

**MAB INTERNATIONAL RETAIL TRUST**

**ARSN 121 054 662**

**INTERIM FINANCIAL REPORT  
FOR THE HALF-YEAR ENDED  
31 DECEMBER 2010**

This half-year report is to be read in conjunction with the  
financial report for the year ended 30 June 2010

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# Directors' of Responsible Entity Report

The directors of MAB Funds Management Ltd ("the Responsible Entity"), the Responsible Entity of the MAB International Retail Trust present their report together with the financial report for the MAB International Retail Trust. The financial report includes financial statements for the MAB International Retail Trust ("Scheme" or "Group") This financial report has been prepared in accordance with Australian Accounting Standards.

## Principal Activities

The Scheme is a Managed Investment Scheme domiciled in Australia. The principal activity of the Scheme during the financial year was property investment in the United States of America in accordance with the Scheme's constitution. There has been no significant change in the nature of these activities during the financial year. The Scheme did not have any employees during the year.

The Scheme's investment is carried out via its 100% holding in MAB International Holdings No 1 Trust, which in turn owns 100% of the ordinary shares on issue in MAB American Property REIT Inc ("US REIT"). MAB American Property REIT Inc currently has seven fully owned subsidiaries which invest directly in US retail property.

## Directors

The directors of the Responsible Entity during or since the end of the financial year are:

### Name

Andrew Buxton Appointed 22 November 2001

### B Sc Experience and special responsibilities

Andrew Buxton began his career in the quarry and asphalt industry. From 1974 to 1988 Andrew was Co-Managing Director of the Associated Quarries and Asphalts Group. Andrew diversified into property development and in 1995 founded MAB Corporation Pty Ltd with Michael Buxton. He has over 20 years experience in the property industry and is also the Managing Director of MAB Corporation Pty Ltd.

Michael Buxton Appointed 22 November 2001

### AAPI, MREI Experience and special responsibilities

Michael Buxton has over 40 years of experience in the property industry that commenced with property management and sales in his family's business, JR Buxton Pty Ltd. In 1976 Michael co-founded Becton Corporation and as a Joint Managing Director built the company into one of the most successful property investment and development companies in Australia. At the end of 1994, Michael sold his interest in Becton Corporation and in 1995 founded MAB Corporation Pty Ltd with his brother Andrew. Michael is also Executive Director of MAB Corporation Pty Ltd.

Nicholas Gray Appointed 22 November 2001

### B Sc, AAPI, MRICS Experience and special responsibilities

Nicholas Gray has 35 years experience in the property industry, the last 30 of which have been in property investment and funds management. He is responsible for the overall management of the Company's operations. Nicholas has wide experience in the UK from 1976 to 1985 and in Australia since 1985. He was Head of Property at Norwich Union and Norwich Investment Management Ltd from 1987 to 1998 and during 1996-1997 was also General Manager - Funds Management of GRW Property Ltd, a company controlled by Norwich. In 1998 Nicholas was appointed Fund Manager of the Colonial First State Commercial Property Trust. Nicholas joined MAB Corporation in 2001 to establish its property funds management operation.

Nicholas is also a member of the Compliance Committee.

## Directors' of Responsible Entity Report (Continued)

### Compliance Committee

In accordance with the Corporations Act 2001, the Responsible Entity has established a Compliance Committee in respect of the Scheme. A majority of the members of the Compliance Committee are independent of the Responsible Entity. The Compliance Committee Charter governs the operation of the Compliance Committee. The general functions of the Compliance Committee under the Compliance Committee Charter include:

- monitoring the compliance of the Responsible Entity with the Corporations Act, the Compliance Plan, the Constitution and the Responsible Entity's Australian Financial Securities License and reporting any breach to the Board;
- reporting to ASIC if the Compliance Committee is of the view that the Responsible Entity has not taken, or does not propose to take, appropriate action to deal with a matter reported;
- assessing, at regular intervals, whether the Compliance Plan is adequate;
- reporting to the Board on its assessment of the Compliance Plan; and
- making recommendations to the Board about any changes that it considers should be made to the Compliance Plan.

Independent members of the compliance committee include:

#### *Bleddyn Gambold*

Mr. Gambold has over 25 years experience of providing administration services to international investment funds. In 2003 Mr Gambold co-founded Columbus Investment Services, a provider of responsible entity and trustee services to managed investment schemes in Australia. In addition to his experience with Columbus, he worked in a variety of roles with the Bank of Bermuda in Bermuda, London and Hong Kong and with LGT Asset Management (which became INVESCO) in Hong Kong and Australia. Mr Gambold is a founding director of Intrinsic Value Investments and Navralinvest, two boutique fund management companies based in Sydney. Mr. Gambold has a BA (Hons) degree in Accountancy and qualified as a chartered accountant in the United Kingdom with Price Waterhouse.

#### *Paul Wheeler*

Mr. Wheeler has more than 40 years experience of property consultancy, valuations and estate agency in Victoria and the United Kingdom. His contribution to the real estate sector includes ten years on the Victorian Board of the Property Council of Australia and a similar period on the Victorian Committee of the Australian Property Institute. Paul obtained an MA in Land Economy from Cambridge University, is a Fellow of the Royal Institution of Chartered Surveyors and is a Life Fellow of the Australian Property Institute. He has satisfied ASIC PS 146 compliance requirements and has acted as a responsible officer for an ASIC licensed responsible entity.

Paul's last full time position was with Urbis where he undertook a wide variety of valuation and consultancy projects. He retired as Director and Chairman in 2002. He is currently Director and Chairman of People First Retirement Services, an organisation active in the Aged Care sector.

## Review of Operations

### 1. Results

The result of the Scheme's operations and its performance were as follows:

	Half-year ended 31 Dec 2010 \$ '000	Half-year ended 31 Dec 2009 \$'000
Net profit / (loss)	2,103	(1,899)
Distributions paid and payable for the period	-	-
Changes in total equity	118	(3,038)
Distribution – cents per unit	0.00	0.00

## Directors' of Responsible Entity Report (Continued)

### 2. Value of Scheme's Assets

	31 December 2010 \$'000	30 June 2010 \$'000
Total equity attributable to unitholders	11,804	11,686
Net tangible asset backing per unit	\$0.18	\$0.18

### 3. Capital Raising of November 2010

MIRT undertook an equity raising that opened in November 2010 and closed on 4 February 2011. The purpose of the Offer was to raise funds sufficient to cure a breach of a net worth covenant in respect of the loan for the Terraces property in Charlotte, North Carolina.

The Offer made to existing investors and wholesale investors was to issue approximately 10.83 million units at an issue price of \$0.12 in order to raise A\$1.3 million.

Required funds were successfully raised and as result the loan for the Terraces property is compliant with the facility covenants.

### 4. Close out of capital foreign currency hedge

As disclosed in the Information Memorandum dated 22 November 2010, MAB Funds has been considering closing out the capital foreign currency hedge and applying the cash proceeds to reduce its Australian Lender debt in order to assist with refinancing of these facilities (due to expire in October 2011). On 24 December 2010, MIRT arranged for its subsidiary (MAB International Holdings Trust No 1) to close out the position. The contract settled on January 5, 2011 and the proceeds of US\$1.2 million were applied to the Australian Lender debt facility in early February 2011.

Closing out the position reduces the amount of Australian Lender debt needing to be refinanced by \$1.2 million and mitigates the risk relating to the provision of cash collateral on the currency contract (US\$2.5m) in the event that this contract cannot be novated to a new financier in October 2011.

The implication of closing out the currency hedge is that the Australian dollar equity applied to the REIT is now floating. This means that the future return of capital from the U.S.A to Australia will occur at the spot rate at the date of the transaction. The Australian Dollar capital is now subject to currency risk.

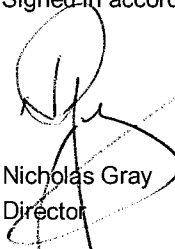
#### Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the Scheme under ASIC Class Order 98/100. The Scheme is an entity to which the Class Order applies.

#### Auditor's Independence Declaration

A copy of the auditor's independence declaration in relation to the audit for the Period is provided with this report.

Signed in accordance with a resolution of the directors.



Nicholas Gray  
Director  
Melbourne  
16 March 2010

## **Auditor's Independence Declaration**

**To the Directors of MAB Funds Management Ltd, the Responsible Entity of the MAB International Retail Trust**

In relation to the independent review for the half year ended 31 December 2010, to the best of my knowledge and belief there have been:

- (i) No contraventions of the auditor independence requirements of the Corporations Act 2001; and
- (ii) No contraventions of any applicable code of professional conduct.



**T J BENFOLD**

Partner

Date 16 March 2011



**PITCHER PARTNERS**

Melbourne

# Condensed Consolidated Statement of Comprehensive Income

For the Half-Year ended 31 December 2010

	Note	31 December 2010 \$ '000	31 December 2009 \$ '000
<b>INCOME</b>			
Net rental income	2	2,070	2,372
Net profit on financial instruments at fair value through profit and loss		2,290	1,350
Other revenue		3	1
<b>TOTAL INCOME</b>		<b>4,363</b>	<b>3,723</b>
<b>EXPENSES</b>			
Audit fees	3	66	66
Custody, registry and accounting fees		32	46
Finance costs (excluding finance costs attributable to unitholders)		1,586	1,753
Net loss from fair value movements of investments – Direct property	5	258	3,417
Other expenses		318	342
<b>TOTAL EXPENSES</b>		<b>2,260</b>	<b>5,624</b>
<b>NET PROFIT / (LOSS) BEFORE TAX</b>		<b>2,103</b>	<b>(1,899)</b>
Income tax expense / (benefit)		-	-
<b>NET PROFIT / (LOSS) AFTER TAX</b>		<b>2,103</b>	<b>(1,899)</b>
<b>OTHER COMPREHENSIVE INCOME / (EXPENSE)</b>			
Movement in foreign currency translation reserve		(2,075)	(1,139)
Capital raising costs		-	-
<b>Total comprehensive income for the year</b>		<b>28</b>	<b>(3,038)</b>

The accompanying notes form part of these financial statements

# Condensed Consolidated Statement of Financial Position

As at 31 December 2010

	Note	31 December 2010 \$ '000	30 June 2010 \$ '000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		1,236	1,882
Trade and other receivables		1,826	636
Other current assets		1,532	862
Derivative financial instruments	4	86	-
<b>TOTAL CURRENT ASSETS</b>		<b>4,680</b>	<b>3,380</b>
<b>NON CURRENT ASSETS</b>			
Derivative financial instruments	4	496	-
Investments – Direct property	5	50,895	60,689
<b>TOTAL NON CURRENT ASSETS</b>		<b>51,391</b>	<b>60,689</b>
<b>TOTAL ASSETS</b>		<b>56,071</b>	<b>64,069</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		474	830
Interest bearing liabilities	6	13,433	12,952
Other liabilities		485	520
Derivative financial liabilities	4	526	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>14,918</b>	<b>14,302</b>
<b>NON CURRENT LIABILITIES</b>			
Interest bearing liabilities	6	29,349	36,941
Derivative financial liabilities	4	-	1,140
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>29,349</b>	<b>38,081</b>
<b>TOTAL LIABILITIES</b>		<b>44,267</b>	<b>52,383</b>
<b>NET ASSETS</b>		<b>11,804</b>	<b>11,686</b>
<b>EQUITY</b>			
Issued Equity		34,474	34,387
Accumulated Losses		(18,091)	(20,194)
Reserves		(4,579)	(2,507)
<b>TOTAL EQUITY</b>		<b>11,804</b>	<b>11,686</b>

The accompanying notes form part of these financial statements

# Condensed Consolidated Statement of Changes in Equity

For the Half-Year ended 31 December 2010

	31 December 2010				31 December 2009			
	Issued Equity	Retained Earnings	Reserves	Total Equity	Issued Equity	Retained Earnings	Reserves	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>OPENING BALANCE – 1 JULY</b>	<b>34,387</b>	<b>(20,194)</b>	<b>(2,507)</b>	<b>11,686</b>	<b>30,811</b>	<b>(17,469)</b>	<b>(2,215)</b>	<b>11,127</b>
Net profit/(loss) for period	-	2,103	-	2,103	-	(1,899)	-	(1,899)
Movement in cashflow hedging reserve	-	-	-	-	-	-	-	-
Movement in foreign currency translation reserve	-	-	(2,072)	(2,072)	-	-	(1,139)	(1,139)
Capital raising costs	(3)	-	-	(3)	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>(3)</b>	<b>2,103</b>	<b>(2,072)</b>	<b>28</b>	<b>-</b>	<b>(1,899)</b>	<b>(1,139)</b>	<b>(3,038)</b>
<b>Transactions with owners in their capacity as owners:</b>								
Proceeds from units issued	90	-	-	90	-	-	-	-
Redemption of units on issue	-	-	-	-	-	-	-	-
Distributions paid	-	-	-	-	-	-	-	-
<b>CLOSING BALANCE</b>	<b>34,474</b>	<b>(18,091)</b>	<b>(4,579)</b>	<b>11,804</b>	<b>30,811</b>	<b>(19,368)</b>	<b>(3,354)</b>	<b>8,089</b>

The accompanying notes form part of these financial statements

# Condensed Consolidated Statement of Cash Flows

For the Half-Year ended 31 December 2010

	31 December 2010 \$ '000	31 December 2009 \$ '000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Cash receipts from operations	2,940	3,586
Cash payments from operations	(2,464)	(1,781)
Borrowing costs	(1,591)	(1,758)
Interest received	3	1
<b>Net cash (used in) / provided by operating activities</b>	<b>(1,112)</b>	<b>48</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>		
Payments for properties & capital expenses	(258)	(156)
<b>Net cash used in investing activities</b>	<b>(258)</b>	<b>(156)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Borrowings	904	(427)
Proceeds from the issue of units	90	-
Capital raising costs paid	(3)	-
<b>Net cash provided by/(used in) financing activities</b>	<b>991</b>	<b>(427)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(379)</b>	<b>(535)</b>
Effects of exchange rate fluctuations on balances of cash held in foreign currency	(267)	(94)
Cash and cash equivalents at beginning of financial year	1,882	1,241
<b>Cash and cash equivalents at end of the half year</b>	<b>1,236</b>	<b>612</b>

The accompanying notes form part of these financial statements

# Notes to the Financial Statements

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

The half-year financial report was authorised for issue by the directors as at the date of the directors' report.

### (a) Basis of preparation

This general purpose half year financial report has been prepared in accordance with Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001.

The condensed interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the annual financial report of the Scheme as at and for the year ended 30 June 2010.

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2010.

### (b) Principles of Consolidation

A controlled entity is any entity controlled by MAB International Retail Trust. Control exists where MAB International Retail Trust has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with MAB International Retail Trust to achieve the objectives of the Group.

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by MAB International Retail Trust as at 31 December 2010 and the results of all controlled entities for the period then ended. MAB International Retail Trust and its controlled entities together are referred to in this financial report as the consolidated entity.

Transactions, balances and unrealised gains on transactions between group entities are eliminated on consolidation.

Where control of an entity is obtained during a financial period, its results are included in the consolidated income statement from the date on which control commences. Where control of an entity ceases during a financial period its results are included for that part of the period where control existed.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the consolidated entity.

### (c) Distributions

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

### (d) Financial instruments

#### *Classification*

The Scheme classifies its financial instruments in the following categories: financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

#### *Loans and Receivables*

Loan and receivables are measured at fair value at inception and subsequently at amortised cost using the effective interest rate method.

#### *Financial Liabilities*

Financial liabilities include trade payables, other creditors and loans from third parties including amounts due to director-related entities.

Non-derivative financial liabilities are recognised at cost, comprising original debt less principal payments.

#### *Hedge Accounting*

Certain derivatives are designated as hedging instruments and are further classified as either fair value hedges or cash flow hedges.

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

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### *Fair value hedge*

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

### *Cash flow hedge*

To qualify as a cash flow hedge the underlying transactions generating the cash flows must be highly probable.

Changes in the fair value of derivatives that are designated and qualified as cash flow hedges are recognised in equity within the cash flow hedging reserve. This gain or loss is released to profit or loss in the same period when the forecast transactions occur, thereby mitigating any exchange fluctuations that would have transpired in the absence of the hedge. The ineffective part of any gain or loss is recognised immediately in the income statement.

### **(e) Investment Property**

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at fair value. The scheme has an internal valuation process for determining the fair value at each reporting date. An external, independent valuer, having an appropriate recognised professional qualification and recent experience in the location and category of property being valued, values individual properties every two years on a rotation basis or on a more regular basis if considered appropriate and as determined by management in accordance with Responsible Entity approved valuation policy. These external valuations are taken into consideration when determining the fair value of the investment properties. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties have each acted knowledgeably, prudently and without compulsion.

Valuations reflect, where appropriate; the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting of vacant accommodation and the market's general perception of their credit-worthiness; the allocation of maintenance and insurance responsibilities between lessor and lessee; and the remaining economic life of the property. It has been assumed that whenever rent reviews or lease renewals are pending with anticipated reversionary increases, all notices and where appropriate counter notices will be served validly and within the appropriate time.

### **(f) Investments in Subsidiaries**

The Scheme's investment is carried out via its 100% holding in an Australian unit trust; MAB International Holdings No 1 Trust, which in turn owns 100% of the ordinary shares on issue in MAB American Property REIT Inc. MAB American Property REIT INC is an entity domiciled in the United States which owns 100% of the membership interests in seven individual Limited Liability Companies which are also domiciled in the United States. These Limited Liability Companies invest directly in US retail property.

### **(g) Income tax**

Under current income tax legislation no income tax is payable in Australia by the trust provided its taxable income is fully distributed to unitholders or the unitholders become presently entitled to all the taxable income.

The trust invests in an entity located in the United States of America. As a result the trust recognises deferred tax balances for any capital gains tax that may become payable in relation to this investment's future sale or disposal.

Deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the balance sheet and their associated tax bases. Specifically, a deferred tax balance is recognised for the capital gains tax payable in overseas jurisdictions on the disposal of foreign investments.

### **(h) Rounding of Amounts**

MAB International Retail Trust Consolidated is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investment 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, unless otherwise stated.

### **(i) Going Concern**

The financial report for the Scheme as at 31 December 2010 has been prepared on a going concern basis as the directors of the Responsible Entity, after reviewing the Scheme's going concern status have concluded that the Scheme has reasonable grounds to expect to be able to pay its debts as and when they become due and payable.

The Scheme has debt facilities amounting to USD\$12,135,000 due to be repaid in October 2011 as a result of facility maturities. In February 2011, the Scheme reduced this obligation by USD\$1,200,000 as a result of profit received on the close out of a foreign currency hedge. The Scheme intends to refinance the balance of this debt with new loans maturing in 5 to 10 years and has appointed a national mortgage broker to facilitate the refinancing. The outcome of the refinancing proposal cannot presently be determined with certainty. In the event that the debt facilities cannot be refinanced, additional capital may be required or the sale of real estate assets needed in order to reduce the loan to value ratio sufficiently to attract new debt financing. If asset sales are required, sale values achieved could be below the current carrying values of the assets. Whilst management believes that the Scheme will be successful in its refinancing efforts, these uncertainties raise doubt as to the Scheme's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might be necessary if the Scheme were unable to continue as a going concern.

**NOTE 2: NET RENTAL INCOME**

	31 December 2010 \$'000	31 December 2009 \$'000
Property rental income	3,094	3,467
<i>Less</i>		
Property Expense	1,024	1,095
<b>Total other income</b>	<b>2,070</b>	<b>2,372</b>

**NOTE 3: AUDITOR'S REMUNERATION**

	31 December 2010 \$'000	31 December 2009 \$'000
<b>Remuneration of the auditor of the Scheme for:</b>		
Auditing the financial report – current auditor	11	14
Other services – current auditor	-	4
<b>Remuneration of the auditor of foreign subsidiaries</b>		
Auditing the financial report – current auditor	55	48
Other services – current auditor	-	-
<b>Total auditor remuneration</b>	<b>66</b>	<b>66</b>

Costs associated with auditing the Scheme's financial statements were paid for by the Scheme for the half year ended 31 December 2010. The above audit and related service fees are for the entire scheme.

**NOTE 4: DERIVATIVE FINANCIAL INSTRUMENTS**

	31 December 2010 \$'000	30 June 2010 \$'000
<b>Derivative financial instruments – current asset</b>		
Foreign exchange	86	-
<b>Derivative financial instruments – non-current asset</b>		
Foreign exchange	496	-
<b>Total derivative financial instruments - assets</b>	<b>582</b>	<b>-</b>
<b>Derivative financial instruments – current liabilities</b>		
Interest rate	526	-
<b>Derivative financial instruments – non-current liabilities</b>		
Interest rate	-	913
Foreign exchange	-	227
<b>Total derivative financial instruments - liabilities</b>	<b>526</b>	<b>1,140</b>

**NOTE 5: INVESTMENT PROPERTIES**

	<b>31 December 2010 \$'000</b>	<b>30 June 2010 \$'000</b>
<b>(a) Investment in properties – Freehold properties</b>		
Carrying value of investment properties	50,895	60,689
<b>Movements in carrying amount of property investments:</b>		
Opening balance	60,689	67,353
Capital improvements	258	183
Foreign exchange movements	(9,794)	(3,278)
Fair value adjustment to investment properties	(258)	(3,569)
<b>Closing balance at 30 June</b>	<b>50,895</b>	<b>60,689</b>

**(b) Amount recognised in profit and loss for investment properties**

Refer to note 2 for information on property revenue and expenses recognised for investment properties.

**(c) Contractual obligation**

Refer to note 8 for disclosure of any contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

**NOTE 6: INTEREST BEARING LIABILITIES**

	<b>31 December 2010 \$'000</b>	<b>30 June 2010 \$'000</b>
<b>Current interest bearing liabilities</b>		
Interest bearing senior debt	13,433	12,952
<b>Total current interest bearing liabilities</b>	<b>13,433</b>	<b>12,952</b>
<b>Non-current interest bearing liabilities</b>		
Interest bearing senior debt	26,307	33,314
Medium term unsecured notes	2,923	3,485
Other debt	119	142
<b>Total non-current interest bearing liabilities</b>	<b>29,349</b>	<b>36,941</b>
<b>Total interest bearing liabilities</b>	<b>42,782</b>	<b>49,893</b>

All interest bearing senior debt is secured via first mortgage over investment properties. In addition there is a floating charge over equity in US entities. All other debt is unsecured.

**NOTE 7: NET ASSET BACKING PER UNIT**

	31 December 2010 \$'000	31 December 2009 \$'000
<b>Total equity at the end of the period</b>	<b>11,804</b>	<b>8,089</b>
<b>Units on issue</b>	<b>'000</b>	<b>'000</b>
Units on issue as at beginning of period	65,261	33,578
Units issued	739	-
Units redeemed	-	-
<b>Balance at end</b>	<b>66,000</b>	<b>33,578</b>
	\$	\$
<b>(c) Net assets attributable to unitholders per unit</b>	<b>0.18</b>	<b>0.24</b>

Units are of equal value and unitholders are entitled to share in the income of MAB International Retail Trust in proportion to their unitholding. Unitholders are also entitled to vote at meetings. Unitholders' liability is limited to equity invested. Unitholders participate in distribution and the proceeds on winding up of MAB International Retail Trust group in proportion to the number of units held.

**NOTE 8: COMMITMENTS**

A subsidiary of MAB international Retail Trust has entered into a development agreement for the purchase of an additional building located on the Eastfield site. Settlement is expected to occur during the second half of calendar year 2011 with a purchase price of approximately USD\$1.5M.

**NOTE 9: SUBSEQUENT EVENTS****Capital Raising**

MIRT undertook an equity raising that opened in November 2010 and closed on 4 February 2011. The purpose of the Offer was to raise funds sufficient to cure a breach of a net worth covenant in respect of the loan for the Terraces property in Charlotte, North Carolina.

The Offer made to existing investors and wholesale investors was to issue approximately 10.83 million units at an issue price of \$0.12 in order to raise A\$1.3 million.

Required funds were successfully raised and as result the loan for the Terraces property is compliant with the facility covenants.

There has been no other matter or circumstance, which has arisen since 31 December 2010 that has significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 31 December 2010, of the Scheme, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial years subsequent to 31 December 2010, of the Scheme.

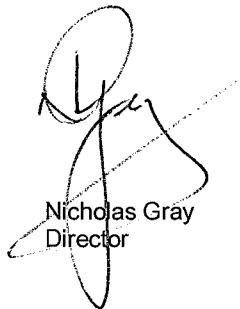
## Directors' of Responsible Entity Declaration

The directors of MAB Funds Management Ltd, the responsible entity of the MAB International Retail Trust, declare that the financial statements and notes set out on pages 4 to 13 are in accordance with the *Corporations Act 2001*; and

- (a) Comply with Accounting Standard and the Corporations Regulations 2001, and
- (b) Give a true and fair view of the financial position of the Scheme and the consolidated entity as at 31 December 2010 and their performance as represented by the results of their operations, changes in net assets attributable to unitholders and their cash flows, for the year ended on that date.

Whilst there is uncertainty as to whether the Scheme can continue as a going concern as outlined in note 1(i), in the directors' opinion there are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable.

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



Nicholas Gray  
Director

Melbourne  
16 March 2011

## INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF THE MAB INTERNATIONAL RETAIL TRUST

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of MAB International Retail Trust. The half-year financial report comprises the condensed consolidated statements of financial position as at 31 December 2010, and the condensed consolidated statements of comprehensive income, condensed consolidated statements of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for the Scheme and the consolidated entity comprising the Scheme and the entities it controlled at the half-year or from time to time during the financial report.

#### *Directors' Responsibility for the Half-Year Financial Report*

The directors of MAB Funds Management Ltd, the responsible entity of the responsible entity of the MAB International Retail Trust, 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 control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the scheme and the consolidated entity's financial position as at 31 December 2010 and their performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. As the auditor of MAB International Retail Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### *Independence*

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

#### *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of MAB International Retail Trust is not in accordance with the Corporations Act 2001 including:

- (a) giving a true and fair view of the scheme's and consolidated entity's financial position as at 31 December 2010 and of their performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

#### *Emphasis of Matter Regarding Continuation as a Going Concern*

Without qualifying our opinion, we draw attention to the matters described in Note 1(i) in the Financial Report, which indicates that the Scheme has debt facilities amounting to USD\$12,135,000 due to be repaid in October 2011. If the scheme is unable to successfully negotiate new debt facilities with lenders, these conditions would indicate the existence of a material uncertainty which may cast doubt about the Scheme's ability to continue as a going concern.



**PITCHER PARTNERS**  
Melbourne



**T J BENFOLD**  
16 MARCH 2011