



MAB INTERNATIONAL RETAIL TRUST

ARSN 121 054 662

**FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2011**

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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 ("Scheme") present their report together with the consolidated financial report for the MAB International Retail Trust. The financial report includes financial statements for the MAB International Retail Trust and Controlled Entities ("MAB International Retail Trust Consolidated" 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. 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 over 35 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

Market Conditions

US economic conditions have remained challenging throughout 2011 with unemployment above 9% and demand remaining weak. These circumstances together with uncertainty regarding the sovereign debt positions of several European countries have meant that the US property markets have remained subdued. Economic and property market conditions in the Carolina's are similar, in general, to those of the US as a whole. The Charlotte area, where four of the Trust's assets are located, has trailed the US as a result of its heavier reliance upon the financial services sector, and this has affected demand for retail property. Longer term, above average population growth for the Carolinas and for Charlotte should support a stronger recovery in the region's economy and property markets.

Property Values and NTA

CB Richard Ellis undertook a further update assessment of property asset values in July and August 2011 resulting in an increase of 1.45% to USD\$52.475M (30 June 2010: USD\$51.725M). These valuations have been held at this level at 30 June 2011 in the form of Director valuations. Following the property revaluations and the effects of a capital raising and an appreciating Australian Dollar, the net tangible asset backing per unit now stands at \$0.18 (30 June 2010: \$0.18).

Key Performance Measures at 30 June 2011 include:

Occupancy Rate: 92.6% (7.4% vacancy) – (91.8% at 30 June 2010)

Average unexpired lease term: 5.0 year overall – (5.6 years at 30 June 2010)

Capital Raising Australian Financier Debt Facility

The Directors of MAB American Property REIT Inc continue to work with the Australian Financier to facilitate a three year debt facility extension. The existing facility is due to expire on 11 October 2011. The Directors recently obtained and executed a terms sheet documenting the conditions for the extension of the facility.

The key commercial terms require that a further capital raising be completed by the Scheme which results in an equity contribution to MAB American Property REIT Inc of USD\$2,000,000. Proceeds from the raising are to be applied to complete the settlement of Building E at Eastfield, facilitate a debt reduction, cover the costs of the facility extension and cover the costs associated with the capital raising.

Distributions

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

| | 2011 | | 2010 | |
|----------------------------|--------|-------------|--------|-------------|
| | \$'000 | \$ per unit | \$'000 | \$ per unit |
| Interim distribution paid | - | - | - | - |
| Final distribution payable | - | - | - | - |
| Total Distribution | - | - | - | - |

Directors' of Responsible Entity Report (Continued)

Unit on Issue

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

| | 2011 '000 | 2010 '000 |
|--|---------------|---------------|
| Units on issue at the beginning of the year | 65,262 | 33,578 |
| Units issued | 10,833 | 31,684 |
| Units redeemed | - | - |
| Units on issue at the end of the year | 76,095 | 65,262 |

Scheme Assets

| | 2011 \$'000 | 2010 \$'000 |
|--|----------------|----------------|
| Value of total scheme assets as at 30 June | 53,008 | 64,069 |

The basis for valuation of the assets is disclosed in Note1

Responsible Entity Fees and Other Transactions

| | 2011 \$'000 | 2010 \$'000 |
|---|----------------|----------------|
| Equity raising fees | - | 131 |
| Total transactions with responsible entity | - | 131 |

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:

| | Number of units held '000 | Fair Value of the Units Held \$'000 |
|--------------------------|------------------------------|---|
| 2011 | | |
| Windyvale Pty Ltd | 26,730 | 4,811 |
| MRB Group No.49 Pty Ltd | 26,730 | 4,811 |
| Andrea Brisbane | 23 | 4 |
| Related party total | 53,483 | 9,624 |
| 2010 | | |
| MAB Funds Management Ltd | 45,882 | 8,258 |
| Andrea Brisbane | 23 | 4 |
| Related party total | 45,905 | 8,262 |

Significant Changes in the State of Affairs

There have been no significant changes in the Scheme's state of affairs during the financial year.

After Balance Date Events

There has been no matter or circumstance which has arisen since 30 June 2011 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 30 June 2011, of the Scheme, or
- the results of those operations, or
- the state of affairs, in financial years subsequent to 30 June 2011, of the Scheme.

Likely Developments

The Scheme will continue to pursue its operating strategy to provide returns through real estate investment management.

In addition 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 sometime during the 2012 financial year with a purchase price of approximately USD\$1.5M.

Environmental Regulation

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

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.

Directors' of Responsible Entity Report (Continued)

Indemnification and Insurance of Directors, Officers and Auditors

Insurance premiums

During the Period the Responsible Entity has paid premiums in respect of its officers for liability and legal expenses for the period ended 30 June 2011. 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 2011. 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. Under the terms of the contract with the insurer, disclosure of the premiums and coverage levels is prohibited.

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.

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 George Gray
Director
Melbourne
30 September 2011

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 audit for the year ended 30 June 2011, 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 30 September 2011



PITCHER PARTNERS
Melbourne

Consolidated Statement of Comprehensive Income

For the Financial Year ended 30 June 2011

| | Note | 2011 \$ '000 | 2010 \$ '000 |
|---|------|-----------------|-----------------|
| INCOME | | | |
| Net rental income | 5 | 4,257 | 4,850 |
| Net gain on financial instruments at fair value through profit and loss | | 2,845 | 884 |
| Net gain from fair value movements of investment properties | 12 | 436 | - |
| Other revenue | 6 | 23 | 12 |
| TOTAL INCOME | | 7,561 | 5,746 |
| EXPENSES | | | |
| Audit fees | 7 | 110 | 82 |
| Bad and doubtful debts | | 188 | 305 |
| Custody, registry, accounting and legal fees | | 323 | 176 |
| Finance costs (excluding finance costs attributable to unitholders) | 8 | 3,065 | 3,941 |
| Fund management fee | | 320 | 278 |
| Net loss from fair value movements of investment properties | 12 | - | 3,569 |
| Other expenses | | 19 | 120 |
| TOTAL EXPENSES | | 4,025 | 8,471 |
| NET PROFIT / (LOSS) BEFORE TAX | | 3,536 | (2,725) |
| Income tax expense / (benefit) | 16 | - | - |
| NET PROFIT / (LOSS) | | 3,536 | (2,725) |
| OTHER COMPREHENSIVE INCOME / (EXPENSES) | | | |
| Movement in cash flow hedging reserve | | - | - |
| Movement in foreign currency translation reserve | | (2,805) | (292) |
| Capital raising costs | | (4) | (226) |
| TOTAL OTHER COMPREHENSIVE INCOME / (EXPENSES) FOR THE YEAR | | (2,809) | (518) |
| COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR | | 727 | (3,243) |

The accompanying notes form part of these financial statements

Consolidated Statement of Financial Position

As at 30 June 2011

| | Note | 2011 \$ '000 | 2010 \$ '000 |
|--------------------------------------|------|-----------------|-----------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 21 | 1,321 | 1,882 |
| Trade and other receivables | 10 | 477 | 636 |
| Other current assets | 11 | 1,524 | 862 |
| TOTAL CURRENT ASSETS | | 3,322 | 3,380 |
| NON CURRENT ASSETS | | | |
| Investments – Direct property | 12 | 48,864 | 60,689 |
| Derivative financial instruments | 9 | 822 | - |
| TOTAL NON CURRENT ASSETS | | 49,686 | 60,689 |
| TOTAL ASSETS | | 53,008 | 64,069 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 13 | 565 | 830 |
| Interest bearing liabilities | 15 | 10,720 | 12,952 |
| Other liabilities | 14 | 444 | 520 |
| Derivative financial instruments | 9 | 217 | - |
| TOTAL CURRENT LIABILITIES | | 11,946 | 14,302 |
| NON CURRENT LIABILITIES | | | |
| Interest bearing liabilities | 15 | 27,349 | 36,941 |
| Derivative financial instruments | 9 | - | 1,140 |
| TOTAL NON CURRENT LIABILITIES | | 27,349 | 38,081 |
| TOTAL LIABILITIES | | 39,295 | 52,383 |
| NET ASSETS | | 13,713 | 11,686 |
| EQUITY | | | |
| Issued Equity | 17 | 35,683 | 34,387 |
| Accumulated Losses | 19 | (16,658) | (20,194) |
| Reserves | 18 | (5,312) | (2,507) |
| TOTAL EQUITY | | 13,713 | 11,686 |

The accompanying notes form part of these financial statements

Consolidated Statement of Changes in Equity

For the Financial Year ended 30 June 2011

| | 2011 | | | | 2010 | | | |
|--|---------------|-------------------|----------------|----------------|---------------|-------------------|----------------|----------------|
| | Issued Equity | Retained Earnings | Reserves | Total Equity | Issued Equity | Retained Earnings | Reserves | Total Equity |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| OPENING BALANCE | 34,387 | (20,194) | (2,507) | 11,686 | 30,811 | (17,469) | (2,215) | 11,127 |
| Net profit/(loss) for period | - | 3,536 | - | 3,536 | - | (2,725) | - | (2,725) |
| Movement in cashflow hedging reserve | - | - | - | - | - | - | - | - |
| Movement in foreign currency translation reserve | - | - | (2,805) | (2,805) | - | - | (292) | (292) |
| Capital raising costs | (4) | - | - | (4) | (226) | - | - | (226) |
| Total comprehensive income for the year | (4) | 3,536 | (2,805) | 727 | (226) | (2,725) | (292) | (3,243) |
| Transactions with owners in their capacity as owners: | | | | | | | | |
| Proceeds from units issued | 1,300 | - | - | 1,300 | 3,802 | - | - | 3,802 |
| Redemption of units on issue | - | - | - | - | - | - | - | - |
| Distributions paid | - | - | - | - | - | - | - | - |
| CLOSING BALANCE | 35,683 | (16,658) | (5,312) | 13,713 | 34,387 | (20,194) | (2,507) | 11,686 |

The accompanying notes form part of these financial statements

Consolidated Statement of Cash Flows

For the Financial Year ended 30 June 2011

| | Note | 2011 \$ '000 | 2010 \$ '000 |
|--|-------|-----------------|-----------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Cash receipts from operations | | 5,986 | 6,953 |
| Cash payments from operations | | (2,753) | (3,177) |
| Derivative settlements received / (paid) | | 1,191 | (19) |
| Borrowing costs | | (2,724) | (3,805) |
| Interest received | | 5 | 4 |
| Net cash (used in) / provided by operating activities | 21(a) | 1,705 | (44) |
| CASHFLOW FROM INVESTING ACTIVITIES | | | |
| Movement in escrow accounts | | (908) | - |
| Payments for capital improvements to investment properties | | (262) | (183) |
| Net cash used in investing activities | | (1,170) | (183) |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Proceeds from issue of units | | 1,300 | 3,802 |
| Equity/Debt raising costs paid | | (4) | (95) |
| Net repayment of borrowings | | (2,023) | (6,271) |
| Net proceeds from borrowings | | - | 3,441 |
| Net cash (used in)/ provided by financing activities | | (727) | 877 |
| Net (decrease)/increase in cash and cash equivalents | | (192) | 650 |
| Effects of exchange rate fluctuations on balances of cash held in foreign currency | | (369) | (9) |
| Cash and cash equivalents at beginning of financial year | | 1,882 | 1,241 |
| Cash and cash equivalents at end of the financial year | 21(b) | 1,321 | 1,882 |

The accompanying notes form part of these financial statements

Notes to the Financial Statements

For the Financial Year ended 30 June 2011

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 year.

(a) Basis of preparation

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

Going Concern

As at 30 June 2011 the Scheme had debt with an Australian bank of USD\$10.68M that is due to expire in October 2011. Discussions regarding terms for a rollover of this debt are currently being discussed with this bank and Management believes that it will be successful in renegotiating favourable terms for a rollover of the debt facility. Should an agreement not be reached with the lender then this would raise doubt as to the Scheme's ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis and do not include any adjustments that might be necessary if the Scheme were unable to continue as a going concern.

Compliance with IFRS

The financial report of the Scheme also complies with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical Cost Convention

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

Critical accounting estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain significant accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Refer to note 4 for details of critical accounting estimates.

(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 30 June 2011 and the results of all controlled entities for the year ended 30 June 2011. MAB International Retail Trust and its controlled entities together are referred to in this financial report as the consolidated entity.

All inter-group balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent 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 parent entity.

(c) Finance costs

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) 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 revenue from operating leases is recognised on a straight line basis over the term of the lease. Recoverability of receivables is reviewed on an ongoing basis. Debts which are known to be not collectable are expensed to the Income Statement.

Expenses

Expenses are brought to account on an accruals basis.

(e) 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.

(f) 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.

(g) 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.

Collectability 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.

(h) 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.

(i) 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.

(j) 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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 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.

(k) 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 Director's 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 were completed in July and August 2011 and when determining the fair value of the investment properties the directors take into consideration the external independent valuations that occurred post year end. 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. Market data of recent transactions for similar assets and the investors required return (property capitalisation rate) are considered when adopting a valuation figure.

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.

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 1(d).

(l) 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.

(m) 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 derecognised 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.

(n) Provisions

Provisions are recognised when MAB International Retail Trust Consolidated has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of MAB International Retail Trust Consolidated are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Australian dollars which is the functional and presentation currency of MAB International Retail Trust Consolidated.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currency are recognised in the income statement, except when deferred in unitholders' funds as qualifying cash flow hedges and qualifying net investment hedges, or are attributable to part of the net investment in a foreign operation.

(iii) Consolidated Entities

The results and financial position of foreign subsidiaries which has a functional currency different from the presentation currency is translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses in the income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of unitholders' funds.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments are taken to unitholders' funds. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the income statement as part of the gain or loss on sale.

(p) Income tax

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

The Scheme invests in an entity located in the United States of America. As a result the Scheme 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.

(q) 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.

(r) Comparatives

Comparative data has been presented on a consistent basis with the prior reporting period.

(s) 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: PARENT ENTITY INFORMATION**(a) Parent entity**

The parent entity of the Group is MAB International Retail Trust

(b) Financial information

| | MAB International Retail Trust | |
|--|---------------------------------------|----------------|
| | 2011 | 2010 |
| | \$ '000 | \$ '000 |
| Income statement information | | |
| Net profit / (loss) attributable to members of the parent entity | 732 | (3,016) |
| Comprehensive income information | | |
| Total comprehensive income / (loss) attributable to members of the parent entity | 732 | (3,016) |
| Balance sheet information | | |
| Current assets | 37 | 193 |
| Total assets | 13,876 | 11,919 |
| Current liabilities | 162 | 233 |
| Total liabilities | 162 | 233 |
| Net Assets | 13,714 | 11,686 |
| Equity attributable to members of the parent entity | | |
| Contributed equity | 35,708 | 34,412 |
| Accumulated losses | (21,994) | (22,726) |
| Total Equity | 13,714 | 11,686 |

(c) Guarantees

MAB International Retail Trust has not entered into any guarantees in the current or previous financial year.

(d) Contingent liabilities

MAB International Retail Trust has no contingent liabilities at 30 June 2011.

(e) Contractual capital commitments

MAB International Retail Trust does not have any contractual commitments as at 30 June 2011.

NOTE 3: FINANCIAL RISK MANAGEMENT

The MAB International Retail 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 six properties held in the South Eastern states of the United States of America. 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 markets and capital expenditure requirements.

Market rents are established through local brokers and leasing arrangement structured to include rental increases based upon market movements, CPI or fixed percentage increases.

(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 or fixed rate loans to achieve this when necessary. Interest rate swaps and fixed rate agreements currently have a weighted average to expiry of three years and two months.

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 covered by derivatives to offset risk to cash flow, the interest rate risk has been mitigated for the term of the swaps.

The Schemes interest rate expense for the year ended 30 June 2011 would be unaffected by a movement in interest rates at year end due to 100% of the interest costs being covered by derivatives. The mark to market valuations of derivatives would however be affected with a decrease of \$51,487 recorded in the derivative financial instruments liability if interest rates were to rise by 1%.

NOTE 3: FINANCIAL RISK MANAGEMENT (CONTINUED)

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 | |
|------------------------------------|--|-----------|----------------------|----------------|------------------------|----------------|--|----------------|
| | 2011 % | 2010 % | 2011 \$'000 | 2010 \$'000 | 2011 \$'000 | 2010 \$'000 | 2011 \$'000 | 2010 \$'000 |
| (i) Financial assets | | | | | | | | |
| Cash and cash equivalent | 0.35 | 0.26 | - | - | 1,321 | 1,882 | 1,321 | 1,882 |
| Receivables | | | 477 | 636 | - | - | 477 | 636 |
| Derivatives | | | 822 | - | - | - | 822 | - |
| Total financial assets | | | 1,299 | 636 | 1,321 | 1,882 | 2,620 | 2,518 |
| (ii) Financial liabilities | | | | | | | | |
| Payables | | | 565 | 830 | - | - | 565 | 830 |
| Derivatives | | | 217 | 1,140 | - | - | 217 | 1,140 |
| Borrowings | 6.18 | 6.44 | - | - | 38,069 | 49,893 | 38,069 | 49,893 |
| Total financial liabilities | | | 782 | 1,970 | 38,069 | 49,893 | 38,851 | 51,863 |

(iii) Currency Risk

The Scheme has exited its forward foreign exchange contracts which provided protection against currency movements on the net assets of the Scheme. The contracts were closed out for a profit of USD\$1.2M in December 2010. Management will continue to monitor the foreign exchange risk and weigh up this risk against the additional collateral required to support such contracts following the global financial crisis. Management will re-enter foreign exchange risk protection on the capital invested when it is deemed in the best interest of the Scheme.

Forward rate agreements are in place to fix USD payments that are due to Australian unsecured note holders. The agreements fix the foreign exchange payment amounts on all interest payments and capital return of the note principal due in December 2013.

(iii) Summarised sensitivity analysis

The following table summarises the sensitivity of the Group'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 |
| Assets | | | | | | | | | | | | | |
| Cash and cash equivalent | 1,321 | | | | | | | | | | | | |
| Trade and other receivables | 477 | - | - | - | - | 48 | 48 | (48) | (48) | - | - | - | - |
| Other current assets | 1,524 | - | - | - | - | 152 | 152 | (152) | (152) | - | - | - | - |
| Derivative financial instruments | 822 | - | - | - | - | (330) | (330) | 330 | 330 | - | - | - | - |
| Investments – Direct property | 48,864 | - | - | - | - | 4,086 | 4,086 | (4,086) | (4,086) | (4,086) | (4,086) | 4,086 | 4,086 |
| Liabilities | | | | | | | | | | | | | |
| Interest bearing liabilities (100% Hedged) | (38,069) | - | - | - | - | (3,807) | (3,807) | 3,807 | 3,807 | - | - | - | - |
| Derivative financial instruments | (217) | (51) | (51) | 51 | 51 | (22) | (22) | 22 | 22 | - | - | - | - |
| Trade and other payables | (565) | - | - | - | - | (57) | (57) | 57 | 57 | - | - | - | - |
| Total increase / (decrease) | | (51) | (51) | 51 | 51 | 70 | 70 | (70) | (70) | (4,086) | (4,086) | 4,086 | 4,086 |

NOTE 3: FINANCIAL RISK MANAGEMENT (CONTINUED)

(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 consolidated entity. The consolidated entity 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 2011 the maximum credit risk was \$2,619,501. Foreign exchange derivative asset associated with payments under the medium term unsecured notes had credit risk exposure of \$821,602 which 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 totalled \$477,301 and 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.

Cash and cash equivalents are also exposed to credit risk totalling \$1,320,597. Risk is minimised by the majority of cash being held with Australian banks or their subsidiaries which have a credit rating of AA (S&P) or higher. Cash floats are maintained with a global bank headquartered in the United States with a credit rating of A (S&P).

(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. The consolidated entity does not currently have access to any further debt facilities due to the current tight lending practices of financiers. Suspension of the distribution will assist in providing additional liquidity should any unexpected expenditure arise. The Scheme has an average debt maturity of five years and eight months assuming that no loans are called upon prior to their scheduled maturity due to breaches of loan covenants.

(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

Maturity analysis

The table below represents the undiscounted contractual settlement terms for interest bearing liabilities:

| Year ended 30 June 2011 | < 6 Months \$'000 | 6-12 Months \$'000 | 1-5 years \$'000 | > 5 years \$'000 | Total contractual cash flows \$'000 | Carrying amount \$'000 |
|------------------------------|----------------------|-----------------------|---------------------|---------------------|--|------------------------------|
| Interest bearing liabilities | 10,325 | 395 | 19,589 | 7,760 | 38,069 | 38,069 |
| Net maturities | 10,325 | 395 | 19,589 | 7,760 | 38,069 | 38,069 |

Trade and other payables and derivative liabilities will be settled within six months.

NOTE 4: CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Scheme 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, assessment of fair value of deferred tax liabilities 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 income tax as its taxable income (including assessable realised capital gains) is distributed in full to the unitholders.

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) Property valuations

The valuations of the direct property have been based on Director valuations. 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 has each acted knowledgeably, prudently and without compulsion. Independent valuations were conducted in August 2011 and these are in line with the Director assumptions as at 30 June 2011. Investment property valuations are further described in accounting policy note 1 (k).

NOTE 5: NET RENTAL INCOME

| | 2011 | 2010 |
|----------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Property rental income | 6,002 | 6,933 |
| <i>Less</i> | | |
| Property Expense | (1,745) | (2,083) |
| Total rental income | 4,257 | 4,850 |

The investment properties are leased to tenants under operating leases. No contingent rents are charged.

Future minimum rents are scheduled to be received under non-cancellable tenant leases as follows:

| | 2011 | 2010 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Within one year | 5,380 | 5,681 |
| Later than one year but not later than five years | 16,616 | 18,288 |
| Later than five years | 12,663 | 16,464 |
| Total non-cancellable future rents | 34,659 | 40,433 |

NOTE 6: OTHER REVENUE

| | 2011 | 2010 |
|---------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Interest income | 5 | 4 |
| Other income | 18 | 8 |
| Total other income | 23 | 12 |

NOTE 7: AUDITOR'S REMUNERATION

| | 2011 | 2010 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Remuneration of the auditor of the Scheme for: | | |
| - Auditing the financial report | 33 | 35 |
| - Other regulatory audit services | 6 | 7 |
| Remuneration of the auditor of foreign subsidiaries: | | |
| - Auditing the financial report | 64 | 34 |
| - Other regulatory audit services | 7 | 6 |
| Total auditors remuneration | 110 | 82 |

Costs associated with auditing the Scheme's financial statements were paid for by the Scheme for the year ended 30 June 2011. The above audit and related service fees are for the entire scheme.

NOTE 8: FINANCE COSTS (EXCLUDING FINANCE COSTS ATTRIBUTABLE TO UNITHOLDERS)

| | 2011 | 2010 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Interest on bank bills / unsecured notes | 3,005 | 3,409 |
| Costs associated with obtaining finance | 60 | 532 |
| Total Finance Costs (Excluding finance costs attributable to unitholders) | 3,065 | 3,941 |

NOTE 9: DERIVATIVE FINANCIAL INSTRUMENTS

| | 2011 \$'000 | 2010 \$'000 |
|---|----------------|----------------|
| Assets – Non Current | | |
| Forward foreign exchange contracts | 822 | - |
| Total derivative financial instruments | 822 | - |
| Liabilities - Current | | |
| Interest rate swaps | 217 | - |
| Total derivative financial instruments | 217 | - |
| Liabilities – Non Current | | |
| Interest rate swaps | - | 913 |
| Forward foreign exchange contracts | - | 227 |
| Total derivative financial instruments | - | 1,140 |

NOTE 10: TRADE & OTHER RECEIVABLES (CURRENT)

| | 2011 \$'000 | 2010 \$'000 |
|---|----------------|----------------|
| Property receivables | 640 | 768 |
| GST refund receivable | - | 8 |
| Total trade and other receivables (pre provision for impairment) | 640 | 776 |
| Balance 1 July | (140) | (214) |
| Amounts written off | 165 | 379 |
| Impairment recognised | (188) | (305) |
| Provision for impairment | (163) | (140) |
| Total trade and other receivables | 477 | 636 |

Trade and other receivables consist of a large number of customers. The Scheme does not have any significant credit risk exposure to a single customer or groups of customers. Ongoing credit evaluation is performed on the financial condition of customers and, where appropriate, a provision for impairment of receivables is raised. The Scheme holds collateral in certain circumstances which takes the form of bank guarantees, security deposits, personal guarantee or a mortgage over property until completion. There is no concentration of credit risk with respect to receivables as the Scheme has a large number of customers, geographically dispersed.

NOTE 11: OTHER CURRENT ASSETS

| | 2011 \$'000 | 2010 \$'000 |
|-----------------------------------|----------------|----------------|
| Escrow accounts | 1,286 | 566 |
| Prepaid expenses | 238 | 296 |
| Total other current assets | 1,524 | 862 |

NOTE 12: INVESTMENT PROPERTIES

| | 2011 \$'000 | 2010 \$'000 |
|---|----------------|----------------|
| (a) Investment in properties – Freehold properties | | |
| Carrying value of investment properties | 48,864 | 60,689 |

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 Directors at the end of the period, were based on current prices in an active market for similar properties in the same location and condition, and subject to similar leases. Independent valuations were conducted by CB Richard Ellis on the entire portfolio during August of the 2012 financial year and these are in line with the Director valuations at 30 June 2011.

Current valuations represent a weighted average capitalisation rate of 8.68% (2010: 9.20%).

| <u>Movements in carrying amount of property investments:</u> | | |
|--|---------------|---------------|
| Opening balance at 1 July | 60,689 | 67,353 |
| Property purchase costs / capital improvements | 262 | 183 |
| Foreign exchange movements | (12,523) | (3,278) |
| Fair value adjustment to investment properties | 436 | (3,569) |
| Closing balance at 30 June | 48,864 | 60,689 |

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 15.

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

Refer to note 5 for information on property revenue and expenses recognised for investment properties.

(c) Contractual obligation

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

NOTE 13: TRADE & OTHER PAYABLES (CURRENT)

| | 2011 \$'000 | 2010 \$'000 |
|---------------------------------------|----------------|----------------|
| Amounts payable to – related parties | - | 74 |
| Amounts payable to – others | 8 | 72 |
| Accrued expenses | 557 | 684 |
| Total trade and other payables | 565 | 830 |

NOTE 14: OTHER LIABILITIES (CURRENT)

| | 2011 \$'000 | 2010 \$'000 |
|-----------------------------|----------------|----------------|
| Security deposits | 120 | 140 |
| Other liabilities | 324 | 380 |
| Total other payables | 444 | 520 |

NOTE 15: INTEREST BEARING LIABILITIES

| | 2011 \$'000 | 2010 \$'000 |
|---|----------------|----------------|
| Current interest bearing liabilities | | |
| Interest bearing senior debt | 10,720 | 12,952 |
| Total current interest bearing liabilities | 10,720 | 12,952 |
| Non-current interest bearing liabilities | | |
| Interest bearing senior debt | 24,470 | 33,314 |
| Medium term unsecured notes | 2,766 | 3,485 |
| Other debt | 113 | 142 |
| Total non-current interest bearing liabilities | 27,349 | 36,941 |
| Total interest bearing liabilities | 38,069 | 49,893 |

All interest bearing senior debt is secured via first mortgage over investment properties. In addition there is a floating charge over the net assets of MAB American Property REIT Inc. All other debt is unsecured.

NOTE 16: INCOME TAX EXPENSE AND DEFERRED TAX LIABILITY

| | 2011 \$'000 | 2010 \$'000 |
|--|----------------|----------------|
| (a) Income Tax Expense | | |
| Deferred tax | - | - |
| Income Tax Expense | - | - |
| (b) Reconciliation of income tax expense to prima facie tax payable | | |
| Profit/(loss) from operations before income tax expense | 3,536 | (2,725) |
| Income tax calculated at 30% | 1,060 | (818) |
| Utilisation of carried forward tax losses not eligible to be classified as deferred tax assets | (1,060) | - |
| Tax losses not eligible to be classified as deferred tax assets | - | 818 |
| Income Tax Expense | - | - |
| (c) Deferred Tax Liability | | |
| Opening Balance | - | - |
| Movement as a result of revaluations / movements in tax cost base of investment properties | - | - |
| Foreign exchange effect on deferred tax liability | - | - |
| Revaluation of investment properties taxable at 35% in the United States | - | - |

The Scheme has carried forward tax losses of approximately USD\$4.3M within the US REIT relating to both trading and capital value movements of the property assets. As there is no certainty that these losses will be able to be utilised in the future they have not been recognised as a deferred tax asset.

NOTE 17: ISSUED EQUITY

| | 2011 \$'000 | 2010 \$'000 |
|----------------------------|----------------|----------------|
| Opening balance | 34,387 | 30,811 |
| Proceeds from units issued | 1,300 | 3,802 |
| Capital raising costs | (4) | (226) |
| Closing balance | 35,683 | 34,387 |

NOTE 18: RESERVES

| | 2011 \$'000 | 2010 \$'000 |
|--------------------------------------|----------------|----------------|
| Foreign currency translation reserve | (5,312) | (2,507) |
| Total reserves | (5,312) | (2,507) |

NOTE 19: ACCUMULATED LOSSES

| | 2011 \$'000 | 2010 \$'000 |
|------------------------|-----------------|-----------------|
| Opening balance | (20,194) | (17,469) |
| Net profit / (loss) | 3,536 | (2,725) |
| Distributions paid | - | - |
| Closing balance | (16,658) | (20,194) |

NOTE 20: NET TANGIBLE ASSET BACKING

| | 2011 \$'000 | 2010 \$'000 |
|--|----------------|----------------|
| Basic (cents) | 18 cents | 18 cents |
| Number of units | | |
| Number of units outstanding at the end of the year used in the calculation of basic net tangible asset backing per unit. | 76,095,044 | 65,261,709 |

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 21: NOTES TO THE STATEMENT OF CASH FLOWS

| | 2011 \$'000 | 2010 \$'000 |
|--|----------------|----------------|
| (a) Reconciliation of net cash provided by operating activities to net operation profit | | |
| Operating loss | 3,536 | (2,725) |
| <i>Adjustments for:</i> | | |
| Net (gain)/loss on investments | (436) | 3,569 |
| Net (gain)/loss on financial derivatives | (2,845) | (884) |
| Accrued capital raising costs recognised in equity | - | (132) |
| Hedging settlements received / (paid) in cash | 1,190 | (19) |
| Changes in assets and liabilities during the financial year: | | |
| (Decrease)/increase in trade and other payables | (138) | 23 |
| (Decrease)/increase in accrued expenses | (128) | 164 |
| Decrease/(increase) in other current assets | 58 | (215) |
| Decrease/(increase) in trade and other receivables | 159 | (28) |
| Borrowing costs capitalised in interest bearing liabilities | 348 | 57 |
| Net unrealised foreign exchange (gains)/losses | (39) | 146 |
| Net cash provided by operating activities | 1,705 | (44) |
| (b) Reconciliation of cash | | |
| Cash balance comprises: | | |
| Cash at bank | 1,321 | 1,882 |
| Closing cash balance | 1,321 | 1,882 |

The consolidated entity does not currently have access to any further debt facilities.

NOTE 22: RELATED PARTIES**Responsible Entity**

The Responsible entity of MAB International Retail 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 *Managing Director – MAB Corporation Pty Ltd*
 Michael Buxton *Executive Director – MAB Corporation Pty Ltd*
 Nicholas Gray *General Manager – MAB Funds Management Limited*

(ii) Executives

Mark Biancucci *Finance Manager – MAB Funds Management Limited*

(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.

(ii) Directors' Compensation:

| | Short-Term | | Post employment | Total Remuneration | Total Performance Related |
|----------------|-------------|------------|-----------------|--------------------|---------------------------|
| | Salary fees | Cash Bonus | | | |
| | \$ | \$ | \$ | \$ | % |
| 2011 | | | | | |
| Andrew Buxton | - | - | - | - | - |
| Michael Buxton | - | - | - | - | - |
| Nicholas Gray | 52,637 | 15,688 | 6,150 | 74,475 | 22.96 |
| | 52,637 | 15,688 | 6,150 | 74,475 | 22.96 |
| 2010 | | | | | |
| Andrew Buxton | - | - | - | - | - |
| Michael Buxton | - | - | - | - | - |
| Nicholas Gray | 46,831 | - | 4,215 | 51,046 | - |
| | 46,831 | - | 4,215 | 51,046 | - |

(iii) Executives' Compensation:

| | Short-Term | | Post employment | Total Remuneration | Total Performance Related |
|----------------|-------------|------------|-----------------|--------------------|---------------------------|
| | Salary fees | Cash Bonus | | | |
| | \$ | \$ | \$ | \$ | % |
| 2011 | | | | | |
| Mark Biancucci | 26,235 | 4,128 | 2,733 | 33,096 | 13.60 |
| | 26,235 | 4,128 | 2,733 | 33,096 | 13.60 |
| 2010 | | | | | |
| Mark Biancucci | 24,961 | 2,121 | 2,438 | 29,520 | 7.83 |
| | 24,961 | 2,121 | 2,438 | 29,520 | 7.83 |

Cash bonuses are paid to Directors and Executives on a yearly basis and are formulated based upon meeting personal key performance indicator target in combination with financial performance targets.

NOTE 22: RELATED PARTIES (CONTINUED):

(iv) Compensation by category

| | 2011 | 2010 |
|--------------------------------|----------------|---------------|
| | \$ | \$ |
| Short-term employment benefits | 98,688 | 80,566 |
| Post employment benefits | 8,883 | 6,653 |
| Total compensation | 107,571 | 73,913 |

(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.

- MAB Rosenthal LLC is a related party of MAB Funds Management Ltd and has provided asset management services for the Company's properties. The aggregate amount paid by the Group to MAB Rosenthal LLC for these services during the year ended 30 June, 2010 was \$278,390. Other liabilities include \$371,935 payable to MAB Rosenthal LLC for asset management fees at 30 June 2011. Under the arrangement with MAB Rosenthal LLC, a portion of the asset management fees is contingent on the profitability of the Company.

(e) Responsible Entity Fees and Other Transactions

| | 2011 | 2010 |
|---|----------|------------|
| | \$'000 | \$'000 |
| Equity raising fees | - | 131 |
| Total transactions with responsible entity | - | 131 |

(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

| | 2011 | 2010 |
|--|----------|------------|
| | \$'000 | \$'000 |
| Equity raising fee and other payables | - | 205 |
| Total payable to responsible entity | - | 205 |

(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:

| | Number of units held | Fair Value of the |
|----------------------------|----------------------|-------------------|
| | '000 | Units Held |
| | | \$'000 |
| 2011 | | |
| Windyvale Pty Ltd | 26,730 | 4,811 |
| MRB Group No.49 Pty Ltd | 26,730 | 4,811 |
| Andrea Brisbane | 23 | 4 |
| Related party total | 53,483 | 9,626 |
| 2010 | | |
| MAB Funds Management Ltd | 45,882 | 8,258 |
| Andrea Brisbane | 23 | 4 |
| Related party total | 45,905 | 8,262 |

NOTE 23: 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 sometime during the 2012 financial year with a purchase price of approximately USD\$1.5M.

NOTE 24: SUBSEQUENT EVENTS

There has been no matter or circumstance which has arisen since 30 June 2011 that have significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 30 June 2011, of the Scheme, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial years subsequent to 30 June 2011, of the Scheme.

NOTE 25: RESPONSIBLE ENTITY DETAILS

The registered office of the responsible entity is:

Level 5
441 St Kilda Road
Melbourne VIC 3004

The principal place of business is:

Level 5
441 St Kilda Road
Melbourne VIC 3004

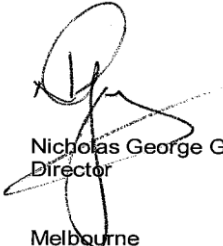
Directors' of Responsible Entity Declaration

In the opinion of the directors of MAB Funds Management Limited, the Responsible Entity of the Scheme:

1. The financial statements and notes set out on pages 7 to 26 in accordance with the *Corporations Act 2001*:
and;
 - (a) Comply with Accounting Standards and the *Corporations Regulations 2001*, and
 - (b) As stated in Note 1(a) the consolidated financial statements also comply with International Financial Reporting Standards; and
 - (c) Give a true and fair view of the financial position of the Scheme as at 30 June 2011 and of its performance as represented by the results of its operations and its cash flows for the financial year ended on that date.

2. 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 of the Responsible Entity, MAB Funds Management Limited.



Nicholas George Gray
Director
Melbourne
30 September 2011

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

We have audited the accompanying financial report of MAB International Retail Trust and the controlled entities (Scheme), which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of MAB Funds Management Ltd, the responsible entity of the Scheme, are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity'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*.

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

Opinion

In our opinion:

- (a) the financial report of MAB International Retail 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 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Emphasis of Matter Regarding Going Concern

Without modifying our opinion, we draw your attention to the matters described in Note 1(a) in the Financial Report, which indicates the Scheme has debt facilities amounting to USD\$10.68M 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 material uncertainty which may cast significant doubt about the Scheme's ability to continue as a going concern and therefore, the Scheme may be unable to realise its assets and discharge its liabilities in the normal course of business.



T J BENFOLD

Partner

Date 30 September 2011



PITCHER PARTNERS

Melbourne