

**MAB DIVERSIFIED PROPERTY TRUST**

**ARSN 103 463 467**

**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 Diversified Property Trust ("the Scheme") presents their report together with the financial report of the Scheme for the year ended 30 June 2010 and the auditors' report thereon. This financial report has been prepared in accordance with Australian equivalents to International Financial Reporting 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 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 financial year.

## 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 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 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 30 years experience in the property industry, the last 23 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)

### Review of Operations and Results

Net rental income generated by the Scheme increased by 7.58% to \$11.881 million (June 2009 \$11.044M) and the Scheme paid distributions of 3.50 cents per unit. Based upon independent valuations conducted at 30 June 2010 the Net Tangible Asset backing of the Scheme has produced a decrease in Net Tangible Asset backing of 8.51% to \$0.86 per unit (June 2009 \$0.92).

While rental income has shown solid increases over the period, earnings have been affected by increased margins on debt facilities. The increased cost of debt can be attributed to the banks increased costs of funding which increased dramatically during the global financial crisis. The Scheme remains within all of its debt covenants and has obtained facilities with maturities in line with the Scheme's review date in September 2010. Management are currently working with banks with a view to provide flexibility to the funding structure given that there are a range of options available for the Scheme's review due in September 2010. Management are currently in possession of a term sheet from a lender and continue to work proactively with them to progress this to a binding facility agreement.

MAB Funds Management is currently considering a range of options for the Scheme in preparation for making a recommendation to investors for a review event due in September 2010. MAB Funds Management anticipates that it will convene a meeting of unitholders towards the end of September this year at which it will present its recommendations and give unitholders the opportunity to vote upon these.

### Distributions

Distribution paid or payable in respect of the financial year were:

	2010		2009	
	\$'000	\$ per unit	\$'000	\$ per unit
Interim distribution paid	1,646	0.0250	2,882	0.0438
Final distribution payable	659	0.0100	494	0.0075
<b>Total Distribution</b>	<b>2,305</b>	<b>0.0350</b>	<b>3,376</b>	<b>0.0513</b>

### Unit on Issue

The movement in units on issue of the Scheme for the year was as follows:

	2010	2009
	'000	'000
Unit on issue at the beginning of the year	65,866	65,866
Unit issued	-	-
Unit redeemed	-	-
<b>Units on issue at the end of the year</b>	<b>65,866</b>	<b>65,866</b>

### Scheme Assets

	2010	2009
	\$'000	\$'000
Value of total scheme assets as at 30 June	147,274	152,397

The basis for valuation of the assets is disclosed in Note 1 to the financial statements.

### Responsible Entity Fees and Other Transactions

	2010	2009
	\$'000	\$'000
Responsible Entity fees paid directly by the Scheme	774	814
Performance Fee Accrual	-	(3,197)
Registry fees paid directly by the Scheme to MAB Administration and Management Services Pty Ltd	69	66
Accounting fees paid directly by the Scheme to MAB Administration and Management Services Pty Ltd	69	66
Asset management fees paid directly by the Scheme to MAB Administration and Management Services Pty Ltd	93	82
<b>Total transactions with responsible entity</b>	<b>1,005</b>	<b>(2,169)</b>

## Directors' of Responsible Entity Report (Continued)

### Units in the Scheme held by related parties

	Number of units held '000	Fair Value of the Units Held \$'000
<b>2010</b>		
MAB Funds Management Ltd	100	89
Andrea Brisbane	50	44
Andrew Buxton & Geraldine Buxton A/C The Lisa Annabelle Buxton Trust	336	299
Andrew Buxton & Geraldine Buxton A/C The James Benjamin Buxton Trust	336	299
Andrew Buxton & Geraldine Buxton A/C The Charles Andrew Buxton Trust	336	299
Andrew Buxton	50	44
Raymond Austin Holdings Pty Ltd	50	44
BFAM Pty Ltd A/C BFAM Trust	50	44
Lightborough Pty Ltd ATF The Thomas A Trust	50	44
Buxton Family A/C Buxton Superannuation Fund	100	89
MRB Superannuation Pty Ltd A/C MRB Superannuation Fund	356	320
Jero Pty Ltd Superannuation Fund	456	406
<b>2009</b>		
MAB Funds Management Ltd	100	94
Andrea Brisbane	50	47
Andrew Buxton & Geraldine Buxton A/C The Lisa Annabelle Buxton Trust	336	316
Andrew Buxton & Geraldine Buxton A/C The James Benjamin Buxton Trust	336	316
Andrew Buxton & Geraldine Buxton A/C The Charles Andrew Buxton Trust	336	316
Andrew Buxton	50	47
Raymond Austin Holdings Pty Ltd	50	47
BFAM Pty Ltd A/C BFAM Trust	50	47
Lightborough Pty Ltd ATF The Thomas A Trust	50	47
Buxton Family A/C Buxton Superannuation Fund	100	94
MRB Superannuation Pty Ltd A/C MRB Superannuation Fund	356	335
Jero Pty Ltd Superannuation Fund	456	429

#### Significant Changes in the State of Affairs

There have been no significant changes in the MAB Diversified Property Trust's state of affairs during the financial year.

#### After Balance Date Events

No matters or circumstances have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the Scheme, the results of those operations, or the state of affairs of the Scheme in future financial years.

#### Likely Developments

The Scheme will continue to pursue its operating strategy to provide returns through real estate investment management. In the opinion of the directors, disclosure of any further information would be likely to result in unreasonable prejudice to the Scheme.

MAB Funds Management is currently considering a range of options for the Scheme in preparation for making a recommendation to investors for a review event due in September 2010. MAB Funds Management anticipates that it will convene a meeting of unitholders towards the end of September this year at which it will present its recommendations and give unitholders the opportunity to vote upon these.

## Directors' of Responsible Entity Report (Continued)

### Environmental Regulation

The Scheme's operations are not subject to any significant environmental Commonwealth or State regulations or laws.

### 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.

## Indemnification and Insurance of Directors, Officers and Auditors

### Insurance premiums

During the financial year the Responsible Entity has paid premiums in respect of its officers for liability and legal expenses for the year ended 30 June 2010. The Responsible Entity has paid or agreed to pay in respect of the Scheme, premiums in respect of such insurance contracts for the year ended 30 June 2010. Such insurance contracts insure against certain liability (subject to specific exclusions) for persons who are, or have been, Directors of the Responsible Entity, or Executive Officers of the Responsible Entity.

No insurance premiums have been paid in respect of auditors of the Scheme.

### Indemnifications

Under the Scheme constitution the Responsible Entity, including its officers and employees, is indemnified out of the Scheme's assets for any loss, damage, expense or other liability incurred by it in properly performing or exercising any of its powers, duties or rights in relation to the Scheme.

## Directors' of Responsible Entity Report (Continued)

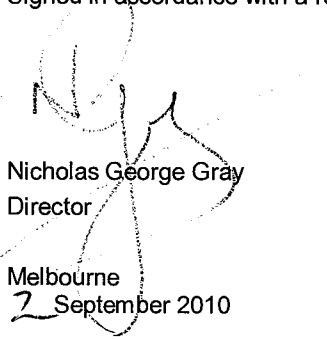
### **Rounding**

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 financial year is provided with this report.

Signed in accordance with a resolution of the directors.



Nicholas George Gray  
Director

Melbourne  
2 September 2010

**AUDITOR'S INDEPENDENCE DECLARATION**

**To the Directors of MAB Funds Management Ltd, the Responsible Entity of the MAB Diversified Property Trust**

In relation to the independent audit for the year ended 30 June 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 6 September 2010



**PITCHER PARTNERS**  
Melbourne

# Statement of Comprehensive Income

For the Financial Year 30 June 2010

	Note	2010 \$ '000	2009 \$ '000 Restated
<b>INCOME</b>			
Net rental income	4	11,881	11,044
Interest income		15	26
Foreign currency gains		262	369
<b>TOTAL INCOME</b>		<b>12,158</b>	<b>11,439</b>
<b>EXPENSES</b>			
Audit fees	5	35	38
Custody, registry and accounting fees		216	214
Finance costs (excluding finance costs attributable to unitholders)		6,645	6,237
Performance fee expense			(3,197)
Responsible entity fees		774	814
Net loss from fair value movements in investment properties	8	7,571	11,685
Net loss on financial instruments at fair value through profit and loss		58	139
Other expenses		175	72
<b>TOTAL EXPENSES</b>		<b>15,474</b>	<b>16,002</b>
<b>NET LOSS BEFORE TAX</b>		<b>(3,316)</b>	<b>(4,563)</b>
Income tax expense	12	435	413
<b>NET LOSS</b>		<b>(9,751)</b>	<b>(4,976)</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Movement in cash flow hedging reserve		1,972	(4,359)
<b>Total comprehensive income for the year</b>		<b>(1,779)</b>	<b>(9,335)</b>

The accompanying notes form part of these financial statements

# Statement of Financial Position

As at 30 June 2010

	Note	30 June 2010 \$'000	30 June 2009 \$ '000 Restated	30 June 2008 \$'000 Restated
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	16(b)	1,464	1,353	1,610
Trade and other receivables	7	359	566	627
Derivative financial instruments	6	8	-	-
<b>TOTAL CURRENT ASSETS</b>		<b>1,831</b>	<b>1,919</b>	<b>2,237</b>
<b>NON CURRENT ASSETS</b>				
Derivative financial instruments	6	-	66	2,486
Investments – Direct property	8	145,443	150,412	161,077
<b>TOTAL NON CURRENT ASSETS</b>		<b>145,443</b>	<b>150,478</b>	<b>163,563</b>
<b>TOTAL ASSETS</b>		<b>147,274</b>	<b>152,397</b>	<b>165,800</b>
<b>CURRENT LIABILITIES</b>				
Trade and other payables	9	1,400	1,719	1,085
Distribution payable	11	659	494	1,482
Interest bearing liabilities	10	86,814	-	-
Derivative financial instruments	6	106	-	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>88,979</b>	<b>2,213</b>	<b>2,567</b>
<b>NON CURRENT LIABILITIES</b>				
Interest bearing liabilities	10	-	86,029	85,574
Deferred tax provision	12	1,740	1,438	1,112
Performance fee provision		-	-	3,197
Derivative financial instruments	6	-	2,078	-
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>1,740</b>	<b>89,545</b>	<b>89,883</b>
<b>TOTAL LIABILITIES</b>		<b>90,719</b>	<b>91,758</b>	<b>92,450</b>
<b>NET ASSETS</b>		<b>56,555</b>	<b>60,639</b>	<b>73,350</b>
<b>EQUITY</b>				
Issued Equity	15	60,633	60,633	60,633
Retained Earnings	14	(3,385)	2,671	11,023
Reserves	13	(693)	(2,665)	1,694
<b>TOTAL EQUITY</b>		<b>56,555</b>	<b>60,639</b>	<b>73,350</b>

The accompanying notes form part of these financial statements

# Statement of Changes in Equity

For the Financial Year ended 30 June 2010

	2010				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</b>	60,633	2,671	(2,665)	60,639	-	-	-	-
Change in accounting policy as a result of AASB 2008-02	-	-	-	-	60,633	11,023	1,694	73,350
<b>Restated opening balance</b>	<b>60,633</b>	<b>2,671</b>	<b>(2,665)</b>	<b>60,639</b>	<b>60,633</b>	<b>11,023</b>	<b>1,694</b>	<b>73,350</b>
Net profit/(loss) for period	-	(3,751)	-	(3,751)	-	(4,976)	-	(4,976)
Movement in cashflow hedging reserve	-	-	1,972	1,972	-	-	(4,359)	(4,359)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>(3,751)</b>	<b>1,972</b>	<b>(1,779)</b>	<b>-</b>	<b>(4,976)</b>	<b>(4,359)</b>	<b>(9,335)</b>
<b>Transactions with owners in their capacity as owners:</b>								
Proceeds from units issued	-	-	-	-	-	-	-	-
Redemption of units on issue	-	-	-	-	-	-	-	-
Distributions paid	-	(2,305)	-	(2,305)	-	(3,376)	-	(3,376)
<b>CLOSING BALANCE</b>	<b>60,633</b>	<b>(3,385)</b>	<b>(693)</b>	<b>56,555</b>	<b>60,633</b>	<b>2,671</b>	<b>(2,665)</b>	<b>60,639</b>

The accompanying notes form part of these financial statements

# Statement of Cash Flows

For the Financial Year ended 30 June 2010

	Note	2010 \$'000	2009 \$'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Rental income received		13,410	12,288
Interest received		15	93
Derivative settlement received		72	45
Payment to suppliers		(3,008)	(1,764)
<b>Net cash provided by operating activities</b>	16(a)	10,489	10,662
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Payments for investment properties		(2,277)	(501)
<b>Net cash used in investing activities</b>		(2,277)	(501)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Borrowing costs paid		(6,592)	(6,331)
Proceeds from borrowings		625	220
<b>Net cash used in financing activities</b>		(5,967)	(6,111)
<b>CASH FLOW FROM UNITHOLDERS' ACTIVITIES</b>			
Distributions paid		(2,140)	(4,364)
<b>Net cash in unitholders' activities</b>		(2,140)	(4,364)
<b>Net increase/(decrease) in cash and cash equivalents</b>		105	(314)
Effects of exchange rate fluctuations on balances of cash held in foreign currency		6	57
Cash and cash equivalents at beginning of financial year		1,353	1,610
<b>Cash and cash equivalents at end of the financial year</b>	16(b)	1,464	1,353

The accompanying notes form part of these financial statements

# Notes to the Financial Statements

For the financial year ended 30 June 2010

## 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 financial year.

### (a) Basis of preparation

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

#### *Going Concern*

The financial statements have been prepared on a going concern basis. MAB Funds Management is currently considering a range of options for the Scheme in preparation for making a recommendation to investors for a review event due in September 2010. MAB Funds Management anticipates that it will convene a meeting of unitholders towards the end of September this year at which it will present its recommendations and give unitholders the opportunity to vote upon these. While the future of the fund will rely upon the recommendation and the unitholder vote, at the time of preparation of these financial statements, no decision had been made to cease the operations of the Scheme and therefore the going concern basis for the preparation of the statements has been adopted.

#### *Compliance with IFRS*

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards. Compliance with Australian equivalents to International Financial Reporting Standards ensures that the financial statements and notes of MAB Diversified Property Trust comply with International Financial Reporting Standards (IFRS).

#### *Historical Cost Convention*

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes on assets as described in the accounting policies.

#### *Critical accounting estimates*

The preparation of financial statements in conformity with Australian equivalents to International Financial Reporting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the entity's accounting policies. Refer to note 3 for details of critical accounting estimates.

### (b) Finance costs

Finance costs are recognised as expenses in the period in which they are incurred.

### (c) Income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. Specific revenues are recognised as follows:

#### *Interest income*

Income from cash on deposit is recognised on an accrual basis.

#### *Net rental income*

Rent is brought to account on an accrual basis.

#### *Expenses*

Expenses are brought to account on an accruals basis.

### (d) 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.

### (e) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits 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.

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

### (f) Trade and other receivables

Trade receivables are recognised initially at fair value, and subsequently measured at fair value less a provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectibility of trade and other receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of receivables is raised when objective evidence of impairment in relation to collection exists on a case by case basis.

The provision is the difference between the assets carrying amount and the present value of estimated cash flows, discounted at the original effective interest rate. Cash flows for short term receivables are not discounted if the effect of discounting is immaterial.

### (g) Trade and other payables

These amounts represent liabilities for goods and services provided to the Scheme prior to the end of the reporting period and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

### (h) Goods and Services Tax (GST)

The GST incurred on the costs of various services provided to the responsible entity by third parties such as audit fees, custodial services, compliance committee fees, legal fees and investment management fees, have been passed onto the Scheme. The Scheme qualifies for Reduced Input Tax Credits (RITC's) at a rate of 75% hence investment management fees, custodial fees and other expenses have been recognised in the Income Statement net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable are inclusive of GST. Cash flows relating to GST are included in the Statement of Cash Flows on a gross basis.

### (i) 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*

Loans 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 amortised cost, comprising original debt less principal payments and amortisation

#### *Hedge Accounting*

Certain derivatives are designated as cash flow hedges by documenting 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 the cash flows of hedged items.

#### *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 net assets attributable to unitholders in 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.

For cash flow hedges, other than those described above, the associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects profit or loss. The ineffective part of any gain or loss is recognised immediately in the income statement.

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

### **(j) 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 has 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 have been served validly and within the appropriate time.

Any gain or loss arising from a change in fair value is recognised in the income statement. Rental income from investment property is accounted for as described in accounting policy (c).

### **(k) Interest bearing liabilities**

Interest bearing liabilities are initially recognised at fair value, net of transaction costs incurred. Interest bearing liabilities 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 interest bearing liability using the effective interest method.

Interest bearing liabilities are classified as current liabilities unless the Scheme has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Interest bearing liabilities are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed is recognised in other income or other expenses.

### **(l) Provisions**

A provision is recognised in the balance sheet when the Scheme has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

### **(m) Change in Accounting Policy**

The Scheme has adopted during the year the changes to accounting standard AASB132 by AASB 2008-02 Amendments to Australian Accounting Standards – *Puttable Financial Instruments and Obligations arising on Liquidation*. The impact of the adoption of this standard has been to reclassify the net assets attributable to unitholders from a liability to equity and reclassify the associated finance expense from the profit and loss account to equity.

The adoption of this AASB 132 2008-02 represents a change in accounting policy that is applied retrospectively.

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

### (n) Comparatives

Revised AASB 101 Presentation of financial statements (September 2007) requires a Scheme to present a statement of financial position at the beginning of the earliest comparative period when it applies a change in accounting policy retrospectively, makes a retrospective restatement of items in financial statements or otherwise reclassifies items in its financial statements. For this reason the Scheme present three years of information within the statement of financial position for the reasons listed below and within the change of accounting policy note.

Except for the restatements discussed below, comparative data has been presented on a consistent basis with the prior reporting period.

#### *Restatement*

##### *Change in Accounting Policy*

During the year the Scheme has adopted a change in accounting policy that applies retrospectively being AASB 2008-02. The result of this change in policy is that the Scheme has reclassified unitholders' funds from a liability to equity for \$56,554,741 (2009: \$60,639,583).

In addition finance expenses attributable to unitholders of \$2,305,310 (2009 \$3,375,632) has been reclassified from a finance expense in the statement of comprehensive income to distribution from equity under the same change in accounting policy. This has resulted in a reduction in the loss for the year by the same amounts.

#### *Correction of Error*

During the year ended 30 June 2010 the Scheme also became aware that it had understated its potential tax liability by not providing for depreciation clawback provisions in relation to property holdings in New Zealand. The Financial Report has been updated to reflect the provision for deferred taxation with the following financial impact recorded in the 30 June 2009 comparative information:

- Decrease opening retained earnings by \$1,111,989
- Increase Deferred Tax Provision by \$1,437,512
- Increase Income Tax Expense by \$312,818
- Decrease Foreign Currency Gains by \$12,705

The net effect on profit for the 12 months to 30 June 2009 is an increase in the recorded loss by \$325,522.

### (o) Rounding of Amounts

MAB Diversified Property Trust 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.

### (p) New accounting standards and interpretations

A number of accounting standards and interpretations have been issued at the reporting date but are not yet effective. The directors have not yet assessed the impact of these standards or interpretations.

## NOTE 2: FINANCIAL RISK MANAGEMENT

The MAB Diversified Property Trust's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk, cash flow interest rate risk, foreign exchange risk and price risk), credit risk and liquidity risk. The Scheme'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 Scheme. The Scheme uses derivative financial instruments such as interest rate and foreign exchange swaps to hedge certain risk exposures. The Scheme uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and other price risks and ageing analysis for credit risk.

Risk management is carried out by the finance department. The department identifies, evaluates and hedges financial risks in close co-operation with the Scheme's operating units. Written principles for overall risk management, as well as policies covering specific areas, such as interest rate risk, credit risk, use of derivative financial instruments have been developed and are regularly monitored.

### (a) Market Risk

#### (i) Price Risk

The Scheme is exposed to property market price risk. This arises from investments held by the Scheme of eleven properties held in Australia and New Zealand. To manage its price risk arising from investments in property, the Scheme monitors closely the market fundamentals including market rents, supply and demand characteristics of the various retail and office markets and capital expenditure requirements.

**NOTE 2: FINANCIAL RISK MANAGEMENT (Continued)**

(ii) Cash flow and fair value interest rate risk

The Scheme's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Scheme to cash flow interest rate risk. Borrowings issued at fixed rates expose the Scheme to fair value interest rate risk. The Scheme policy is to maintain 100% of its borrowings at fixed rate using interest rate swaps to achieve this when necessary. Interest rate swaps currently have a weighted average term to expiry of three months (Scheme review date).

The Scheme raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Scheme borrowed at fixed rates directly. Under the interest rate swaps, the Scheme agrees with other parties to exchange quarterly, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts. As 100% of the interest rate expense is hedged risks to cash flow have been mitigated for the term of the swaps.

At 30 June 2010, if interest rates on the income the Scheme receives had changed by +/-1% from the weighted average rates of 2.03% with all other variables held constant, profit for the year would have been \$7,624 lower/higher. This would occur due to rise or fall in interest income received from cash and cash equivalents.

(iii) Currency Risk

The Scheme is exposed to currency risk through its investment in commercial properties located in New Zealand. The Scheme's policy has been to hedge a majority of the income generated by the New Zealand properties and foreign exchange forward rate contracts are in place until August 2010. There is currently no hedging in place for the capital value of the New Zealand property values with the exception of the natural hedge that exists by using New Zealand denominated debt to fund the properties acquisition. MAB Funds Management will review the currency hedging strategy for the Scheme as part of the recommendation process, however no action will be taken upon implementing the strategy until the outcome from the vote is clear.

The Scheme's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:

Financial Instruments	Weighted average effective interest rate		Non-interest bearing		Floating interest rate		Total carrying amount as per Balance Sheet	
	2010	2009	2010	2009	2010	2009	2010	2009
	%	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>(i) Financial assets</i>								
Cash and cash equivalent	2.03	1.76	587	348	877	1,005	1,464	1,353
Derivatives			8	66	-	-	8	66
Receivables			359	566	-	-	359	566
<b>Total financial assets</b>			<b>954</b>	<b>980</b>	<b>877</b>	<b>1,005</b>	<b>1,831</b>	<b>1,985</b>
<i>(ii) Financial liabilities</i>								
Payables			1,400	1,719	-	-	1,400	1,719
Derivatives			106	2,078	-	-	106	2,078
Provision for distribution			659	494	-	-	659	494
Borrowings	7.68	7.23	-	-	86,814	86,029	86,814	86,029
<b>Total financial liabilities</b>			<b>2,165</b>	<b>3,852</b>	<b>86,814</b>	<b>86,029</b>	<b>88,979</b>	<b>90,320</b>

**NOTE 2: FINANCIAL RISK MANAGEMENT (Continued)**

(iii) Summarised sensitivity analysis

The following table summarises the sensitivity of the Scheme's financial assets and financial liabilities to interest rate risk, foreign exchange risk and investment price risk.

Financial Instruments	Carrying amount \$'000	Interest rate risk				Foreign exchange risk				Investment price risk			
		-1%		+1%		-10%		+10%		-10%		+10%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
<b>Assets</b>													
Cash and cash equivalent	1,464	(8)	(8)	8	8	59	59	(59)	(59)	-	-	-	-
Trade and other receivables	359	-	-	-	-	12	12	(12)	(12)	-	-	-	-
Investments – Direct property	145,443	-	-	-	-	3,209	3,209	(3,209)	(3,209)	(14,544)	(14,544)	14,544	14,544
<b>Liabilities</b>													
Interest bearing liabilities (100% Hedged)	(86,814)	-	-	-	-	(1,653)	(1,653)	1,653	1,653	-	-	-	-
Derivative financial instruments	(106)	-	(214)	-	214	-	-	-	-	-	-	-	-
Trade and other payables	(1,400)	-	-	-	-	(108)	(108)	108	108	-	-	-	-
Distribution Payable	(659)	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total increase / (decrease)</b>		<b>(8)</b>	<b>(222)</b>	<b>8</b>	<b>222</b>	<b>1,519</b>	<b>1,519</b>	<b>(1,519)</b>	<b>(1,519)</b>	<b>(14,544)</b>	<b>(14,544)</b>	<b>14,544</b>	<b>14,544</b>

**(b) Credit Risk**

Credit risk represents the loss that would arise if a counterparty to a financial asset fails to discharge an obligation or commitment that they have entered into with the Scheme. The Scheme has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

The financial assets exposed to credit risk are financial derivatives and trade and other receivables. At 30 June 2010 the maximum credit risk totalled \$347,601 (2009: \$632,526). All derivative financial assets have counterparties that are large Australian banks with long term credit ratings of AA (S&P).

The exposure to credit risk in respect to trade and other receivables is minimised by the diverse number, and quality of tenants. Risk is also mitigated by obtaining bank guarantees and other security arrangements. Trade receivables are monitored closely to ensure any tenant defaults are recognised at an early stage and appropriate action taken.

**(c) Liquidity risk**

Prudent liquidity risk management is carried out by maintaining sufficient access to cash including maintaining working capital and access to other banking facilities. Loan facility negotiations to provide flexibility to the upcoming review event have included provision for forecast capital expenditure along with a buffer for unforeseen expenses.

*Maturity Analysis*

All finance facilities currently expire in line with the Scheme's review date in September 2010. Management continue to work with a financier to document a new facility which will provide flexibility to the Scheme to execute upon the recommendations to be made as part of the review event in September 2010.

**(d) Fair Values**

Financial assets and liabilities have been measured and recognised at fair value under AASB 7 and all have been determined as Level 2 under the following fair value measurement hierarchy:

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

**NOTE 3: SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS**

The MAB Diversified Property Trust makes estimates and assumptions concerning the future. The resulting accounting estimates will by definition seldom equal the related actual results. No estimates or assumptions are believed to have a significant risk of causing a material misstatement. These estimates and assumptions include assessment of fair value of investment properties, assessment of fair value of derivatives and the use of exchange rates. Further information as to how the estimates and assumptions are made is discussed below:

**(a) Income tax**

Under current legislation the Scheme is not subject to Australian income tax as its taxable income (including assessable realised capital gains) is distributed in full to the unitholders. Foreign income is assessable on income received from operations in New Zealand.

In accordance with the Product Disclosure Statement and Constitution, the Scheme fully distributes its taxable income to unitholders by cash. This assumes the continued consistent treatment of this matter by the Australian Taxation Office.

**(b) Valuations**

The valuations of the direct property have been based on independent valuations conducted by large multinational property companies. The valuations 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.

As no properties are currently available for sale, no provision for selling costs is present in the carrying value of the property assets. Management estimate that if the assets were to be sold selling costs would be incurred of approximately 1.75% of the property asset value. This would translate to a cost of \$2.55M to the scheme which represents a 3.9cpu reduction to Net Tangible Asset Backing.

**NOTE 4: NET RENTAL INCOME**

	2010 \$'000	2009 \$'000
Property rental income	17,449	16,972
Less		
Property expenses	(5,568)	(5,928)
<b>Net property income</b>	<b>11,881</b>	<b>11,044</b>

**NOTE 5: AUDITOR'S REMUNERATION**

	2010 \$'000	2009 \$'000
Remuneration of the auditor of the Scheme for:		
Auditing the financial report	28	31
Other services	7	7
<b>Total auditor's remuneration</b>	<b>35</b>	<b>38</b>

Costs associated with auditing the Scheme's financial statements were paid for by the Scheme for the year ended 30 June 2010. The above audit and related service fees are for the entire scheme.

**NOTE 6: DERIVATIVE FINANCIAL INSTRUMENTS**

	2010 \$'000	2009 \$'000
<b>Current Assets:</b>		
Forward Foreign Exchange Contracts	8	-
<b>Total assets</b>	<b>8</b>	<b>-</b>
<b>Current Liabilities:</b>		
Interest Rate Swaps	106	-
<b>Total liabilities</b>	<b>106</b>	<b>-</b>

**NOTE 6: DERIVATIVE FINANCIAL INSTRUMENTS (Continued)**

	2010	2009
	\$'000	\$'000
<b>Non Current Assets:</b>		
Forward Foreign Exchange Contracts	-	66
<b>Total assets</b>	<b>-</b>	<b>66</b>
<b>Non Current Liabilities:</b>		
Interest Rate Swaps	-	2,078
<b>Total liabilities</b>	<b>-</b>	<b>2,078</b>

**NOTE 7: TRADE AND OTHER RECEIVABLES**

	2010	2009
	\$'000	\$'000
Rent receivable	644	757
(less provision for impairment)	(305)	(208)
Interest receivable	1	-
Prepaid interest	19	17
<b>Total trade and other receivables</b>	<b>359</b>	<b>566</b>

**NOTE 8: INVESTMENT PROPERTY**

	2010	2009
	\$'000	\$'000
<b>(a) Investment in properties – Freehold properties</b>		
Carrying value of investment properties	<b>145,443</b>	<b>150,412</b>

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 valuations, conducted by independent valuers all of whom are registered or certified practicing valuers at the end of the year, were based on current prices in an active market for similar properties in the same location and condition, and subject to similar leases. The valuations result in a weighted average capitalisation rate for the portfolio of 8.91%.

**Movements in carrying amount of property investments:**

Opening balance at 1 July	150,412	161,077
Property purchase costs / Capital improvements	2,277	501
Foreign exchange movements	325	519
Fair value adjustment to investment properties	(7,571)	(11,685)
<b>Closing balance at 30 June</b>	<b>145,443</b>	<b>150,412</b>

The scheme leases out its investment property under operating leases. As at the end of the financial year all properties were earning rental income.

The investment property portfolio is provided as security against the interest bearing liabilities listed at note 10.

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

Refer to note 4 for information on property revenue and expenses recognised for investment properties.

**NOTE 9: TRADE AND OTHER PAYABLES**

	2010	2009
	\$'000	\$'000
Trade creditors	36	10
Accrued expenses	743	1,169
Interest payable	315	261
Other payables	306	279
<b>Total trade and other payables</b>	<b>1,400</b>	<b>1,719</b>

**NOTE 10: INTEREST BEARING LIABILITIES**

	2010	2009
	\$'000	\$'000
<b>Current Liabilities</b>		
Interest bearing senior debt	86,814	-
<b>Total interest bearing liabilities</b>	<b>86,814</b>	<b>-</b>

	2010	2009
	\$'000	\$'000
<b>Non Current Liabilities</b>		
Interest bearing senior debt	-	86,029
<b>Total interest bearing liabilities</b>	<b>-</b>	<b>86,029</b>

All interest bearing senior debt is secured by a first registered mortgage over the investment property of the Scheme shown in Note 8.

**NOTE 11: DISTRIBUTIONS**

	2010	2009
	\$'000	\$'000
<b>Interim distributions paid</b>		
September	494	1,194
December	494	1,194
March	658	494
<b>Total Interim distributions paid</b>	<b>1,646</b>	<b>2,882</b>
Provision for final distribution payable June	659	494
<b>Total provision for distribution payable</b>	<b>659</b>	<b>494</b>

**NOTE 12: INCOME TAX**

	2010	2009	2008
	\$'000	\$'000	\$'000
<b>Major components of income tax expense</b>			
Current income tax – New Zealand	152	100	123
Movement in deferred tax provision	283	313	358
<b>Total income tax expense</b>	<b>435</b>	<b>413</b>	<b>481</b>

**Income tax expense reconciliation– New Zealand**

	2010	2009	2008
	\$'000	\$'000	\$'000
<b>Reconciliation between tax expense and net loss before tax</b>			
<b>Net loss after tax</b>	<b>(3,751)</b>	<b>(4,976)</b>	<b>10,942</b>
Income tax expense	435	413	481
<b>Net (loss) / profit before tax</b>	<b>(3,316)</b>	<b>(4,563)</b>	<b>10,461</b>
Loss / (profit) attributable to Australian properties not subject to taxation	2,722	4,057	(5,122)
<b>Loss / (profit) attributable to New Zealand operation</b>	<b>(594)</b>	<b>(506)</b>	<b>5,339</b>
Prima facie income tax expense/(benefit) based on 30% tax rate	(178)	(152)	1,602
Non deductible loss – Fair value adjustment	594	580	(1,125)
Other (includes foreign exchange movement and other non assessable items)	19	(15)	4
<b>Total income tax expense</b>	<b>435</b>	<b>413</b>	<b>481</b>

NOTE 12: INCOME TAX (Continued)

	2010	2009	2008
	\$'000	\$'000	\$'000
Deferred tax			
Depreciation	1,740	1,438	1,112
<b>Deferred tax liability</b>	<b>1,740</b>	<b>1,438</b>	<b>1,112</b>
	2010	2009	2008
	\$'000	\$'000	\$'000
Movement in deferred tax provision			
Deferred tax provision at beginning of the year	1,438	1,112	894
Movement in deferred tax provision – income tax expense	283	313	358
Foreign exchange movement on foreign tax provision	19	13	(140)
<b>Deferred tax provision</b>	<b>1,740</b>	<b>1,438</b>	<b>1,112</b>

\* Tax expense for 2008 and 2009 have been restated. For further detail, please refer to account policy Note 1(n).

NOTE 13: RESERVES

	2010	2009
	\$'000	\$'000
Cash flow hedging reserve	(693)	(2,665)
<b>Total reserves</b>	<b>(693)</b>	<b>(2,665)</b>

NOTE 14: RETAINED EARNINGS

	2010	2009	2008
	\$'000	\$'000	\$'000
Opening balance	2,671	11,023	6,614
Net profit / (loss)	(3,751)	(4,976)	10,337
Distributions paid	(2,305)	(3,376)	(5,928)
<b>Closing balance</b>	<b>(3,385)</b>	<b>2,671</b>	<b>11,023</b>

NOTE 15: ASSET BACKING PER UNIT

	2010	2009
	\$'000	\$'000
<b>(a) Changes In Equity During the Year</b>		
Net assets attributable to unitholders at beginning of the year	60,639	73,350
Proceeds from units issued	-	-
Capital raising costs	-	-
Changes in net assets attributable to unitholders	(6,056)	(8,352)
Cashflow hedging reserve	1,972	(4,359)
<b>Equity as at the end of year</b>	<b>56,555</b>	<b>60,639</b>
	2010	2009
	'000	'000
<b>(b) Units on issue</b>		
Units on issue as at beginning of the year	65,866	65,866
Units issued as cash application	-	-
Units redeemed	-	-
<b>Units on issue as at the end of the year</b>	<b>65,866</b>	<b>65,866</b>
	\$	\$
<b>(c) Net assets attributable to unitholders per unit</b>		
	0.86	0.92
	2010	2009
	\$'000	\$'000
<b>(d) Issued Equity</b>		
Issued equity at the end of the year	60,633	60,633

NOTE 16: NOTES TO THE STATEMENT OF CASH FLOWS

	2010 \$'000	2009 \$'000
<b>(a) Reconciliation of net cash provided by operating activities to net operation profit</b>		
Net Loss	(3,751)	(4,976)
<i>Adjustments for:</i>		
Revaluation decrement	7,571	11,685
Finance costs (excluding finance costs attributable to unitholders)	6,645	6,237
Movement in deferred tax provision	283	313
Foreign exchange gains	(262)	(369)
Net gain on financial derivatives	129	183
Changes in assets and liabilities during the financial year:		
Decrease in payables and provisions	(374)	(2,470)
Decrease in receivables and other assets	248	59
<b>Net cash provided by operating activities</b>	<b>10,489</b>	<b>10,662</b>
<b>(b) Reconciliation of cash</b>		
Cash balance comprises:		
Cash at bank	1,464	1,353
<b>Closing cash balance</b>	<b>1,464</b>	<b>1,353</b>

NOTE 17: RELATED PARTIES

**Responsible Entity**

The Responsible entity of MAB Diversified Property Trust is MAB Funds Management Ltd (ABN 36 098 846 701) whose immediate and ultimate holding company is MAB Corporation Pty Ltd (ABN 78 917 019 883).

**Compensation of Key Management Personnel of the Responsible Entity**

**(a) Details of Key Management Personnel of the Responsible Entity**

**(i) Directors**

Andrew Buxton	<i>Managing Director – MAB Corporation Pty Ltd</i>
Michael Buxton	<i>Executive Director – MAB Corporation Pty Ltd</i>
Nicholas Gray	<i>General Manager – MAB Funds Management Limited</i>

**(ii) Executives**

Mark Biancucci	<i>Finance Manager – MAB Funds Management Limited</i>
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**(b) Compensation of Key Management Personnel of the Responsible Entity**

**(i) Principles of compensation**

Compensation of the key management personnel is paid directly by the Responsible Entity. The directors and executives are not provided with any compensation by the Scheme itself.

The directors of the Responsible Entity do not consider that there is any direct correlation between the level of compensation provided to directors of the Responsible Entity and the management fees paid by the Scheme to the Responsible Entity in accordance with the Scheme constitution and Information Memorandums. Remuneration has been disclosed on a reasonable basis of allocation across each scheme operated by the Responsible Entity.

**NOTE 17: RELATED PARTIES (Continued)**

**(ii) Directors' Compensation:**

	Short-Term		Post employment	Total Remuneration	Total Performance Related
	Salary fees	Cash Bonus			
	\$	\$	\$	\$	%
<b>2010</b>					
Andrew Buxton	-	-	-	-	-
Michael Buxton	-	-	-	-	-
Nicholas Gray	51,046	-	-	51,046	-
	51,046	-	-	51,046	-
<b>2009</b>					
Andrew Buxton	-	-	-	-	-
Michael Buxton	-	-	-	-	-
Nicholas Gray	49,033	33,208	-	82,240	40.38%
	49,033	33,208	-	82,240	40.38%

**(iii) Executives' Compensation:**

	Short-Term		Post employment	Total Remuneration	Total Performance Related
	Salary fees	Cash Bonus			
	\$	\$	\$	\$	%
<b>2010</b>					
Mark Biancucci	27,208	2,312	-	29,520	7.83%
	27,208	2,312	-	29,520	7.83%
<b>2009</b>					
Mark Biancucci	25,331	2,981	-	28,312	10.53%
	25,331	2,981	-	28,312	10.53%

**(iv) Compensation by category**

	2010	2009
	\$	\$
Short-term employment benefits	80,566	110,552
Post employment benefits	-	-
	80,566	110,552

**(c) Loans to key management personnel of the Responsible Entity**

The Scheme has not made, guaranteed or secured, directly or indirectly, any loans to the Directors or specified executives or their personally related entities at any time during the reporting period.

**(d) Other transactions with Directors, Specified Executives and Related Parties**

From time to time Directors, Specified Executives, MAB Funds Management Ltd and its director related entities may invest in or withdraw from the Scheme. These investments or withdrawals are conducted on the same terms and conditions as those entered into by the other Scheme investors.

**NOTE 17: RELATED PARTIES (Continued)**

**(e) Responsible Entity Fees and Other Transactions**

	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
Responsible Entity fees paid directly by the Scheme	774	814
Performance Fee Accrual	-	(3,197)
Registry fees paid directly by the Scheme to MAB Administration and Management Services Pty Ltd	69	66
Accounting fees paid directly by the Scheme to MAB Administration and Management Services Pty Ltd	69	66
Asset management fees paid directly by the Scheme to MAB Administration and Management Services Pty Ltd	93	82
<b>Total transactions with responsible entity</b>	<b>1,005</b>	<b>(2,169)</b>

**(f) Related party investment held by the Scheme**

The Scheme has no investment in the Responsible Entity at year end. The Scheme has no investment in other schemes of which the MAB Funds Management Ltd is also the Responsible Entity.

**(g) Payables to Responsible Entity**

The Scheme has no outstanding payable to the Responsible Entity at year end.

**(h) Units in the Scheme held by related parties**

Details of holdings in the Scheme by the Responsible Entity, directors, director related entities or other Schemes also managed by the Responsible Entity are set out as below:

	<b>Number of units held '000</b>	<b>Fair Value of the Units Held \$'000</b>
<b>2010</b>		
MAB Funds Management Ltd	100	89
Andrea Brisbane	50	44
Andrew Buxton & Geraldine Buxton A/C The Lisa Annabelle Buxton Trust	336	299
Andrew Buxton & Geraldine Buxton A/C The James Benjamin Buxton Trust	336	299
Andrew Buxton & Geraldine Buxton A/C The Charles Andrew Buxton Trust	336	299
Andrew Buxton	50	44
Raymond Austin Holdings Pty Ltd	50	44
BFAM Pty Ltd A/C BFAM Trust	50	44
Lightborough Pty Ltd ATF The Thomas A Trust	50	44
Buxton Family A/C Buxton Superannuation Fund	100	89
MRB Superannuation Pty Ltd A/C MRB Superannuation Fund	356	320
Jero Pty Ltd Superannuation Fund	456	406
<b>2009</b>		
MAB Funds Management Ltd	100	94
Andrea Brisbane	50	47
Andrew Buxton & Geraldine Buxton A/C The Lisa Annabelle Buxton Trust	336	316
Andrew Buxton & Geraldine Buxton A/C The James Benjamin Buxton Trust	336	316
Andrew Buxton & Geraldine Buxton A/C The Charles Andrew Buxton Trust	336	316
Andrew Buxton	50	47
Raymond Austin Holdings Pty Ltd	50	47
BFAM Pty Ltd A/C BFAM Trust	50	47
Lightborough Pty Ltd ATF The Thomas A Trust	50	47
Buxton Family A/C Buxton Superannuation Fund	100	94
MRB Superannuation Pty Ltd A/C MRB Superannuation Fund	356	335
Jero Pty Ltd Superannuation Fund	456	429

**NOTE 18: CONTINGENT LIABILITIES**

There are no contingent liabilities as at 30 June 2010 and have been no changes in contingent liabilities since 30 June 2009.

**NOTE 19: SUBSEQUENT EVENTS**

No matters or circumstances have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the Scheme, the results of those operations, or the state of affairs of the Scheme in future financial years.

## Directors' of Responsible Entity Declaration

The directors declare that the financial statements and notes set out on pages 7 to 24 in accordance with the *Corporations Act 2001*:

- (a) Comply with Accounting Standards in Australia and the *Corporations Regulations 2001*, and
- (b) Give a true and fair view of the financial position of the Scheme as at 30 June 2010 and of its performance as represented by the results of its operations and its cash flows, for the year ended on that date.

In the directors' opinion there are reasonable grounds to believe that MAB Diversified Property Trust 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 George Gray

Melbourne  
2 September 2010

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE MAB DIVERSIFIED PROPERTY TRUST

We have audited the accompanying financial report of MAB Diversified Property Trust (Scheme), which comprises the Statement of Financial Position as at 30 June 2010, and the Statement of Comprehensive Income, Statement of Changes in Net Assets Attributable to Unit holders and Cash Flow Statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the Directors' of Responsible Entity Declaration.

### *Director's Responsibility for the Financial Report*

The directors of MAB Funds Management Ltd, the Responsible Entity of the Scheme are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the *Corporations Act 2001* and the Constitution. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 in the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Scheme's preparation and fair presentation of the financial report 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 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*.

### *Auditor's Opinion*

In our opinion,

- (a) the financial report of MAB Diversified Property Trust is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Scheme's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations), the *Corporations Regulations 2001* and the Constitution; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.



T J BENFOLD

Partner

Date 6 September 2010



PITCHER PARTNERS

Melbourne