

CENTRO  
**MCS**  
DIRECT PROPERTY

FINANCIAL REPORT 2011



## **Centro MCS 8**

ARSN 105 113 077

**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 8 ("CMCS 8", "the Trust", or "the Syndicate"). The financial report is presented in Australian currency.

Centro MCS 8 is a trust, 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 CMCS 8'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](http://www.centro.com.au)

<b>Responsible Entity</b>	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
<b>Directors of the Responsible Entity</b>	Peter Day (Chairman) Bill Bowness Anna Buduls (Appointed 15 November 2010) Paul Cooper Michael Humphris Fraser MacKenzie Jim Hall (Retired 15 November 2010)
<b>Secretaries of the Responsible Entity</b>	Elizabeth Hourigan Dimitri Kiriacoulacos Paul Flanigan
<b>Auditor</b>	Moore Stephens Level 10, 530 Collins Street Melbourne, VIC 3000
<b>Security Registry</b>	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 8 ("CMCS 8", "the Trust", or "the Syndicate") 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 8 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 8 during the course of the year was investment in property.

Significant changes in the nature of these activities during the year are detailed below under "Significant changes in the state of affairs".

### Review of operations

CMCS 8 recorded a net profit after tax of \$2.051 million for the year ended 30 June 2011 (2010: \$11.069 million).

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

- Lower revaluation gains from investment properties in the current year;
- Lower net property income (refer to Note 3) due to disposal of investment properties;
- Recognition of discount on fair value of investment property including estimated selling costs for the remaining investment properties in the current year; and
- Net gains on disposal of investment property in the prior year.

Distributions paid/payable to unitholders are in line with an expected annual rate of 12.00% (2010: 12.50%). During the year CMCS 8 recorded a basic distributable income of 9.28 cents (2010: 15.65 cents) per unit as disclosed in note 16.

### Distributions attributable to unitholders

Final distributions of 3.00 cents per unit have been declared for the quarter ended 30 June 2011. Further to the 3.00 cents per unit quarterly distribution, the Responsible Entity wrote to the investors on 30 November 2010 advising a capital distribution of \$1.05 per unit from the net sale proceeds of Centro Croydon and the Four Hotels. Distributions paid or payable to unitholders for the year including capital distribution totalled \$45.630 million (2010: \$4.875 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	3.00	25 October 2010
December 2010	3.00	24 January 2011
March 2011	3.00	29 April 2011
June 2011	<u>3.00</u>	25 July 2011
Total paid/payable to unitholders	12.00	
December 2010 - Return of capital	<u>105.00</u>	15 December 2010
Total distribution entitlement	<u>117.00</u>	

**Distributions attributable to unitholders (continued)**

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

	<b>Cents per unit</b>
Taxable income	14.69
Tax deferred component	119.30
Gross distribution per unit	133.99
Less interest component on investors' loan (i)	(7.87)
Less repayment of investors' loan (i)	(9.12)
Net distribution per unit	117.00

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

**Significant changes in the state of affairs**

During the year the following significant changes in the state of affairs occurred:

- As previously reported, CMCS 8 reached the end of its term on 31 May 2010 and the Responsible Entity proposed a restructure to accommodate both those investors who elected to exit and those investors who elected to continue in the Syndicate.

As part of the restructure, Centro Croydon and three of the Four Hotels were sold in the previous financial year. The remaining hotel, Mansfield Tavern, was disposed for a consideration of \$7.110 million on 14 September 2010. The net proceeds from these sales were to be used to pay-down Syndicate debt, as well as to fund redemption of units from those investors who elect to exit the Syndicate. At the Syndicate Investor Meeting held on 24 November 2010, the proposed resolution was approved by investors to restructure and rollover the Syndicate. However, following tallying of the re-election preferences, the Responsible Entity determined that it could not satisfy all investors who elected to exit. The Responsible Entity will therefore proceed to sell the remaining properties, distribute the net sale proceeds to investors and wind up the Syndicate.

**Matters subsequent to the end of the financial year**

*Sale of investment properties*

CMCS 8 has entered into conditional contracts to sell Centro Northgate (on 25 July 2011) and Centro Albany (on 17 August 2011) for a consideration of \$46.500 million and \$40.125 million respectively. The contracts are still subject to conditions precedent that must be satisfied or waived.

*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 the following provisions:

- 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; and
- The CNP Asset Sale Agreement entered into by CNP which will transfer all current related party loans from CNP to the A-REIT, when it is established, on the same terms and conditions.

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](http://www.centro.com.au). The announcement includes the signed Implementation Agreement.

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

Other than disclosed above, no other significant matter or circumstance has arisen in the interval between 30 June 2011 and the date hereof.

**Likely developments and expected results of operations**

Information on the likely developments in the operations of CMCS 8, 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 8.

**Environmental regulation**

As a property owner, the Trust is subject to the normal environmental regulations of landowners within Australia. These include regulation against air pollution, liquid discharge and soil contamination. The Trust 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 8 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 39,000,000 (2010: 39,000,000 units).

*CMCS 8 Total Assets*

At 30 June 2011 CMCS 8 total assets were \$88.965 million (2010: \$136.205 million).

**Fees paid to and interests held in CMCS 8 by the Responsible Entity or its related entities**

Fees paid to the Responsible Entity and its related entities out of CMCS 8 during the year are disclosed in note 19.

No fees were paid out of CMCS 8 to the directors of the Responsible Entity during the year.

The number of interests in CMCS 8 held by the Responsible Entity or its related entities as at the end of the year are disclosed in note 19.

**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 the Trust. The Responsible Entity meets the definition of KMP as it has authority in relation to the activities of the Trust.

Fees paid/payable to the Responsible Entity during the year totalled \$1,710,589 (2010: \$2,165,731).

**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 Trust**

No person has applied for leave of Court to bring proceedings on behalf of the Responsible Entity of the Trust, 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 Trust for all or any part of those proceedings.

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

**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	Remuneration and HR Committee Meetings	Finance Committee Meetings	Nominations Committee Meetings
<b>Number of meetings held:</b>	<b>41</b>	<b>4</b>	<b>10</b>	<b>5</b>	<b>7</b>	<b>6</b>	<b>1</b>
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 6.

**Rounding of amounts to the nearest thousand dollars**

The Trust is 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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**AUDITOR'S INDEPENDENCE DECLARATION  
UNDER SECTION 307C OF THE CORPORATIONS ACT  
TO THE DIRECTORS OF THE RESPONSIBLE ENTITY OF CENTRO MCS 8**

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 8**  
**Income statement**  
**For the year ended 30 June 2011**

		<b>CMCS 8</b>	
		<b>30 June</b>	<b>30 June</b>
		<b>2011</b>	<b>2010</b>
Notes		<b>\$'000</b>	<b>\$'000</b>
<b>Revenue</b>			
	Property rental revenue	3 <b>9,827</b>	14,580
	Property outgoings recovered	3 <b>1,633</b>	2,029
	Interest revenue	<b>1,095</b>	136
	<b>Total revenue</b>	<b><u>12,555</u></b>	<u>16,745</u>
<b>Expenses, gains and losses</b>			
	Direct property expenses	3 <b>(4,354)</b>	(5,826)
	Lease incentives	3 <b>(45)</b>	(468)
	Responsible Entity management fees	<b>(773)</b>	(1,064)
	Other Responsible Entity fees	13 <b>(34)</b>	(306)
	Financing costs	4 <b>(3,428)</b>	(3,360)
	Other expenses	<b>(418)</b>	(426)
	Net (loss)/gain on disposal of investment property	<b>(111)</b>	3,039
	Fair value adjustment to investment property	10 <b>333</b>	2,735
	Discount on fair value of investment property including estimated selling costs	9 <b>(1,674)</b>	-
	<b>Net profit before income tax expense</b>	<b><u>2,051</u></b>	<u>11,069</u>
	Income tax benefit/(expense)	<u>-</u>	<u>-</u>
	<b>Net profit for the year</b>	16 <b><u>2,051</u></b>	<u>11,069</u>
	Net profit for the year is attributable to:		
	Unitholders of Centro MCS 8	<u><b>2,051</b></u>	<u>11,069</u>
		<b><u>2,051</u></b>	<u>11,069</u>

*The above 30 June 2011 Income Statement has been prepared on a liquidation basis and should be read in conjunction with the accompanying notes.*

**Centro MCS 8**  
**Statement of comprehensive income**  
**For the year ended 30 June 2011**

	<b>CMCS 8</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Net profit for the year</b>	<b>2,051</b>	11,069
<b>Other comprehensive income</b>		
<b>Other comprehensive income for the year</b>	<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year</b>	<u><b>2,051</b></u>	<u>11,069</u>
Total comprehensive income for the year is attributable to:		
Unitholders of Centro MCS 8	<u><b>2,051</b></u>	<u>11,069</u>
	<u><b>2,051</b></u>	<u>11,069</u>

*The above 30 June 2011 Statement of Comprehensive Income has been prepared on a liquidation basis and should be read in conjunction with the accompanying notes.*

**Centro MCS 8**  
**Balance sheet**  
**As at 30 June 2011**

		<b>CMCS 8</b>	
		<b>30 June</b>	<b>30 June</b>
		<b>2011</b>	<b>2010</b>
Notes		<b>\$'000</b>	<b>\$'000</b>
<b>ASSETS</b>			
<b>Current assets</b>			
	Cash and cash equivalents	6	2,141
	Trade and other receivables	7	759
	Other current assets	8	739
	Non-current assets classified as held for sale	9	85,326
	<b>Total current assets</b>	<u><b>88,965</b></u>	<u>49,955</u>
<b>Non-current assets</b>			
	Investment property	10	-
	<b>Total non-current assets</b>	<u>-</u>	<u>86,250</u>
	<b>Total assets</b>	<u><b>88,965</b></u>	<u>136,205</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
	Trade and other payables	11	1,036
	Interest bearing liabilities	12	44,897
	Other financial liabilities	13	6,510
	Provisions	14	1,170
	<b>Total current liabilities</b>	<u><b>53,613</b></u>	<u>10,791</u>
<b>Non-current liabilities</b>			
	Interest bearing liabilities	12	-
	<b>Total non-current liabilities</b>	<u>-</u>	<u>46,483</u>
	<b>Total liabilities</b>	<u><b>53,613</b></u>	<u>57,274</u>
	<b>Net assets</b>	<u><b>35,352</b></u>	<u>78,931</u>
<b>EQUITY</b>			
	Contributed equity	15	-
	Retained profits	<u>35,352</u>	<u>41,030</u>
	<b>Total equity</b>	<u><b>35,352</b></u>	<u>78,931</u>

*The above 30 June 2011 Balance Sheet has been prepared on a liquidation basis and should be read in conjunction with the accompanying notes.*

**Centro MCS 8**  
**Statement of changes in equity**  
**For the year ended 30 June 2011**

<b>CMCS 8</b>	Notes	<b>Contributed equity \$'000</b>	<b>Retained earnings \$'000</b>	<b>Total equity \$'000</b>
<b>Balance at 1 July 2009</b>		<b>37,901</b>	<b>34,836</b>	<b>72,737</b>
Net profit for the year		-	11,069	11,069
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>11,069</b>	<b>11,069</b>
<b>Transactions with owners in their capacity as owners:</b>				
Distributions provided for or paid	5	-	(4,875)	(4,875)
<b>Balance at 30 June 2010</b>		<b>37,901</b>	<b>41,030</b>	<b>78,931</b>

<b>CMCS 8</b>	Notes	<b>Contributed equity \$'000</b>	<b>Retained earnings \$'000</b>	<b>Total equity \$'000</b>
<b>Balance at 1 July 2010</b>		<b>37,901</b>	<b>41,030</b>	<b>78,931</b>
Net profit for the year		-	2,051	2,051
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>2,051</b>	<b>2,051</b>
<b>Transactions with owners in their capacity as owners:</b>				
Transfer equity raising cost to retained earnings	15	1,099	(1,099)	-
Distributions provided for or paid	5	(39,000)	(6,630)	(45,630)
<b>Balance at 30 June 2011</b>		<b>-</b>	<b>35,352</b>	<b>35,352</b>

*The above 30 June 2011 Statement of Changes in Equity has been prepared on a liquidation basis and should be read in conjunction with the accompanying notes.*

**Centro MCS 8**  
**Cash flow statement**  
**For the year ended 30 June 2011**

		<b>CMCS 8</b>	
		<b>30 June</b>	<b>30 June</b>
		<b>2011</b>	<b>2010</b>
Notes		<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>			
	Receipts from customers (inclusive of goods and services tax)	13,208	19,926
	Payments to suppliers (inclusive of goods and services tax)	(7,303)	(10,432)
	Interest received	1,164	65
	Interest paid	(3,251)	(3,215)
18	<b>Net cash inflow from operating activities</b>	<u><b>3,818</b></u>	<u><b>6,344</b></u>
<b>Cash flows from investing activities</b>			
	Payments for investment property	(497)	(867)
	Proceeds from sale of assets	45,584	11,339
	<b>Net cash inflow from investing activities</b>	<u><b>45,087</b></u>	<u><b>10,472</b></u>
<b>Cash flows from financing activities</b>			
	Distributions paid	(45,630)	(4,777)
	Repayments of interest bearing liabilities	(3,555)	(11,214)
	<b>Net cash outflow from financing activities</b>	<u><b>(49,185)</b></u>	<u><b>(15,991)</b></u>
	<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(280)</b>	825
	Cash and cash equivalents at the beginning of the financial year	6 <u>2,421</u>	1,596
	<b>Cash and cash equivalents at the end of the financial year</b>	6 <u><b>2,141</b></u>	<u><b>2,421</b></u>

*The above 30 June 2011 Cash flow Statement has been prepared on a liquidation basis and should be read in conjunction with the accompanying notes.*

## 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 financial statements for Centro MCS 8 ("CMCS 8", "the Trust", or "the Syndicate").

### (a) Statement of compliance with International Financial Reporting Standards

This general purpose financial report complies with Australian Accounting Standards as applied under the liquidation basis of preparation. 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* as they apply to liquidation basis.

#### *Liquidation basis of preparation*

Financial statements are normally prepared on a going concern basis where there is neither the intention nor the need to materially curtail the scale of the Syndicate's operations. If such an intention or need exists, the financial statements cannot be prepared on a going concern basis.

As previously reported, CMCS 8 reached the end of its term on 31 May 2010 and the Responsible Entity proposed a restructure to accommodate both those investors who elected to exit and those investors who elected to continue in the Syndicate.

As part of the restructure, Centro Croydon and Four Hotels were sold and net proceeds from these sales were to be used to pay-down Syndicate debt, as well as to fund redemption of units from those investors who elect to exit the Syndicate. At the Syndicate Investor Meeting held on 24 November 2010, the proposed resolution was approved by investors to restructure and rollover the Syndicate. However, following tallying of the re-election preferences, the Responsible Entity determined that it could not satisfy all investors who elected to exit. The Responsible Entity will therefore proceed to sell the remaining properties, distribute the net sale proceeds to investors and wind up the Syndicate.

Given the above circumstances existing at 30 June 2011, the Directors of the Responsible Entity have concluded that the going concern assumption is no longer appropriate. The Directors of the Responsible Entity have applied the requirements of paragraph 25 of AASB 101 Presentation of Financial Statements which states that "When the financial report is not prepared on a going concern basis, that fact shall be disclosed, together with the basis on which the financial report is prepared and the reason why the Syndicate is not regarded as a going concern."

Accordingly the financial statements have not been prepared on a going concern basis; rather these accounts have been prepared on a liquidation basis.

#### *Impact of adopting the liquidation basis of preparation on measurement, classification of assets and liabilities, and disclosures in the financial report*

Under the liquidation basis of accounting, assets and liabilities are measured at liquidation value. The liquidation value of assets is their net realisable value. The liquidation value of liabilities is their estimated settlement amount. For assets, net realisable value approximates the carrying amount of assets under accounting standards, except for investment properties, where the net realisable value is the fair value less discount on investment property value and estimated selling costs.

Under the liquidation basis of accounting, all assets and liabilities previously classified as non-current are classified as current.

In adopting the liquidation basis, the Directors of the Responsible Entity have continued to apply the disclosure requirements of Australian Accounting Standards to the extent they are relevant to the liquidation basis, and modified them where considered appropriate. In particular, the financial report does not include all of the disclosures required by the following standards on the basis that the disclosures are not considered relevant for decision making by users as described below:

## 1 Summary of significant accounting policies (continued)

- *AASB 5 Non-current Assets Held for Sale and Discontinued Operations*

Given that the Syndicate is considered a discontinued operation, the disclosures under AASB 5 that separate between continuing and discontinuing operations on the Income Statement are not considered relevant to users.

- *AASB 7 Financial Instruments: Disclosures*

The information on exposures to financial risks are not considered relevant to users given that the financial risk exposures are not representative of the risks that will exist going forward.

- *AASB 101 Presentation of Financial Statements*

Information on capital management is not considered relevant for users to understand what is managed as capital given the disclosures on scheme of arrangement and the basis of preparation change from "going concern" to "liquidation".

- *AASB 117 Leases*

Financial lease and operating lease payments disclosures have not been provided as it is not considered that users would need this information given that operating leases and finance leases relate to investment property that is already at fair value or sold entities.

The accounting policies adopted are consistent with those of the previous financial year except for changes specified related to the adoption of the liquidation basis of preparation. The Syndicate has not adopted any new Australian Accounting Standards. The financial report is presented in Australian dollars.

Comparative information has not been restated, and is measured and presented on a going concern basis.

### *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.

The Trust 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 the Trust'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, the Trust derives 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 the Trust 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.

## **1 Summary of significant accounting policies (continued)**

### **(f) Trade and other receivables**

2011 - Trade and other receivables are measured at their net realisable value amount. No adjustment has been recognised on the change to liquidation basis as the net realisable value approximates the amortised cost using the effective interest method.

2010 - Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less 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 the Trust will not be able to collect all amounts due according to the original terms of the receivables.

### **(g) Assets held for sale**

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Assets held for sale that are investment properties are stated at fair value. All other assets held for sale are stated at the lower of carrying value and fair value less costs to sell. Non-current assets classified as held for sale are presented separately from the other assets in the balance sheet.

### **(h) Investment properties**

2011 – Investment properties are measured at their net realisable value which equals the fair value less discount on investment property value and estimated selling costs. Estimated selling costs comprise professional fees paid or payable to lawyers and advisors to effect the sale of the properties.

2010 - 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 the Trust.

Subsequent to initial recognition as assets, investment properties are revalued to fair value. Directors of the Responsible Entity 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 statement.

### **(i) Financial assets**

The Trust classifies its 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 the Trust's documented investment strategy. The Trust'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 the Trust 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.

## 1 Summary of significant accounting policies (continued)

### *(iii) Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Trust has 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 the Trust 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 the Trust has transferred substantially all the risks and rewards of ownership.

### **Subsequent measurement**

2011 - All investments are measured at their fair value which is equivalent to their net realisable value. No adjustment has been recognised on the change to liquidation basis as the net realisable value approximates fair value.

All other financial assets other than investments are measured at their net realisable value which equals fair value less estimated selling cost. No adjustment has been recognised on the change to liquidation basis as the net realisable value approximates amortised cost.

2010 - 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 statement 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 statement.

If the market for a financial asset is not active (and for unlisted securities), the Trust 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 assesses 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 statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

### **(j) Trade and other payables**

2011 - Trade and other payables are measured at their anticipated settlement amount. No adjustment has been recognised on the change to liquidation basis as the anticipated settlement amount approximates the undiscounted amortised cost.

2010 - These amounts represent liabilities for goods and services provided to the Trust 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**

2011 - Borrowings are measured at liquidation value. Any difference between the amortised cost and the liquidation value is recognised in the income statement. Borrowings are classified as current liabilities.

## **1 Summary of significant accounting policies (continued)**

2010 - 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 statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Trust has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

### **(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**

2011 - Provisions are recognised when the Trust has 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, which is the settlement amount. No adjustment has been recognised on the change to liquidation basis as the settlement amount approximates the present value of expected future payments.

2010 - Provisions are recognised when the Trust has 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.

### **(n) 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.

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.

## 1 Summary of significant accounting policies (continued)

### (o) Financial liabilities

#### *Performance fee contracts*

Performance fees are recognised as a financial liability when the Syndicate becomes party to the provisions of the constitutions and the management deeds. The liability is initially measured at fair value and subsequently measured at amortised cost using the effective interest method in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*, based on the intrinsic value of the performance fee that is, the fee that would be payable based on the conditions prevailing at the end of the reporting period.

### (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.

#### *(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 sheet 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 sheet.

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.

### (u) Australian Accounting Standards issued but not yet effective

The Trust financial report is prepared on a liquidation basis for the reasons outlined in note 1(b) above. As a result, Australian Accounting Standards currently on issue but not yet effective are not expected to have any impact on the Trust.

## 1 Summary of significant accounting policies (continued)

### (v) Rounding of amounts

The Trust is 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 Trust. 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.

### *Liquidation value*

As noted in the Note 1(b), the accounts have been prepared on a liquidation basis.

Under the liquidation basis of accounting, assets and liabilities are measured at liquidation value. The liquidation value of assets is their net realisable value. The liquidation value of liabilities is their estimated settlement amount. For assets, net realisable value approximates the carrying amount of assets under accounting standards, except for investment properties, where the net realisable value is the the fair value less discount on investment property value and estimated selling costs.

### *Investment Property Values*

Investment properties are carried at net realisable value which comprises the fair value less discount on investment property value and estimated selling costs. Fair value 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 10 for further information regarding investment property valuations.

At 30 June 2011, the carrying value of investment properties held by the Trust is \$85.695 million (2010: \$93.360 million). Refer to note 10 for the reconciliation of the movements in investment property.

### *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 the Trust will not be able to collect all amounts due according to the original terms of the receivables.

The Trust 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

	<b>CMCS 8</b>	
	<b>30 June 2011 \$'000</b>	30 June 2010 \$'000
Property rental revenue	<b>9,827</b>	14,580
Property outgoings recovered	<b>1,633</b>	2,029
Property revenue	<b>11,460</b>	16,609
Less		
Direct property expenses	<b>(4,354)</b>	(5,826)
Lease incentives	<b>(45)</b>	(468)
Property expenses	<b>(4,399)</b>	(6,294)
Net property income	<b>7,061</b>	10,315

#### 4 Financing costs

	<b>CMCS 8</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
Interest on borrowings	3,223	3,215
Amortisation of prepaid borrowing fees	<u>205</u>	<u>145</u>
	<u><b>3,428</b></u>	<u><b>3,360</b></u>

#### 5 Distributions

	<b>CMCS 8</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
Total gross distributions (i)	<u><b>45,630</b></u>	<u>4,875</u>

Of the total net cash distributed by CMCS 8 89.04% is tax advantaged (2010: Nil%)

(i) Included in gross distributions is a capital distribution of \$40.950 million (2010: Nil).

#### 6 Current assets - Cash and cash equivalents

	<b>CMCS 8</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash at bank and on hand	<u><b>2,141</b></u>	<u>2,421</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 statement as follows:

	<b>CMCS 8</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
Balances as above	<u><b>2,141</b></u>	<u>2,421</u>
Balances per cash flow statement	<u><b>2,141</b></u>	<u>2,421</u>

**7 Current assets - Trade and other receivables**

	<b>CMCS 8</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
Property receivables	189	225
Impairment of receivables	<u>(19)</u>	<u>(13)</u>
Total property receivables	<b>170</b>	<b>212</b>
Settlement funds receivables from sale of investment properties	-	38,572
Other receivables	95	217
Accrued income	<u>494</u>	<u>788</u>
	<b>759</b>	<b>39,789</b>

**8 Current assets - Other current assets**

	<b>CMCS 8</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
Prepaid incentives	88	83
Other prepayments	<u>651</u>	<u>552</u>
	<b>739</b>	<b>635</b>

**9 Non-current assets classified as held for sale**

	<b>CMCS 8</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
Four Hotels (Mansfield Tavern)	-	7,110
Centro Albany	39,523	-
Centro Northgate	<u>45,803</u>	<u>-</u>
	<b>85,326</b>	<b>7,110</b>

Mansfield Tavern, the last of the Four Hotels, was sold on 14 September 2010 for a consideration of \$7.110 million.

As at 30 June 2011, Centro Albany and Centro Northgate were accounted for as 'Non-current assets classified as held for sale' as CMCS 8 has entered into conditional contracts to sell Centro Northgate and Centro Albany.

## 9 Non-current assets classified as held for sale (continued)

The reconciliation below details the movements for the year:

	CMCS 8	
	30 June 2011	30 June 2010
	\$'000	\$'000
Opening balance at 1 July	7,110	-
Transfer from investment property (Note 10)	87,000	7,110
Discount on fair value of investment property including estimated selling costs	(1,674)	-
Disposal of Mansfield Tavern	(7,110)	-
Closing balance at 30 June	85,326	7,110

## 10 Non-current assets - Investment property

	CMCS 8	
	30 June 2011	30 June 2010
	Valuation basis \$'000	\$'000
<b>Property investments</b>		
Centro Northgate	-	45,500
Centro Albany	-	40,750
	-	86,250

	CMCS 8	
	30 June 2011	30 June 2010
	\$'000	\$'000
<b>At fair value</b>		
Opening balance at 1 July	86,250	137,100
Capitalised expenditure	501	777
Straight-lining of rent	(65)	(113)
Amortisation of lease incentives	(19)	(390)
Fair value adjustment to investment property	333	2,735
Transfer to investment property held for sale (Note 9)		
(l)	(87,000)	(7,110)
Disposal	-	(46,749)
Closing balance at 30 June	-	86,250

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

### (a) Valuation basis

Investment properties are carried at net realisable value which comprises fair value less discount on property value and estimated selling costs. 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 8.03% at 30 June 2010 to 8.25% at 30 June 2011.

## 10 Non-current assets - Investment property (continued)

### *Independent valuation*

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

A movement in the adopted property capitalisation rates of 25bps (2010: 25bps) across the CMCS 8 property portfolio would impact net assets by approximately \$2.719 million (2010: \$2.819 million) and impact net tangible assets attributable to unitholders of the Trust by 6.97 cents per unit (2010: 7.23 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 8.

### **(c) Contractual obligations**

Refer to note 21 for disclosure of any contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

## 11 Current liabilities - Trade and other payables

	<b>CMCS 8</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
Trade payables	167	145
Related party payables	100	123
Other payables	305	491
Accrued property expenses	456	605
Accrued interest	8	9
Total trade and other payables	<u>1,036</u>	<u>1,373</u>

## 12 Interest bearing liabilities

	<b>CMCS 8</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Secured borrowings (a)	43,125	-
Related party loans (b)	1,772	1,772
Total current interest bearing liabilities	<u>44,897</u>	<u>1,772</u>
<b>Non-current</b>		
Secured borrowings (a)	-	46,680
Deferred transaction costs	-	(197)
Total non-current interest bearing liabilities	<u>-</u>	<u>46,483</u>

## 12 Interest bearing liabilities (continued)

### (a) Secured borrowings

The secured borrowings are provided under an Australian dollar facility. They have variable interest rates and mature on 15 December 2011.

The secured borrowings of the Trust are secured by a mortgage over its investment properties. The assets pledged as security are: Centro Albany and Centro Northgate.

CMCS 8 and its 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 8.

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) Related party loans

Centro Properties Group provided an at-call loan of \$1.772 million (30 June 2010: \$1.772 million) to CMCS 8 in order to meet its obligations. This related party loan was entered into at arm's length and incurs a variable market interest rate.

### (c) Financing arrangements

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

## 13 Other financial liabilities

	<b>CMCS 8</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Performance fees	<u>6,510</u>	6,476
	<u>6,510</u>	<u>6,476</u>

The reconciliation below details the movements for the year:

	<b>CMCS 8</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Performance fees movement</b>		
Opening balance at 1 July	6,476	6,170
Increase in financial liability	<u>34</u>	<u>306</u>
Closing balance at 30 June	<u>6,510</u>	<u>6,476</u>

### (a) Performance fees

The Responsible Entity will be entitled to a performance fee if following the sale of the properties and wind up, or on rollover, the amount available to be paid to investors (which is represented by the unit value), is greater than the value of equity subscribed at the start of the current investment term.

Performance fee contracts are recognised as a financial liability when the Syndicate becomes party to the provisions of the constitutions and the management deeds. The liability is initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method in accordance with AASB 139 *Financial Instruments Recognition and Measurement* based on the intrinsic value of the performance fee, that is, the fee that would be payable based on the conditions prevailing at the balance date.

## 14 Current liabilities - Provisions

	CMCS 8	
	30 June 2011 \$'000	30 June 2010 \$'000
Provision for distribution	1,170	1,170
	1,170	1,170

### (a) Movements in provisions

The reconciliation below details the movements for the year:

	CMCS 8	
	30 June 2011 \$'000	30 June 2010 \$'000
<b>Provision for distribution</b>		
Opening balance at 1 July	1,170	1,073
Charged/(credited) to the income statement		
Amounts incurred and charged	45,630	4,874
Distributions paid	(45,630)	(4,777)
Closing balance at 30 June	1,170	1,170

## 15 Contributed equity

### (a) Units issued

The reconciliation below details the movements for the year:

	CMCS 8	
	30 June 2011 No. '000	30 June 2010 No. '000
<b>Number of units</b>		
Opening balance at 1 July	39,000	39,000
Issued during the year	-	-
Redeemed during the year	-	-
Closing balance at 30 June	39,000	39,000

	CMCS 8	
	30 June 2011 \$'000	30 June 2010 \$'000
Opening balance at 1 July	37,901	37,901
Transfer equity raising costs to retained earnings	1,099	-
Reduction in unitholders funds	(39,000)	-
Closing balance at 30 June	-	37,901

The proceeds from the sale of Centro Croydon and the Four Hotels were declared as a capital distribution to unitholders amounting to \$40.950 million (equivalent to \$1.05 per unit). This resulted in the reduction of the value of ordinary units by \$1.00 per unit, amounting to \$39.000 million. The remaining \$0.05 per unit was recognised as a distribution from retained profits.

## 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.

	<b>CMCS 8</b>	
	<b>30 June 2011 \$'000</b>	<b>30 June 2010 \$'000</b>
<b>Net profit for the year</b>	<b>2,051</b>	11,069
Adjusted for:		
Straight-lining of rent	<b>65</b>	113
Amortisation of lease incentives	<b>19</b>	390
Fair value adjustment to investment property	<b>(333)</b>	(2,735)
Net loss/(gain) on disposal of investment property	<b>111</b>	(3,039)
Discount on fair value of investment property including estimated selling costs	<b>1,674</b>	-
Other Responsible Entity fees	<b>34</b>	306
Distributable income	<b>3,621</b>	6,104
Undistributed profits	-	(1,229)
Reduction of equity	<b>42,009</b>	-
Distribution paid/payable	<b>45,630</b>	4,875

	<b>CMCS 8</b>	
	<b>30 June 2011</b>	<b>30 June 2010</b>
<b>(a) Basic</b>		
Distributable income attributable to unitholders used in calculating basic distributable income per unit (\$'000)	<b>3,621</b>	6,104
Weighted average number of units on issue for the year (being the weighted average number of units outstanding during the year) ('000)	<b>39,000</b>	39,000
<b>Basic distributable income per unit (cents)</b>	<b>9.28</b>	15.65
<b>(b) Adjusted</b>		
Distributable income attributable to unitholders used in calculating adjusted distributable income per unit (\$'000)	<b>3,621</b>	6,104
Weighted average number of units used as the denominator in calculating adjusted distributable income per unit ('000)	<b>39,000</b>	39,000
<b>Adjusted distributable income per unit (cents)</b>	<b>9.28</b>	15.65

## 17 Net tangible asset backing (NTA)

	CMCS 8	
	30 June 2011	30 June 2010
<b>Net assets attributable to unitholders (\$'000)</b>	<b>35,352</b>	78,931
<b>(a) Basic</b>		
<b>Number of units</b>		
Number of units outstanding at the end of the year used in calculating basic net tangible asset backing per unit ('000)	39,000	39,000
<b>Basic NTA (\$)</b>	<b>0.91</b>	2.02
<b>(b) Adjusted</b>		
Net assets attributable to unitholders used in calculating adjusted net tangible assets backing per unit (\$'000)	35,352	78,931
<b>Number of units</b>		
Number of units outstanding at the end of the year used in calculating adjusted net tangible asset backing per unit ('000)	39,000	39,000
<b>Adjusted NTA (\$)</b>	<b>0.91</b>	2.02

## 18 Cash flow information

	CMCS 8	
	30 June 2011 \$'000	30 June 2010 \$'000
Net profit for the year	2,051	11,069
Amortisation of financing costs	205	145
Amortisation of lease incentives	19	390
Other Responsible Entity fees	34	306
Doubtful Debts	5	(88)
Fair value adjustment to investment property	(333)	(2,735)
Straight-lining of rent	65	113
Discount on fair value of investment property including estimated selling costs	1,674	-
Net loss/(gain) on disposal of investment property	111	(3,039)
Decrease/(increase) in assets		
Trade and other receivables	276	(229)
Other assets	268	36
Increase/(decrease) in liabilities		
Trade and other payables	(557)	376
<b>Net cash inflow from operating activities</b>	<b>3,818</b>	6,344

## 19 Related party transactions

### (a) 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 the Trust. The Responsible Entity meets the definition of KMP as it has authority in relation to the activities of the Trust.

Fees paid/payable to the Responsible Entity during the year totalled \$1,710,589 (2010: \$2,165,731).

### (b) Transactions with related parties

The following transactions occurred with related parties:

	CMCS 8	
	30 June 2011 \$	30 June 2010 \$
<i>Key Management Personnel</i>		
Responsible Entity management fees	773,372	1,064,317
Trustee fees	54,359	71,116
Accounting recovery fees	27,690	24,480
Tax recovery fees	12,987	14,347
Property management fees	439,072	599,273
Leasing fees	385,609	375,198
Legal fees	17,500	17,000
	<u>1,710,589</u>	<u>2,165,731</u>
<i>Other related parties</i>		
Interest on interest bearing liabilities	152,004	135,206
	<u>152,004</u>	<u>135,206</u>

### (c) Outstanding balances

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

	CMCS 8	
	30 June 2011 \$	30 June 2010 \$
<i>Payables to:</i>		
<i>Key Management Personnel</i>		
Responsible Entity management fees	59,272	70,538
Property management fees	36,978	46,991
Trustee fees	3,673	5,588
	<u>99,923</u>	<u>123,117</u>

The Responsible Entity or its related entities held 3,418,430 ordinary units in CMCS 8 as at the end of the financial year (2010: 3,418,430).

### (d) 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.

## 20 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor and/or its related practices:

	<b>CMCS 8</b>	
	<b>30 June 2011</b>	<b>30 June 2010</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Audit services</b>		
Audit and review of financial reports		
Moore Stephens	<b>56,469</b>	63,106
<b>(b) Non-audit services</b>		
Due diligence services		
Moore Stephens	<b>25,468</b>	23,000
Tax compliance services		
Moore Stephens	<b>3,100</b>	10,500

## 21 Commitments

There are no capital, finance lease or remuneration commitments in existence at the reporting date which have not been recognised as liabilities.

## 22 Contingencies

In the ordinary course of business, CMCS 8 may be exposed to various legal and administrative proceedings, the ultimate resolution of which, should not have a material effect on the CMCS 8's financial position, results of operations or cash flows.

## 23 Events occurring after the reporting period

### *Sale of investment properties*

CMCS 8 has entered into conditional contracts to sell Centro Northgate (on 25 July 2011) and Centro Albany (on 17 August 2011) for a consideration of \$46.500 million and \$40.125 million respectively. The contracts are still subject to conditions precedent that must be satisfied or waived.

### *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 the following provisions:

- 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; and
- The CNP Asset Sale Agreement entered into by CNP which will transfer all current related party loans from CNP to the A-REIT, when it is established, on the same terms and conditions.

### **23 Events occurring after the reporting period (continued)**

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](http://www.centro.com.au). The announcement includes the signed Implementation Agreement.

Other than disclosed above, no other significant matter or circumstance has arisen in the interval between 30 June 2011 and the date hereof.

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

- (a) the financial statements and notes of CMCS 8 set out on pages 7 to 29 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards as they apply on a liquidation basis, the *Corporations Regulations 2001*, its Constitution and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of CMCS 8's financial position as at 30 June 2011 and of its performance as represented by the results of its operations, changes in equity and its cash flows, for the year ended on that date.
- (b) In the Directors' opinion there are reasonable grounds to believe that CMCS 8 will be able to pay its debts as and when they become due and payable; and
- (c) The financial statements and notes also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as they apply on a liquidation basis.

Without qualifying the above conclusion, the Directors draw attention to the basis of preparation of the financial report set out in note 1(b).

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 8**

### **Report on the Financial Report**

We have audited the accompanying financial report of Centro MCS 8 (the registered scheme), which comprises the balance sheet as at 30 June 2011, the income statement, the statement of comprehensive income, statement of changes in equity and statement 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 scheme, 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 scheme's 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 scheme's 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*.

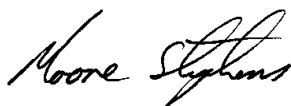
*Opinion*

In our opinion:

- (a) the financial report of Centro MCS 8 is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of Centro MCS 8's financial position as at 30 June 2011 and of its 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.

*Adoption of Liquidation Basis of Accounting*

Without qualifying our opinion, we draw attention to Note 1 to the financial statements, which describes the liquidation basis of accounting effective 31 December 2010. Under the liquidation basis of accounting, assets and liabilities are measured at liquidation value. The liquidation value of assets is their net realisable value. The liquidation value of liabilities is their estimated settlement amount. For assets, net realisable value approximates the carrying amount of assets under accounting standards, except for investment properties, where the net realisable value is the carrying amount under accounting standards less estimated selling costs.



**Moore Stephens**  
Chartered Accountants



**Kevin W. Neville**  
Partner

Melbourne,

14 September 2011