straight-lining of rent | (95) | (88) | - | - |
| Amortisation of lease incentives | (5) | (17) | - | - |
| Fair value adjustment to investment property | 806 | (4,434) | - | - |
| Disposal | - | (15,850) | - | - |
| Closing balance at 30 June | <u>60,500</u> | <u>56,500</u> | <u>-</u> | <u>-</u> |

(l) Independent valuation undertaken by registered valuers as at 30 June 2011

(a) Valuation basis

Investment properties are carried at fair value. In arriving at fair value, consideration is given to the discounted cashflows of the investment property based on estimates of future cashflows, other contracts and recent prices for similar properties and capitalised income projections based on the property's net market income.

During the year, the weighted average capitalisation rate of the Trust's properties moved from 8.44% at 30 June 2010 to 8.15% at 30 June 2011.

Independent valuation

At 30 June 2011, 100% of the Trust's consolidated properties were independently valued by members of the Australian Property Institute (2010: 100% Independent valuations).

The basis of the valuation of investment property is fair value, being the amounts for which the properties could be exchanged between willing parties, in an arm's length transaction. The independent valuation was based on current prices in an active market for similar properties in the same location and condition, and subject to similar leases.

9 Non-current assets - Investment property (continued)

A movement in the adopted property capitalisation rates of 25bps (2010: 25bps) across the CMCS 10 property portfolio would impact net assets by approximately \$1.932 million (2010: \$1.657 million) and impact net tangible assets attributable to unitholders of the by 5.94 cents per unit (2010: 5.10 cents per unit).

(b) Non-current assets pledged as security

Refer to note 12 for information on non-current assets pledged as security by CMCS 10 and CMCS 10 UT.

(c) Contractual obligations

Refer to note 23 for disclosure of any contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

(d) Leasing arrangements

The investment properties are leased to tenants under long term operating leases with rent payable monthly. Refer to note 23 for details of lease payments receivable on leases of investment properties.

10 Non-current assets - Investments accounted for using the equity method

(a) Investments accounted for using the equity method

Information relating to associates is set out below.

| Name of entity | Principal activity | Ownership interest | | CMCS 10 | | CMCS 10 UT | |
|-----------------|---------------------|--------------------|----------------|---------------------|---------------------|---------------------|---------------------|
| | | 30 June 2011 % | 30 June 2010 % | 30 June 2011 \$'000 | 30 June 2010 \$'000 | 30 June 2011 \$'000 | 30 June 2010 \$'000 |
| <i>Unlisted</i> | | | | | | | |
| Centro MCS 10 | Property Investment | 32.54 | 32.54 | - | - | 9,388 | 8,969 |
| | | | | - | - | 9,388 | 8,969 |

Investments in unlisted unit trust are accounted for in the financial statements using the equity method of accounting. Information relating to the unlisted unit trust is set out below.

CMCS 10 UT owns 32.54% of the units in CMCS 10, the principal assets of which are: Maitland Hunter Mall and Centro Lennox.

The reconciliation below details the movements for the year:

| | CMCS 10 | | CMCS 10 UT | |
|---|---------------------|---------------------|---------------------|---------------------|
| | 30 June 2011 \$'000 | 30 June 2010 \$'000 | 30 June 2011 \$'000 | 30 June 2010 \$'000 |
| Opening balance at 1 July | - | - | 8,969 | 10,217 |
| Share of profit/(loss) from investments accounted for using the equity method | - | - | 494 | (976) |
| Distribution received/receivable | - | - | (212) | (529) |
| Share of reserves from investments accounted for using the equity method | - | - | 137 | 257 |
| Closing balance at 30 June | - | - | 9,388 | 8,969 |

11 Current liabilities - Trade and other payables

| | CMCS 10 | | CMCS 10 UT | |
|--------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | 30 June 2011 \$'000 | 30 June 2010 \$'000 | 30 June 2011 \$'000 | 30 June 2010 \$'000 |
| Trade payables | 95 | - | - | - |
| Related party payables | 143 | 152 | - | - |
| Other payables | 366 | 438 | - | - |
| Accrued property expenses | 280 | 318 | - | - |
| Accrued interest | 76 | 75 | - | - |
| Total trade and other payables | <u>960</u> | <u>983</u> | <u>-</u> | <u>-</u> |

12 Interest bearing liabilities

| | CMCS 10 | | CMCS 10 UT | |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| | 30 June 2011 \$'000 | 30 June 2010 \$'000 | 30 June 2011 \$'000 | 30 June 2010 \$'000 |
| Current | | | | |
| Secured borrowings | 32,528 | - | - | - |
| Deferred transaction costs | (22) | - | - | - |
| Total current interest bearing liabilities | <u>32,506</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Non-current | | | | |
| Secured borrowings | - | 32,528 | - | - |
| Deferred transaction costs | - | (66) | - | - |
| Total non-current interest bearing liabilities | <u>-</u> | <u>32,462</u> | <u>-</u> | <u>-</u> |

(a) Secured borrowings

The secured borrowings are provided under an Australian dollar facility. They have variable interest rates and will mature on 20 December 2011.

CMCS 10 has entered into a conditional agreement with a new lender for an amount of \$32.528 million, which is subject to numerous conditions precedent that must be satisfied or waived. The new borrowings is for a period of 3 years and will mature on 30 September 2014.

The borrowings of the CMCS 10 are secured by a mortgage over its investment properties. The assets pledged as security are: Maitland Hunter Mall and Centro Lennox.

CMCS 10 and their unitholders have entered into a deed of subordination and provided an irrevocable direction to the Responsible Entity to pay out of distributions, interest and any capital repayment amounts required to satisfy the obligations to an external party as financier of CMCS 10.

If there is a change in or replacement of the Responsible Entity in the future periods (without consent from the financier), an event of default will be triggered under the current borrowing arrangement, and the financier may call on the repayment of the borrowings immediately.

(b) Financing arrangements

The Trust did not have any unused loan facilities as at the current or prior period balance date.

12 Interest bearing liabilities (continued)

(c) Fair values

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The net fair value of cash and cash equivalents and non interest bearing monetary financial assets and liabilities of CMCS 10 approximates their carrying amounts. The net fair value of interest bearing liabilities at amortised costs approximate to their carrying amount. The net fair value of other monetary financial assets and liabilities is based upon market prices where a market exists or is determined by discounting the expected future cashflows by the current interest rates for assets and liabilities with similar risk profiles.

13 Current liabilities - Provisions

| | CMCS 10 | | CMCS 10 UT | |
|----------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | 30 June 2011 \$'000 | 30 June 2010 \$'000 | 30 June 2011 \$'000 | 30 June 2010 \$'000 |
| Provision for distribution | <u>163</u> | <u>406</u> | <u>53</u> | <u>132</u> |
| | <u>163</u> | <u>406</u> | <u>53</u> | <u>132</u> |

The reconciliation below details the movements for the year:

| | CMCS 10 | | CMCS 10 UT | |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
| | 30 June 2011 \$'000 | 30 June 2010 \$'000 | 30 June 2011 \$'000 | 30 June 2010 \$'000 |
| Provision for distribution | | | | |
| Opening balance at 1 July | 406 | 691 | 132 | 225 |
| Charged/(credited) to the income statements | | | | |
| Amounts incurred and charged | 650 | 1,625 | 212 | 529 |
| Distributions paid | (893) | (1,910) | (291) | (622) |
| Closing balance at 30 June | <u>163</u> | <u>406</u> | <u>53</u> | <u>132</u> |

14 Derivative financial instruments

| | CMCS 10 | | CMCS 10 UT | |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
| | 30 June 2011 \$'000 | 30 June 2010 \$'000 | 30 June 2011 \$'000 | 30 June 2010 \$'000 |
| Current liabilities | | | | |
| Interest rate swap contracts | <u>119</u> | - | - | - |
| Total current derivative financial instrument liabilities | <u>119</u> | - | - | - |
| Non-current liabilities | | | | |
| Interest rate swap contracts | <u>911</u> | 1,618 | - | - |
| Total non-current derivative financial instrument liabilities | <u>911</u> | 1,618 | - | - |
| Total derivative financial instrument liabilities | <u>1,030</u> | 1,618 | - | - |

15 Contributed equity

(a) Units issued

The reconciliation below details the movements for the year:

| | CMCS 10 | | CMCS 10 UT | |
|----------------------------|--------------------------------------|-----------------------------|--------------------------------------|-----------------------------|
| | 30 June 2011 No. '000 | 30 June 2010 No. '000 | 30 June 2011 No. '000 | 30 June 2010 No. '000 |
| Number of units | | | | |
| Opening balance at 1 July | 32,500 | 32,500 | 10,575 | 10,575 |
| Issued during the year | - | - | - | - |
| Redeemed during the year | - | - | - | - |
| Closing balance at 30 June | <u>32,500</u> | <u>32,500</u> | <u>10,575</u> | <u>10,575</u> |

The reconciliation below details the movements for the year:

| | CMCS 10 | | CMCS 10 UT | |
|--------------------------------|------------------------------------|---------------------------|------------------------------------|---------------------------|
| | 30 June 2011 \$'000 | 30 June 2010 \$'000 | 30 June 2011 \$'000 | 30 June 2010 \$'000 |
| Opening balance at 1 July | 31,541 | 31,541 | 10,263 | 10,263 |
| Issued during the year | - | - | - | - |
| Reduction in unitholders funds | - | - | - | - |
| Closing balance at 30 June | <u>31,541</u> | <u>31,541</u> | <u>10,263</u> | <u>10,263</u> |

16 Distributable income

Calculation of distributable income

The Directors of the Responsible Entity do not consider it appropriate to use profit under Australian Accounting Standards to determine distributions to unitholders.

Distributable income is a financial measure which is not prescribed by Australian Accounting Standards and represents the profit under Australian Accounting Standards adjusted for certain unrealised, non-cash items and reserve transfers. Per the Trust Constitution, the adjustments and therefore the amount distributed to unitholders are at the discretion of the Responsible Entity.

The table below outlines the adjustments to profit under Australian Accounting Standards to determine the amount the Directors believe should be available for distribution. The Directors use this amount as guidance for distribution determination.

The adjustments made to profit under Australian Accounting Standards in order to solely determine distributable income may change from time to time depending on future changes to accounting standards.

16 Distributable income (continued)

| | CMCS 10 | | CMCS 10 UT | |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
| | 30 June 2011 \$'000 | 30 June 2010 \$'000 | 30 June 2011 \$'000 | 30 June 2010 \$'000 |
| Net profit/(loss) for the year | 1,520 | (3,003) | 494 | (976) |
| Adjusted for: | | | | |
| Straight-lining of rent | 95 | 88 | - | - |
| Amortisation of lease incentives | 5 | 17 | - | - |
| Fair value adjustment to investment property | (806) | 4,434 | - | - |
| Fair value adjustment within equity accounted investments | - | - | (283) | 1,796 |
| Net loss on sale of investment property | - | 588 | - | - |
| Net movement on mark to market of derivatives | (167) | 394 | - | - |
| Distributable income | <u>647</u> | <u>2,518</u> | <u>211</u> | <u>820</u> |
| Undistributed profits | - | (893) | - | (291) |
| Reduction of equity | 3 | - | 1 | - |
| Distribution paid/payable | <u>650</u> | <u>1,625</u> | <u>212</u> | <u>529</u> |

| | CMCS 10 | | CMCS 10 UT | |
|--|-----------------|-----------------|-----------------|-----------------|
| | 30 June 2011 | 30 June 2010 | 30 June 2011 | 30 June 2010 |
| (a) Basic | | | | |
| Distributable income attributable to unitholders used in calculating basic distributable income per unit (\$'000) | <u>647</u> | <u>2,518</u> | <u>211</u> | <u>820</u> |
| Weighted average number of units on issue for the year (being the weighted average number of units outstanding during the year) ('000) | <u>32,500</u> | <u>32,500</u> | <u>10,575</u> | <u>10,575</u> |
| Basic distributable income per unit (cents) | <u>1.99</u> | <u>7.75</u> | <u>1.99</u> | <u>7.75</u> |
| (b) Adjusted | | | | |
| Distributable income attributable to unitholders used in calculating adjusted distributable income per unit (\$'000) | <u>647</u> | <u>2,518</u> | <u>211</u> | <u>820</u> |
| Weighted average number of units used as the denominator in calculating adjusted distributable income per unit ('000) | <u>32,500</u> | <u>32,500</u> | <u>10,575</u> | <u>10,575</u> |
| Adjusted distributable income per unit (cents) | <u>1.99</u> | <u>7.75</u> | <u>1.99</u> | <u>7.75</u> |

17 Net tangible asset backing (NTA)

| | CMCS 10 | | CMCS 10 UT | |
|---|----------------------|----------------------|---------------------|---------------------|
| | 30 June 2011 | 30 June 2010 | 30 June 2011 | 30 June 2010 |
| Net assets attributable to unitholders | <u>28,854</u> | <u>27,563</u> | <u>9,388</u> | <u>8,969</u> |
| (a) Basic | | | | |
| Number of units | | | | |
| Number of units outstanding at the end of the year used in calculating basic net tangible asset backing per unit ('000) | <u>32,500</u> | <u>32,500</u> | <u>10,575</u> | <u>10,575</u> |
| Basic NTA (\$) | <u>0.89</u> | <u>0.85</u> | <u>0.89</u> | <u>0.85</u> |
| (b) Adjusted | | | | |
| Net assets attributable to unitholders used in calculating adjusted net tangible assets backing per unit (\$'000) | <u>28,854</u> | <u>27,563</u> | <u>9,388</u> | <u>8,969</u> |
| Number of units | | | | |
| Number of units outstanding at the end of the year used in calculating basic net tangible asset backing per unit ('000) | <u>32,500</u> | <u>32,500</u> | <u>10,575</u> | <u>10,575</u> |
| Adjusted NTA (\$) | <u>0.89</u> | <u>0.85</u> | <u>0.89</u> | <u>0.85</u> |

18 Cash flow information

| | CMCS 10 | | CMCS 10 UT | |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| | 30 June 2011 \$'000 | 30 June 2010 \$'000 | 30 June 2011 \$'000 | 30 June 2010 \$'000 |
| Net profit/(loss) for the year | 1,520 | (3,003) | 494 | (976) |
| Amortisation of financing costs | 44 | 45 | - | - |
| Amortisation of lease incentives | 5 | 17 | - | - |
| Fair value adjustment to investment property | (806) | 4,434 | - | - |
| Net movement on mark to market of derivatives | (167) | 394 | - | - |
| Straight-lining of rent | 95 | 88 | - | - |
| Net loss on sale of investment property | - | 588 | - | - |
| Doubtful debts | 27 | 4 | - | - |
| Share of net (loss)/profits from investments accounted for using the equity method | - | - | (494) | 976 |
| Decrease/(increase) in assets | | | | |
| Trade and other receivables | (192) | (64) | 79 | 93 |
| Other assets | 3 | (22) | - | - |
| (Decrease)/increase in liabilities | | | | |
| Trade and other payables | 181 | (183) | (79) | (93) |
| Net cash inflow from operating activities | <u>710</u> | <u>2,298</u> | <u>-</u> | <u>-</u> |

19 Financial risk management

This note details the requirements of AASB 7 *Financial Instrument Disclosures*, which mandates disclosures regarding only financial assets and financial liabilities. As a result, these disclosures, in particular the sensitivity analysis, do not take into account movements in non-financial assets such as investment property and investments accounted for using the equity method.

CMCS 10 and CMCS 10 UT's activities expose them to a variety of financial risks: market risk (including interest rate risk and price risk), credit risk and liquidity risk. CMCS 10 and CMCS 10 UT's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of CMCS 10 and CMCS 10 UT. To the extent that they are able to access them CMCS 10 and CMCS 10 UT use derivative financial instruments such as interest rate swaps to manage their exposures to interest rate risk, whenever possible. CMCS 10 and CMCS 10 UT have not been able to access any new financial instruments since January 2009 and remain exposed to significant interest rate risks.

Risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Board and subject to periodic review. Group Treasury identifies, evaluates and manages financial risks in close co-operation with CMCS 10 and CMCS 10 UT's operating units. Group Treasury reports to the Board periodically through the Finance Committee on CMCS 10 and CMCS 10 UT's derivative and debt positions and compliance with policy.

CMCS 10 and CMCS 10 UT hold the following financial instruments:

| | CMCS 10 | | CMCS 10 UT | |
|----------------------------------|------------------------------------|---------------------------|------------------------------------|---------------------------|
| | 30 June 2011 \$'000 | 30 June 2010 \$'000 | 30 June 2011 \$'000 | 30 June 2010 \$'000 |
| Financial assets | | | | |
| Cash and cash equivalents | 1,837 | 4,973 | - | - |
| Trade and other receivables | <u>751</u> | <u>1,180</u> | <u>53</u> | <u>132</u> |
| | <u>2,588</u> | <u>6,153</u> | <u>53</u> | <u>132</u> |
| Financial liabilities | | | | |
| Trade and other payables | 960 | 983 | - | - |
| Interest bearing liabilities | 32,528 | 32,528 | - | - |
| Provision for distribution | 163 | 406 | 53 | 132 |
| Derivative financial instruments | <u>1,030</u> | <u>1,618</u> | <u>-</u> | <u>-</u> |
| | <u>34,681</u> | <u>35,535</u> | <u>53</u> | <u>132</u> |

(a) Market risk

Market risk is the risk that changes in market prices, such as interest rates and unit prices, will affect future cash flows or the fair value of financial instruments.

(i) Price risk

CMCS 10 and CMCS 10 UT are not exposed to any significant concentrations of price risk.

(ii) Interest rate risk

CMCS 10's interest rate risk arises from borrowings. Borrowings issued at variable rates expose CMCS 10 to cash flow interest rate risk and borrowings issued at fixed rates that are measured at fair value expose CMCS 10 to fair value interest rate risk. Group policy is to manage cash flow interest rate risk by fixing rates on variable rate debt.

Where available, CMCS 10 manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Under the terms of interest rate swaps, CMCS 10 agrees to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

19 Financial risk management (continued)

As at the reporting date, the Trust had the following variable rate instruments outstanding:

| | 30 June 2011 \$'000 | 30 June 2010 \$'000 |
|---|------------------------|------------------------|
| Borrowings | 32,528 | 32,528 |
| Interest rate swap contracts (notional principal amount) | <u>(43,000)</u> | <u>(43,000)</u> |
| Net exposure to cash flow interest rate risk ⁽ⁱ⁾ | <u>(10,472)</u> | <u>(10,472)</u> |

⁽ⁱ⁾ Net exposure represents the difference between the outstanding variable rate borrowings and the notional amount for interest rate swap contracts.

Interest rate swaps

CMCS 10 has entered into interest rate swap contracts to safeguard against an increase in interest rates.

Swaps are currently in place over 100.00% of the loan principal outstanding. The contracts require settlement of net interest swap receivable or payable each 90 days. These dates correspond with the dates on which interest is payable on the underlying debt. The contracts are settled on a net cash basis. As at 30 June 2011, the accrued interest on interest rates swaps payable to Centro Properties Group amount to \$0.076 million (2010: \$0.166 million).

If Centro Properties Group is unable to meet its obligations under the swap contract, the potential impact on CMCS 10 would be that the hedged borrowings would become unhedged and CMCS 10 would have to pay a variable interest rate that is higher or lower than the current fixed rate.

At balance date, the details of interest rate swap contracts are:

| | 30 June 2011 Notional Principal Settlement \$'000 | 30 June 2010 Notional Principal Settlement \$'000 |
|------------------|---|---|
| Less than 1 year | 28,000 | - |
| 1 to 2 years | <u>15,000</u> | <u>43,000</u> |
| | <u>43,000</u> | <u>43,000</u> |

Maturities of financial liabilities

The cash flows have been estimated using forward interest rates applicable at the balance date.

The following table indicates the period in which the cash flows associated with derivatives held by CMCS 10 that is cash flow hedges are expected to occur.

| CMCS 10 - At 30 June 2011 | Less than 6 months | 6 - 12 months | 1 - 2 years | 2 - 5 years | Over 5 years | Total contractual cash flows ⁽¹⁾ | Carrying Amount assets/ (liabilities) |
|----------------------------------|-----------------------|------------------|--------------|-------------|-----------------|---|--|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Derivatives | | | | | | | |
| Derivative financial instruments | <u>(307)</u> | <u>(433)</u> | <u>(408)</u> | <u>-</u> | <u>-</u> | <u>(1,148)</u> | <u>(1,030)</u> |
| Total derivatives | <u>(307)</u> | <u>(433)</u> | <u>(408)</u> | <u>-</u> | <u>-</u> | <u>(1,148)</u> | <u>(1,030)</u> |

19 Financial risk management (continued)

| CMCS 10 - At 30 June 2010 | Less than 6 months | 6 - 12 months | 1 - 2 years | 2 - 5 years | Over 5 years | Total contractual cash flows ⁽¹⁾ | Carrying Amount assets/ (liabilities) |
|----------------------------------|--------------------|---------------|--------------|--------------|--------------|---|---------------------------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Derivatives | | | | | | | |
| Derivative financial instruments | (313) | (341) | (760) | (395) | - | (1,809) | (1,618) |
| Total derivatives | (313) | (341) | (760) | (395) | - | (1,809) | (1,618) |

(1) For interest rate swap contracts the cash flows have been estimated using forward interest rates applicable at the balance date.

Sensitivity analysis

While interest rates can move up or down, having regard to the forward interest rate curve for BBSW at 30 June 2011, the tables below disclose the impact that a -20 basis point or 50 basis point (bps) (i.e. -0.2%/+0.5%) (2010: +40bps) shift in the interest rates would have on the Trust's post-tax profits and other comprehensive income ("OCI"). The sensitivities have been reassessed by management during the financial year in light of the current interest rate curve. This should not be considered a projection.

CMCS 10

| 30 June 2011 | Interest rate risk | | | |
|-----------------------------------|----------------------------------|------------|----------------------------------|------------|
| | -0.2% | | +0.5% | |
| | Post-tax profit or (loss) \$'000 | OCI \$'000 | Post-tax profit or (loss) \$'000 | OCI \$'000 |
| Financial liabilities | | | | |
| Derivative financial instruments | (191) | - | 477 | - |
| Interest bearing liabilities | 65 | - | (163) | - |
| Total increase/ (decrease) | (126) | - | 314 | - |

CMCS 10

| 30 June 2010 | Interest rate risk | | | |
|-----------------------------------|----------------------------------|------------|----------------------------------|------------|
| | -0% | | +0.4% | |
| | Post-tax profit or (loss) \$'000 | OCI \$'000 | Post-tax profit or (loss) \$'000 | OCI \$'000 |
| Financial liabilities | | | | |
| Derivative financial instruments | - | - | 437 | - |
| Interest bearing liabilities | - | - | (130) | - |
| Total increase/ (decrease) | - | - | 307 | - |

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to CMCS 10 and CMCS 10 UT. These counterparties include, but are not limited to, entities within the Centro Properties Group, banks and tenants at rental properties. Procedures have been established to ensure that CMCS 10 and CMCS 10 UT deal only with approved counterparties and the risk of loss is mitigated.

Counterparty exposure is measured as the aggregate of all obligations of any single legal entity or economic entity to CMCS 10 and CMCS 10 UT, after allowing for appropriate set offs which are legally enforceable.

Tenant risk assessments are performed taking into consideration the financial background of the tenant and the amount of any guarantee provided under their lease. Derivative counterparties and cash transactions are limited to high credit quality financial institutions.

The maximum exposure to credit risk at the balance date is the carrying amount of the Trust's financial assets.

Details of assets that have been impaired can be found in the trade and other receivables note.

19 Financial risk management (continued)

(c) Liquidity risk

Liquidity risk is the risk that CMCS 10 and CMCS 10 UT will not be able to meet their financial obligations as they fall due. Typically CMCS 10 and CMCS 10 UT ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Prudent liquidity risk management involves maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close-out market positions.

The Trust manages liquidity risk by continuously monitoring forecast and actual cashflows and matching the maturity profiles of financial assets and liabilities. The Trust holds a large portion of their investments in direct property where there is not an immediate liquid market, however the underlying investment properties of these funds are stable and management expect that sufficient cash flows will be generated and available to meet cash outflow liabilities arising from the day to day operations of the Trust.

Maturities of financial liabilities

Derivatives are not included in the liquidity tables as they are included previously in the interest rate swap section. The tables below analyse the Trust and the Unit Trust's financial liabilities, into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. For variable debt the cash flows have been estimated using forward interest rates applicable at the balance date.

| CMCS 10 - At 30 June 2011 | Less than 6 months | 6 - 12 months | 1 - 2 years | 2 - 5 years | Over 5 years | Total contractual cash flows ⁽¹⁾ | Carrying Amount assets/ (liabilities) |
|-------------------------------------|-----------------------|------------------|-----------------|-------------|-----------------|---|--|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Non-derivatives | | | | | | | |
| Trade and other payables | (960) | - | - | - | - | (960) | (960) |
| Provision for distribution | (163) | - | - | - | - | (163) | (163) |
| Borrowings - variable rate | (33,896) | - | - | - | - | (33,896) | (32,528) |
| Total non-derivatives | <u>(35,019)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(35,019)</u> | <u>(33,651)</u> |
| CMCS 10 - At 30 June 2010 | | | | | | | |
| | Less than 6 months | 6 - 12 months | 1 - 2 years | 2 - 5 years | Over 5 years | Total contractual cash flows ⁽¹⁾ | Carrying Amount assets/ (liabilities) |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Non-derivatives | | | | | | | |
| Trade and other payables | (983) | - | - | - | - | (983) | (983) |
| Provision for distribution | (406) | - | - | - | - | (406) | (406) |
| Borrowings - variable rate | (1,373) | (1,332) | (33,871) | - | - | (36,576) | (32,528) |
| Total non-derivatives | <u>(2,762)</u> | <u>(1,332)</u> | <u>(33,871)</u> | <u>-</u> | <u>-</u> | <u>(37,965)</u> | <u>(33,917)</u> |
| CMCS 10 UT - At 30 June 2011 | | | | | | | |
| | Less than 6 months | 6 - 12 months | 1 - 2 years | 2 - 5 years | Over 5 years | Total contractual cash flows ⁽¹⁾ | Carrying Amount assets/ (liabilities) |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Non-derivatives | | | | | | | |
| Provision for distribution | (53) | - | - | - | - | (53) | (53) |
| Total non-derivatives | <u>(53)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(53)</u> | <u>(53)</u> |

19 Financial risk management (continued)

| CMCS 10 UT - At 30 June 2010 | Less than 6 months | 6 - 12 months | 1 - 2 years | 2 - 5 years | Over 5 years | Total contractual cash flows ⁽¹⁾ | Carrying Amount assets/ (liabilities) |
|------------------------------|--------------------|---------------|-------------|-------------|--------------|---|---------------------------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Non-derivatives | | | | | | | |
| Provision for distribution | (132) | - | - | - | - | (132) | (132) |
| Total non-derivatives | <u>(132)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(132)</u> | <u>(132)</u> |

⁽¹⁾ For variable debt the cash flows have been estimated using forward interest rates applicable at the balance date.

(d) Fair value estimation

The net fair value of financial assets and financial liabilities of CMCS 10 and CMCS 10 UT approximate their carrying value, except as disclosed in note 12(c).

The Trust and the Unit Trust use various methods in estimating the fair value of a financial instrument. The methods used comprise the following inputs:

- Level 1 - quoted prices in active markets;
- Level 2 - inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly; or
- Level 3 - inputs are not based on observable market data (unobservable inputs).

The classification of CMCS 10's financial assets and liabilities are summarised below.

| CMCS 10 - as at 30 June 2011 | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 |
|----------------------------------|-----------------------|-----------------------|-----------------------|
| Liabilities | | | |
| Derivatives used for hedging | - | 1,030 | - |
| Total liabilities | <u>-</u> | <u>1,030</u> | <u>-</u> |
| CMCS 10 - as at 30 June 2010 | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 |
| Liabilities | | | |
| Derivatives used for hedging | - | 1,618 | - |
| Total liabilities | <u>-</u> | <u>1,618</u> | <u>-</u> |

The Trust's derivative financial instruments are not traded in active markets, hence they are considered to include Level 2 inputs. Fair values are estimated using valuation techniques, including use of recent arm's length market transactions, reference to current fair value of another instrument that is substantially the same or discounted cash flow techniques.

There were no transfers between Level 1, Level 2 and Level 3 fair value measurements during the current or previous financial year.

19 Financial risk management (continued)

(e) Hedge accounting

The following table indicates the hedge effectiveness of CMCS 10 cash flow hedges.

CMCS 10 - At 30 June 2011

| | Financial Instrument | Fair Value \$'000 | Balance in Hedge reserve \$'000 | Ineffectiveness recognised in P&L \$'000 | Amount transferred from hedge reserve to P&L \$'000 |
|----------------------|----------------------|----------------------|------------------------------------|---|--|
| Type of Hedge | | | | | |
| Cash flow hedge | IRS | 1,030 | (562) | (588) | 421 |
| | | <u>1,030</u> | <u>(562)</u> | <u>(588)</u> | <u>421</u> |

CMCS 10 - At 30 June 2010

| | Financial Instrument | Fair Value \$'000 | Balance in Hedge reserve \$'000 | Ineffectiveness recognised in P&L \$'000 | Amount transferred from hedge reserve to P&L \$'000 |
|----------------------|----------------------|----------------------|------------------------------------|---|--|
| Type of Hedge | | | | | |
| Cash flow hedge | IRS | 1,618 | (983) | (397) | 791 |
| | | <u>1,618</u> | <u>(983)</u> | <u>(397)</u> | <u>791</u> |

Hedge reserve – cash flow hedges

The hedge reserve is used to record gains or losses on a hedging instrument for cash flow hedge that are recognised directly in equity. Amounts are recognised in the Income statement when the associated hedged transaction affects profit and loss.

Management has cancelled the hedge designation effective 1 January 2010 as hedge accounting was no longer considered to be beneficial to the Syndicate.

All movements in the mark to market derivatives since 1 January 2010 have been recognised directly in profit or loss. Amounts previously recognised in the cash flow hedge reserve will remain in the reserve until the original hedged transaction affects profit or loss at which time the amount in the hedge reserve will be reclassified to profit or loss.

Re-presentation of hedge reserve movement

During the financial year ended 30 June 2010, the movement in hedge reserve amounting to \$0.421 million was presented directly in the statement of changes in equity. As at 30 June 2011, this has now been re-presented in other comprehensive income. This does not affect any amounts presented on the balance sheet.

20 Capital risk management

CMCS 10's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for unitholders and benefits for other stakeholders and wherever possible, to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Trust may adjust the amount of distributions paid to unitholders, return capital to unitholders, issue new units or sell assets.

Consistent with other direct retail property schemes in the industry the Trust monitors capital on the basis of the gearing ratio.

The gearing ratio has been calculated in accordance with ASIC RG 46 (issued on 2 September 2008) which is calculated using the following formula:

Gearing Ratio = Total interest bearing liabilities ÷ Total assets

20 Capital risk management (continued)

During 2011, the Trust's strategy was unchanged from 2010. The gearing ratio at 30 June 2011 and 2010 were as follows:

| | CMCS 10 | |
|-------------------------------------|---------------------------|---------------------------|
| | 30 June 2011 \$'000 | 30 June 2010 \$'000 |
| Interest bearing liabilities | | |
| Borrowings | <u>32,528</u> | <u>32,528</u> |
| Total interest bearing liabilities | <u>32,528</u> | <u>32,528</u> |
| Assets | | |
| Cash and cash equivalents | 1,837 | 4,973 |
| Investment property | 60,500 | 56,500 |
| Trade and other receivables | 751 | 1,180 |
| Other financial assets | 425 | 379 |
| Deferred transaction costs | <u>22</u> | <u>66</u> |
| Total assets | <u>63,535</u> | <u>63,098</u> |
| Gearing ratio | 51.20 % | 51.55 % |

21 Related party transactions

(a) Associates

Interests in associates are set out in note 10.

(b) Key Management Personnel

Key Management Personnel ('KMP') are defined in AASB 124 *Related Party Disclosures* as those having the authority and responsibility for planning, directing and controlling the activities of CMCS 10 and CMCS 10 UT. The Responsible Entity meets the definition of KMP as it has authority in relation to the activities of CMCS 10 and CMCS 10 UT.

Fees paid/payable to the Responsible Entity during the year totalled \$890,213 (2010: \$1,137,059).

(c) Transactions with related parties

The following transactions occurred with related parties:

| | CMCS 10 | | CMCS 10 UT | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | 30 June 2011 \$ | 30 June 2010 \$ | 30 June 2011 \$ | 30 June 2010 \$ |
| <i>Key Management Personnel</i> | | | | |
| Responsible Entity management fees | 463,490 | 623,689 | - | - |
| Trustee fees | 31,550 | 39,125 | - | - |
| Accounting recovery fees | 27,690 | 24,480 | - | - |
| Property management fees | 273,338 | 345,472 | - | - |
| Tax recovery fees | 8,374 | 8,583 | - | - |
| Leasing fees | 68,271 | 78,710 | - | - |
| Legal fees | <u>17,500</u> | <u>17,000</u> | - | - |
| | <u>890,213</u> | <u>1,137,059</u> | <u>-</u> | <u>-</u> |
| <i>Other related parties</i> | | | | |
| Interest on interest rate swap contract | 643,302 | 1,041,872 | - | - |
| Interest received on interest bearing asset | - | (13,069) | - | - |
| | <u>643,302</u> | <u>1,028,803</u> | <u>-</u> | <u>-</u> |

21 Related party transactions (continued)

(d) Outstanding balances

The following balances are outstanding at the reporting date in relation to transactions with related parties:

| | CMCS 10 | | CMCS 10 UT | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | 30 June 2011 \$ | 30 June 2010 \$ | 30 June 2011 \$ | 30 June 2010 \$ |
| <i>Payables to:</i> | | | | |
| <i>Key Management Personnel</i> | | | | |
| Responsible Entity management fees | 41,917 | 42,483 | - | - |
| Property management fees | 22,849 | 26,772 | - | - |
| Trustee fees | 2,617 | 2,565 | - | - |
| <i>Other related parties</i> | | | | |
| Interest on interest rate swap contract | <u>75,561</u> | <u>80,273</u> | - | - |
| | <u>142,944</u> | <u>152,094</u> | - | - |

The Responsible Entity or its related entities held 4,972,155 ordinary units in CMCS 10 as at the end of the financial year (2010: 4,972,155).

The Responsible Entity or its related entities held 3,328,000 ordinary units in CMCS 10 UT as at the end of the financial year (2010: 3,328,000).

(e) Terms and conditions

Units issued to related parties are on the same terms and conditions as all other issued units.

Outstanding balances are unsecured and are repayable in cash.

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

22 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the Trust, its related practices:

| | CMCS 10 | | CMCS 10 UT | |
|---------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 30 June 2011 \$ | 30 June 2010 \$ | 30 June 2011 \$ | 30 June 2010 \$ |
| (a) Audit services | | | | |
| Audit and review of financial reports | | | | |
| Moore Stephens | <u>39,180</u> | <u>43,121</u> | - | - |
| (b) Non-audit services | | | | |
| Tax compliance services | | | | |
| Moore Stephens | <u>3,300</u> | <u>4,500</u> | - | - |

23 Commitments

(a) Capital commitments

CMCS 10 and CMCS 10 UT have no capital, finance lease or remuneration commitments in existence at the reporting date which have not been recognised as liabilities.

(b) Non-cancellable operating leases

The future minimum lease revenues for non-cancellable operating leases contracted for but not capitalised in the financial statements at balance date are:

| | CMCS 10 | | CMCS 10 UT | |
|---|------------------------------------|---------------------------|------------------------------------|---------------------------|
| | 30 June 2011 \$'000 | 30 June 2010 \$'000 | 30 June 2011 \$'000 | 30 June 2010 \$'000 |
| Commitments for minimum lease receipts in relation to non-cancellable operating leases are receivable as follows: | | | | |
| Within one year | 6,299 | 6,567 | - | - |
| Later than one year but not later than five years | 15,937 | 11,710 | - | - |
| Later than five years | 10,920 | 10,514 | - | - |
| | <u>33,156</u> | <u>28,791</u> | <u>-</u> | <u>-</u> |

All leases are those with tenants occupying the investment properties owned by CMCS 10 via the investments.

All leases have been negotiated on terms consistent with relevant legislation applicable to that State or Territory of Australia as well as the Commonwealth of Australia.

24 Contingencies

In the ordinary course of business, CMCS 10 and CMCS 10 UT may be exposed to various legal and administrative proceedings, the ultimate resolution of which, should not have a material effect on the CMCS 10 and CMCS 10 UT's financial position, results of operations or cash flows.

25 Events occurring after the reporting period

Major Restructure Developments

Centro MCS Manager Limited, the current Responsible Entity, is a wholly owned subsidiary of Centro Properties Group ("CNP").

On 9 August 2011, CNP announced that it had entered into an agreement ("Implementation Agreement") with a majority of its senior lenders and certain CNP managed funds to aggregate Australian assets and interests held by CNP, Centro Retail Trust and certain CNP managed funds (excluding Centro MCS Syndicates) to form a new listed Australian Retail Property Trust ("A-REIT") ("Aggregation"). The Implementation Agreement is subject to a significant number of regulatory and other conditions.

Amongst other terms, the Implementation Agreement contains provisions for the transfer of ownership and control of Centro MCS Manager Limited, the Responsible Entity for this Syndicate, from CNP to the A-REIT, whereby it will then become a wholly-owned subsidiary of the A-REIT in the event of a successful Aggregation.

There have been no adjustments made in the financial report associated with this proposed restructure.

For further details readers should refer to the announcement on 9 August 2011 which was lodged with the Australian Securities Exchange ("ASX") or can be found at www.centro.com.au. The announcement includes the signed Implementation Agreement.

25 Events occurring after the reporting period (continued)

Debt Refinancing

CMCS 10 has entered into a conditional agreement with a new lender for an amount of \$32.528 million for the existing borrowings expiring on 20 December 2011, which is subject to numerous conditions precedent that must be satisfied or waived. The new borrowings is for a period of 3 years and will mature on 30 September 2014.

Except for the matters discussed above, no other matter or circumstance has arisen in the interval between 30 June 2011 and the date hereof that has significantly affected, or may significantly affect:

- (a) the Trust and the Unit Trust's operations in future financial years;
- (b) the results of those operations in future financial years; or
- (c) the Trust and the Unit Trust's state of affairs in future financial years.

The Directors of the Responsible Entity, Centro MCS Manager Limited, declare that:

- (a) The financial statements and notes of CMCS 10 and CMCS 10 UT set out on pages 8 to 42 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001*, their Constitution and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of CMCS 10 and CMCS 10 UT's financial position as at 30 June 2011 and of their performance as represented by the results of their operations, changes in equity and their cash flows, for the year ended on that date.
- (b) In the Directors' opinion there are reasonable grounds to believe that CMCS 10 and CMCS 10 UT will be able to refinance or extend existing maturities as detailed in Note 1(b) of the financial statements and therefore will be able to pay their debts as and when they become due and payable.
- (c) The financial statements and notes also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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



Peter Day
Director

Melbourne
14 September 2011

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CENTRO MCS 10 AND CENTRO MCS 10 UNIT TRUST

Report on the Financial Report

We have audited the accompanying financial report of Centro MCS 10 and Centro MCS 10 Unit Trust (the registered schemes), which comprises the balance sheets as at 30 June 2011, the income statements, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of Centro MCS Manager Limited, the Responsible Entity of the registered schemes, 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 Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the registered schemes' preparation of the financial report that gives a true and fair view 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 registered schemes' internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

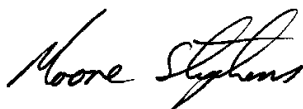
Opinion

In our opinion:

- (a) the financial report of Centro MCS 10 and Centro MCS 10 Unit Trust is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of Centro MCS 10 and Centro MCS 10 Unit Trust's financial position as at 30 June 2011 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 to the financial statements, which indicates that as of 30 June 2011, Centro MCS 10's current liabilities exceeded its current assets by \$30.735 million. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty in relation to the refinancing of the loan facility beyond its existing expiry date that may cast significant doubt about Centro MCS 10 and Centro MCS 10 Unit Trust's ability to continue as a going concern and therefore, Centro MCS 10 and Centro MCS 10 Unit Trust may be unable to realise their assets and discharge their liabilities in the normal course of business.



Moore Stephens
Chartered Accountants



Kevin W. Neville
Partner

Melbourne,

14 September 2011