

## **Centro MCS 5**

ARSN 107 434 613

### **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 5 ("CMCS 5", "the Trust " or "the Syndicate"). The financial report is presented in Australian currency.

Centro MCS 5 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 5'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 5 ("CMCS 5", "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 5 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 5 during the course of the year was investment in property.

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

### Review of operations

CMCS 5 recorded a net profit after tax of \$10.025 million for the year ended 30 June 2011 (2010: \$5.648 million).

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

- Higher revaluation gains from investment properties; partly offset by
- Higher interest expenses incurred in the current year as a result of increases in variable rates; and
- Higher expenses relating to the recognition of provision for rollover and performance fees.

Distributions paid/payable to unitholders are in line with an expected annual rate of 12.00% (2010: 15.50%). During the year CMCS 5 recorded a basic distributable income of 16.77 cents (2010: 19.04 cents) per unit as disclosed in note 16.

### Distributions - Centro MCS 5

Final distributions of 3.00 cents per unit have been declared for the quarter ended 30 June 2011. Distributions paid or payable to unitholders for the year totalled \$3.218 million (2010: \$4.157 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	3.00	25 July 2011
Total paid/payable to unitholders	<u>12.00</u>	

**Distributions - Centro MCS 5 (continued)**

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

	<b>Cents per unit</b>
Taxable income	64.13
Tax deferred component	-
Gross distribution per unit	64.13
Less interest component on investors' loan (i)	(12.81)
Less other taxable components not paid in cash (ii)	(39.32)
Net distribution per unit	12.00

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

(ii) Taxable capital gains arising from the sale of Centro New Town and Centro Launceston and other assessable income.

**Significant changes in the state of affairs**

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

*Sale of Centro New Town and Centro Launceston*

As part of the plan to restructure the Syndicate and provide liquidity for the upcoming rollover process, the Responsible Entity has entered into unconditional contracts to sell Centro New Town and Centro Launceston, for \$23.150 million and \$29.600 million respectively. Settlement of the contracts occurred on 31 July 2011 for Centro New Town and 31 August 2011 for Centro Launceston as disclosed in matters subsequent to the end of the financial year. This will result in an estimated loss on disposal of \$0.513 million.

*End of Syndicate term*

CMCS 5 reached the end of its current term on 31 October 2010, and consequently, a termination notice was issued to investors, with a termination date of 31 October 2011. Subsequently, on 26 August 2011, investors were sent an explanatory memorandum outlining a proposed Syndicate restructure. Investors will need to elect whether they wish to remain in the Syndicate for a further term of between 5 to 7 years or exit their investment. The Responsible Entity will assess investor responses once they are received on 27th September 2011. If all investors who want to exit can be accommodated, then the Syndicate will continue for another term of between 5 to 7 years. Otherwise the remaining assets will be sold and the Syndicate will be wound up.

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

*Sale of Centro New Town and Centro Launceston*

The settlement of Centro New Town and Centro Launceston occurred on 31 July 2011 and 31 August 2011 for consideration of \$23.150 million and \$29.600 million respectively. At the end of September 2011, the net proceeds from these sales will be utilised to repay the existing external debt facility of \$49.224 million and the related party loan payable to Centro Properties Group ("CNP") of \$2.134 million, resulting in a full repayment of all the Syndicate's debts.

In order to accommodate investors that elect to exit, the Syndicate will be required to secure a new debt facility from an external financier to fund both the redemption of units by exiting unitholders as well as the rollover fees payable to CNP.

*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

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

- 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.

Except for the matters discussed above and under "Significant changes in the state of affairs", 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's operations in future financial years;
- (b) the results of those operations in future financial years; or
- (c) the 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 5, 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 CMCS 5.

#### **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 5 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 26,818,000 (2010: 26,818,000 units).

##### *CMCS 5 Total Assets*

At 30 June 2011 CMCS 5 total assets were \$125.431 million (2010: \$117.099 million).

#### **Fees paid to and interests held in CMCS 5 by the Responsible Entity or its related entities**

Fees paid to the Responsible Entity and its related entities out of CMCS 5 during the year are disclosed in note 21.

No fees were paid out of CMCS 5 to the directors of the Responsible Entity during the year.

The number of interests in CMCS 5 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 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 \$1,594,367 (2010:\$1,545,356).

#### **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.

<b>Centro MCS Manager Limited</b>	<b>Board Meetings</b>	<b>Risk Committee Meetings</b>	<b>Audit Committee Meetings</b>	<b>Compliance Committee Meetings</b>	<b>Remunerations and HR Committee Meetings</b>	<b>Finance Committee Meetings</b>	<b>Nominations Committee Meetings</b>
<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/eligible to attend by:							
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

Level 10, 530 Collins Street  
Melbourne VIC 3000

T +61 (0)3 8635 1800  
F +61 (0)3 8102 3400

[www.moorestephens.com.au](http://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 5**

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 5**  
**Income statement**  
**For the year ended 30 June 2011**

		<b>CMCS 5</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>10,874</b>	10,433
Property outgoings recovered	3	<b>2,160</b>	2,146
Interest revenue		<u>168</u>	<u>90</u>
<b>Total revenue</b>		<u><b>13,202</b></u>	<u>12,669</u>
<b>Expenses, gains and losses</b>			
Direct property expenses	3	<b>(3,791)</b>	(3,751)
Lease incentives	3	<b>(17)</b>	(18)
Responsible Entity management fees		<b>(911)</b>	(874)
Other Responsible Entity fees	13	<b>(1,741)</b>	(251)
Financing costs	4	<b>(3,737)</b>	(2,863)
Other expenses		<b>(239)</b>	(259)
Fair value adjustment to investment property	10	<u>7,259</u>	<u>995</u>
<b>Net profit before income tax expense</b>		<u><b>10,025</b></u>	5,648
Income tax benefit/(expense)		<u>-</u>	<u>-</u>
<b>Net profit for the year</b>	16	<u><b>10,025</b></u>	<u>5,648</u>
Net profit for the year is attributable to:			
Unitholders of Centro MCS 5		<u><b>10,025</b></u>	<u>5,648</u>
		<u><b>10,025</b></u>	<u>5,648</u>

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

**Centro MCS 5**  
**Statement of comprehensive income**  
**For the year ended 30 June 2011**

	<b>CMCS 5</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>10,025</b>	5,648
<b>Other comprehensive income for the year</b>	<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year</b>	<u><b>10,025</b></u>	<u>5,648</u>
Total comprehensive income for the year is attributable to:		
Unitholders of Centro MCS 5	<u><b>10,025</b></u>	<u>5,648</u>
	<u><b>10,025</b></u>	<u>5,648</u>

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

**Centro MCS 5**  
**Balance sheet**  
**As at 30 June 2011**

**CMCS 5**

**30 June**                      **30 June**  
**2011**                              **2010**  
**\$'000**                              **\$'000**

Notes

**ASSETS**

**Current assets**

Cash and cash equivalents	6	2,889	3,559
Trade and other receivables	7	1,147	972
Other current assets	8	470	278
Non-current assets classified as held for sale	9	<u>52,750</u>	-
<b>Total current assets</b>		<u><b>57,256</b></u>	<u><b>4,809</b></u>

**Non-current assets**

Investment property	10	<u>68,175</u>	112,290
<b>Total non-current assets</b>		<u><b>68,175</b></u>	<u><b>112,290</b></u>

**Total assets**

**125,431**                      **117,099**

**LIABILITIES**

**Current liabilities**

Trade and other payables	11	939	1,029
Interest bearing liabilities	12	51,303	2,134
Other financial liabilities	13	5,966	4,225
Provisions	14	<u>805</u>	1,039
<b>Total current liabilities</b>		<u><b>59,013</b></u>	<u><b>8,427</b></u>

**Non-current liabilities**

Interest bearing liabilities	12	-	49,061
<b>Total non-current liabilities</b>		<u>-</u>	<u><b>49,061</b></u>

**Total liabilities**

**59,013**                      **57,488**

**Net assets**

**66,418**                      **59,611**

**EQUITY**

Contributed equity	15	26,043	26,043
Retained profits		<u>40,375</u>	33,568
<b>Total equity</b>		<u><b>66,418</b></u>	<u><b>59,611</b></u>

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

**Centro MCS 5**  
**Statement of changes in equity**  
**For the year ended 30 June 2011**

<b>CMCS 5</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>26,043</b>	<b>32,077</b>	<b>58,120</b>
Net profit for the year		<u>-</u>	<u>5,648</u>	<u>5,648</u>
<b>Total comprehensive income for the year</b>		<u>-</u>	<u>5,648</u>	<u>5,648</u>
<b>Transactions with owners in their capacity as owners:</b>				
Distributions provided for or paid	5	<u>-</u>	<u>(4,157)</u>	<u>(4,157)</u>
<b>Balance at 30 June 2010</b>		<u><b>26,043</b></u>	<u><b>33,568</b></u>	<u><b>59,611</b></u>
<b>CMCS 5</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>26,043</b>	<b>33,568</b>	<b>59,611</b>
Net profit for the year		<u>-</u>	<u>10,025</u>	<u>10,025</u>
<b>Total comprehensive income for the year</b>		<u>-</u>	<u>10,025</u>	<u>10,025</u>
<b>Transactions with owners in their capacity as owners:</b>				
Distributions provided for or paid	5	<u>-</u>	<u>(3,218)</u>	<u>(3,218)</u>
<b>Balance at 30 June 2011</b>		<u><b>26,043</b></u>	<u><b>40,375</b></u>	<u><b>66,418</b></u>

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

**Centro MCS 5**  
**Cash flow statement**  
**For the year ended 30 June 2011**

		<b>CMCS 5</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)	<b>14,073</b>	15,165
	Payments to suppliers (inclusive of goods and services tax)	<b>(6,516)</b>	(7,260)
	Interest received	<b>168</b>	90
	Interest paid	<b>(3,645)</b>	(2,764)
18	<b>Net cash inflow from operating activities</b>	<b><u>4,080</u></b>	<b><u>5,231</u></b>
<b>Cash flows from investing activities</b>			
	Payments for investment property	<b>(1,298)</b>	(694)
	<b>Net cash outflow from investing activities</b>	<b><u>(1,298)</u></b>	<b><u>(694)</u></b>
<b>Cash flows from financing activities</b>			
	Distributions paid	<b>(3,452)</b>	(3,923)
	Proceeds from interest bearing liabilities	<b>-</b>	1,013
	<b>Net cash outflow from financing activities</b>	<b><u>(3,452)</u></b>	<b><u>(2,910)</u></b>
	<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(670)</b>	1,627
	Cash and cash equivalents at the beginning of the financial year	<b><u>3,559</u></b>	<b><u>1,932</u></b>
6	<b>Cash and cash equivalents at the end of the financial year</b>	<b><u>2,889</u></b>	<b><u>3,559</u></b>

*The above cash flow statement 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 5 ("CMCS 5", "the Trust " or "the Syndicate").

### **(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 Trust has 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*

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 Syndicate exceeds its current assets by \$1.757 million, primarily due to rollover fees due and payable to Centro Properties Group ("CNP") upon the current Syndicate end date of 31 October 2011.

CMCS 5 reached the end of its current term on 31 October 2010, and consequently, a termination notice was issued to investors, with a termination date of 31 October 2011. Subsequently, on 26 August 2011, investors were sent an explanatory memorandum outlining a proposed Syndicate restructure.

As part of the plan to restructure the Syndicate, as explained in the explanatory memorandum sent to investors on 26 August 2011, the Responsible Entity entered into unconditional contracts to sell Centro New Town and Centro Launceston for \$23.150 million and \$29.600 million respectively. Settlement of the contracts occurred on 31 July 2011 for Centro New Town and 31 August 2011 for Centro Launceston. At the end of September 2011, proceeds from these sales will be used to repay the existing external debt facility of \$49.224 million and the related party loan payable to CNP of \$2.134 million, resulting in a full repayment of all the Syndicate's debts.

In response to the explanatory memorandum issued on 26 August 2011, investors will need to elect whether they wish to remain in the Syndicate for a further term of between 5 to 7 years or exit their investment. The Responsible Entity will assess investor responses once they are received on 27th September 2011. If all investors who want to exit can be accommodated, then the Syndicate will continue for another term of between 5 to 7 years. In order to accommodate investors that wish to exit, the Syndicate will be required to secure a new debt facility from an external financier to fund both the redemption of units by exiting unitholders as well as the rollover fees payable to CNP. If this new debt cannot be secured, the remaining assets will be sold and the Syndicate will be wound up.

As a result, a significant uncertainty exists in relation to CMCS 5's 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 as CMCS 5 is reliant on the planned drawdown of the new debt facility in order to fund the exiting investors and the rollover fees payable.

## 1 Summary of significant accounting policies (continued)

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

- Current maturing debt facilities will be repaid using the proceeds from the sale of Centro New Town and Centro Launceston and new debt will be drawn to fund the redemption of units by exiting unitholders and rollover fees payable to CNP. The draw down of the new debt may be conditional on a successful Aggregation;
- The Trust 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:

- The expectation that Aggregation will occur;
- The Trust's net asset position of \$66.418 million and gearing ratio of 40.93% as at 30 June 2011;
- The underlying performance of the Trust's investment portfolio, including the forecast cash flows;
- In the event of a CNP insolvency should the A-REIT not be formed, it is the Directors' expectation that they would be able to negotiate a sufficient timeframe for the related party loan to be settled;
- The expectation that the Trust will be able to meet its covenant obligations; and
- The Trust having reasonable time to sell the assets of the Trust if the current investment term does not get extended.

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

### *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.

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.

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

### **(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.

### **(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 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**

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 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.

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

### *(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 end of the reporting period 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 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**

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 (as 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**

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 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 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.

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

### **(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 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.

### **(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.

## 1 Summary of significant accounting policies (continued)

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 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) 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.

## 1 Summary of significant accounting policies (continued)

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

Certain new Australian Accounting Standards have been published that are not mandatory for 30 June 2011 reporting periods. The Trust's assessment of the impact of these new Australian Accounting Standards 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. The Trust is 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. The Trust 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 the Trust.

(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 the Trust's financial statements. The Trust 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 the Trust's financial statements. The Trust 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.

(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.

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

(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.

IFRS 10 is applicable for annual reporting periods beginning on or after 1 January 2013, and is available for early adoption under certain circumstances. IFRS 10 replaces both AASB 127 *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 anticipates it will apply this standard from 1 July 2013 and is not expected to have a material impact on the 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.

IFRS11 replaces the recognition and measurement requirements of AASB 131 *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 anticipates it will apply this standard from 1 July 2013. The adoption of IFRS 11 will not have any impact on the net assets or net results of the Trust.

(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 anticipates it will apply this standard from 1 July 2013. Additional disclosures are likely to be required on adoption of IFRS 12; however there will be no impact on the 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 anticipates it will apply the standard from 1 July 2013. Other than additional disclosures on how fair value is determined, the adoption of IFRS 13 is not expected to impact net assets or net results of the entity as the fair value methods used by the entity are consistent with the guidance under IFRS 13.

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

(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). The Trust is 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.

### **(w) 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.

### *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 10 for further information regarding investment property valuations.

At 30 June 2011, the carrying value of investment properties held by the Trust is \$68.175 million (2010: \$112.290 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

	CMCS 5	
	30 June 2011 \$'000	30 June 2010 \$'000
Property rental revenue	10,874	10,433
Property outgoings recovered	<u>2,160</u>	<u>2,146</u>
Property revenue	13,034	12,579
Less		
Direct property expenses	(3,791)	(3,751)
Lease incentives	<u>(17)</u>	<u>(18)</u>
Property expenses	<u>(3,808)</u>	<u>(3,769)</u>
Net property income	<u>9,226</u>	<u>8,810</u>

## 4 Financing costs

	CMCS 5	
	30 June 2011 \$'000	30 June 2010 \$'000
Interest on borrowings	3,618	2,740
Amortisation of prepaid borrowing fees	<u>119</u>	<u>123</u>
	<u>3,737</u>	<u>2,863</u>

## 5 Distributions

	<b>CMCS 5</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
Total gross distributions	<u>3,218</u>	<u>4,157</u>

Of the total net cash distributed by CMCS 5, 0.00% is tax advantaged (2010: 0.034%)

## 6 Current assets - Cash and cash equivalents

	<b>CMCS 5</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>2,889</u>	<u>3,559</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 5</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
Balance as above	<u>2,889</u>	<u>3,559</u>
Balances per cash flow statement	<u>2,889</u>	<u>3,559</u>

## 7 Current assets - Trade and other receivables

	<b>CMCS 5</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
Property receivables	231	199
Impairment of receivables (a)	<u>(46)</u>	<u>(81)</u>
Total property receivables	185	118
Other receivables	120	110
Accrued income	<u>842</u>	<u>744</u>
Total trade and other receivables	<u>1,147</u>	<u>972</u>

### (a) Impaired trade receivables

CMCS 5 has recognised a reversal of impairment of \$0.027 million (2010: \$0.101 million loss) in respect of impaired trade receivables during the year ended 30 June 2011.

## 7 Current assets - Trade and other receivables (continued)

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

	<b>CMCS 5</b>	
	<b>30 June 2011 \$'000</b>	<b>30 June 2010 \$'000</b>
Opening balance at 1 July	(81)	-
Provision for impairment recognised during the year	27	(101)
Receivables written off during the year as uncollectible	8	20
Closing balance at 30 June	<u>(46)</u>	<u>(81)</u>

The creation and release of the provision for impaired trade 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 \$0.158 million (2010: \$0.096 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:

	<b>CMCS 5</b>	
	<b>30 June 2011 \$'000</b>	<b>30 June 2010 \$'000</b>
Less than 30 days (not past due)	27	22
Between 31 days and 60 days (past due)	14	29
Between 61 days and 90 days (past due)	5	17
Greater than 91 days (past due)	<u>139</u>	<u>50</u>
	<u>185</u>	<u>118</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

	<b>CMCS 5</b>	
	<b>30 June 2011 \$'000</b>	<b>30 June 2010 \$'000</b>
Prepaid incentives	71	41
Other prepayments	<u>399</u>	<u>237</u>
	<u>470</u>	<u>278</u>

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

	<b>CMCS 5</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
Centro Launceston	<b>29,600</b>	-
Centro New Town	<b>23,150</b>	-
	<b><u>52,750</u></b>	<b><u>-</u></b>

As at 30 June 2011, Centro Launceston and Centro New Town were valued at \$29.600 million and \$23.150 million reflecting the unconditional offer price respectively.

The reconciliation below details the movements for the year:

	<b>CMCS 5</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
Opening balance at 1 July	-	-
Transfer from Investment property	<b>52,750</b>	-
Closing balance at 30 June	<b><u>52,750</u></b>	<b><u>-</u></b>

## 10 Non-current assets - Investment property

	Valuation basis	<b>CMCS 5</b>	
		<b>30 June</b>	<b>30 June</b>
		<b>2011</b>	<b>2010</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Property investments</b>			
Centro Launceston		-	27,200
Centro New Town		-	21,000
Belmont Shopping Centre	(I)	<b>38,000</b>	37,000
Centro Kurralta	(I)	<b>30,175</b>	<b>27,090</b>
		<b><u>68,175</u></b>	<b><u>112,290</u></b>

	<b>CMCS 5</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>At fair value</b>		
Opening balance at 1 July	<b>112,290</b>	110,800
Capitalised expenditure	<b>1,366</b>	698
Straight-lining of rent	<b>15</b>	(194)
Amortisation of lease incentives	<b>(5)</b>	(9)
Fair value adjustment to investment property	<b>7,259</b>	995
Transfer to non-current assets classified as held for sale	<b>(52,750)</b>	-
Closing balance at 30 June	<b><u>68,175</u></b>	<b><u>112,290</u></b>

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

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

### (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 classified as investment property moved from 8.23% at 30 June 2010 to 7.64% at 30 June 2011 (adjusted to reflect the comparable properties for both financial year).

#### *Independent valuation*

At 30 June 2011, 100% of the Trust's properties classified as investment property were independently valued by members of the Australian Property Institute (2010: 100% independent valuations). Refer to Note 9 for the valuation basis for non-current assets classified as held for sale.

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 5 property portfolio would impact net assets by approximately \$2.307 million (2010: \$3.335 million) and impact net tangible assets attributable to unitholders of the Trust by 8.60 cents per unit. (2010: 12.43 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 5.

### (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.

## 11 Current liabilities - Trade and other payables

	<b>CMCS 5</b>	
	<b>30 June</b>	30 June
	<b>2011</b>	2010
	<b>\$'000</b>	\$'000
Related party payables	<b>123</b>	123
Other payables	<b>437</b>	430
Accrued property expenses	<b>379</b>	476
Total trade and other payables	<b>939</b>	1,029

## 12 Interest bearing liabilities

	CMCS 5	
	30 June 2011 \$'000	30 June 2010 \$'000
<b>Current</b>		
Secured borrowings (a)	49,224	-
Deferred transaction costs	<u>(55)</u>	<u>-</u>
	49,169	-
Related party loans (b)	<u>2,134</u>	<u>2,134</u>
Total current interest bearing liabilities	<u>51,303</u>	<u>2,134</u>
<b>Non-current</b>		
Secured borrowings (a)	-	49,224
Deferred transaction costs	<u>-</u>	<u>(163)</u>
Total non-current interest bearing liabilities	<u>-</u>	<u>49,061</u>

### (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 mortgages over its investment properties. The assets pledged as security are: Centro Launceston, Centro New Town, Belmont Shopping Centre and Centro Kurralta.

The Trust 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 repayments amounts required to satisfy the obligations to external provider as financier of the Trust.

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 \$2.134 million (30 June 2010: \$2.134 million) to CMCS 5 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.

### (d) 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 5 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 Other financial liabilities**

	<b>CMCS 5</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	<b>5,966</b>	<b>4,225</b>

The reconciliation below details the movements for the year:

	<b>CMCS 5</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	<b>4,225</b>	3,974
Increase in financial liability	<b>1,741</b>	<b>251</b>
Closing balance at 30 June	<b>5,966</b>	<b>4,225</b>

**(a) Performance fees**

The Responsible Entity will be entitled to a performance fee if following the sale of the properties, on exercise of the exit mechanism 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**

	<b>CMCS 5</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
Provision for distribution	<u>805</u>	<u>1,039</u>

The reconciliation below details the movements for the year:

**Provision for distribution**

Opening balance at 1 July	1,039	805
Amounts incurred and charged	3,218	4,157
Distributions paid	<u>(3,452)</u>	<u>(3,923)</u>
Closing balance at 30 June	<u>805</u>	<u>1,039</u>

**15 Contributed equity**

**(a) Units issued**

The reconciliation below details the movements for the year:

	<b>CMCS 5</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2011</b>	<b>2010</b>
	<b>No. '000</b>	<b>No. '000</b>
Number of units		
Opening balance at 1 July	26,818	26,818
Issued during the year	<u>-</u>	<u>-</u>
Closing balance at 30 June	<u>26,818</u>	<u>26,818</u>

The reconciliation below details the movements for the year:

	<b>CMCS 5</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
Opening balance at 1 July	26,043	26,043
Issued during the year	<u>-</u>	<u>-</u>
Closing balance at 30 June	<u>26,043</u>	<u>26,043</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.

	<b>CMCS 5</b>	
	<b>30 June 2011 \$'000</b>	<b>30 June 2010 \$'000</b>
<b>Net profit for the year</b>	<b>10,025</b>	5,648
Adjusted for:		
Straight-lining of rent	(15)	194
Amortisation of lease incentives	5	9
Fair value adjustment to investment property	(7,259)	(995)
Other Responsible Entity fees	<u>1,741</u>	<u>251</u>
Distributable income	<u>4,497</u>	5,107
Undistributed profits	<u>(1,279)</u>	<u>(950)</u>
Distribution paid/payable	<u>3,218</u>	<u>4,157</u>

	<b>CMCS 5</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)	<u>4,497</u>	<u>5,107</u>
Weighted average number of units on issue for the year (being the weighted average number of units outstanding during the year) ('000)	<u>26,818</u>	<u>26,818</u>
<b>Basic distributable income per unit (cents)</b>	<u>16.77</u>	<u>19.04</u>

### (b) Adjusted

Distributable income attributable to unitholders used in calculating adjusted distributable income per unit (\$'000)	<u>4,497</u>	<u>5,107</u>
Weighted average number of units used as the denominator in calculating adjusted distributable income per unit ('000)	<u>26,818</u>	<u>26,818</u>
<b>Adjusted distributable income per unit (cents)</b>	<u>16.77</u>	<u>19.04</u>

**17 Net tangible asset backing (NTA)**

	<b>CMCS 5</b>	
	<b>30 June 2011</b>	<b>30 June 2010</b>
<b>Net assets attributable to unitholders (\$'000)</b>	<b>66,418</b>	<b>59,611</b>
<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)	<b>26,818</b>	<b>26,818</b>
<b>Basic NTA (\$)</b>	<b>2.48</b>	<b>2.22</b>
<b>(b) Adjusted</b>		
Net assets attributable to unitholders used in calculating adjusted net tangible assets backing per unit (\$'000)	<b>66,418</b>	<b>59,611</b>
<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)	<b>26,818</b>	<b>26,818</b>
<b>Adjusted NTA (\$)</b>	<b>2.48</b>	<b>2.22</b>

**18 Cash flow information**

	<b>CMCS 5</b>	
	<b>30 June 2011 \$'000</b>	<b>30 June 2010 \$'000</b>
Net profit before income tax expense	<b>10,025</b>	5,648
Amortisation of financing costs	<b>119</b>	123
Amortisation of lease incentives	<b>5</b>	9
Other Responsible Entity fees	<b>1,741</b>	251
Doubtful debts	<b>(27)</b>	81
Fair value adjustment to investment property	<b>(7,259)</b>	(995)
Straight-lining of rent	<b>(15)</b>	194
(Increase)/Decrease in assets		
Trade and other receivables	<b>(267)</b>	(377)
Other assets	<b>(150)</b>	171
(Decrease)/Increase in liabilities		
Trade and other payables	<b>(92)</b>	126
<b>Net cash inflow from operating activities</b>	<b>4,080</b>	<b>5,231</b>

## 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.

The Trust's activities expose it to a variety of financial risks: market risk (including interest rate risk and price risk), credit risk and liquidity risk. The Trust's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Trust. To the extent that they are able to access them the Trust uses derivative financial instruments such as interest rate swaps to manage its exposures to interest rate risk. The Trust has not been able to access any new financial instruments since January 2009 and remains 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 the Trust's operating units. Group Treasury reports to the Board periodically through the Finance Committee on the Trust's derivative and debt positions and compliance with policy.

CMCS 5 holds the following financial instruments:

	<b>CMCS 5</b>	
	<b>30 June 2011 \$'000</b>	<b>30 June 2010 \$'000</b>
<b>Financial assets</b>		
Cash and cash equivalents	2,889	3,559
Trade and other receivables	<u>1,147</u>	<u>972</u>
	<u><b>4,036</b></u>	<u><b>4,531</b></u>
<b>Financial liabilities</b>		
Trade and other payables	939	1,029
Interest bearing liabilities	51,358	51,358
Provision for distribution	805	1,039
Other financial liabilities	<u>5,966</u>	<u>4,225</u>
	<u><b>59,068</b></u>	<u><b>57,651</b></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

The Trust is not exposed to any significant concentrations of price risk.

#### (ii) Interest rate risk

The Trust's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Trust to cash flow interest rate risk and borrowings issued at fixed rates that are measured at fair value expose the Trust 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 the Trust manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Under the terms of interest rate swaps, the Trust 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:

	<b>30 June 2011</b>	30 June 2010
	<b>\$'000</b>	\$'000
Related party loans	2,134	2,134
Borrowings	<u>49,224</u>	<u>49,224</u>
Net exposure to cash flow interest rate risk <sup>(i)</sup>	<u>51,358</u>	<u>51,358</u>

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

### 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 5

	Interest rate risk			
	-0.2%			+0.5%
30 June 2011	Post-tax profit or (loss) \$'000	OCI \$'000	Post-tax profit or (loss) \$'000	OCI \$'000
<b>Financial liabilities</b>				
Interest bearing liabilities	<u>103</u>	-	<u>(257)</u>	-
<b>Total increase/ (decrease)</b>	<u>103</u>	-	<u>(257)</u>	-

#### CMCS 5

	Interest rate risk			
	-0%			+0.4%
30 June 2010	Post-tax profit or (loss) \$'000	OCI \$'000	Post-tax profit or (loss) \$'000	OCI \$'000
<b>Financial liabilities</b>				
Interest bearing liabilities	-	-	<u>(205)</u>	-
<b>Total increase/ (decrease)</b>	-	-	<u>(205)</u>	-

### (b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Trust. 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 the Trust deals 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 the Trust, 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 the Trust will not be able to meet its financial obligations as they fall due. Typically the Trust 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*

The tables below analyse the 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 5 - At 30 June 2011	Less than 6 months	6 - 12 months	1 - 2 years	2 - 5 years	Over 5 years	Total contractual cash flows <sup>(1)</sup>	Carrying Amount assets/ (liabilities)
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Non-derivatives</b>							
Trade and other payables	(939)	-	-	-	-	(939)	(939)
Provision for distribution	(805)	-	-	-	-	(805)	(805)
Borrowings - variable rate	(52,941)	-	-	-	-	(52,941)	(51,358)
Other financial liabilities	(5,966)	-	-	-	-	(5,966)	(5,966)
<b>Total non-derivatives</b>	<u>(60,651)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(60,651)</u>	<u>(59,068)</u>
<b>CMCS 5 - At 30 June 2010</b>							
	Less than 6 months	6 - 12 months	1 - 2 years	2 - 5 years	Over 5 years	Total contractual cash flows <sup>(1)</sup>	Carrying Amount assets/ (liabilities)
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Non-derivatives</b>							
Trade and other payables	(1,029)	-	-	-	-	(1,029)	(1,029)
Provision for distribution	(1,039)	-	-	-	-	(1,039)	(1,039)
Borrowings - variable rate	(3,886)	(1,632)	(50,759)	-	-	(56,277)	(51,358)
Other financial liabilities	-	(4,225)	-	-	-	(4,225)	(4,225)
<b>Total non-derivatives</b>	<u>(5,954)</u>	<u>(5,857)</u>	<u>(50,759)</u>	<u>-</u>	<u>-</u>	<u>(62,570)</u>	<u>(57,651)</u>

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

## 20 Capital risk management

The Trust'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

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

	<b>CMCS 5</b>	
	<b>30 June 2011 \$'000</b>	<b>30 June 2010 \$'000</b>
<b>Interest bearing liabilities</b>		
Borrowings	49,224	49,224
Related party loans	<u>2,134</u>	<u>2,134</u>
Total interest bearing liabilities	<u>51,358</u>	<u>51,358</u>
<b>Assets</b>		
Cash and cash equivalents	2,889	3,559
Investment property	68,175	112,290
Non-current assets classified as held for sale	52,750	-
Trade and other receivables	1,147	972
Other assets	470	278
Deferred transaction costs (note 12)	<u>55</u>	<u>163</u>
Total assets	<u>125,486</u>	<u>117,262</u>
<b>Gearing ratio</b>	<b>40.93 %</b>	<b>43.80 %</b>

## 21 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 \$1,594,367 (2010: \$1,545,356).

### (b) Transactions with related parties

The following transactions occurred with related parties:

	<b>CMCS 5</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<i>Key Management Personnel</i>		
Responsible Entity management fees	910,643	874,075
Trustee fees	60,813	57,926
Property management fees	495,741	484,606
Leasing fees	74,582	79,687
Legal fees	17,500	17,000
Accounting recovery fees	27,690	24,480
Tax recovery fees	7,398	7,582
	<u>1,594,367</u>	<u>1,545,356</u>
<i>Other related parties</i>		
Interest on interest bearing liabilities	<u>183,037</u>	<u>162,809</u>
	<u>183,037</u>	<u>162,809</u>

### (c) Outstanding balances

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

	<b>CMCS 5</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<i>Payables to:</i>		
<i>Key Management Personnel</i>		
Responsible Entity management fees	76,994	76,463
Property management fees	41,220	41,882
Trustee fees	5,180	4,804
	<u>123,394</u>	<u>123,149</u>

The Responsible Entity or its related entities held 6,563,255 ordinary units in CMCS 5 as at the end of the year (2010: 6,563,255).

### (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.

## 22 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 5</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Audit services</b>		
Audit and review of financial reports Moore Stephens	<u>52,720</u>	<u>53,257</u>
<b>(b) Non-audit services</b>		
Tax compliance services Moore Stephens	<u>8,000</u>	<u>5,650</u>

## 23 Commitments

### (a) Capital commitments

CMCS 5 has 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:

	<b>CMCS 5</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
Commitments for minimum lease receipts in relation to non-cancellable operating leases are receivable as follows:		
Within one year	5,577	9,471
Later than one year but not later than five years	14,958	12,865
Later than five years	<u>15,872</u>	<u>6,282</u>
	<u>36,407</u>	<u>28,618</u>

All leases are those with tenants occupying the investment properties owned by CMCS 5 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 5 may be exposed to various legal and administrative proceedings, the ultimate resolution of which, should not have a material effect on the CMCS 5's financial position, results of operations or cash flows.

## 25 Events occurring after the reporting period

### *Sale of Centro New Town and Centro Launceston*

The settlement of Centro New Town and Centro Launceston occurred on 31 July 2011 and 31 August 2011 for consideration of \$23.150 million and \$29.600 million respectively. At the end of September 2011, the net proceeds from these sales will be utilised to repay the existing external debt facility of \$49.224 million and the related party loan payable to Centro Properties Group ("CNP") of \$2.134 million, resulting in a full repayment of all the Syndicate's debts.

In order to accommodate investors that elect to exit, the Syndicate will be required to secure a new debt facility from an external financier to fund both the redemption of units by exiting unitholders as well as the rollover fees payable to CNP.

### *End of Syndicate term*

CMCS 5 reached the end of its current term on 31 October 2010, and consequently, a termination notice was issued to investors, with a termination date of 31 October 2011. Subsequently, on 26 August 2011, investors were sent an explanatory memorandum outlining a proposed Syndicate restructure. Investors will need to elect whether they wish to remain in the Syndicate for a further term of between 5 to 7 years or exit their investment. The Responsible Entity will assess investor responses once they are received on 27th September 2011. If all investors who want to exit can be accommodated, then the Syndicate will continue for another term of between 5 to 7 years. Otherwise the remaining assets will be sold and the Syndicate will be wound up.

### *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.

Other than 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's operations in future financial years;
- (b) the results of those operations in future financial years; or
- (c) the 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 Centro MCS 5 set out on pages 7 to 37 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001*, its Constitution and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of Centro MCS 5'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 Centro MCS 5 will be able to refinance existing maturities as detailed in Note 1(b) of the financial statements and therefore 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.

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



Peter Day  
Director

Melbourne  
14 September 2011

Level 10, 530 Collins Street  
Melbourne VIC 3000

T +61 (0)3 8635 1800  
F +61 (0)3 8102 3400

[www.moorestephens.com.au](http://www.moorestephens.com.au)

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CENTRO MCS 5**

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

We have audited the accompanying financial report of Centro MCS 5 (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*.

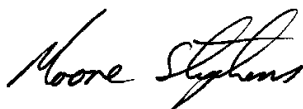
*Opinion*

In our opinion:

- (a) the financial report of Centro MCS 5 is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of Centro MCS 5'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.

*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 5's current liabilities exceeded its current assets by \$1.757 million. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty in relation to whether the syndicate will be restructured and a new loan facility secured that may cast significant doubt about Centro MCS 5's ability to continue as a going concern and therefore, Centro MCS 5 may be unable to realise its assets and discharge its liabilities in the normal course of business.



**Moore Stephens**  
Chartered Accountants



**Kevin W. Neville**  
Partner

Melbourne,

14 September 2011