

CENTRO  
RETAIL TRUST

ANNUAL REPORT 2011



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# CHAIRMAN'S REPORT

## THE YEAR IN REVIEW

Centro Retail Group's (**CER**) 2011 Financial Year (**FY11**) was marked by the further stabilisation of CER's capital structure and further progress in its restructuring process. Important stabilising events during the course of the year included:

- **Termination of over hedged USD equity position**  
– At the beginning of the 2011 financial year, CER was 169% over hedged on its US investments, and had a mark to market liability on these hedges of \$234 million. With the appreciation of the Australian dollar against the US dollar during the financial year, CER was able to terminate all of its remaining equity hedges at a total cost of \$11.8 million.
- **US asset sale** – The sale of CER's US\$4.3 billion US asset portfolio to BRE Retail Holdings, Inc, an affiliate of Blackstone Real Estate Partners VI, L.P. (Blackstone) closed on 29 June 2011 and returned net proceeds to CER of \$520 million.
- **Successful debt refinancing and reduced gearing** – During the first half of FY11, CER extended or refinanced \$272 million of Australian debt and US\$1.7 billion of US debt, including within Super LLC. In the second half of FY11, CER effectively repaid all of its US debt in conjunction with the US asset sale and repaid a \$315.6 million Australian loan on 29 June 2011 utilising part of its net US asset sale proceeds. As a result, CER has significantly reduced its look-through gearing (look-through total debt / look-through total assets) from 80.4% at 30 June 2010 to 45.6% as at 30 June 2011.

Importantly, each of these outcomes placed CER in a more stable position to progress its restructuring process, an update of which is set out below.

## FINANCIAL RESULT

CER's Underlying Profit for FY11 was \$70 million, a decrease of 56.6% from the prior period. This decrease in Underlying Profit is predominantly attributable to the discontinuation of US operations from February 2011 as a result of the sale of all of CER's US assets. Other factors which have contributed to this decline include the impact of the stronger Australian dollar on the conversion of US income derived prior to the sale of CER's US assets and the full year impact of higher margins on CER's debt.

The CER Australian portfolio has nevertheless recorded a strong result for FY11. The comparable NOI growth of 3.2% is a positive result in light of slowing consumer spending which is impacting on the Australian retail sector. Furthermore, occupancy levels remained near full at 99.5%.

These solid property results are a testament to our experienced and well qualified management team, who have continued to deliver these results in difficult circumstances. On behalf of your board, I would like to take this opportunity to thank them for their continued support and efforts.

This Annual Report sets out the financial results in detail and I recommend that you read it in full.

## RESTRUCTURE UPDATE

In the 2010 Annual Report, I advised that a restructure of CER could be accomplished in a number of ways and agreement on a definitive approach would likely take some time to reach an appropriate conclusion.

This assessment by CER and its advisors involved identifying multiple financial and operational restructuring alternatives for CER, aimed to deliver the best value outcome to securityholders. Options considered included CER continuing in its current form, undertaking an equity recapitalisation and/or conducting a sale of all or part of CER's investments. Each of these options had benefits and risks, including execution and sustainability risks, and the ability to deliver on each option was a major consideration for your Board.

During the year, a number of confidential expressions of interest and proposals were received in respect of CER's assets and investments. Accordingly, CER agreed with its co-owners to commence a process to formally evaluate the interest in its Australian and US investments.

Following the completion of this process, the Centro Group (including CER, Centro Properties Group ("Centro") and the other relevant Centro managed funds) entered into a binding stock purchase agreement with Blackstone to sell the Centro Group's US assets, including its US management platform, for a total gross price of US\$9.4 billion which closed on 29 June 2011. The value ascribed to CER's property portfolio was US\$4.3 billion, reflecting a modest 1.3% discount to book value. Given CER's own inability to refinance or recapitalise the US portfolio plus the significant difficulties in the US market at the time

## CHAIRMAN'S REPORT (continued)

of sale and the ongoing difficulties in the US economy, we believe that this was a very good outcome for CER securityholders.

The next step in the restructuring process for CER was the agreement to enter into discussions with Centro and certain other Centro managed funds to work together towards agreeing an amalgamation of their respective portfolios (**Aggregation**) to create a retail property portfolio of high quality, largely 100% owned Australian regional and sub regional shopping centres (**A-REIT**).

On 9 August 2011 we announced that CER had entered into an agreement (**Implementation Agreement**) to facilitate the creation of the new A-REIT, which represented another major milestone in our restructuring process. Your Board has focused on optimising the strong underlying value of CER's Australian portfolio for its securityholders and has determined, following in-depth consideration of the available options, that Aggregation represents a superior outcome for securityholders.

The new A-REIT will offer CER securityholders direct exposure through a simplified ownership structure to a steady and stable income stream from a portfolio of well managed and appropriately geared high quality retail properties, complemented by a well established retail syndicate funds management business comprising \$2.6 billion of retail assets under management.

The Aggregation is subject to various approvals, consents and conditions precedent, including approval by CER securityholders.

### CLASS ACTIONS

CER continues to defend the class action claims brought against us, by Maurice Blackburn and Slater & Gordon.

The proceedings are being defended with the parties completing various steps ordered by the Court with a view to a trial commencing in March 2012.

### LOOKING TO THE FUTURE

While signing of the Implementation Agreement was a further significant achievement on the path to restructuring, there is still considerable work to be completed. This includes the appointment of an A-REIT Chairman, Board and Chief Executive Officer and finalising terms of an appropriate A-REIT debt financing package. Each of these workstreams are well progressed and I hope to be able to inform you of further progress in the near future.

Whilst this work is ongoing, the operations of CER's shopping centre portfolio remains our focus and we will continue to manage these assets so as to achieve best possible returns to securityholders.

When we set out on the value restoration journey, our goal was to achieve best possible value for all CER stakeholders over time by developing and executing an optimal restructuring plan given the constraints we face. I believe that through the US asset sale and execution of the Implementation Agreement, we are well on the path to achieving this and completion of Aggregation would be a re-defining event for CER.

You will receive further information in a CER Explanatory Memorandum detailing the terms of the Aggregation and containing Notices of Meetings setting out the various resolutions required to effect Aggregation. We expect this information to be available in September 2011, with a vote expected to occur in October 2011.

### ANNUAL GENERAL MEETING

The Annual General Meeting for Centro Retail Trust is scheduled for Tuesday 15 November 2011 at the Melbourne Convention & Exhibition Centre. Detailed information will be contained in the Notice of Meetings which will be mailed to you in October. I and my fellow directors look forward to meeting you and providing a further update on progress.



**W. Peter Day**

Chairman Centro Retail Trust



# CEO'S REPORT

At the beginning of the 2011 financial year (**FY11**), CER faced significant challenges which it needed to overcome in order to place it in the best position possible to embark upon a restructure and recapitalisation of its business. One of the critical risks was CER's significantly over leveraged balance sheet, with look-through gearing at 30 June 2010 of 80.4% and pending debt maturities during FY11 of over \$2.1 billion across Australia and the US. Pleasingly, all of these debt maturities were refinanced or extended and with the sale of CER's US assets during the year, CER's look-through gearing has been significantly reduced to 45.6% as at 30 June 2011.

Although significant progress has been made in stabilising CER, there are still significant challenges faced by CER in its current form, including a further \$463.3 million of debt maturing during the first half of the 2012 financial year, continuing to hold mostly partial interests in property assets through a complicated structure and a number of significant remaining linkages with Centro Properties Group (**CNP**).

CNP is a majority investor in CER, a provider of property and funds management services to CER and is property and fund manager to the co-owner of the majority of CER's assets. If CNP cannot address its significant maturing debt facilities in the near term, it is considered likely that CNP will become insolvent and be placed into external administration. Given the remaining linkages between CER and CNP, an insolvency of CNP may result in a period of significant uncertainty for CER, the outcome of which cannot be predicted with any confidence. Addressing CER's remaining challenges is therefore critical and, given the interrelationships, it cannot be done independently of the other funds within the CNP Group.

Your Board and management are focused on working through these remaining challenges to ultimately provide you with a stable and sustainable retail property investment offering and we believe that the recently announced Aggregation is the best way forward for CER.

## US ASSET SALE

On 29 June 2011, CER announced the successful settlement of the sale of its US investments. CER's portfolio (including Super LLC) was sold for US\$4.3 billion, representing a modest 1.3% discount to property book value. Given the state of the US market at the time of sale and the ongoing difficulties and uncertainties in the US economy, we believe that this was an attractive price. This, coupled with the recovery of \$US38 million from

CER's investment in Super LLC which had previously been impaired to nil value, was an excellent outcome for CER securityholders.

CER's \$520 million of net proceeds from the sale are being utilised to retire a significant portion of CER's maturing 2011 Australian debt facilities. As a result of these proceeds, CER has significantly reduced its look-through gearing from 80.4% to 45.6%.

## CONTINUING BUSINESS OPERATIONS

The sale of the US portfolio has simplified CER's operations, which as of 30 June 2011 comprised a 100% Australian portfolio of interests in 29 quality retail shopping centres. However, a number of structural challenges still remain for CER, including only owning 50% interests in 26 of these 29 assets, with the other 50% interests owned by other funds within the CNP Group. Holding partial interests in assets has a number of impediments, including potentially different investment objectives and financial capacity of co-owners, which inhibits strategic flexibility in respect of capital allocation decisions and the ability to maximise value from the assets and financing challenges associated with borrowing against 50% interests in assets.

CER's Australian centres continued to perform strongly in FY11, with a high occupancy rate of 99.5% and solid Net Operating Income (**NOI**) growth of 3.2%. These pleasing property results have underpinned an Underlying Profit of \$70 million for the FY11 year.

Net Profit for FY11 was \$356.7 million. In addition to the Underlying Profit of \$70 million, the Net Profit was predominantly driven by:

- favourable movements on the mark to market of derivative financial instruments. This is largely due to the approximate 20% appreciation of the Australian dollar against the US dollar during the year, which also resulted in the closing out of all of CER's remaining equity hedges; and
- asset revaluations of 5.55% during the year across CER's Australian portfolio, as detailed below.

Further detail on the FY11 results is contained in the Review of Operations section of this Annual Report.

## CEO'S REPORT (continued)

### VALUATIONS

At 30 June 2011, CER had all 29 of its shopping centres independently valued. The aggregated portfolio value at 30 June 2011 was \$1,721.0 million, a strong increase of \$89.5 million, or 5.5% over the prior year. The average weighted capitalisation rate of the portfolio is now 7.29%.

The solid valuation growth has been achieved due to active centre management resulting in near full occupancy and solid net income growth. CER's regional shopping centres were the predominant drivers of growth within the portfolio, up \$49.6 million or 8.1% on the back of strong comparative transactions occurring during the period. The sub-regional and convenience assets also appreciated in value; however this was more in line with income growth across the assets for the period.

In isolation, the positive revaluation of the Australian portfolio from December 2010 to June 2011 improved CER's NTA by \$80.1 million, or 3.5 cents per security.

### RESTRUCTURE UPDATE

The sale of CER's US portfolio was a critically important achievement as it resulted in a significant de-gearing of CER, placing it in a more stable position to continue its restructuring process. However, given the ongoing structural issues facing CER, this was only the first of two steps required in order to maximise value for CER securityholders. The second step is to address the partial ownership interests, structural complexity and significant linkages with CNP and other Centro managed funds. I am pleased to say we have recently reached agreement between CER, CNP, a majority of CNP's senior lenders and the various Centro managed funds to achieve this, as outlined below.

On 9 August 2011 CER announced that it had entered into an Implementation Agreement with Centro, more than 83% of Centro's senior lenders and certain Centro managed funds to create a new listed retail property vehicle (**A-REIT**).

The Implementation Agreement involves aggregating the assets of CER and certain Centro managed funds, acquiring the funds and property management platform (**Services Business**) from Centro, and acquiring property and other assets from Centro and certain CNP managed funds.

The proposed A-REIT would comprise a \$4.4 billion portfolio of high quality retail properties, ownership of one of the largest managers of unlisted retail property syndicate funds in Australia managing a further \$2.6 billion of retail assets, and investments in those syndicates.

If approved, CER securityholders will receive A-REIT Stapled Securities equivalent to approximately 29% of the new A-REIT issued capital, based on CER's adjusted net asset contribution to the A-REIT. The new A-REIT will offer CER securityholders exposure to a steady and stable income from a portfolio of well managed and appropriately geared high quality retail properties, and a well established retail syndicate funds management business.

The key benefits of the A-REIT include:

- Significant platform size and scale – in terms of gross lettable area. A-REIT will be Australia's second largest manager of retail shopping centres (managing 1.7 million square metres), which is important in retaining relationships with key retailers and achieving the benefits of being able to deal with those retailers on a national scale;
- A simpler, transparent governance and internal management structure;
- Almost all of the retail centres will be 100% owned by A-REIT or the syndicates managed by A-REIT;
- A sustainable level of gearing and debt maturity profile. We expect the Loan to Value Ratio to be approximately 41%;
- A sustainable earnings profile with a first year earnings yield (on net assets including intangibles at inception) expected to be around 6%;
- An experienced and proven property management team which has effectively managed the portfolio during difficult market conditions and continued to achieve very strong property income growth over the past three years;
- The potential for strong long-term value enhancement through the strategic management of the property portfolio, including capitalising on a pipeline of internal development opportunities of over \$400 million over the next four years; and
- With net equity of approx \$3.3 billion, the A-REIT is expected to be a top 100 ASX listed entity and top 10 A-REIT at the time of listing.

## DEBT REFINANCING

CER was once again confronted with significant refinancing requirements in FY11, which I am pleased to report were successfully met.

In the first half of FY11, CER actively extended or refinanced A\$272 million of Australian debt and US\$1.7 billion of US debt, including debt within Super LLC.

The sale of the US portfolio removed debt exposures within the US portfolio, including Super LLC which was more than 100% leveraged and had little chance of being refinanced within the Centro Group structure. The net proceeds received by CER are to be utilised for the repayment of two facilities which are to mature in December 2011. One facility totalling \$315.6 million was repaid prior to 30 June 2011 and an early prepayment notice has been issued with respect to a second facility, with the outstanding facility amount of \$155.4 million expected to be repaid on or around 20 September.

There are further refinancing requirements ahead for CER, with approximately \$463.3 million of property secured loans expiring by 16 December 2011. Detailed refinancing discussions are currently taking place with CER's existing lenders, and with nine assets to be unencumbered as a result of the two debt repayments noted above, CER is well positioned to address these upcoming maturities.

## LOOKING TO THE FUTURE

Throughout financial year 2011, the Board and management have been focused on delivering a restructuring plan which not only protects the interests of CER securityholders, but also provides the opportunity for maximising value in the long term. The Implementation Agreement is a culmination of a substantial work stream completed over the past several months which, through rigorous and independent analysis, we believe represents the best outcome for CER securityholders.

We are committed to achieving Aggregation. You will be provided with more detail about the proposal in a CER Explanatory Memorandum and Notices of Meetings which will be mailed to you in September 2011. While the restructure work is ongoing, active management of our property operations will continue and will remain a focus in the period ahead.



**Robert Tsenin**

CER Chief Executive Officer

# REVIEW OF OPERATIONS

## WHAT IS CER?

CER is an Australian Real Estate Investment Trust which is traded on the Australian Securities Exchange (ASX). Listed in August 2005, CER's investment mandate is to provide investors with listed access to predominately non discretionary, quality retail property assets. During FY11 CER completed the disposal of its US portfolio interests which are reflected within the financial statements as discontinued operations. Going forward, CER will solely retain interests in Australian shopping centres.

## FY11 RESULTS

CER announced a Net Profit Attributable to Members of \$357 million for FY11, compared to a net profit of \$113 million in FY10. The improved profit was driven by the continued improvement in property valuations for retail shopping centres in both Australia and the US, compared to FY10, as well as the significant favourable net movement in the mark to market of derivatives as a result of the appreciation of the Australian Dollar against the US Dollar during the year.

## UNDERLYING PROFIT OF \$70 MILLION

CER's Underlying Profit for FY11 was \$70 million, a decrease of 56.6% from the prior period. This result reflects strong performance across our Australian property portfolio despite difficult market conditions. The fall in property income and underlying profit is due primarily to CER's sale of its US investment portfolio on 28 February 2011 (being the change in control date for accounting purposes), as previously disclosed, as well as the impact of US property performance up until the date of sale, which continued to be affected by ongoing low occupancy levels, as well as the stronger Australian dollar. Further, while financing costs have reduced in total on the prior year,

this is due to the removal of US interest expense within the US operations from the date of sale of the US investment portfolio. Australian interest costs have increased on the prior year, mainly due to the full year impact of higher debt financing costs, with the proceeds from the sale of the US investment portfolio not having a beneficial impact on FY11 interest costs as a result of these proceeds not being received until 29 June 2011.

| <b>Income Statement Extract<sup>(1)</sup><br/>for the year ended (A\$m)</b> | <b>30 June 2011</b> | <b>30 June 2010</b> |
|---|---------------------|---------------------|
| Net property income   | 343                 | 488                 |
| Other revenue   | 12                  | 13                  |
| <b>Total income</b>   | <b>355</b>          | <b>501</b>          |
| Financing costs   | (247)               | (281)               |
| Other operating costs   | (38)                | (60)                |
| <b>Underlying Profit*</b>   | <b>70</b>           | <b>160</b>          |
| Asset revaluations  | 171                 | (216)               |
| Financial Instruments / FX  | 212                 | 138                 |
| (Impairment) / Write-back in Super LLC                                      | (90)                | 36                  |
| Other   | (6)                 | (5)                 |
| <b>Statutory Net Profit</b>   | <b>357</b>          | <b>113</b>          |

1 Income statement Extract taken from Note 6 (Segment Information) in CER's FY11 Financial Report.

\* Underlying profit has been determined in accordance with the AICD/Finsia principles for reporting underlying profit.

## KEY FINANCIAL RATIOS

Following the completion of the sale of the US assets on 29 June 2011, relative to prior periods CER's, balance sheet at financial year end has substantially simplified.

| Look-through Balance Sheet (A\$m)  | 30 June 2011 | 30 June 2010 |
|--|--------------|--------------|
| Total Assets (look-through)  | 1,940        | 6,957        |
| Total Debt (look-through)  | (884)        | (5,136)      |
| Total Other Liabilities (look-through)   | (44)         | (480)        |
| Provision for Non-Recovery   | -            | (571)        |
| Non-Controlling Interest   | -            | (5)          |
| Net Assets Attributable to Members   | 1,012        | 765          |
| NTA Per Unit (\$)  | 0.44         | 0.33         |
| Look-through Gearing ratio <sup>1,2</sup><br>(Look-through Total Debt / Look-through Total Assets) | 45.6%        | 80.4%        |
| AUD/USD  | N/A          | 0.8408       |

1 Excludes the look through position of CER's investments in CMCS syndicates 38, 39 and 40.

2 For the purpose of calculating look-through gearing, look-through Total Assets is net of the Provision for Non-Recovery in relation to Super LLC.

The Total Assets of \$1.9 billion at 30 June 2011 primarily comprises the continuing \$1.7 billion Australian direct property investments and a cash balance at year end of \$168 million reflecting a component of the net US asset sale proceeds which are predominantly flagged for debt repayment in early FY12. CER's look through gearing as at 30 June 2011 was 45.6%, a significant reduction on prior year and will reduce further to 40.9% post the repayment of the CMBS 2006-1 which is expected to occur on 20 September 2011.

Net Tangible Assets per security (**NTA**) Attributable to Members increased from \$0.33 at 30 June 2010 to \$0.44 at 30 June 2011, an increase of 33.33%.

## PROPERTY PERFORMANCE OVERVIEW

| Australia                                | 30 June 11     | 30 June 10     |
|--|----------------|----------------|
| Number of Properties <sup>1,2</sup>      | 29             | 29             |
| Portfolio Value                          | A\$1.7 billion | A\$1.6 billion |
| Capitalisation Rate                      | 7.29%          | 7.47%          |
| Comparable Stabilised NOI Growth         | 3.2%           | 4.3%           |
| Total Occupancy Rate                     | 99.5%          | 99.6%          |
| Retail Sales Growth (MAT)                | 1.6%           | 3.1%           |
| Occupancy Cost<br>(Gross Income / Sales) | 14.9%          | 14.1%          |
| Rental Growth on New Leases              | 6.2%           | 4.3%           |

1 Number of properties reflects 50% interests in 26 assets and 100% interests in 3 assets.

2 Centro Birallee, in which CER had a 50% interest, was disposed of effective 25 July 2011, reducing the number of properties to 28.

The CER Australian portfolio has recorded a strong result for FY11. The comparable NOI growth of 3.2% is a positive result in light of slowing consumer spending which is impacting on the Australian retail sector. Furthermore, occupancy levels remained near full at 99.5% and occupancy costs were stable at 14.9%. Rental growth on new leases during FY11 continued prior year performance with an average 6.2% increase on new and renewing leases.

Overall, the CER portfolio recorded comparable Moving Annual Turnover (**MAT**) growth of 1.6% for the year ended 30 June 2011 as shown in the table below.

## REVIEW OF OPERATIONS (continued)

### CER AUSTRALIAN CENTRE SALES JUNE 2010 TO JUNE 2011

| Category                      | MAT <sup>1</sup><br>\$m | Composition  | MAT Change per<br>SCCA Standards <sup>2</sup> |
|-------------------------------|-------------------------|--------------|---|
| Supermarkets                  | 1,563.7                 | 36.9%        | 3.4%  |
| Discount Department<br>Stores | 640.4                   | 15.1%        | -3.0%   |
| Department Stores             | 159.3                   | 3.8%         | -3.9%   |
| <b>Total Majors</b>           | <b>2,363.4</b>          | <b>55.7%</b> | <b>1.0%</b>                                   |
| Specialties                   | 1,333.6                 | 31.5%        | 2.2%  |
| Mini Majors                   | 263.7                   | 6.2%         | 1.5%  |
| Others                        | 279.4                   | 6.6%         | 4.1%  |
| <b>Total</b>                  | <b>4,240.2</b>          | <b>100%</b>  | <b>1.6%</b>                                   |

1 Moving Annual Turnover reflects 100% of centres' sales to 30 June 2011

2 Shopping Centre Council of Australia (SCCA) Standards include only stable properties

Global economic volatility is impacting the Australian retail environment, as consumers take a more cautious approach to spending. This is evidenced by higher household savings ratios, which is estimated to have increased to 11.5% of disposable income, back to levels recorded in the mid 1980s<sup>(1)</sup>. As a consequence, consumer's spending continues to moderate, with a cautious attitude towards spending prevalent in the face of an ever-changing global economic environment.

The strong appreciation of the Australian dollar has heightened consumer's preparedness to shop online. Combined with increased competition from specialist retailers, department store and discount department store sales have been impacted with a decrease in sales of 3.9% and 3.0% respectively, contributing to a more modest overall increase in portfolio sales of 1.6%. This increase has largely been driven by strong supermarket sales which have performed strongly off the back of successful marketing campaigns. Supermarket sales account for 37% of CER's total sales.

During FY11, CER, in conjunction with the co-owner of the asset, completed a value adding project at Box Hill South. This \$12.2 million project was completed in November 2010 and involved the replacement of Target with a new Big W store. This project has been a success to date, with Big W commencing trade to strong sales.

Two further value add projects were instigated in FY11, with the repositioning of Centro Toombul progressing well and on track for an October 2011 opening of Target, complementing the recent additions of Lincraft and Dick Smith. Further development opportunities exist for this asset with options for "non retail" leasing and the re-opening of the former cinema complex currently being explored. At Centro Tweed, repositioning of the Centre is underway with the replacement of the old food court with a new Lincraft mini major store.

### SALE OF US PORTFOLIO

CER's portfolio (including Super LLC) was sold for US\$4.3 billion, representing a 1.3% discount to property book value. Given the state of the US market at the time of sale and the ongoing difficulties and uncertainties in the US economy, this is considered an attractive price. CER's net proceeds of approximately \$520 million, including both direct proceeds and expected indirect proceeds via its US syndicate investments, were, or are still to be, used to retire a significant portion of CER's maturing 2011 Australian debt facilities.

Following the completion of a competitive sales process, the Centro Group (including CER, Centro and the other relevant managed funds) entered into a binding stock purchase agreement with BRE Retail Holdings, Inc, an affiliate of Blackstone Real Estate Partners VI, L.P. (**Blackstone**) to sell the Centro Group's US assets, including its US management platform, for a total gross price of US\$9.4 billion. The value ascribed to CER's property portfolio (including Super LLC) was US\$4.3 billion, representing a modest 1.3% discount to property book value. In addition, CER recovered \$US38 million from the investment in Super LLC which had previously been impaired to nil value, resulting in CER's NTA remaining largely unchanged as a result of this transaction.

(1) RBA Statement of Economic Conditions – August 2011.

The decision to dispose of CER's US operations was based upon consideration of both operational and financial factors. Given the high leverage within both the US and Australian operations, CER's financial position was unsustainable in the long term. Furthermore, there was a material threat to the solvency of Super LLC with the imminent refinancing risks of the portfolio which was more than 100% leveraged and had little chance of being refinanced within the Centro group structure.

From an operational perspective, given the ongoing challenges facing the US economy, it was considered that any significant improvement in US retail and therefore any meaningful improvement in portfolio fundamentals over the short to medium term was unlikely. This, coupled with CER's highly constrained financial position, whereby it was unable to meet the required reinvestment to compete with its peers, meant that selling the portfolio was considered to be in securityholders' best interests.

## DEBT REFINANCING

At the commencement of FY11, CER faced significant refinancing risk across both its Australian and US operations.

In the first half of FY11, CER actively extended or refinanced A\$272 million of Australian debt and US\$1.7 billion of US debt, including debt within Super LLC.

Given the short term extension of some of these facilities, it was clear that CER needed to recapitalise in order to best position itself for the next significant refinancing hurdles in November and December 2011. The sale of the US portfolio was key to achieving this. Settlement of the US sale occurred on 29 June 2011 and \$315.6 million of proceeds were used to repay a bank loan prior to 30 June 2011. CER intends to utilise the remaining proceeds to retire an additional \$155.4 million of debt on or around 20 September 2011, the first opportunity to do so under the facility.

Through retiring these maturing debt facilities, CER has unencumbered four assets and the September repayment will unencumber an additional five assets. While significant refinancing challenges remain, including a further \$463.3 million of debt falling due within the first half of FY12, CER is now better positioned to deal with these impending debt maturities and also has a more stable platform in which to restructure through Aggregation.

## HEDGING UPDATE

As at 30 June 2010, CER was significantly over hedged on its US dollar equity. The significant appreciation of the Australian dollar, relative to the US dollar, during FY11 enabled CER to close out substantially all of the contracts at no cost. On 5 January 2011 CER closed out the last remaining contract for a cash settlement of \$11.8 million.

Shortly after executing the binding stock purchase agreement for the sale of the US portfolio, CER purchased a currency option for A\$14.2 million to protect its US dollar equity from further appreciation of the Australian dollar. The contract was settled at a strike price of AUD/USD=\$1.03 and was closed out at the time of the settlement of the US portfolio.



# EXECUTIVE COMMITTEE

There are no employees of CER, subsidiaries of that company or Centro MCS Manager Limited (**CMCS**) in its capacity as the Responsible Entity (**RE**) of Centro Retail Trust. Centro Retail Trust pays a RE fee to CMCS, a subsidiary of Centro Properties Group, to provide, funds management, property management and other operational services. These services are provided by the executive committee and other employees of Centro Properties Group. The executive committee of Centro Properties Group is detailed below.

## ROBERT TSENIN

### GROUP CEO & MANAGING DIRECTOR

Mr Robert Tsenin commenced as Centro's Group Chief Executive Officer and Managing Director Designate on Friday 5 February 2010. Robert has also served as a non-executive Director of Centro Properties Group since his appointment to the Board effective October 2009.

Robert has over 30 years experience in investment banking in corporate finance and mergers and acquisitions, and senior roles in real estate in development, construction and funds management in Australia, the US and the UK.

Robert's recent roles include Managing Director of Goldman Sachs (Australia) Limited and Finance Director of Lend Lease Corporation Limited.

Robert has served as a non-executive Director of major Australian and overseas companies and a number of real estate funds.

## CHRIS NUNN

### GROUP CHIEF FINANCIAL OFFICER

Mr Chris Nunn joined Centro in September 2009. Chris oversees the finance, treasury, tax and financial and management accounting functions of Centro and its managed funds. Chris also manages the internal audit, IT, information management and business analysis part of the Centro business.

Chris has over 30 years of finance, accounting and audit experience and most recently, Chris served as Chief Financial Officer at Industry Superannuation Property Trust. He has held senior finance and operations roles at MacarthurCook, JP Morgan Investor Services, Merrill Lynch Investment Managers and McIntosh Securities after ten years with Coopers & Lybrand.

## MARK WILSON

### GENERAL MANAGER – PROPERTY OPERATIONS AUSTRALIA

Mr Mark Wilson is responsible for the overall performance of Centro's Australian retail assets. This includes all areas of leasing, property management, development and marketing, as well as valuations and property transactions.

Since joining Centro in 1997, Mark has served various roles including Chief Investment Officer and Chief Operating Officer for Centro Watt US.

Mark is a Director of the Shopping Centre Council of Australia and has over 20 years experience in the retail and property industry.

## DIMITRI KIRIACOULACOS

### GROUP GENERAL COUNSEL

Mr Dimitri Kiriacoulacos joined Centro in October 2009 and oversees the Group's legal, secretariat and compliance teams. Dimitri is a lawyer and accountant with legal and commercial experience across many countries. He has worked in private practice, investment banking and corporate roles principally in the areas of mergers and acquisitions, business development and corporate governance.

Prior to joining Centro Dimitri held senior legal roles, most recently as General Counsel, Corporate Advisory with National Australia Bank and General Counsel and Company Secretary with Mayne Pharma.

## GERARD CONDON

### GENERAL MANAGER – SYNDICATE FUNDS MANAGEMENT

Mr Gerard Condon has 20 years experience in the property industry. Gerard oversees the syndicate, retail distribution and investor services teams and bears ultimate responsibility for all 35 Centro MCS Syndicates.

Gerard was previously manager of the Syndicate Funds Management team and commenced with Centro following five years at MCS property. Gerard has nine years experience in valuations prior to MCS.

## PAUL BELCHER

### GENERAL MANAGER – FINANCE

Mr Paul Belcher is responsible for overseeing the finance, treasury, tax and financial and management accounting functions for Centro and its managed funds.

Paul joined Centro in 2006, serving as Group Financial Accounting Manager and more recently General Manager – Accounting.

Paul's previous experience includes ten years at PricewaterhouseCoopers where he was a director in the Assurance and Business Advisory practice, specialising in the retail property, retirement village and construction sectors.

## MICHAEL BENETT

### DEPUTY CEO AND CHIEF RESTRUCTURING OFFICER – CER

Mr Michael Bennett was appointed Deputy CEO and Chief Restructuring Officer of CER effective 1 December 2010. Michael is responsible for all facets of CER's operations including developing the ongoing strategy for CER, reviewing new investment opportunities and communication with CER's stakeholders, including investors, broking analysts and the institutional market. Michael is also responsible for the group's corporate marketing and communications.

Michael joined Centro in 2004 and has served in various roles including Group Commercial and Business Analysis Manager, Centro Fund Manager and Centro Financial Accounting Manager. Michael's previous experience includes nine years within the Assurance and Business Advisory Services division at PricewaterhouseCoopers where he specialised in the property and construction industry.

## SUE SMITH

### GROUP GENERAL MANAGER – HUMAN RESOURCES

Ms Sue Smith joined Centro in July 2010 in the newly created role of Group General Manager, Human Resources.

Sue brings to Centro extensive human resources experience in multinational and financially focused organisations. She also has significant experience in workforce planning and the management of people across different countries and cultures.

Prior to joining Centro, Sue held senior roles both in Australia and the UK with companies such as Foster's Group Limited, GE Capital Australia Limited and Colonial Limited.

Sue is responsible for coordinating the strategic management of staff across Australasia.



# BOARD OF DIRECTORS

The Board of Directors of the Company and the Board of Directors of the Responsible Entity (together the Boards) are responsible for the overall Corporate Governance of the Company and the Trust.

CER supports the appointment of independent directors who bring a range of business skills and experience relevant to CER.

The Boards currently consists of six Directors, all of whom are non-executive directors all of whom (including the Chair) are independent directors.

The Directors currently in office and who were in office for FY11 are Messrs Peter Day, Bill Bowness, Paul Cooper, Michael Humphris and Fraser MacKenzie. Ms Anna Buduls was appointed to the Boards on 15 November 2010 and served for the balance of the year. Mr Jim Hall retired as director on 15 November 2010.

An outline of each Director's skills, experience and term of office is set out in the following three pages of this Annual Report.

## PETER DAY

### CHAIRMAN

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- Appointed October 2009

### BACKGROUND & EXPERIENCE

Mr Day has over 30 years experience in Australia and internationally in finance, strategy, general management and compliance including executive positions with Amcor, Rio Tinto and the Australian Securities & Investments Commission.

Mr Day holds a Bachelor of Laws (Hons) from Queen Victoria University (UK) and a Master of Business Administration from Monash University. He is a Fellow of the Institute of Chartered Accountants (in Australia and UK), and CPA Australia, and a Graduate Member of the Australian Institute of Company Directors.

### CURRENT DIRECTORSHIPS AND ADVISORY ROLES

- **Ansell** – Non-executive Director
- **Orbital** – Non-executive Chairman
- **SAI Global** – Non-executive Director
- **Accounting Professional & Ethical Standards Board** – Member
- **Australian Prudential Regulation Authority** – Risk Management & Audit Cttee
- **Central Gippsland Region Water Corporation** – Non-executive Director
- **Multiple Sclerosis (and related entities)** – Non-executive Director
- **Water Accounting Standards Board** – Member

## BILL BOWNESS

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- Appointed October 2009

### BACKGROUND & EXPERIENCE

Bill Bowness has over 30 years of commercial and retail property development and management experience in Australia and the US. Mr Bowness was the founder, Chairman and CEO of Melbourne based property developer Wilbow Corporation, which built a significant property business in Australia, New Zealand and the US.

He is still involved in property development in USA.

Mr Bowness is a Fellow of the Australian Property Institute, a Fellow of the Australian Institute of Company Directors and a Fellow of Certified Practising Accountants in Australia. He is currently actively involved in various cultural, community and philanthropic activities.

### CURRENT DIRECTORSHIPS AND ADVISORY ROLES

- **Housing Choices Australia Ltd** – Non-executive Director
- **Wilbow Group Pty Ltd and Associated Companies** – Chairman
- **Australian Grand Prix Corporation** – Member
- **National Gallery of Victoria Foundation** – Member
- **Monash Gallery of Art Foundation** – Trustee
- **The Australian Ballet Foundation** – Member

### PAST NON-EXECUTIVE DIRECTORSHIPS (LAST 3 YEARS)

- **Defence Housing Australia Limited** – Non-executive Director
- **Monash Gallery of Art Committee of Management** – Member

## ANNA BUDULS

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- Appointed November 2010

### BACKGROUND & EXPERIENCE

Anna Buduls has a finance and consulting background, including positions with Macquarie Bank and Westpac, and four years as a journalist and investment editor with the Australian Financial Review.

Over the past 16 years Ms Buduls has held a number of non-executive directorships including Macquarie Generation, AWB Limited, Freedom Group Limited, Dairy Australia Limited, Hamilton James and Bruce Group, Mirvac Group Limited and The Smith Family.

### CURRENT DIRECTORSHIPS AND ADVISORY ROLES

- **Centro Properties Group** – Non-Executive Director
- **SAI Global Limited** – Non-Executive Director
- **Foreign Investment Review Board** – Non-Executive Director
- **Beyond Empathy** – Chairman
- **Tramada Systems** – Owner and Chairman

### PAST NON-EXECUTIVE DIRECTORSHIPS (LAST 3 YEARS)

- **Macquarie Generation** – Non-Executive Director



## BOARD OF DIRECTORS (continued)

### PAUL COOPER

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- Appointed October 2006

#### BACKGROUND & EXPERIENCE

Paul Cooper became an independent, non-executive Director of Centro Properties Group and Centro Retail Limited in October 2006. Mr Cooper was appointed as Chairman of Centro Properties Group on 1 July 2008.

Mr Cooper practiced law for 19 years at the national law firm, Freehills, in Sydney, Perth and Melbourne, including a secondment to the London law firm, Slaughter and May.

Mr Cooper has extensive experience in listed public company affairs, funds management, managed investment schemes, finance, corporate law, strategic corporate advice, capital raising, acquisitions, divestments, and negotiation and establishment of joint ventures.

#### CURRENT DIRECTORSHIPS

- **Centro Properties Group** – Non-Executive Director, Chairman

#### PAST NON-EXECUTIVE DIRECTORSHIPS (LAST 3 YEARS)

- **AXA Asia Pacific Holdings Limited** – Non-Executive Director

### MICHAEL HUMPHRIS

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- Appointed October 2009

#### BACKGROUND & EXPERIENCE

Michael Humphris has over forty years of audit, finance and advisory experience including partnership positions with BDO Chartered Accountants & Advisors, Arthur Andersen and Ernst & Young.

Mr Humphris is a Fellow of the Institute of Chartered Accountants in Australia, a Member of the Australian Institute of Company Directors, a Senior Associate of the Financial Services Institute of Australasia and a Member of Melbourne University's Department of Accounting & Business Information Systems Advisory Committee.

#### CURRENT DIRECTORSHIPS AND ADVISORY ROLES

- **BDO** – Senior Advisor
- **Tox Free Solutions** – Non-executive Director
- **Virax Holdings** – Chairman
- **Murray Irrigation** – Non-executive Director

#### PAST NON-EXECUTIVE DIRECTORSHIPS (LAST 3 YEARS)

- **CMA Corporation Ltd** – Non-executive Director

## FRASER MACKENZIE

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- Appointed October 2009

### BACKGROUND & EXPERIENCE

Fraser MacKenzie has over 40 years of finance and general management experience in the UK, US and Asia, including as Chief Financial Officer of both Coles Group/Coles Myer and OPSM Group. Mr MacKenzie has held senior finance and general management roles at Pfizer, Gestetner Holdings and Smith Kline & French Laboratories in addition to various accounting positions in his early career at Royal Bank of Scotland, Hambros Bank and Ernst & Young.

Mr MacKenzie holds a National Diploma in Business Studies from Aberdeen College of Commerce (Scotland), is a Fellow of the Chartered Association of Certified Accountants in the UK, a Fellow of the Certified Practising Accountants in Australia and a Member of the Australian Institute of Company Directors.

## COMPANY SECRETARIES

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The Company Secretary is Ms Elizabeth Hourigan, LLB. Elizabeth is also the Compliance Officer and Senior Legal Counsel of the Group. Elizabeth joined Centro in 2003 and was appointed to the position of Company Secretary in November 2005.

Mr Dimitri Kiriacoulacos was appointed a Company Secretary on 1 April 2010 and Mr Paul Flanigan continues as Assistant Company Secretary.



# CORPORATE GOVERNANCE

CER is a 'stapled' vehicle that combines a company, Centro Retail Limited (the Company) with a trust, Centro Retail Trust (the Trust), collectively known as CER or the Fund. Centro Retail Limited is managed by a board of directors who are accountable to the Securityholders and stand for re-election at least once every three years.

The Trust is a managed investment scheme that is registered under the *Corporations Act 2001* (the Act). Centro MCS Manager Limited, a wholly-owned subsidiary of the Centro Properties Group (Centro or the Group), is the Responsible Entity (the RE) of the Trust.

The Responsible Entity is responsible for the overall Corporate Governance of the Trust, including the protection of Securityholders' interests, developing strategic direction, establishing goals for management and monitoring the achievement of these goals.

## CENTRO RETAIL TRUST'S RELATIONSHIP WITH CENTRO

Centro maintains a substantial investment in CER either in its own right or through its managed funds. The holdings of Centro and its managed funds are currently at 50.63%, with Centro holding 24.62% in its own right and the balance being held by the Centro Direct Property Fund (DPF) and the Centro Direct Property Fund International (DPFI), both of which are managed by Centro. The holdings of those funds either directly or through an interposed vehicle, are 7.20% and 18.75% respectively of which Centro holds 4.03% and 12.56% respectively.

## RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST

In all cases where CER is transacting with other members or subsidiaries of Centro, such as a Centro MCS direct property syndicate or Centro Property Trust, it will conduct the transaction in accordance with the Group's Conflicts of Interest and Related Party Transactions Policy, which is set out on Centro's website at [centro.com.au](http://centro.com.au).

In accordance with that policy, CER will either conduct the transaction on commercial terms and at arm's length – that is, on terms and conditions no less favourable to CER than would apply if the other party were not part of Centro, or CER will obtain the prior approval of CER Securityholders.

CER may from time to time invest in other Centro managed funds. As an investor in those funds, CER may be required to cast its vote in actions and decisions relating to those investments. In these circumstances, while CER's policy is generally to vote in accordance with the relevant responsible entity's recommendations, it will only do so if it considers the recommendations to be in the best interests of CER Securityholders.

## CORPORATE GOVERNANCE FRAMEWORK

As the Responsible Entity is a wholly-owned subsidiary of Centro, for the purposes of corporate governance, CER is considered to be part of the Group, and the Corporate Governance policies and procedures of the Group apply to CER. References throughout this section to the Group include CER.

The Group has established a framework for the management of the consolidated entity, including a system of internal controls, a business risk management process and the establishment of appropriate ethical standards.

The Boards of CER and the Group operate under a set of well-established corporate governance policies which comply with the principles and requirements of the Corporations Act and Australian Securities Exchange (ASX). The Boards review and, as necessary, update their corporate governance charters and policies as the corporate governance environment and good practice evolve and believe they satisfy all of the recommendations of the ASX Corporate Governance Council. Further details of these charters and policies are available in the Corporate Governance section of the Centro website.

This statement outlines the main Corporate Governance practices in place throughout the financial year and sets out compliance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (2nd edition 2007 with 2010 amendments) (Principles).

## PRIMARY DUTIES AND OBLIGATIONS

The primary duties and obligations of the Company and the Responsible Entity include:

- Exercising all due diligence and vigilance in carrying out their duties and in protecting the rights and interests of Securityholders, and in performing their functions and exercising their powers under the Trust and Company constitutions in the best interests of all Securityholders.
- Keeping or causing to be kept proper books of account, ensuring the financial report is audited annually by an independent registered auditor and sending a financial report and a copy of the auditors' report to Securityholders each year.
- Ensuring that the affairs of both the Company and the Trust are carried on and conducted in a proper and efficient manner.
- Under the Trust constitution, the Responsible Entity is also responsible for the day-to-day operations of the Trust including:
  - Ongoing management, research and selection of property investments and disposals.
  - Preparing all notices and reports to be issued to Securityholders.

## BOARD COMPOSITION AND MEMBERSHIP

All Directors of the Company are also Directors of the Responsible Entity. References to the Board, or to the Board of CER, in the Corporate Governance section of this Annual Report, are references to the Boards of the Company and the Responsible Entity. Over the reporting period, the Board consisted of a maximum of six Directors. Until 15 November 2010, these Directors were:

- Peter Day (Chair);
- Bill Bowness;
- Paul Cooper;
- Jim Hall;
- Michael Humphris; and
- Fraser MacKenzie.

At that time, Jim Hall retired. A new Director, Anna Buduls, was appointed to replace him from 15 November 2010. This appointment was approved by election as Directors at the 2010 annual general meeting. Board composition and the independence of Directors is determined using the principles adopted in the Board Charter and having regard to the Principles. The Board has not adopted any particular materiality thresholds.

In assessing the independence of its Directors, the Board of CER has considered and retained its previously held view that with regard to those Directors who are also Directors of CNP, where that Director was considered by Centro Properties Group to be independent, that Director's independence was not lost with regard to CER merely because Centro Properties Group or one of its managed funds is a substantial shareholder of CER. The Board formed the view that all of its nonexecutive Directors exercised independent judgment on the Board of CER and could continue to discharge their duties to CER Securityholders in the best interests of Securityholders, recognising those interests above all others. On this basis, all non-executive Directors of the Board were considered to be independent.

Accordingly, both Paul Cooper and Anna Buduls are considered to be independent in accordance with the Company's policy (as discussed above). Peter Day, Bill Bowness, Michael Humphris and Fraser MacKenzie are also considered to be independent.

It should also be noted that the Board of CER has formed an Independent Directors Committee, consisting of those Directors who are not also directors of Centro. This committee provides a forum where its members can meet separately if a potential or clear area of conflict arises.

The Board of Centro MCS Manager Limited has also had regard to its separate role as responsible entity of Centro Direct Property Fund (DPF) and Centro Direct Property Fund International (DPFI), both of which invest in CER in their own right and through interposed entities. DPF and DPFI do not have controlling interests in CER. The Board considers that their function on the board of the RE of DPF and DPFI does not undermine their independent status as directors of CER. The Board has concluded this having

## CORPORATE GOVERNANCE (continued)

regard to the practices and procedures in place regarding management of related party transactions and conflicts of interest, allowing the Boards to continue to discharge their duties to securityholders in CER, DPF and DPF1 appropriately and having regard to the best interests of all securityholders.

Accordingly, in line with the Principles, the Board in its entirety consists of independent non-executive Directors, and the Chair of the Board, Peter Day, is an independent non-executive Director.

In accordance with Recommendation 2.6, information on each Director including their skills, experience and expertise and term of office is disclosed in the Board of Directors section on Page 12.

Recommendations 2.1, 2.2, 2.3 and 2.6 of the Principles

### BOARD ROLES AND RESPONSIBILITIES

The Board is responsible for planning and overseeing the business and affairs of the Fund for the benefit of the stapled Securityholders. The Boards are accountable to those stapled Securityholders for the performance of the Fund. Full details of the responsibilities and functions reserved for the Board are set out in the Board Charter, which can be accessed on CER's website.

CER does not itself have any employees. The Board has delegated responsibility for the day-to-day operation and administration of the Fund to the Australian Executive Committee (EC) and, for the period that the Fund held US assets, to the US Management Committee (MC) of Centro Properties Group. However, the Board maintains responsibility for strategic direction and control of the Fund. The Board monitors the performance of the Group, EC, MC (while the Fund held US assets) and senior management ensures that a formal performance review and executive resources review is conducted each year to assess such performance. This process has been undertaken during the past year.

Recommendations 1.1, 1.2, 1.3 of the Principles

### DIRECTOR EDUCATION

The Group has adopted a process to educate Directors about the nature of the Group's business, including the Fund, current issues, the corporate strategy and the expectations of the Fund concerning the Directors' performance. Directors of the Fund also have the opportunity to visit the properties of the Fund and meet with management to gain a better understanding of business operations.

### INDEPENDENT PROFESSIONAL ADVICE

Under the terms of both the Company and Trust constitutions, each Director has the right to seek independent professional advice at the expense of the Fund. However, prior approval of the Chair is required, which is not to be unreasonably withheld.

Recommendation 2.6 of the Principles

### BOARD COMMITTEES

The Group has established a number of committees to assist with the implementation of its Corporate Governance practices. The Board committees are:

- Audit Committee
- Finance Committee
- Independent Directors Committee
- Managed Investments Compliance Committee
- Nomination Committee
- Remuneration and HR Committee
- Risk Committee
- Special Matters Committee

Attendance of committee members at meetings is included in the Directors Report section in set out on Page 28 of this Annual Report.

The activities of these committees are reviewed below. Each has a written charter and operating procedures that are reviewed on a regular basis.

## MEMBERSHIP OF BOARD COMMITTEES

|                               | Peter Day | Anna Buduls          | Bill Bowness | Paul Cooper | Michael Humphris | Fraser Mackenzie | Jim Hall             |
|-------------------------------|-----------|----------------------|--------------|-------------|------------------|------------------|----------------------|
| <b>Non-Executive Director</b> | ✓         | ✓ <sup>(2)</sup>     | ✓            | ✓           | ✓                | ✓                | ✓ <sup>(1)</sup>     |
| Audit Committee               | -         | ✓ <sup>(2)</sup>     | -            | -           | ✓                | Chair            | ✓ <sup>(1)</sup>     |
| Finance Committee             | -         | ✓ <sup>(2)</sup>     | -            | -           | Chair            | ✓                | ✓ <sup>(1)</sup>     |
| Compliance Committee          | -         | -                    | Chair        | ✓           | ✓                | -                | -                    |
| Nomination Committee          | Chair     | -                    | ✓            | ✓           | -                | -                | -                    |
| Remuneration / HR Committee   | Chair     | -                    | ✓            | -           | ✓                | ✓                | -                    |
| Risk Committee                | -         | Chair <sup>(2)</sup> | ✓            | -           | -                | ✓                | Chair <sup>(1)</sup> |
| Special Matters               | Chair     | ✓ <sup>(2)</sup>     | ✓            | -           | ✓                | ✓                | -                    |
| Independent Directors         | Chair     | -                    | ✓            | -           | ✓                | ✓                | -                    |

(1) Jim Hall retired effective 15 November 2010.

(2) Anna Buduls appointed from 15 November 2010.

### AUDIT COMMITTEE

The Board have adopted an Audit Committee Charter which sets out the objectives, responsibilities and functions of the committee in relation to audit matters. The Charter can be accessed on CER's website. In accordance with the Principles, the Committee is comprised of three members, all of whom are independent non-executive Directors, and the Chair of the Committee is not Chair of the Board.

The Chief Executive Officer, Chief Financial Officer, General Manager – Finance, Compliance Officer, Group Risk and Internal Audit Manager and External Auditor also attend committee meetings by invitation. The committee regularly reports to the Boards in respect of matters within its responsibilities.

Recommendations 4.1, 4.2, 4.3, 4.4 of the Principles.

In accordance with Recommendation 4.4, details of the members of the Audit Committee are set out in the Board of Directors section above and attendance of Committee members is set out at Page 28 on the Directors report section of this Annual Report.

### FINANCE COMMITTEE

A Finance Committee Charter has been adopted which sets out the purpose and powers of the committee. This Charter can be accessed on CER's website.

Details of the members of the Finance Committee are set out in the Board of Directors section above and attendance of Committee members is set out in the Directors Report section at Page 28 in this Annual Report.

### MANAGED INVESTMENTS COMPLIANCE COMMITTEE

The Fund has adopted a Compliance Plan, lodged with the Australian Securities and Investments Commission (ASIC), that sets out the procedures and systems used to ensure the Fund's compliance with its obligations under the Act and the Trust constitution.

The Fund must operate in accordance with the Compliance Plan that is monitored by both a specially constituted Compliance Committee and the compliance plan auditor. Through maintaining a separate committee, all Directors acknowledge the importance of the financial services industry's regulatory regime and their responsibilities in protecting the interests of Securityholders.

## CORPORATE GOVERNANCE (continued)

A Managed Investments Compliance Committee Charter has been adopted which sets out the purpose and powers of the Committee. This Charter can be accessed on CER's website. The Committee meets at least quarterly to monitor compliance and review the adequacy of the Compliance Plan. In addition, the Fund's Compliance Officer is required to confirm monthly to the Chair of the Committee that no material breaches have occurred that could cause financial disadvantage to any investor.

Details of the members of the Managed Investments Compliance Committee are set out in the Board of Directors section at Page 19 and attendance of Committee members is set in the Directors Report section at Page 28 in this Annual Report.

### NOMINATION COMMITTEE

The Nomination Committee is responsible for establishing criteria for Board membership, reviewing Board membership and identifying and nominating directors.

A Nomination Committee Charter has been adopted which sets out the purpose and powers of the committee.

The Nomination Committee will also make recommendations to the Board for the remuneration of non-executive Directors based on the advice received from independent consultants and market surveys and is always within the level of the aggregate fees limit approved by Securityholders in general meeting.

Recommendation 2.4 of the Principles.

In accordance with Recommendation 2.6, information on each Director including their term of office is disclosed in the Board of Directors section on Page 12 and attendance of Committee members is set out in the Directors report section on Page 28 in this Annual Report.

### REMUNERATION AND HR COMMITTEE

As CER does not have any employees at this time, the role of the Remuneration and HR Committee is limited.

The Group's Remuneration Policy is set out within the Remuneration Report section of the Directors' Report on Page 28 in this Annual Report

Recommendations 8.1, 8.2, 8.3 and 8.4 of the Principles.

In accordance with Recommendation 2.6, information on each Director including their term of office is disclosed in the Board of Directors section on Page 19 and, in accordance with Recommendation 8.4, attendance of Committee members is set out in the Directors Report section on Page 28 in this Annual Report.

### RISK COMMITTEE

The Board have adopted a Risk Committee Charter which sets out the objectives, responsibilities and functions of the committee in relation to risk management matters, and identifying and managing material business risks. The Charter can be viewed on CER's website. The Committee oversees the risk management and internal control framework and reviews its effectiveness.

The Chief Executive Officer, Group Chief Financial Officer and Group Risk and Internal Audit Manager also attend committee meetings by invitation. The committee regularly reports to the Boards in respect of matters within its responsibilities.

Details of the members of the Risk Committee are set out in the Board of Directors section on Page 19 and attendance of Committee members is set out in the Directors Report section on Page 28 in this Annual report.

### SPECIAL MATTERS COMMITTEE

The Special Matters Committee was established in November 2009 and consists of the non-executive directors of the Board who are not involved in the ASIC proceedings commenced in October 2009 against current and former directors, being Peter Day, Bill Bowness, Anna Buduls, Michael Humphris and Fraser MacKenzie. The Committee was chaired by Mr Day during the reporting period.

The Boards have adopted a Special Matters Committee Charter which sets out the objectives, responsibilities and functions of the committee in relation to the ASIC proceedings and matters incidental to those proceedings.

Details of the members of the Committee are set out in the Board of Directors section at Page 19 and attendance of Committee members is set out in the Directors Report section at Page 28 in this Annual Report.

## INDEPENDENT DIRECTORS COMMITTEE

The Independent Directors Committee was established in November 2009 and consists of those members of the Board who are not also members of the Centro Properties Group Board, being Peter Day, Bill Bowness, Michael Humphris and Fraser MacKenzie. The Committee was chaired by Mr Day during the reporting period.

The purpose of the Committee is to provide a forum for consideration of any specific matters which the Board may be required, or wish to consider, without the involvement of common directors of Centro Properties Group. The Boards have adopted an Independent Directors Committee Charter which sets out the objectives, responsibilities and functions of the committee in this regard.

Details of the members of the Committee are set out in the Board of Directors section at Page 19 and attendance of Committee members is set out in the Directors Report section at Page 28 in this Annual Report.

## EVALUATION OF BOARD PERFORMANCE

The Board supports the principle of regular reviews of both whole of Board and individual Director performance and effectiveness.

A formal review of the performance of the Board as a whole was conducted during the reporting period with the assistance of an external consultant. This included a review of individual Director performance, and the contribution that each Director is able and expected to make.

Recommendation 2.5 of the Principles.

## DIVERSITY AND INCLUSION POLICY STATEMENT

CER does not have a formal diversity policy as it has no employees and its Board already takes into account diversity considerations when looking for new appointments. Also, the Board of CER is satisfied that the Diversity Policy of Centro Properties Group ensures that the executives involved in managing CER are subject to an appropriate Diversity Policy.

## RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Board and management recognise that effective risk management and internal controls are an integral part of sound management practice and good corporate governance as they improve decision-making and enhance outcomes and accountability. The Board has received assurance from the Group Chief Executive Officer and the Group Chief Financial Officer that the declaration provided in accordance with Section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Recommendations 7.3 and 7.4 of the Principles.

The Board is responsible for the overall Risk Management and Internal Control Framework of the Group (i.e. operations in Australia and the United States) which includes the following activities:

### MATERIAL RISKS REGISTER

The Board and management recognise that Centro must have a robust Risk Management Framework in which material risks are proactively identified, communicated and managed. The Material Risk Register is an effective management tool that is used to identify and communicate material risks. It is updated on a quarterly basis and is reported to the Executive Committee and the Boards via the Risk Management Committee. It is also used to monitor material risks and risk mitigation strategies. The Material Risk Register covers broad risk categories including business continuity, strategic objectives, financial, people and occupational health and safety, reputation, infrastructure, assets and systems, legal and regulatory. Management has reported to the Board as to the effectiveness of the company's management of its material business risks.

Recommendation 7.1, 7.2, 7.4 of the Principles.

## CORPORATE GOVERNANCE (continued)

### INTERNAL AUDIT

The Internal Audit function provides independent objective assurance and makes recommendations to assist the Group in improving its Risk Management and Internal Control Framework. It also tests compliance with internal controls. The Audit Committee and the Risk Committee review and approve the risk-based Strategic Internal Audit Program each financial year. The Committees also review the outcomes of Internal Audits performed to ensure that appropriate actions are taken to mitigate identified risks.

### MANAGED INVESTMENTS COMPLIANCE PLAN

The Managed Investments Compliance Plan applies to all of the registered managed investment schemes in the Group, including Centro Retail Trust, and provides a framework to review and monitor the investment risk for investors in those schemes.

The Compliance Officer is responsible for performing periodic reviews of the Group's compliance with the provisions of the compliance plan.

### CONTINUOUS DISCLOSURE

The Group has a policy that all Securityholders have equal access to the Group's information and has established comprehensive processes and procedures to ensure that all price sensitive information is disclosed to the ASX in accordance with the continuous disclosure requirements of the Act and the ASX Listing Rules. All information provided to the ASX is immediately posted to the Group's website.

CER has established a Group Disclosure & External Communications Policy. This Policy supports CER's aim of complying with the ASX Listing Rule requirements such that all investors have equal and timely access to material information concerning CER.

The Policy reflects the matters listed in Box 5.1 of the Principles. In particular, CER operates an internal decision making regime with respect to its disclosure obligations. This regime includes the operation of a Disclosure Committee, comprised of senior executives from the Group, who have the primary responsibility regarding CER's disclosure obligations. Under the Policy, CER has developed a guide to assist the Group's officers and

employees to understand CER's continuous disclosure obligations. The Policy also deals with disclosures and communications with the media and disclosures and communications with analysts and investors.

☑ Recommendations 5.1, 5.2 of the Principles.

### FINANCIAL REPORTING

There is a comprehensive budgeting system with an annual budget approved by the directors of the Group. Monthly actual results are reported against budget and revised forecasts for the year are prepared regularly. The Group reports to Securityholders six-monthly.

### PERSONNEL QUALITY AND INTEGRITY

The Group's personnel policies are detailed in appropriate policies and procedures. Formal appraisals are conducted at least annually for all employees. In addition, the Group has in place a Code of Conduct which sets out the standards of behaviour expected from all employees. This Code can be accessed on CER's website.

☑ Recommendations 3.1, 3.5 of the Principles.

### INVESTMENT APPRAISAL

The Group has clearly defined guidelines for capital expenditure that are approved by the Boards. These include annual budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements where properties and assets are being acquired or divested.

### CONFLICTS OF INTEREST

In accordance with the Corporations Act and the Company and Trust policies, directors of the Company and the Responsible Entity must keep their respective Boards advised, on an ongoing basis, of any interest that could potentially conflict with those of the Group. The Group has adopted a Related Party Transactions and Conflicts of Interest Policy to assist directors to disclose potential conflicts of interest.

## DEALINGS IN SECURITIES

Group policy prohibits Directors and employees from dealing in securities while in possession of price sensitive information and requires all trading to be in accordance with the procedures set out in the Employee Trading in Securities Policy. In accordance with the provisions of the Act and the ASX Listing Rules, Directors advise the ASX of any transactions conducted by them in the Group's securities. In accordance with the requirements of the Listing Rules, a copy of the Group's Employee trading in Securities Policy was lodged with ASX and released to the market on 30 December 2010. This is also available on the Centro Retail Trust website.

The Employee Trading in Securities Policy prohibits CER Directors who hold securities under one of Centro's employee incentive plans that are unvested or otherwise remain "at risk", from entering into a transaction relating to those securities if the transaction operates to limit the economic risk of their holdings in securities allocated to them under the employee incentive plan prior to the vesting and exercising of those securities or, once vested and exercised, while the Securities are otherwise held subject to restrictions under the relevant employee incentive plan. None of the CER Directors hold any such securities.

Recommendation 8.4 of the Principles.

## ETHICAL STANDARDS

All Directors, managers and employees are expected to act with the utmost integrity and objectivity, and to endeavour at all times to enhance the reputation and performance of the Group. The Group's Code of Conduct sets out the standards of behaviour expected from all employees. In addition, the Group has adopted a Whistleblower Policy to ensure that concerns regarding unethical, unlawful or improper conduct may be raised without fear of reprisal. Under the policy, employees are encouraged to report any genuine matter or behaviour that they honestly believe contravenes Centro's Code of Conduct, policies or the law.

Recommendation 3.1 of the Principles.

## COMPLAINTS PROCESS

The Group has implemented a Complaints Handling Policy that has been prepared in accordance with the Australian Standard. In addition, the Group remains a member of an external Complaints Resolution Scheme. The Managed Investments Compliance Committee monitors compliance with the Group's Complaints Handling Policy.

## INVESTOR COMMUNICATIONS

The Group has adopted an Investor Communications Policy designed to ensure Investors are fully informed about all major developments in the operations of the Group. The Group has a dedicated Investor Services team to manage Investor enquiries on a daily basis.

The Annual General Meeting of the Fund provides an opportunity for Investors to ask questions, express views and respond to Board proposals. The Group's external auditor also attends the Annual General Meeting to answer any questions about the conduct of the audit and the content and preparation of the audit report.

The Board encourages investors to access the Annual Report online to assist with the Group's commitment to the environment, as well as being more cost efficient. A printed copy of the Annual report will only be sent to those investors who have elected to receive it. Otherwise investors will be notified when the Annual Report is available to be accessed online at the [cerinvestor.com.au](http://cerinvestor.com.au) corporate website.

The Group works closely with its share register to monitor and review the potential to increase the use of electronic means of communicating with its investors.

Recommendations 6.1, 6.2 of the Principles.



# DIRECTORS' REPORT

The Directors of Centro Retail Limited and Centro MCS Manager Limited, the Responsible Entity of Centro Retail Trust, present their report on the financial report of the Centro Retail Group for the year ended 30 June 2011.

## CENTRO RETAIL GROUP

The ASX listed entity, Centro Retail Group (the "Group" or "CER") consists of Centro Retail Trust ("the Trust") and its controlled entities which, for statutory reporting purposes includes Centro Retail Limited ("the Company"). Although separate entities, the securities of each are permanently 'stapled' to ensure that they are traded as a single interest.

## DIRECTORS

The following persons were Directors of Centro Retail Limited and Centro MCS Manager Limited as Responsible Entity (RE) of Centro Retail Trust during the whole of the financial year and up to the date of this report (unless otherwise stated):

- Peter Day (Chairman)
- Bill Bowness
- Anna Buduls (appointed 15 November 2010)
- Paul Cooper
- Michael Humphris
- Fraser MacKenzie
- Jim Hall (retired 15 November 2010)

The Company Secretaries are Elizabeth Hourigan and Dimitri Kiriacoulacos. Paul Flanigan is the Assistant Company Secretary and acts as Company Secretary as required.

## PRINCIPAL ACTIVITIES

The principal activity of the Group during the course of the year was property investment. There was no change in the nature of these activities during the year.

## SIGNIFICANT MATTERS

### (a) Signing of Implementation Agreement – Restructuring Milestone

On 9 August 2011, CER announced it had entered into an agreement ("Implementation Agreement") with Centro Properties Group ("CNP"), a majority of CNP's senior lenders and certain CNP managed funds to create a new listed Australian retail property vehicle ("A-REIT").

This involves aggregating the assets of CER and certain CNP managed funds, acquiring the funds and property management platform ("Services Business") from CNP, and acquiring property and other assets from CNP and certain CNP managed funds ("Aggregation").

The Aggregation will involve the stapling of the securities in each of CER, Centro Australia Wholesale Fund and Centro DPF Holding Trust ("DPF Holding Trust"), which is a subsidiary trust of Centro Direct Property Fund ("DPF") ("Aggregation Funds") to establish the A-REIT which will, subject to ASX approval, be listed on the Australian Securities Exchange.

The Aggregation is subject to numerous conditions precedent as outlined in Note 27 that must be satisfied or waived in order for Aggregation to be implemented.

If approved by CER securityholders and all other relevant parties, Aggregation will result in a simplification of CER's asset ownership structure and give CER securityholders an equity interest in a quality portfolio of property assets largely wholly-owned by A-REIT and anchored by the large supermarket chains and other retailers catering to consumers' non-discretionary spending needs.

The A-REIT will have:

- Significant platform size and scale, which is important to retaining relationships with key retailers and achieving the benefits of dealing with those retailers on a national scale;
- Simpler, transparent governance and internal management structure;
- Simplified debt structure with a sustainable level of gearing;
- An experienced and proven property management team which has effectively managed the portfolio during difficult market conditions and continued to achieve very strong property income growth over the past 3 years;
- The potential for strong long-term value enhancement through the strategic management of the property portfolio, including a significant development pipeline; and
- An established services business that will manage one of the largest unlisted retail property syndicate platforms in Australia.

Aggregation also removes the uncertainty and risks that CER could face if CNP was placed into external administration outside of the Aggregation process, arising from the fact that CNP is a majority investor in CER, a provider of property and funds management services to CER and is property and fund manager to the co-owner of the majority of CER's assets.

CER's Board has focused on optimising the strong underlying value of its own Australian portfolio for its securityholders and has determined, following in-depth considerations of the available options, that Aggregation represents a superior outcome for securityholders, subject to the opinion of the Independent Expert.

CER securityholders will receive a Disclosure Document and Explanatory Memorandum detailing the terms of the Aggregation and containing Notices of Meetings setting out the various resolutions required to effect Aggregation together with an Independent Expert's Report from Grant Samuel & Associates Pty Ltd and recommendation from the CER Directors (other than the Directors who are also Directors of CNP who make no recommendation). It is anticipated that these documents will be mailed to CER securityholders in September 2011, with the relevant meetings of CER securityholders expected to be held in October 2011.

#### **(b) US Investment Portfolio Sale**

On 1 March 2011, CER announced the sale of its entire US investment portfolio for US\$4.3 billion. The sale, in conjunction with Centro Properties Group ("Centro") and other Centro managed funds, is part of a platform sale to BRE Retail Holdings, Inc, an affiliate of Blackstone Real Estate Partners VI, L.P. (Blackstone).

For accounting purposes, the US investments were considered to be disposed of on 28 February 2011, being the date the agreement to sell the US platform was entered into. Accordingly, no income was recognised by CER from its US investments from 28 February 2011. The disposal transaction was completed on 29 June 2011, being the date CER received the sale proceeds from Blackstone.

#### **(c) Refinancing Update**

Following the close of the US investment portfolio sale and prior to 30 June 2011, CER utilised \$315.6 million of the proceeds to retire a bank facility due to mature during 2011. As at 30 June 2011, the remaining proceeds from the US sale were on hand. On 5 August 2011, CER issued an early repayment notice in respect of its CMBS Series 2006-1 loan notes. The loan note amount of \$155.4 million is expected to be repaid on or around 20 September 2011.

Through retiring these maturing debt facilities, CER has unencumbered four assets and will unencumber an additional five assets on 20 September 2011.

During the year, CER also successfully extended \$101.3 million maturing debt facility and refinanced \$171.0 million of commercial mortgage backed security ("CMBS") debt.

#### **(d) Equity Hedges**

At 30 June 2010, the Group reported an aggregate mark to market derivative liability of \$234.3 million on the outstanding \$1.684 billion face value of forward foreign exchange contracts with CNP.

During the year, \$1.349 billion face value of forward foreign exchange contracts were automatically terminated at zero cost to the Group on reaching a nil mark to market position, in line with contractual arrangements.

In January 2011, the Group exercised its early termination rights to settle the final \$335.2 million face value forward foreign exchange contract. The Group funded this obligation through an \$11.8 million cash payment, reflecting the prevailing mark to market valuation at that time.

## **REVIEW OF OPERATIONS**

The review of operations of Centro Retail Group is included in the Annual Report (refer Page 6).

## DIRECTORS' REPORT (continued)

### LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Information on the likely developments in the operations of the Group, other than the major restructuring update provided above, has not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the Group.

### ENVIRONMENTAL REGULATIONS

As a property owner, the Group is subject to the normal environmental regulations of landowners within Australia. These include regulation against air pollution, liquid discharge and soil contamination. The proper care and maintenance of asbestos, which is present in a number of properties, is also carefully monitored. The Group has in place monitoring procedures to ensure proper compliance and there are no matters requiring specific disclosure.

### MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

#### (a) Signing of Implementation Agreement – Restructuring Milestone

On 9 August 2011, CER announced it had entered into an Implementation Agreement. Please refer to 'Significant Matters' discussed previously for further information.

#### (b) Sale of Centro Birallee

CER has completed the sale of its 50% interest in Centro Birallee in July 2011. The property was sold at a value of \$11.7 million, in line with the 30 June 2011 book value. After payment of transaction costs, CER's share of the net proceeds was applied against the debt facility secured by this property.

The investment in Centro Birallee has been presented in the Balance Sheet as non-current assets classified as held for sale as at 30 June 2011.

#### (c) Extension of Related Party Loan

During June and July 2011, CER negotiated a number of extensions of a \$101 million interest bearing liability payable to Centro Properties Group (CNP). The last extension was until 8 August 2011, and on 9 August 2011 the parties to the Implementation Agreement agreed that the term of the loan was extended until the earlier of:

- Aggregation implementation;
- The date the Implementation Agreement and/or the Aggregation process is terminated under certain sections of the Implementation Agreement; and
- The later of the End Date and the date on which the Aggregation process is terminated after the end of the period referred to in clause 9.2(b) of the Implementation Agreement. The End Date is the later of the following:
  - 30 November 2011; and
  - the earlier of the Extended Aggregation Period (as defined in the Implementation Agreement) and 14 December 2011 (or such other date as agreed by the parties to the Implementation Agreement).

In addition, under the Implementation Agreement another related party loan payable to CNP of \$10 million which was previously payable on reasonable notice, was also to be extended on the same basis as the \$101 million loan.

The extensions and above terms of both loans were formally documented between the parties to the loans on 25 August 2011.

#### (d) Receipt of Capital Returns from Investments in Centro MCS Syndicates

In July 2011, CER received \$33.7 million capital returns from its investments in Centro MCS 38, 39 and 40. The Syndicates paid these capital returns following the settlement of their US assets sale.

Excluding the matters noted above, there has not arisen in the interval between 30 June 2011 and the date hereof any matter or circumstance that has significantly affected or may significantly affect:

- (i) The Group's operations in future financial years; or
- (ii) The results of those operations in future financial years; or
- (iii) The Group's state of affairs in future financial years.

## INFORMATION ON DIRECTORS

Particulars of the qualifications, experience and special responsibilities of each Director, as at the date of this report, are set out in the Annual Report. The interests of each Director in the capital of the Group are set out as follows:

|                     |   | <b>Number of securities<br/>30.06.11</b> | <b>Number of securities<br/>30.06.10</b> |
|---------------------|---|--|--|
| <b>P. Day</b>       | (held indirectly)                                     | 100,000                                  | 100,000                                  |
| <b>A. Buduls</b>    |   | -  | n/a <sup>(i)</sup>                       |
| <b>W. Bowness</b>   | (held in the name of WDB Investments Pty Ltd)         | 300,000                                  | 300,000                                  |
| <b>P. Cooper</b>    |   | -  | -  |
| <b>J. Hall</b>      | (held in the name of Hall Family Superannuation Fund) | n/a <sup>(ii)</sup>                      | 20,000                                   |
| <b>M. Humphris</b>  |   | 70,000                                   | 70,000                                   |
| <b>F. MacKenzie</b> | (held in the name of MacKenzie Superannuation Fund)   | 100,000                                  | 100,000                                  |

(i) Not a director at 30 June 2010.

(ii) No longer a director at 30 June 2011.

## INFORMATION ON COMPANY SECRETARY

Particulars of the qualifications, experience and special responsibilities of the secretary, as at the date of this report, are set out in the Annual Report.

## INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company must indemnify the Directors, on a full indemnity basis and to the full extent permitted by law, against all losses or liabilities incurred by the Directors as an officer of the Company or of a related body corporate provided that the loss or liability does not arise out of misconduct including lack of good faith.

During the financial year, Centro Retail Limited and Centro MCS Manager Limited, the Responsible Entity of Centro Retail Trust, insured its Directors, Secretaries and Officers against liability to third parties and for costs incurred in defending any civil or criminal proceedings that may be brought against them in their capacity as Directors or Officers of Centro MCS Manager Limited and Centro Retail Limited. This excludes a liability which arises out of a wilful breach of duty or improper use of inside information. The premium also insures the Company for any indemnity payments it may make to its Officers in respect of costs and liabilities incurred. Disclosure of the premium payable is prohibited under the conditions of the policy.

## LOANS TO DIRECTORS

No loans have been made to the Directors of Centro Retail Limited or Centro MCS Manager Limited, the Responsible Entity of Centro Retail Trust, including their personally related entities by Centro Retail Limited or Centro MCS Manager Limited, the Responsible Entity of Centro Retail Trust.

## DIRECTORS' REPORT (continued)

### MEETING OF DIRECTORS

The following table sets out the number of meetings of Directors of Centro MCS Manager Limited, the Responsible Entity of the Trust (including meetings of committees of Directors) and Centro Retail Limited, held during the year ended 30 June 2011 and the number of meetings attended by each Director.

|   | Board | Risk | Audit | Compliance | Remuneration and HR | Nominations | Special Matters | Finance |
|---|-------|------|-------|------------|---------------------|-------------|-----------------|---------|
| <b>Centro MCS Manager Limited</b>           |       |      |       |            |                     |             |                 |         |
| No. Meetings Held                           | 41    | 4    | 10    | 5          | 7                   | 1           | 6               | 6       |
| Number of meetings attended by:             |       |      |       |            |                     |             |                 |         |
| Peter Day                                   | 41    | #    | #     | #          | 7                   | 1           | 6               | #       |
| Bill Bowness                                | 38    | 4    | #     | 5          | 7                   | 1           | 6               | #       |
| Anna Buduls<br>(appointed 15 November 2010) | 24/24 | 3/3  | 6/6   | #          | #                   | #           | 6               | 2/4     |
| Paul Cooper                                 | 40    | #    | #     | 4          | #                   | 1           | #               | #       |
| Michael Humphris                            | 36    | #    | 9     | 2          | 3                   | #           | 6               | 5       |
| Fraser MacKenzie                            | 35    | 4    | 10    | #          | 7                   | #           | 6               | 6       |
| Jim Hall (retired 15 November 2010)         | 17/17 | 1/1  | 3/3   | #          | #                   | #           | #               | 2/2     |
| <b>Centro Retail Limited</b>                |       |      |       |            |                     |             |                 |         |
| No. Meetings Held                           | 41    | 4    | 10    | 5          | 7                   | 1           | 6               | 6       |
| Number of meetings attended by:             |       |      |       |            |                     |             |                 |         |
| Peter Day                                   | 41    | #    | #     | #          | 7                   | 1           | 6               | #       |
| Bill Bowness                                | 38    | 4    | #     | 5          | 7                   | 1           | 6               | #       |
| Anna Buduls<br>(appointed 15 November 2010) | 24/24 | 3/3  | 6/6   | #          | #                   | #           | 6               | 2/4     |
| Paul Cooper                                 | 40    | #    | #     | 4          | #                   | 1           | #               | #       |
| Michael Humphris                            | 36    | #    | 9     | 2          | 3                   | #           | 6               | 5       |
| Fraser MacKenzie                            | 35    | 4    | 10    | #          | 7                   | #           | 6               | 6       |
| Jim Hall (retired 15 November 2010)         | 17/17 | 1/1  | 3/3   | #          | #                   | #           | #               | 2/2     |

# Not a member of the relevant committee.

All directors were eligible to attend all meetings held during the term of their appointment.

In addition to the above, during the year the Directors convened a number of informal workshops to familiarise themselves with matters relating to the Group and potential restructure options. These were not formal meetings of the Board.

# REMUNERATION REPORT (AUDITED)

## SECTION 1. BACKGROUND AND CONTEXT

This Remuneration Report provides investors with an understanding of the processes and policies that determine the remuneration for the Directors of Centro Retail Group (CER). This Report forms part of the Directors' Report and has been prepared in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Other than the Directors, there are no key management personnel (KMP) of CER, as CER, its subsidiaries and Centro MCS Manager Limited (CMCS) (in its capacity as the Responsible Entity (RE) of Centro Retail Trust) do not have any employees.

Centro Retail Trust pays an RE fee to CMCS to provide, among other services, management and operational services and these services are provided by employees of Centro Properties Group (CNP). However, the RE fee is not apportioned to the services that are provided and, as such, there is no basis to allocate the fee to any particular employee of CNP. For this reason, details of the remuneration of the CNP employees who provide these services to CER is not included in this report.

RE fees paid by CER in respect of the year ended 30 June 2011 (FY11) were \$19.8 million (30 June 2010 (FY10) \$24.7 million). These fees included the provision of services by the Directors of CER, however, as CER has also paid for the Directors' services, CNP reimbursed CER for these costs.

## SECTION 2. KEY MANAGEMENT PERSONNEL (KMP)

The following non-executive directors were the KMP for CER during FY11:

### CURRENT NON-EXECUTIVE DIRECTOR KMP

Peter Day – Chairman

Bill Bowness

Anna Buduls (appointed 15 November 2010)

Paul Cooper

Michael Humphris

Fraser MacKenzie

### FORMER NON-EXECUTIVE DIRECTOR

Jim Hall (retired 15 November 2010)

## SECTION 3. REMUNERATION

### 3.1 GOVERNANCE

The Board of CER maintains a Nomination Committee whose role is to make recommendations to the Board on matters relating to the appointment and remuneration of non-executive Directors. Recommendations for directors' and committee fees are made by the Committee taking into account the responsibilities and risks attaching to the role of non-executive Director, the time commitment expected of non-executive Directors, the fees paid by similar companies to non-executive Directors, and independent advice obtained from external advisors.

While CER has a Remuneration and HR Committee in place, at present this committee has limited duties as there are no employees of CER or its subsidiaries. The members of the CER Committee have been invited from time to time to attend, and have attended, the CNP Remuneration and HR Committee meetings as observers.

The composition and functions of these Committees is set out within the Corporate Governance Section on Pages 16 to 23 of this Annual Report and their Charters are available on the Centro Retail website at [www.cerinvestor.com.au](http://www.cerinvestor.com.au).

### 3.2 COMPANY PERFORMANCE DATA – HISTORICAL

Notwithstanding the fact that there is no direct linkage between the remuneration of non-executive Directors and the company's performance, the following historical performance data covering FY11 and the four years prior is provided to comply with the Company's disclosure obligations under the *Corporations Act 2001* (Cth).

### DISTRIBUTIONS PAID IN RESPECT OF THE FOLLOWING YEARS

|                         |                           |
|-------------------------|---------------------------|
| Year ended 30 June 2011 | Nil                       |
| Year ended 30 June 2010 | Nil                       |
| Year ended 30 June 2009 | 0.3755 cents per security |
| Year ended 30 June 2008 | 1.4 cents per security    |
| Year ended 30 June 2007 | 6.4 cents per security    |

## REMUNERATION REPORT (AUDITED) (continued)

### HISTORICAL CER SECURITY PRICES

|                         | Start   | Finish  |
|-------------------------|---------|---------|
| Year ended 30 June 2011 | \$0.160 | \$0.335 |
| Year ended 30 June 2010 | \$0.099 | \$0.160 |
| Year ended 30 June 2009 | \$0.315 | \$0.099 |
| Year ended 30 June 2008 | \$1.695 | \$0.315 |
| Year ended 30 June 2007 | \$1.534 | \$1.695 |

### RETURNS ON CAPITAL

The Company confirms that at no stage between FY11 and FY07 have securityholders been provided with any return of capital by cancellation of shares or payment at prices above the then current trading price.

### 3.3 BOARD AND COMMITTEE FEES

As noted above, non-executive Directors' fees, including committee fees and ad hoc fees, are determined by the Board based on recommendations from the Nomination Committee. Fees are set within an aggregate Directors' fee pool limit, which is periodically recommended for approval by securityholders. The current maximum of \$1,500,000 was approved at the 2008 AGM.

### DIRECTORS' FEES

Non-executive Directors' fees are set at \$125,350 per annum inclusive of company superannuation contributions (of which \$115,000 is paid to the Director and \$10,350 is paid to a nominated superannuation fund as the company superannuation contribution). This amount has remained unchanged since the 2009 financial year.

Non-executive Directors are also entitled to be reimbursed for all business related expenses, including travel on company business, as may be incurred in the discharge of their duties.

### COMMITTEE FEES

Non-executive Directors are also paid additional fees for attendance at committee meetings of which they are a member. Such fees are included in the aggregate remuneration cap approved by securityholders.

Committee member fees (inclusive of company superannuation contributions) are as follows:

- Audit Committee – \$8,720 per annum
- Risk Management Committee – \$7,630 per annum
- Compliance Committee – \$7,630 per annum
- Finance Committee – \$7,630 per annum
- Remuneration and HR Committee – nil
- Nomination Committee – \$4,905 per annum

The Chairman of each Committee receives a fee equal to twice the relevant Committee member fees.

In addition, those non-executive Directors who sit on other ad hoc committees of the Board, such as due diligence committees, receive an attendance fee of \$3,300 per full day and \$2,000 per half day. Ad hoc committee fees are comparatively higher than the other committee fees due to the complexity of the matters that these committees consider and the additional workload they create over and above actual attendance at the meetings.

During the year, non-executive Directors were entitled to receive a total of \$18,000 (2010: \$4,000) ad hoc committee fees.

### CHAIRMAN'S FEES

The Chairman of the Board receives a fee equal to three times the non-executive Directors' fee. This level of remuneration reflects the greater time commitment and responsibility required and is commensurate with similar roles in the external market. However, the Chairman receives no further remuneration for Committee membership even though he chairs the Nomination Committee and attends other Committee meetings.

### 3.4 SUPERANNUATION

Company superannuation contributions are included in the fee pool limit. In the case of the Chairman, superannuation contributions have been capped at \$15,200, being 9% of the FY11 maximum super contributions base of \$168,880.

### 3.5 NO SECURITY PLAN FOR NON-EXECUTIVE DIRECTORS

CER does not have a non-executive Director security plan. To preserve independence and impartiality, non-executive Directors do not receive securities as part of their remuneration (i.e. no element of remuneration is 'at risk' based on the performance of CER).

### 3.6 CURRENT NON-EXECUTIVE DIRECTOR REMUNERATION – FY11 AND FY10<sup>(i)</sup>

| Name  |             | SHORT-TERM BENEFITS |  |                       | POST-EMPLOYMENT BENEFITS     | Total              |
|---|-------------|---------------------|--|-----------------------|------------------------------|--------------------|
|   |             | Directors' fees     | Committee fees (including ad hoc committee fees) | Non-monetary benefits | Superannuation contributions |                    |
| <b>P. Day</b><br>(Chairman since 1 October 2009)                      | FY10        | \$271,192           | \$0  | \$0                   | \$10,846                     | \$282,038          |
|   | FY11        | \$360,850           | \$0  | \$0                   | \$15,200                     | \$376,050          |
| <b>P. Cooper<sup>(ii)</sup></b><br>(Chairman until 30 September 2009) | FY10        | \$86,250            | \$8,625  | \$0                   | \$8,539                      | \$103,414          |
|   | FY11        | \$115,000           | \$11,500   | \$0                   | \$11,385                     | \$137,885          |
| <b>W. Bowness<sup>(iii)</sup></b>                                     | FY10        | \$85,070            | \$18,863   | \$0                   | \$9,354                      | \$113,287          |
|   | FY11        | \$115,000           | \$29,500   | \$0                   | \$12,645                     | \$157,145          |
| <b>F. MacKenzie<sup>(iv)</sup></b>                                    | FY10        | \$86,250            | \$22,500   | \$0                   | \$9,788                      | \$118,538          |
|   | FY11        | \$115,000           | \$34,000   | \$0                   | \$13,050                     | \$162,050          |
| <b>M. Humphris<sup>(iv)</sup></b>                                     | FY10        | \$86,250            | \$21,750   | \$0                   | \$9,720                      | \$117,720          |
|   | FY11        | \$115,000           | \$33,000   | \$0                   | \$12,960                     | \$160,960          |
| <b>A. Buduls<sup>(v)</sup></b>  | FY10        | \$0                 | \$0  | \$0                   | \$0                          | \$0                |
|   | FY11        | \$72,391            | \$22,805   | \$0                   | \$8,038                      | \$103,234          |
| <b>J. Hall<sup>(vi)</sup></b><br>Former Director                      | FY10        | \$86,250            | \$25,750   | \$0                   | \$9,720                      | \$121,720          |
|   | FY11        | \$43,199            | \$10,894   | \$0                   | \$6,426                      | \$60,519           |
| <b>Total</b>  | <b>FY10</b> | <b>\$701,262</b>    | <b>\$97,488</b>                                  | <b>\$0</b>            | <b>\$57,967</b>              | <b>\$856,717</b>   |
|   | <b>FY11</b> | <b>\$936,440</b>    | <b>\$141,699</b>                                 | <b>\$0</b>            | <b>\$79,704</b>              | <b>\$1,157,843</b> |

(i) The differential between FY10 figures and FY11 figures is due to the separation of the CNP and CER Boards which occurred in October 2009. The FY10 figures for CER were part payments only from October 2009 to 30 June 2010, whereas the FY11 figures reflect a full financial year.

(ii) Mr Cooper was not remunerated by CER until 1 October 2009.

(iii) Mr Bowness was appointed to the Board effective 6 October 2009.

(iv) Messrs Day, Humphris and MacKenzie were appointed to the Board effective 1 October 2009.

(v) Ms Buduls was appointed to the Board effective 15 November 2010.

(vi) Mr Hall was not remunerated by CER until 1 October 2009. Mr Hall retired from the CER Board effective 15 November 2010.

## DIRECTOR'S REPORT (continued)

### NON-AUDIT SERVICES

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are essential and will not compromise their independence.

Details of the amounts paid or payable to the auditor Ernst and Young for audit and non-audit services provided during the year are set out in Note 20 to the financial statements.

The Board has considered the non-audit services provided during the year and is satisfied these services are compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

### AUDITORS' INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on Page 33.

### ROUNDING OF AMOUNTS TO THE NEAREST THOUSAND DOLLARS


The Group is of a kind referred to in class order 98/100 issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' Report and Financial Report. Amounts in the Directors' Report and Financial Report have been rounded off, in accordance with that class order, to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Signed at Melbourne on 28 August 2011, in accordance with a resolution of the Directors.



**W. P. Day**  
Chairman

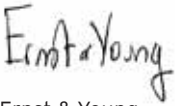
# AUDITOR'S INDEPENDENCE DECLARATION




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## Auditor's Independence Declaration to the Directors of Centro MCS Manager Limited

In relation to our audit of the financial report of Centro Retail Group for the financial year ended 30 June 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



B R Meehan  
Partner  
Melbourne  
28 August 2011

Liability limited by a scheme approved under Professional Standards Legislation

# INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2011

| CENTRO RETAIL TRUST AND<br>ITS CONTROLLED ENTITIES  |              |                    |                    |
|---|--------------|--------------------|--------------------|
|   | Notes        | 30.06.11<br>\$'000 | 30.06.10<br>\$'000 |
| <b>REVENUE</b>  |              |                    |                    |
| Property ownership revenue  |              | 13,472             | 13,575             |
| Distribution revenue  |              | 1,780              | 2,657              |
| Other revenue   | 7            | 6,454              | 6,818              |
| <b>TOTAL REVENUE</b>  |              | <b>21,706</b>      | <b>23,050</b>      |
| Property revaluation increment/(decrement) for directly owned properties                                  | 11(c)        | 1,688              | (11,332)           |
| Fair value adjustment on financial assets at fair value through profit or loss and other financial assets | 11(b), 11(d) | 4,689              | 1,201              |
| Share of net profits of associates and joint venture partnerships accounted for using the equity method   | 11(a)        | 162,109            | 84,047             |
| Foreign exchange losses   |              | (23,763)           | (1,112)            |
| Net movement on mark to market of derivatives   |              | 234,748            | 146,345            |
| Financing costs   |              | (108,539)          | (93,590)           |
| Direct property expenses  |              | (3,525)            | (4,720)            |
| Advisor fees  |              | (14,094)           | (2,350)            |
| Management fees   |              | (14,370)           | (15,473)           |
| Bad and doubtful debts  |              | (70)               | (1,959)            |
| Other expenses from ordinary activities   |              | (6,569)            | (2,077)            |
| <b>NET PROFIT BEFORE TAX FROM CONTINUING OPERATIONS</b>   |              | <b>254,010</b>     | <b>122,030</b>     |
| Income tax expense  | 8            | -                  | (325)              |
| <b>NET PROFIT AFTER TAX FROM CONTINUING OPERATIONS</b>  |              | <b>254,010</b>     | <b>121,705</b>     |
| Net profit/(loss) after tax from discontinued operations  | 3(b)         | 103,184            | (8,051)            |
| <b>NET PROFIT AFTER TAX</b>   |              | <b>357,194</b>     | <b>113,654</b>     |
| Net profit from discontinued operations attributable to non-controlling interests                         |              | (503)              | (370)              |
| <b>NET PROFIT ATTRIBUTABLE TO MEMBERS OF CENTRO RETAIL GROUP</b>  |              | <b>356,691</b>     | <b>113,284</b>     |
| Basic earnings per security from continuing operations (cents)  | 17           | 11.11              | 5.32               |
| Diluted earnings per security from continuing operations (cents)  | 17           | 11.11              | 5.32               |

In accordance with the requirements of AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* comparative information has been restated to disclose a single amount comprising the total net profit/(loss) after tax from discontinued operations. Refer to Note 3 for further information.

The above Income Statement should be read in conjunction with the accompanying notes.

# STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2011

|  | CENTRO RETAIL TRUST<br>AND ITS CONTROLLED ENTITIES |                |
|--|--|----------------|
|  | 30.06.11   | 30.06.10       |
|  | \$'000   | \$'000         |
| <b>NET PROFIT AFTER TAX</b>  | <b>357,194</b>                                     | <b>113,654</b> |
| <b>OTHER COMPREHENSIVE INCOME</b>  |  |                |
| Net exchange differences arising on translation of foreign operations                | (111,237)  | (33,725)       |
| Transfer of foreign currency translation reserve on discontinued operations          | 2,308  | -              |
| Changes in fair value of hedges  | (1,499)  | (664)          |
| <b>TOTAL COMPREHENSIVE INCOME</b>  | <b>246,766</b>                                     | <b>79,265</b>  |
| Total comprehensive loss attributable to non-controlling interests                   | 546  | 892            |
| <b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE<br/>TO MEMBERS OF CENTRO RETAIL GROUP</b> | <b>247,312</b>                                     | <b>80,157</b>  |

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

# BALANCE SHEET

AS AT 30 JUNE 2011

| CENTRO RETAIL TRUST AND<br>ITS CONTROLLED ENTITIES            |       |                    |                    |
|---|-------|--------------------|--------------------|
|   | Notes | 30.06.11<br>\$'000 | 30.06.10<br>\$'000 |
| <b>CURRENT ASSETS</b>   |       |                    |                    |
| Cash assets and cash equivalents                              | 9     | 167,566            | 38,574             |
| Derivative financial instruments                              | 5(f)  | -                  | 546                |
| Trade and other receivables                                   | 10    | 15,284             | 25,254             |
| Restricted cash   |       | -                  | 11,240             |
| Non-current assets classified as held for sale                | 11(e) | 5,850              | -                  |
| Financial assets carried at fair value through profit or loss | 11(b) | 34,819             | -                  |
| <b>Total current assets</b>                                   |       | <b>223,519</b>     | <b>75,614</b>      |
| <b>NON-CURRENT ASSETS</b>                                     |       |                    |                    |
| Investments accounted for using the equity method             | 11(a) | 1,403,862          | 1,806,039          |
| Financial assets carried at fair value through profit or loss | 11(b) | 1,664              | 32,374             |
| Investment property   | 11(c) | 111,800            | 638,477            |
| Other financial assets  | 11(d) | 48,731             | 47,442             |
| Derivative financial instruments                              | 5(f)  | -                  | 2,397              |
| Other receivables   |       | -                  | 5                  |
| <b>Total non-current assets</b>                               |       | <b>1,566,057</b>   | <b>2,526,734</b>   |
| <b>TOTAL ASSETS</b>   |       | <b>1,789,576</b>   | <b>2,602,348</b>   |
| <b>CURRENT LIABILITIES</b>                                    |       |                    |                    |
| Trade and other payables                                      | 12    | 27,439             | 45,514             |
| Interest bearing liabilities                                  | 13    | 734,297            | 417,375            |
| Derivative financial instruments                              | 5(f)  | 257                | 6,854              |
| Other financial liabilities                                   |       | 15,114             | 15,107             |
| <b>Total current liabilities</b>                              |       | <b>777,107</b>     | <b>484,850</b>     |
| <b>NON-CURRENT LIABILITIES</b>                                |       |                    |                    |
| Interest bearing liabilities                                  | 13    | -                  | 1,065,982          |
| Derivative financial instruments                              | 5(f)  | -                  | 250,465            |
| Deferred tax liabilities                                      | 14    | -                  | 16,547             |
| Other financial liabilities                                   |       | -                  | 14,432             |
| <b>Total non-current liabilities</b>                          |       | <b>-</b>           | <b>1,347,426</b>   |
| <b>TOTAL LIABILITIES</b>                                      |       | <b>777,107</b>     | <b>1,832,276</b>   |
| <b>NET ASSETS</b>   |       | <b>1,012,469</b>   | <b>770,072</b>     |
| <b>EQUITY</b>   |       |                    |                    |
| Controlling interests   |       |                    |                    |
| Contributed equity  | 15    | 3,774,316          | 3,774,316          |
| Reserves  |       | -                  | 109,379            |
| Accumulated losses  |       | (2,761,847)        | (3,118,538)        |
| <b>Total controlling interest</b>                             |       | <b>1,012,469</b>   | <b>765,157</b>     |
| Non-controlling interests                                     |       | -                  | 4,915              |
| <b>TOTAL EQUITY</b>   |       | <b>1,012,469</b>   | <b>770,072</b>     |

The above Balance Sheet should be read in conjunction with the accompanying notes.

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2011

|   | Notes | CENTRO RETAIL TRUST AND ITS CONTROLLED ENTITIES |                    |
|---|-------|---|--------------------|
|   |       | 30.06.11<br>\$'000                              | 30.06.10<br>\$'000 |
| <b>CHANGES IN EQUITY ATTRIBUTABLE TO MEMBERS OF CENTRO RETAIL GROUP</b>             |       |   |                    |
| Opening balance contributed equity  |       | 3,774,316                                       | 3,774,316          |
| <b>Closing balance contributed equity</b>   |       | <b>3,774,316</b>                                | <b>3,774,316</b>   |
| <b>Opening balance reserves</b>   |       |   |                    |
| Opening balance foreign currency translation reserve                                |       | 107,880   | 140,343            |
| Movement in foreign currency translation reserve                                    |       | (110,188)                                       | (32,463)           |
| Transfer of foreign currency translation reserve on discontinued operations         |       | 2,308   | -                  |
| <b>Closing balance foreign currency translation reserve</b>                         |       | <b>-</b>  | <b>107,880</b>     |
| Opening balance hedge reserve   |       | 1,499   | 2,163              |
| Net decrease in the mark to market of derivatives that qualify for hedge accounting |       | (1,499)   | (664)              |
| <b>Closing balance hedge reserve</b>  |       | <b>-</b>  | <b>1,499</b>       |
| <b>Closing balance of reserves</b>  |       | <b>-</b>  | <b>109,379</b>     |
| Opening balance accumulated losses  |       | (3,118,538)                                     | (3,231,822)        |
| Net profit after tax  |       | 356,691   | 113,284            |
| <b>Closing balance accumulated losses</b>   |       | <b>(2,761,847)</b>                              | <b>(3,118,538)</b> |
| <b>CLOSING BALANCE ATTRIBUTABLE TO MEMBERS OF CENTRO RETAIL GROUP</b>               |       | <b>1,012,469</b>                                | <b>765,157</b>     |
| <b>CHANGES IN EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS</b>                  |       |   |                    |
| Opening balance   |       | 4,915   | 5,807              |
| Total comprehensive loss  |       | (546)   | (892)              |
| Disposal of non-controlling interests   | 3(c)  | (4,369)   | -                  |
| <b>CLOSING BALANCE OF EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS</b>          |       | <b>-</b>  | <b>4,915</b>       |
| <b>TOTAL EQUITY</b>   |       | <b>1,012,469</b>                                | <b>770,072</b>     |

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Total comprehensive income attributable to members of Centro Retail Trust of \$247.3 million (2010: \$80.2 million) is equal to the net profit of \$356.7 million (2010: \$113.3 million) minus the net loss in the foreign currency translation reserve of \$107.9 million (2010: \$32.4 million) minus the unfavourable movement in the hedge reserve of \$1.5 million (2010: \$0.7 million).

# CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2011

| CENTRO RETAIL TRUST AND<br>ITS CONTROLLED ENTITIES                             |              |                    |                    |
|--|--------------|--------------------|--------------------|
|  | Notes        | 30.06.11<br>\$'000 | 30.06.10<br>\$'000 |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                    |              |                    |                    |
| Receipts from customers (inclusive of Goods and Services Tax)                  |              | 52,121             | 66,235             |
| Payments to suppliers and employees (inclusive of Goods and Services Tax)      |              | (53,816)           | (53,597)           |
| Distributions received from associates   |              | 98,644             | 142,918            |
| Distributions received from unlisted unit trust                                |              | 1,985              | 4,077              |
| Receipts from derivative settlements   |              | -                  | 5,784              |
| Payments for derivative settlements  |              | -                  | (4,713)            |
| Interest received  |              | 3,322              | 5,927              |
| Interest paid  |              | (116,717)          | (113,161)          |
| Income tax paid  |              | -                  | (325)              |
| <b>Net cash (outflow)/inflow from operating activities</b>                     | <b>16(b)</b> | <b>(14,461)</b>    | <b>53,145</b>      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                    |              |                    |                    |
| Proceeds from disposal of US subsidiaries and investments                      | 3(d)         | 483,679            | -                  |
| Payments for costs associated with disposal of US subsidiaries and investments |              | (10,794)           | -                  |
| Payments for acquisition and development of property investments               |              | (3,303)            | (2,832)            |
| Receipts on disposals of property investments                                  |              | -                  | 46,391             |
| Payments for derivative settlements  |              | (25,987)           | -                  |
| Settlement of other financial liabilities                                      |              | (15,519)           | -                  |
| Return of capital from equity accounted investments and other financial assets |              | 96,207             | 150,000            |
| <b>Net cash inflow from investing activities</b>                               |              | <b>524,283</b>     | <b>193,559</b>     |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                    |              |                    |                    |
| Proceeds from borrowings   |              | 527                | 15,569             |
| Repayments of borrowings   |              | (370,162)          | (222,618)          |
| Prepayment of borrowings (on deposit)  |              | -                  | (7,039)            |
| Payments for derivative settlements  |              | (9,094)            | (6,474)            |
| Receipts from derivative settlements   |              | 811                | -                  |
| Distributions paid   |              | -                  | (8,585)            |
| <b>Net cash outflow from financing activities</b>                              |              | <b>(377,918)</b>   | <b>(229,147)</b>   |
| Net increase in cash and cash equivalents                                      |              | 131,904            | 17,557             |
| Cash and cash equivalents at 1 July  |              | 38,574             | 21,456             |
| Effects of exchange rate changes on cash and cash equivalents                  |              | (2,912)            | (439)              |
| <b>Cash and cash equivalents at 30 June</b>                                    | <b>9</b>     | <b>167,566</b>     | <b>38,574</b>      |

The above Cash Flow Statement should be read in conjunction with the accompanying notes.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes financial statements of the consolidated entity ("the Group" or "CER") consisting of Centro Retail Trust ("the Trust") and its controlled entities.

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

This general purpose financial report complies with Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial report, comprising the financial statements and the notes thereto, complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

### (b) Basis of Preparation of Financial Statements

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

The ASX listed entity, Centro Retail Group (the "Group" or "CER") consists of Centro Retail Trust (the "Trust") and its controlled entities which, for statutory reporting purposes includes Centro Retail Limited (the "Company"). Although separate entities, the securities of each are permanently 'stapled' to ensure that they are traded as a single interest.

The accounting policies adopted are consistent with those of the previous financial year except as detailed in Note 1(z). When the presentation or classification of items in the financial report is amended, comparative amounts are also reclassified unless it is impractical.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars unless otherwise stated.

The Group has not elected to early adopt any new Australian Accounting Standards that have been issued but are not yet effective.

#### *Going concern*

The financial report has been prepared on a going concern basis.

As at 30 June 2011, the current liabilities of the Group exceed its current assets by \$553.6 million primarily due to loan facilities expiring within 12 months.

As a result, a significant uncertainty exists in relation to the Group's ability to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in the financial report. As at 30 June 2011, CER was reliant on the continued support of its lenders, through the extension or refinancing of certain loan facilities beyond existing expiry dates.

As announced to the market on 9 August 2011, CER entered into an agreement ("Implementation Agreement") with Centro Properties Group ("CNP"), a majority of CNP's senior lenders and certain CNP managed funds to create a new listed Australian retail property vehicle ("A-REIT"). This involves aggregating the assets of CER and certain CNP managed funds, acquiring the funds and property management platform ("Services Business") from CNP, and acquiring property and other assets from CNP and certain CNP managed funds ("Aggregation"). A successful Aggregation will lead to the refinancing of CER's maturing facilities.

However, the Aggregation is subject to CER securityholder approval and numerous conditions precedent that must be satisfied or waived in order for the Aggregation to proceed. If the Aggregation is not approved by one or more of the CNP securityholders, hybrid bondholders or convertible bondholders, CER may enter into an extended aggregation period to allow the relevant conditions precedent for Aggregation to be satisfied by alternate means.

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

- maturing facilities will be able to be refinanced as part of the proposed Aggregation or separately refinanced;
- CER will be able to pay its debts as and when they become due and payable; and
- the basis of preparation of the financial report on a going concern basis is appropriate.

The Directors have formed this view based on a number of factors including:

- the expectation that Aggregation will proceed;
- CER's net asset position of \$1.012 billion as at 30 June 2011;
- the underlying performance of CER's property portfolio;
- forecast cash flows, including actions management can take to address potential risks; and
- the assets CER has unencumbered through retiring debt facilities.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(b) Basis of Preparation of Financial Statements (continued)**

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

**(i) Historical Cost Convention**

These financial statements have been prepared on an historical cost basis, except for available-for-sale financial assets, certain financial assets and liabilities (including derivative instruments) and investment property which have all been recognised at fair value.

**(ii) Significant Accounting Judgement and Estimates**

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain significant accounting estimates. It also requires the manager to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

**(iii) Accounting for Centro Retail Trust's Units**

The Constitution of Centro Retail Trust was amended to remove the finite life clause of the Trust, effective 12 August 2005. In accordance with ASIC Ruling IR05-29 a special resolution of members was not required for this amendment to be made. The amendment, which combined with the discretion judged to be available to the responsible entity regarding the payment of distributions, allows unitholders' funds to remain as equity in accordance with AASB 132 *Financial Instruments: Presentation*.

**(c) Principles of Consolidation**

These Group financial statements comprise the consolidated accounts of Centro Retail Trust and its controlled entities as defined by AASB 127 *Consolidated and Separate Financial Statements*, which include Centro Retail Limited.

Controlled entities are those entities over which the Group has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. Where control of an entity is obtained during a financial year, its results are included in the Income Statement from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control existed and de-consolidated from the date that control ceased.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group (refer Note 1(e)).

The effects of all transactions between entities in the Group are eliminated in full. Non-controlling interests in the results and equity of controlled entities are shown separately in the Income Statement and Balance Sheet respectively.

Investments in subsidiaries are accounted for at cost by Centro Retail Trust.

If the Group loses control of a subsidiary it:

- Derecognises the assets (including any goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences, recorded in equity;
- Recognises the fair value of consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss, or retained earnings, as appropriate.

**(d) Investments in Associates**

Investments in associates are accounted for in the Group's financial statements using the equity method. Under the equity method, the Group's share of the post-acquisition profits or losses of associates is recognised in the consolidated Income Statement, and its share of post-acquisition movements in reserves is recognised in consolidated reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment. Associates are those entities over which the Group exercises significant influence, but not control. Investments in associates are accounted for as available for sale in the individual financial statements of Centro Retail Trust.

Investments in joint ventures are accounted for using the equity method in the consolidated financial statements.

**(e) Business Combinations**

Business combinations are accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from any goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree.

The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and

the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed, for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operation or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred to the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

#### **(f) Revenue Recognition**

Revenue is measured at the fair value of the consideration received or receivable.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that the future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the revenue have been resolved. Revenue is recognised for the following activities:

##### **(i) Property Ownership Revenue**

As the owner of a number of shopping centres, the Group derives rental revenue from the leasing of these properties. Lease income is recognised on a straight-line basis over the lease term. Contingent rental revenue is recognised on an accruals basis as earned.

##### **(ii) Distribution Revenue**

Distributions are recognised as revenue when the right to receive payment is established.

##### **(iii) Interest Revenue**

Interest revenue is recognised on a time proportion basis using the effective interest method.

#### **(g) Income Tax**

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

##### **(i) Tax Consolidation Legislation**

Centro Retail Trust and its wholly-owned Australian controlled entities have not implemented the tax consolidation legislation.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(g) Income Tax (continued)**

**(ii) Other Taxes**

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST) except:

- Where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables and payables in the Balance Sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

**(h) Cash and Cash Equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**(i) Restricted Cash**

Restricted cash is carried at cost and includes escrow deposits held by lenders related to borrowing arrangements of certain properties and deposits used to secure bonds related to mortgage licensing in various jurisdictions of the USA and prepayments of borrowings (monies on deposit prior to rollover of lending facilities).

**(j) Trade and Other Receivables**

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Collectability of trade and other debtors is reviewed on an ongoing basis. Debts which are individually known to be uncollectible are written off when identified. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

**(k) Trade and Other Payables**

These amounts represent liabilities for goods and services provided to the Group 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. Trade and other payables are carried at amortised cost and are not discounted due to their short term nature.

**(l) Employee Entitlements**

**(i) Wages and Salaries, Annual Leave and Sick Leave**

Liabilities for wages and salaries, including non-monetary benefits expected to be settled within 12 months of the reporting date are recognised in other creditors in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for annual leave are recognised as a provision for employee benefits and are measured based on the amounts expected to be paid when the liabilities are settled. Amounts due to be settled within twelve months of the reporting date are classified as current liabilities. Non accumulating sick leave is expensed as the leave is taken and measured at the rates paid or payable.

**(ii) Termination Benefits**

Liabilities for termination benefits, not in connection with the acquisition of an entity or operation, are recognised when a detailed plan for the terminations has been developed and a valid expectation has been raised in those employees affected that the terminations will be carried out. The liabilities for termination benefits are recognised in other payables unless the amount or timing of the payments is uncertain, in which case they are recognised as provisions.

Liabilities for termination benefits expected to be settled within 12 months are measured at the amounts expected to be paid when they are settled. Amounts expected to be settled more than 12 months from the reporting date are measured as the estimated cash outflows, discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future payments, where the effect of discounting is material.

**(m) Investment Properties**

The Group's investment properties are initially measured at cost including transaction costs. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the Group.

Subsequent to initial recognition as assets, investment properties are revalued to fair value. Directors assess fair value of property investments at each reporting date and obtain independent valuations on a regular basis to assist in assessing fair value.

Changes in fair values are recorded in the Income Statement in the period in which they arise.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

## **(n) Financial Assets**

The Group classifies its investments in financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, and held-to-maturity investments. The classification depends on the purpose for which the investments were acquired.

### *(i) Classification*

#### ***Financial assets and other financial assets at fair value through profit or loss***

These include financial assets that are not held for trading purposes which may be sold. These are investments in unlisted equity instruments.

Financial assets designated at fair value through profit or loss at inception, are those that are managed and their performance evaluated on a fair value basis in accordance with the Group's documented investment strategy. The Group's policy is for the Responsible Entity to evaluate the information about these financial assets on a fair value basis together with other related financial information.

#### ***Loans and Receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets and will be discounted to present value. Loans and receivables are included in receivables in the Balance Sheet.

#### ***Held-to-maturity investments***

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity.

#### ***Available-for-sale financial assets***

Available-for-sale financial assets, comprising principally marketable securities, are non-derivatives that are either designated in this category or not classified in any of the other categories.

### *(ii) Recognition and Derecognition*

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

### *(iii) Subsequent Measurement*

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the Income Statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non monetary securities classified as available-for-sale are recognised in equity in the available-for-sale reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments deferred in equity are recycled to the Income Statement.

If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The fair value of units or interests in unlisted property managed investment schemes is determined by reference to the fair value of the scheme's net assets, as advised by the relevant responsible entity at each reporting period.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(n) Financial Assets (continued)**

**(iv) Impairment**

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the Income Statement. Impairment losses recognised in the Income Statement on equity instruments are not reversed through the Income Statement.

**(o) Assets and Disposal Groups Held for Sale/ Discontinued Operations**

Non-current assets and disposal groups (Cash Generating Units (“CGU’s”)) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Assets held for sale that are investment properties are stated at fair value. All other assets held for sale are stated at the lower of carrying value and fair value less costs to sell. Non-current assets classified as held for sale are presented separately from the other assets in the Balance Sheet.

A disposal group is a part of the Group’s business that:

- it has disposed of or classified as held for sale and that represents a major line of its business or geographical area of operations; or
- is part of a single co-ordinated plan to dispose of such a line of business or area of operations.

The results of disposal groups are presented separately on the face of the Income Statement and the assets and liabilities are presented separately on the Balance Sheet. The comparative Income Statement has been re-presented as if the disposal group had been discontinued from the start of the comparative year.

**(p) Derivatives**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (1) hedges of fair valued assets or

liabilities or a firm commitment (fair value hedge); or (2) hedges of highly probable forecast transactions (cash flow hedges); or (3) hedges of a net investment in a foreign operation (net investment hedges).

At the inception of the transaction, the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group 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.

**(i) Fair Value Hedge**

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Income Statement, together with any changes in the fair value of the hedge asset or liability that are attributable to the hedged risk.

**(ii) Cash Flow Hedge**

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement.

Amounts accumulated in equity are recycled in the Income Statement in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place).

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Income Statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Income Statement.

**(iii) Net Investment Hedge**

The effective portion of changes in the fair value of derivatives that are designated and qualify as net investment hedges is recognised in equity in the hedge reserve. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement in the net movement on mark to market of derivatives.

**(iv) Derivatives that do not Qualify for Hedge Accounting**

Certain derivative instruments do not qualify for hedge accounting. A change in the fair value of any derivative instrument that does not qualify for hedge accounting is immediately recognised in the Income Statement. No derivatives within the financial instruments are currently designated into a hedging relationship and therefore all movements in fair value have been taken to the Income Statement.

**(q) Fair Value Estimation**

The fair value of financial instruments is based on their quoted market prices at the balance sheet date without any deduction for estimated future selling costs. Financial assets are valued at bid prices, while financial liabilities are valued at asking prices.

If a quoted market price is not available on a recognised stock exchange or from a broker / dealer for non-exchange-traded financial instruments, the fair value of the instrument is estimated using valuation techniques, including use of recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow techniques, or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on the manager's best estimates and the discount rate used is a market rate at the balance sheet date applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on market data at the balance sheet date.

The fair value of derivatives that are not exchange traded is estimated at the amount that the entity would receive or pay to terminate the contract at the balance sheet date taking into account current market conditions (e.g. appropriate yield curve) and the current credit worthiness of the counterparties. Specifically, the fair value of a forward exchange contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates on the valuation date. The fair value of interest rate swaps and cross currency interest rate swaps is the estimated amount that the entity would receive or pay to terminate the swap at balance sheet date taking into account current interest rates, foreign exchange rates and the current credit worthiness of swap counterparties.

Investments in other unlisted funds are recorded at the exit price as reported by the managers of the funds.

**(r) 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 borrowings using the effective interest method.

Interest bearing liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months subsequent to the reporting date.

**(s) Borrowing Costs**

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. All other borrowing costs are expensed as incurred.

**(t) Foreign Currency Translation**

**(i) Functional and Presentation Currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Australian dollars, which is the presentation currency of the Group.

**(ii) Transactions and Balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. 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 currencies are recognised in the Income Statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non monetary items, such as equities classified as available-for-sale financial assets, are included in the available-for-sale reserve in equity.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(t) Foreign Currency Translation (continued)**

**(iii) Group Entities**

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are 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 for each 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 equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in the foreign currency translation reserve in equity. When a foreign operation is sold, a proportionate share of such exchange differences are transferred out of equity and recognised in the Statement of Comprehensive Income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

**(u) Contributed Equity**

Ordinary stapled securities are classified as equity.

Incremental costs directly attributable to the issue of new stapled securities are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new stapled securities, preference units or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

**(v) Earnings per Security**

**(i) Basic Earnings per Security**

Basic earnings per security is determined by dividing the net profit after income tax attributable to members of the Group, excluding any costs of servicing equity other than ordinary securities or preference units, by the weighted

average number of stapled securities and their equivalents outstanding during the reporting period, adjusted for bonus elements in securities issued during the period.

**(ii) Diluted Earnings per Security**

Diluted earnings per security adjusts the figures used in the determination of basic earnings per security by taking into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary securities and the weighted average number of securities assumed to have been issued for no consideration in relation to dilutive potential ordinary securities.

**(w) Distributions**

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

**(x) Financial Guarantee Contracts**

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued.

The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of subsidiaries or associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

**(y) Operating Segments**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's Chief Operating Decision Maker (being the Executive Committee) to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

## **(z) Changes in Accounting Policies**

From 1 July 2010 the Group has adopted the following Accounting Standards and Interpretations.

- AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* (mandatory for annual reporting periods beginning on or after 1 January 2010)
- AASB 2009-8 *Amendments to Australian Accounting Standards - Group Cash-settled Share-based Payment Transactions* (mandatory for annual reporting periods beginning on or after 1 January 2010)
- AASB 2009-10 *Amendments to Australian Accounting Standards - Classification of rights issues* [AASB 132] (mandatory for annual reporting periods beginning on or after 1 January 2010)
- AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project* (mandatory for annual reporting periods beginning on or after 1 July 2010)
- Interpretation 19 *Extinguishing financial liabilities with equity instruments* (mandatory for annual reporting periods beginning on or after 1 July 2010)

Adoption of these Accounting Standards and Interpretations did not have any material effect on the financial position or performance of the Group. The amending standards which introduce the changes to these standards have also been adopted from 1 July 2010 and 1 July 2009 as necessary.

### **(aa) Australian Accounting Standards Issued but not yet effective**

Certain new accounting standards have been published that are not mandatory for 30 June 2011 reporting periods. The Group's assessment of the impact of these new standards that are relevant to the Group are set out below.

#### **(i) AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9**

AASB 9 is applicable for annual reporting periods beginning on or after 1 January 2013. AASB 9 replaces the multiple classification and measurement models in AASB 139 *Financial Instruments: Recognition and measurement* with a single model that has only two classification categories: amortised cost and fair value. These changes may impact the classification and measurement of investments held by the parent and the Group. The Group is still assessing the impacts of this standard; however it is not expected to have a material impact on total comprehensive income.

#### **(ii) Revised AASB 124 Related Party Disclosures**

The amended AASB 124 is applicable for annual reporting periods beginning on or after 1 January 2011, and requires prior period disclosures to be revised accordingly. The amendment provides simplification of the definition of a related party, clarifying its intended meaning and eliminating inconsistencies in the definition. The Group will apply the amended standard from 1 July 2011 and its effects are not expected to have an impact on the related party disclosures of the Group.

#### **(iii) AASB 2009-12 Amendments to Australian Accounting Standards**

AASB 2009-12 is applicable for annual reporting periods beginning on or after 1 January 2011. The amendments introduced by AASB 2009-12 are primarily editorial amendments and changes in terminology and are not expected to have a material impact on the Group's financial statements. The Group will apply the amended standard from 1 July 2011.

#### **(iv) AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project**

AASB 2010-4 is applicable for annual reporting periods beginning on or after 1 January 2011, with specific application dates for each of the standards it amends. The amendments are part of the IASB's third annual improvements project and introduce various changes that are not expected to have a material impact on the Group's financial statements. The Group will apply the amended standard from 1 July 2011.

#### **(v) AASB 2010-5 Amendments to Australian Accounting Standards**

AASB 2010-5 is applicable for annual reporting periods beginning on or after 1 January 2011 and is available for early adoption in certain circumstances. The amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the International Accounting Standards Board. The standard is not expected to have a material impact on the Group's financial statements.

#### **(vi) AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfer of Financial Assets**

AASB 2010-6 is applicable for annual reporting periods beginning on or after 1 July 2011 and is available for early adoption. The amendments add and amend the disclosure

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(aa) Australian Accounting Standards Issued but not yet Effective (continued)**

*(vi) AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfer of Financial Assets (continued)*

requirements relating to transfers of financial assets, namely where risk exposures arise/are retained on transfer. The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. The standard is not expected to have a material impact on the Group's financial statements.

*(vii) AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9*

AASB 2010-7 is applicable for annual reporting periods beginning on or after 1 January 2013 and is available for early adoption. The amendment addresses the current measurement models of financial liabilities in AASB 139 *Financial Instruments: Recognition and Measurement*. Under the revised model, financial liabilities which are designated at Fair Value through Profit or Loss are required to have any 'own credit' adjustments' pass through Other Comprehensive Income and there is no recycling of these adjustments to profit or loss on extinguishment. The Directors are still considering application guidance and assessing the impact of this standard.

*(viii) AASB 2011-2 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project- Reduced Disclosure Regime*

This Standard makes amendments to the application of the revised disclosures to Tier 2 entities, that are applying AASB 1053, and is applicable from 1 January 2013. The amendment will be applied from 1 July 2012, and is not expected to have a material impact on the net results or net assets of the Group.

*(ix) IFRS 10 Consolidated Financial Statements*

IFRS 10 has been issued by the International Accounting Standards Board, but not yet adopted by the Australian Accounting Standards Board.

IFRS 10 is applicable for annual reporting periods beginning on or after 1 January 2013, and is available for early adoption under certain circumstances. IFRS 10 replaces both AASB 127 *Consolidated Financial Statements* and AASB Interpretation 112 *Special Purpose Entities*. IFRS 10 prescribes a single consolidation model, based on the concept of control, which is defined as the power to direct the activities of another entity to generate returns for the reporting entity. These changes are likely to impact the entities which are consolidated by the reporting entity, as the definition of control is somewhat broader. Application is retrospective to the extent that additional entities are required to be consolidated under the new standard.

The Group anticipates it will apply this standard from 1 July 2013. The adoption of IFRS 10 is not expected to have a material impact on the Group's net assets or net results.

*(x) IFRS 11 Joint Arrangements*

IFRS 11 has been issued by the International Accounting Standards Board, but not yet adopted by the Australian Accounting Standards Board.

IFRS11 is applicable for annual reporting periods beginning on or after 1 January 2013, and is available for early adoption under certain circumstances. The amendment provides clearer distinction between joint arrangements; as being either joint operations or joint ventures and prescribes the method of accounting for each. The amendment also removes the option to apply the proportional consolidation method when accounting for jointly controlled entities.

The Group anticipates it will apply this standard from 1 July 2013. The adoption of IFRS 11 is not expected to have a material impact on the Group's net assets or net results.

*(xi) IFRS 12 Disclosure of Interests in Other Entities*

IFRS 12 has been issued by the International Accounting Standards Board, but not yet adopted by the Australian Accounting Standards Board.

IFRS12 is applicable for annual reporting periods beginning on or after 1 January 2013, and is available for early adoption under certain circumstances. The standard prescribes enhanced disclosures with respect to a reporting entity's involvement with consolidated and unconsolidated entities.

The Group anticipates it will apply this standard from 1 July 2013. The adoption of IFRS 12 is not expected to have a material impact on the Group's net assets or net results.

*(xii) IFRS 13 Fair Value Measurement*

IFRS 13 has been issued by the International Accounting Standards Board, but not yet adopted by the Australian Accounting Standards Board.

IFRS 13 is applicable for annual reporting periods beginning on or after 1 January 2013 and is available for early adoption. The amendment does not change when an entity is required to use fair value, but rather establishes a single source of guidance on how fair value is determined under IFRS when fair value is required or permitted by IFRS. IFRS 13 also expands the disclosure requirements for all assets or liabilities recognised at fair value, including where disclosures of assets at fair value are required. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.

The Group anticipates it will apply IFRS 13 from 1 July 2013. Other than additional disclosures on how fair value is determined, the adoption of IFRS 13 is not expected to have a material impact on the net assets or net results of the entity as the fair value methods used by the entity are consistent with the guidance under IFRS 13.

**(xiii) AASB 1053 Applications of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards Arising from Reduced Disclosure Requirements**

AASB 1053 is applicable for annual reporting periods beginning on or after 1 July 2013 and is available for early adoption. AASB 1053 introduces a differential reporting framework with Tier 1 and Tier 2 reporting requirements for preparing general purpose financial statements. Whilst the recognition, measurement and presentation requirements will remain unchanged under the second tier, there will be substantially reduced disclosures in relation to these requirements for entities that do not have public accountability (as defined by the standard). The Group meets the definition of publicly accountable as defined by the standard and as such, will be scoped out of the standard and the application of tier 2 reporting.

**(xiv) AASB 1054 Australian Additional Disclosures and AASB 2011-1 Amendments to Australian Accounting Standards Arising from the Trans-Tasman Convergence Project**

This standard is as a consequence of phase 1 of the joint Trans-Tasman Convergence project of the AASB and FRSB. This standard relocates all Australian specific disclosures from other standards to one place and revises disclosures in the following areas:

- (a) Compliance with Australian Accounting Standards
- (b) The statutory basis or reporting framework for financial statements
- (c) Whether the financial statements are general purpose or special purpose
- (d) Audit fees
- (e) Imputation credits

The amendment will be applied from 1 July 2012, and is not expected to have a material impact on the net results or net assets of the Group.

**(xv) Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)**

The amendment is applicable for annual reporting periods beginning on or after 1 July 2012 and is available for early adoption. The amendment requires entities to group items presented in Other Comprehensive Income (OCI), on the basis of whether they are potentially required to be recycled to profit or loss subsequently (reclassification adjustments). This includes the tax effect if OCI items are presented before tax.

The amendment will be applied from 1 July 2012, and is not expected to have a material impact on the net results or net assets of the Group.

**(ab) Rounding of Amounts**

The Group is of a kind referred to in Class order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars (\$'000), or in certain cases, the nearest dollar.

## **2. SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS**

The preparation of financial statements requires estimates, judgements and assumptions concerning the application of accounting policies to be made by the Group. Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

**(a) Investment Property Values**

Investment properties are carried at their fair value. Valuations are based on either an independent valuation or a Directors' valuation which is supported by the extrapolation of independent valuations on similar properties. Valuations are determined based on assessments and estimates of uncertain future events, including upturns and downturns in property markets and availability of similar properties, vacancy rates, market rents and capitalisation and discount rates.

All investment properties were independently valued at 30 June 2011 (2010: mix of independent and Directors' valuations).

**2. SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS (continued)**

**(a) Investment Property Values (continued)**

The carrying value of direct and indirect investments in properties held by the Group was \$1.72 billion at 30 June 2011 (2010: \$6.62 billion). The significant reduction in the value of direct and indirect investments in properties is a result of the sale of the US investment portfolio (refer to Note 3).

**(b) Provision for Non Recovery of Investment in Associate**

In the prior period, CER had a gross investment of \$570 million in Super LLC, a joint venture with CNP and Centro MCS 40. Cross collateralisation arrangements meant that CER's investment was exposed to the extent of CNP's negative equity in Super LLC. CNP's negative equity exceeded the value of CER's investment in Super LLC. While CER was indemnified by the other Super LLC shareholders for any losses suffered as a consequence of the cross collateralisation arrangements, this indemnification was provided by subsidiaries of CNP and CMCS 40 whose only assets were their investment in Super LLC. Accordingly, CER did not expect to recover any value via this indemnity. As such, in the prior period CER elected to make a provision for non recovery of this investment totalling \$570 million.

CER has no further exposure to Super LLC following the sale of its US investment portfolio.

CER recovered US\$38 million from its investment in Super LLC which is included in the net gain on disposal after income tax disclosed in Note 3.

**(c) Assessments of Control**

Management uses their judgement when determining whether an entity is controlled, and therefore consolidated by the Group. In making this decision, management considers the requirements of AASB 127 *Consolidated and Separate Financial Statements* and AASB Interpretation 112 *Consolidation – Special Purpose Entities*, having particular regard to the Group's ability to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

CER, via its 100% ownership of CSF had an indirect ownership of 95% in Galileo America, LLC (JV Company). The joint venture was jointly controlled by CNP and CER. Consequently, the investment was accounted for in the consolidated financial statements using the equity method of accounting.

CER had 100% ownership of Centro Super Holding Trust Number One and Centro Super Holding Trust Number Three. The trusts were part of the Super LLC joint venture which was jointly controlled by CNP and CER. Consequently, the investment was accounted for in the financial statements using the equity method of accounting.

CER no longer holds these investments following the sale of its US investment portfolio (refer to Note 3).

**(d) Date of Disposal of US Investment Portfolio**

On 1 March 2011, CER announced the sale of its US investment portfolio. The Stock Purchase Agreement (SPA) was executed on 28 February 2011 and closed on 29 June 2011. The Directors have determined that CER disposed of its US investment portfolio on execution of the SPA on 28 February 2011. The Directors formed this view based on the terms and conditions of the SPA which transferred the significant risks and rewards of ownership to the purchaser on 28 February 2011 as the conditions to closing were customary for a transaction of this nature and were not considered to be substantive. CER then assumed a manager role from that date up until settlement on 29 June 2011.

Refer to Note 3 for further information on the sale of the US investment portfolio.

**(e) Collectability of Trade Receivables**

Collectability of trade receivables is reviewed on an ongoing basis. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

The Group estimates the amount to be provided for based on knowledge of individual retailers circumstances, customer credit-worthiness, and current economic trends. The amount of the allowance is continually reassessed following any changes in individual retailer circumstances, such as bankruptcy, with a complete review undertaken every six months.

**(f) Litigation**

The Group is subject to ongoing litigation involving holders of CER stapled securities as disclosed in Note 21(a). The proceedings are being vigorously defended (with defences filed) and no amount has been provided for in the financial report. Centro Retail Limited and Centro MCS Manager Limited have also filed cross claims against their former auditor, PricewaterhouseCoopers.

### 3. DISCONTINUED OPERATIONS

#### (a) Details of Disposal Group

On 1 March 2011, CER announced the sale of its US investment portfolio. This announcement followed the signing of a Stock Purchase Agreement (SPA) with BRE Retail Holdings, Inc, an affiliate of Blackstone Real Estate Partners VI, L.P. (Blackstone) on 28 February 2011. The sale transaction was closed and net proceeds were received by CER on 29 June 2011.

The Directors determined that CER disposed of its US investment portfolio on execution of the SPA on 28 February 2011 (refer to Note 2(d)) accordingly no income was recognised in respect of the US investment portfolio from that date.

In accordance with the requirements of AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* the results of the discontinued US operations have been presented separately from those of the Australian (continuing) operations in the face of the Income Statement and are presented as a single line item in the Income Statement ("net profit/(loss) after tax from discontinued operations").

Information regarding the disposal of the US investment portfolio (disposal group), including the financial performance of the disposal group for the period until disposal, the assets and liabilities of the disposal group, consideration received and cash flow information of the disposal group are all presented below.

The US investment portfolio (disposal group) consists of the following investments:

- Centro America REIT 5, Inc (97%)
- Centro GA America LLC (95%)
- Centro Super Holding Trust No. 1 (100%)
- Centro GA America Inc (100%)
- Centro America REIT I (48.5%)
- Centro Super Holding Trust No. 3 (100%)

#### (b) Financial Performance of Disposal Group

The results of the discontinued US operations for the period ended 28 February 2011 are presented below:

| CENTRO RETAIL TRUST<br>AND ITS CONTROLLED ENTITIES   |       |                                      |                                  |
|--|-------|--------------------------------------|----------------------------------|
|  | Notes | 8 months ended<br>28.02.11<br>\$'000 | Year ended<br>30.06.10<br>\$'000 |
| Total revenue  |       | 35,569                               | 59,803                           |
| Property revaluation increment/(decrement) for directly owned properties   | 11(c) | 8,054                                | (1,509)                          |
| Share of net profits/(losses) of associates and joint venture partnerships accounted for using the equity method | 11(a) | 70,541                               | (12,125)                         |
| Net loss on disposal of investment property  |       | -                                    | (585)                            |
| Net movement on mark to market of derivatives  |       | 116                                  | (139)                            |
| Financing costs  |       | (12,371)                             | (20,579)                         |
| Direct property expenses   |       | (10,662)                             | (18,838)                         |
| Management fees  |       | (5,436)                              | (9,195)                          |
| Bad and doubtful debts   |       | (762)                                | (828)                            |
| Other expenses from ordinary activities  |       | (308)                                | (392)                            |
| Net gain on disposal after income tax  |       | 1,896                                | -                                |
| <b>Net profit/(loss) before tax from discontinued operations</b>   |       | <b>86,637</b>                        | <b>(4,387)</b>                   |
| Income tax benefit/(expense)   |       | 16,547                               | (3,664)                          |
| <b>Net profit/(loss) after tax from discontinued operations</b>  |       | <b>103,184</b>                       | <b>(8,051)</b>                   |
| Net profit from discontinued operations attributable to non-controlling interests                                |       | (503)                                | (370)                            |
| <b>NET PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS ATTRIBUTABLE TO MEMBERS OF CENTRO RETAIL GROUP</b>             |       | <b>102,681</b>                       | <b>(8,421)</b>                   |

The entity did not recognise any components of other comprehensive income in the periods presented.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 30 JUNE 2011

3. DISCONTINUED OPERATIONS (continued)

(c) Assets and Liabilities of Disposal Group

The major classes of assets and liabilities of the discontinued operations as at the date of disposal are as follows:

|  | Notes | 28.02.11<br>\$'000 |
|--|-------|--------------------|
| <b>ASSETS</b>  |       |                    |
| Cash assets and cash equivalents                                 |       | 3,456              |
| Trade and other receivables                                      |       | 13,709             |
| Restricted cash  |       | 2,422              |
| Investments accounted for using the equity method                | 11(a) | 343,224            |
| Investment property  | 11(c) | 445,954            |
| <b>TOTAL ASSETS</b>  |       | <b>808,765</b>     |
| <b>LIABILITIES</b>   |       |                    |
| Trade and other payables   |       | 21,811             |
| Interest bearing liabilities                                     |       | 305,822            |
| Derivative financial instruments                                 |       | 693                |
| <b>TOTAL LIABILITIES</b>   |       | <b>328,326</b>     |
| <b>NET ASSETS</b>  |       |                    |
| Net assets attributable to non-controlling interests             |       | 4,369              |
| <b>NET ASSETS ATTRIBUTABLE TO MEMBERS OF CENTRO RETAIL GROUP</b> |       | <b>476,070</b>     |

(d) Consideration Received

|  | 30.06.11<br>\$'000 |
|--|--------------------|
| Cash consideration   | 491,368            |
| Less net assets disposed of:   |                    |
| - Subsidiaries   | 132,846            |
| - Investments accounted for using the equity method                  | 343,224            |
| <b>Total net assets disposed</b>                                     | <b>476,070</b>     |
| Gain on disposal before income tax                                   | 15,298             |
| Costs of disposal  | (11,094)           |
| Reclassification of foreign currency translation reserve on disposal | (2,308)            |
| <b>Net gain on disposal before income tax</b>                        | <b>1,896</b>       |
| Income tax expense   | -                  |
| <b>Net gain on disposal after income tax</b>                         | <b>1,896</b>       |
| <b>Net cash inflow on disposal</b>                                   |                    |
| Cash consideration   | 491,368            |
| Effects of foreign exchange rate changes on cash consideration       | (4,233)            |
| Less cash and cash equivalents of subsidiaries disposed of           | (3,456)            |
| <b>Reflected in the statement of cash flows</b>                      | <b>483,679</b>     |

#### (e) Cash Flow Information of Discontinued Operations

Included in the Cash Flow Statement are the following cash flows from discontinued operations:

|                                      | CENTRO RETAIL TRUST AND<br>ITS CONTROLLED ENTITIES |                                  |
|--------------------------------------|--|----------------------------------|
|                                      | 8 months ended<br>28.02.11<br>\$'000               | Year ended<br>30.06.10<br>\$'000 |
| Cash flows from operating activities | 27,490   | 62,664                           |
| Cash flows from investing activities | 94,168   | 24,958                           |
| Cash flows from financing activities | (2,590)  | (5,452)                          |
| <b>NET CASH INFLOW</b>               | <b>119,068</b>                                     | <b>82,170</b>                    |

In accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* these cash flows have been presented together with cash flows from the continuing operations in the Cash Flow Statement.

#### 4. PARENT ENTITY INFORMATION

##### a) Parent Entity

The parent entity of the Group is Centro Retail Trust.

##### b) Financial Information

|   | CENTRO RETAIL TRUST |                    |
|---|---------------------|--------------------|
|   | 30.06.11<br>\$'000  | 30.06.10<br>\$'000 |
| <b>Income statement information</b>                                     |                     |                    |
| Net profit attributable to members of the parent entity                 | 261,233             | 74,829             |
| <b>Comprehensive income information</b>                                 |                     |                    |
| Total comprehensive income attributable to members of the parent entity | 247,312             | 80,156             |
| <b>Balance sheet information</b>  |                     |                    |
| Current assets  | 217,607             | 202,749            |
| Total assets  | 1,519,551           | 1,934,642          |
| Current liabilities   | 507,082             | 398,013            |
| Total liabilities   | 507,082             | 1,169,485          |
| <b>Equity attributable to members of the parent entity</b>              |                     |                    |
| Contributed equity  | 3,774,316           | 3,774,316          |
| Available for sale reserve  | 66,864              | 79,286             |
| Hedge reserve   | -                   | 1,499              |
| Accumulated losses  | (2,828,711)         | (3,089,944)        |
|   | <b>1,012,469</b>    | <b>765,157</b>     |

##### c) Guarantees

Centro Retail Trust has not entered into any guarantees in relation to the debts of its subsidiaries.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 30 JUNE 2011

4. PARENT ENTITY INFORMATION (continued)

d) Contingent Liabilities

Centro Retail Trust has the same contingent liabilities as those outlined in Note 21 except for item (c). The same contingent liabilities existed at 30 June 2010.

e) Contractual Capital Commitments

Centro Retail Trust does not have any contractual commitments as at 30 June 2011 (2010: none).

5. FINANCIAL RISK MANAGEMENT

This note details the disclosures required by AASB 7 *Financial Instrument Disclosures*, which mandates disclosures regarding only financial assets and financial liabilities. As a result, these disclosures, in particular the sensitivity analysis, do not take into account movements in non-financial assets such as investment property and investments accounted for using the equity method.

The Group's activities during the current and previous financial years expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group'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 Group. To the extent that it is able to access them, the Group uses derivative financial instruments such as forward foreign exchange contracts and interest rate swaps to manage its exposures to foreign currency and interest rate risk. With the exception of interest rate swaps associated with debt refinancing and the foreign exchange option associated with the US sale proceeds, CER was unable to access any new financial instruments in the year ended 30 June 2011.

Risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Board and subject to periodic review. Group Treasury identifies, evaluates and manages financial risks in close co-operation with the Group's operating units. Group Treasury reports to the Board periodically through the Finance Committee on the Group's derivative and debt positions and compliance with policy.

The Group has the following financial instruments:

|   | Notes | CENTRO RETAIL TRUST AND ITS CONTROLLED ENTITIES |                    |
|---|-------|---|--------------------|
|   |       | 30.06.11<br>\$'000                              | 30.06.10<br>\$'000 |
| <b>Financial assets (current and non-current)</b>                     |       |   |                    |
| Cash assets and cash equivalents                                      | 9     | 167,566   | 38,574             |
| Derivative financial instruments                                      | 5(f)  | -   | 2,943              |
| Trade and other receivables   | 10    | 15,284  | 25,259             |
| Financial assets carried at fair value through profit or loss (FVTPL) | 11(b) | 36,483  | 32,374             |
| Restricted cash   |       | -   | 11,240             |
| Other financial assets  | 11(d) | 48,731  | 47,442             |
|   |       | <b>268,064</b>                                  | <b>157,832</b>     |
| <b>Financial liabilities (current and non-current)</b>                |       |   |                    |
| Trade and other payables  | 12    | 27,439  | 45,514             |
| Interest bearing liabilities  | 13    | 734,297   | 1,483,357          |
| Derivative financial instruments                                      | 5(f)  | 257   | 257,319            |
| Other financial liabilities   |       | 15,114  | 29,539             |
|   |       | <b>777,107</b>                                  | <b>1,815,729</b>   |

## (a) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, unit prices and interest rates, will affect future cashflows or the fair value of financial instruments.

### (i) Foreign Currency Risk

Foreign currency risk arises when transactions or assets and liabilities are denominated in a currency other than the Group's functional currency.

The Group ceased to operate internationally following the close of the US investment portfolio sale in June 2011 (refer to Note 3 for details). The Group is no longer exposed to any significant foreign currency risk following the receipt and conversion to AUD of the proceeds from the sale.

The tables below are provided for comparative purposes only.

These exposures represent USD denominated derivatives held by AUD functional currency entities.

|   | CENTRO RETAIL TRUST AND ITS CONTROLLED ENTITIES |                  |
|---|---|------------------|
|   | 30.06.11  | 30.06.10         |
|   | USD \$'000                                      | USD \$'000       |
| Forward Exchange Contracts (FEC) <sup>(i)</sup> | -   | 1,458,000        |
| <b>Total</b>                                    | <b>-</b>  | <b>1,458,000</b> |

(i) Represents the US dollar pay legs as only these give rise to foreign currency risk.

As at 30 June 2010, in addition to the above foreign currency risk, the Group was also exposed to foreign currency risk on the carrying value of interest rate swaps of USD \$150.0 million and had net equity in its USD denominated investments of USD \$541.7 million which in part offset the exposure to the contracts above.

## CENTRO RETAIL TRUST AND ITS CONTROLLED ENTITIES' SENSITIVITY

The table below discloses the impact on prior period that a -15% and +10% change in the foreign exchange spot rate as at the balance sheet date would have had on the Group's post tax profit or loss for the comparative year and/or equity (excluding retained profits). A decrease in the Australian Dollar (AUD) against the US Dollar (USD) is represented by -15% and an increase by +10%.

Management considered these sensitivities were reasonable having regard to historic movements of the exchange rate between these two currencies over the past five years.

There are no material exposures to foreign currency risk as at 30 June 2011 therefore no sensitivity analysis has been provided.

|                                   | FOREIGN CURRENCY RISK |                           |          |                           |          |
|-----------------------------------|-----------------------|---------------------------|----------|---------------------------|----------|
|                                   | USD                   |                           |          |                           |          |
|                                   |                       | -15%                      |          | +10%                      |          |
|                                   | Carrying amount       | Post-tax profit or (loss) | Equity   | Post-tax profit or (loss) | Equity   |
| 30 June 2010                      | \$'000                | \$'000                    | \$'000   | \$'000                    | \$'000   |
| <b>Financial assets</b>           |                       |                           |          |                           |          |
| Derivative financial instruments  | 2,943                 | -                         | -        | -                         | -        |
| <b>Financial liabilities</b>      |                       |                           |          |                           |          |
| Derivative financial instruments  | (257,319)             | (289,084)                 | -        | 148,922                   | -        |
| <b>Total increase/ (decrease)</b> |                       | <b>(289,084)</b>          | <b>-</b> | <b>148,922</b>            | <b>-</b> |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2011

5. FINANCIAL RISK MANAGEMENT (continued)

(a) Market Risk (continued)

(ii) Price Risk

The Group is exposed to price risk arising from investments in a number of managed funds held by the Group and measured at fair value through profit or loss.

The Group's exposure to price risk at the balance date was as follows:

|   | CENTRO RETAIL TRUST AND ITS CONTROLLED ENTITIES |               |
|---|---|---------------|
|   | 30.06.11  | 30.06.10      |
|   | \$'000  | \$'000        |
| Financial assets carried at fair value through profit or loss (FVTPL) | 36,483  | 32,374        |
|   | <b>36,483</b>                                   | <b>32,374</b> |

The table below summarises the impact of increases/(decreases) of the unit prices of these investments on post-tax profit for the year and on equity (excluding retained profits).

The analysis is based on the assumption that the unit prices increased/(decreased) by -10%/+5% (2010: -10%, +5%).

Management considers these sensitivities are reasonable having regard to historic and forecast movements in the unit price of its investments.

|                           | CENTRO RETAIL TRUST AND ITS CONTROLLED ENTITIES |              |                |              |                  |          |          |          |
|---------------------------|---|--------------|----------------|--------------|------------------|----------|----------|----------|
|                           | IMPACT ON POST TAX PROFIT OR (LOSS)             |              |                |              | IMPACT ON EQUITY |          |          |          |
|                           | 2011  |              | 2010           |              | 2011             |          | 2010     |          |
|                           | \$'000  |              | \$'000         |              | \$'000           |          | \$'000   |          |
|                           | -10%  | +5%          | -10%           | +5%          | -10%             | +5%      | -10%     | +5%      |
| Financial Assets at FVTPL | (3,648)   | 1,824        | (3,237)        | 1,619        | -                | -        | -        | -        |
|                           | <b>(3,648)</b>                                  | <b>1,824</b> | <b>(3,237)</b> | <b>1,619</b> | <b>-</b>         | <b>-</b> | <b>-</b> | <b>-</b> |

(iii) Cash Flow Interest Rate Risk

The Group's cash flow interest-rate risk arises from variable rate borrowings. Group policy is to fix the interest rate exposure for at least 60% of its AUD borrowings for a period of 12 months. In the event sufficient cover is not available, the policy will revert to ensuring that interest rate protection is maximised at 100% of available cover.

Where available, the Group manages its cash flow interest-rate risk by using floating-to-fixed interest rate swaps. Under the terms of floating-to-fixed interest rate swaps, the Group agrees to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to an agreed notional principal amount.

As at the balance date, the Group had the following variable rate instruments outstanding:

|  | CENTRO RETAIL TRUST AND ITS CONTROLLED ENTITIES |               |
|--|---|---------------|
|  | 30.06.11  | 30.06.10      |
|  | \$'000  | \$'000        |
| Variable rate borrowings   | 453,484   | 1,025,016     |
| Loans from related parties   | 10,290  | 10,290        |
| Total variable rate borrowings exposed to cash flow interest rate risk | 463,774   | 1,035,306     |
| Outstanding interest rate swap contracts                               | (267,000)                                       | (972,838)     |
| <b>Net exposure to cash flow interest rate risk<sup>(i)</sup></b>      | <b>196,774</b>                                  | <b>62,468</b> |

(i) Net exposure represents difference between outstanding variable loans and notional amounts for interest rate swaps.

## CENTRO RETAIL TRUST AND ITS CONTROLLED ENTITIES' SENSITIVITY

While interest rates can move up or down, having regard to the forward interest rate curve for BBSW at 30 June 2011, the tables below disclose the impact that a +50 bps or -20 bps (i.e. +0.50% or -0.20%) (2010: +40 bps) shift in the forward interest rate curve will have on the Group's post-tax profits and equity (excluding retained profits). The sensitivities have been reassessed during the financial year in light of the current interest rate environment. This should not be considered a projection.

|                                    | INTEREST RATE RISK  |   |   |   |
|------------------------------------|---|---|---|---|
|                                    | 30.06.11<br>-20 bps<br>Post-tax<br>profit or (loss)<br>\$'000 | 30.06.11<br>-20 bps<br>Equity<br>\$'000 | 30.06.11<br>+50 bps<br>Post-tax<br>profit or (loss)<br>\$'000 | 30.06.11<br>+50 bps<br>Equity<br>\$'000 |
| <b>Financial liabilities</b>       |   |   |   |   |
| Derivative financial instruments   | (683)   | -                                       | 1,706   | -                                       |
| Borrowings                         | 925   | -                                       | (2,313)   | -                                       |
| <b>Total increase / (decrease)</b> | <b>242</b>  | <b>-</b>                                | <b>(607)</b>  | <b>-</b>                                |

|                                    | INTEREST RATE RISK   |  |   |   |
|------------------------------------|--|--|---|---|
|                                    | 30.06.10<br>-0 bps<br>Post-tax<br>profit or (loss)<br>\$'000 | 30.06.10<br>-0 bps<br>Equity<br>\$'000 | 30.06.10<br>+40 bps<br>Post-tax<br>profit or (loss)<br>\$'000 | 30.06.10<br>+40 bps<br>Equity<br>\$'000 |
| <b>Financial assets</b>            |  |  |   |   |
| Derivative financial instruments   | -  | -                                      | 1,917   | -                                       |
| <b>Financial liabilities</b>       |  |  |   |   |
| Derivative financial instruments   | -  | -                                      | 6,521   | -                                       |
| Borrowings                         | -  | -                                      | (4,141)   | -                                       |
| <b>Total increase / (decrease)</b> | <b>-</b>   | <b>-</b>                               | <b>4,297</b>  | <b>-</b>                                |

### (b) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. These counterparties include, but are not limited to Centro managed investment schemes, banks and tenants.

Procedures have been established to ensure that the Group deals only with approved counterparties and the risk of loss is mitigated.

Tenant risk assessment is performed taking into consideration the financial background of the tenant and the amount of any guarantee provided under the lease. Derivative counterparties and cash transactions are limited to high credit quality financial institutions.

Counterparty exposure is measured as the aggregate of all obligations of any single legal entity or economic entity to the Group, after allowing for appropriate set offs which are legally enforceable.

The maximum exposure to credit risk at the balance date is the carrying amount of the Group's financial assets. Refer to Note 10 for details of financial assets that have been impaired.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 30 JUNE 2011

5. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Due to events that have occurred since December 2007, the Group's access to debt and equity markets has been restricted. Capital risk management practices since that time have therefore been conducted within these restricted conditions and the information within this note needs to be considered on that basis.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses. Inherent in the process, is the Group's objective to secure borrowing facilities with maturities that match the Group's liquidity needs, including the maintenance of some borrowing facilities which will remain largely undrawn.

(d) Financing Arrangements

The Group does not have any undrawn borrowing facilities as at 30 June 2011 (2010: none).

(e) Maturities of Financial Liabilities

The tables below analyse the Group's financial liabilities including net and gross settled derivative financial instruments and borrowings, by their relevant maturity groupings based on the time remaining to contractual maturity from the balance date. The amounts disclosed in the table are the contractual undiscounted cash flows. For interest rate swap contracts and variable debt the cash flows have been estimated using forward interest rates and spot foreign exchange rates applicable at the balance date.

CENTRO RETAIL TRUST AND ITS CONTROLLED ENTITIES

|   | < 6 Months       | 6 – 12 Months   | 1 – 2 Years | 2 – 5 Years | 5+ Years | Total Contractual Cash Flows <sup>(i)</sup> | Carrying Amount  |
|---|------------------|-----------------|-------------|-------------|----------|---|------------------|
| 30 June 2011                                | \$'000           | \$'000          | \$'000      | \$'000      | \$'000   | \$'000                                      | \$'000           |
| <b>Non derivative financial liabilities</b> |                  |                 |             |             |          |   |                  |
| Trade and other payables                    | (27,439)         | -               | -           | -           | -        | (27,439)                                    | (27,439)         |
| Borrowings – variable rate                  | (480,931)        | -               | -           | -           | -        | (480,931)                                   | (463,774)        |
| Borrowings – fixed rate                     | (280,138)        | -               | -           | -           | -        | (280,138)                                   | (270,523)        |
| Other financial liabilities                 | -                | (15,518)        | -           | -           | -        | (15,518)                                    | (15,114)         |
|   | <b>(788,508)</b> | <b>(15,518)</b> | -           | -           | -        | <b>(804,026)</b>                            | <b>(776,850)</b> |
| <b>Derivative financial liabilities</b>     |                  |                 |             |             |          |   |                  |
| Interest rate swap contracts                | (379)            | -               | -           | -           | -        | (379)                                       | (257)            |
|   | <b>(379)</b>     | -               | -           | -           | -        | <b>(379)</b>                                | <b>(257)</b>     |

(i) For interest rate swap contracts and variable debt the cash flows have been estimated using forward interest rates applicable at the balance date.

|  | < 6 Months       | 6 – 12 Months    | 1 – 2 Years      | 2 – 5 Years        | 5+ Years         | Total Contractual Cash Flows <sup>(i)</sup> | Carrying Amount    |
|--|------------------|------------------|------------------|--------------------|------------------|---|--------------------|
| 30 June 2010                                 | \$'000           | \$'000           | \$'000           | \$'000             | \$'000           | \$'000                                      | \$'000             |
| <b>Non derivative financial liabilities</b>  |                  |                  |                  |                    |                  |   |                    |
| Trade and other payables                     | (45,514)         | -                | -                | -                  | -                | (45,514)                                    | (45,514)           |
| Borrowings – variable rate                   | (340,452)        | (26,849)         | (736,807)        | (11,726)           | (4)              | (1,115,838)                                 | (1,035,306)        |
| Borrowings – fixed rate                      | (16,439)         | (115,787)        | (24,228)         | (130,374)          | (269,124)        | (555,952)                                   | (448,051)          |
| Other financial liabilities                  | -                | (15,107)         | (14,432)         | -                  | -                | (29,539)                                    | (29,539)           |
|  | <b>(402,405)</b> | <b>(157,743)</b> | <b>(775,467)</b> | <b>(142,100)</b>   | <b>(269,128)</b> | <b>(1,746,843)</b>                          | <b>(1,558,410)</b> |
| <b>Derivative financial liabilities</b>      |                  |                  |                  |                    |                  |   |                    |
| Interest rate swap contracts <sup>(ii)</sup> | (8,491)          | (6,089)          | (6,526)          | (4,049)            | -                | (25,155)                                    | (20,122)           |
| FEC contracts <sup>(iii)</sup>               | -                | -                | (441,433)        | (1,147,280)        | (366,069)        | (1,954,782)                                 | (234,254)          |
|  | <b>(8,491)</b>   | <b>(6,089)</b>   | <b>(447,959)</b> | <b>(1,151,329)</b> | <b>(366,069)</b> | <b>(1,979,937)</b>                          | <b>(254,376)</b>   |

(i) For interest rate swap contracts and variable debt the cash flows have been estimated using forward interest rates and spot foreign exchange rates applicable at the balance date.

(ii) The derivative balances disclosed only represent net cash flows of interest rate swaps that are out of the money.

(iii) Cross currency exchange contracts and forward foreign exchange contracts represent the pay legs only. As such, the contractual cash flows detailed above do not correlate to the carrying amount.

All other derivatives are in a net financial asset position. Contractual cash flows include both principal repayments and interest. This differs from the carrying amount which reflects the face value or fair value of the instrument.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 30 JUNE 2011

5. FINANCIAL RISK MANAGEMENT (continued)

(f) Derivative Financial Instruments

The Group is party to derivative financial instruments in the normal course of business in order to manage its exposure to fluctuations in interest and foreign exchange rates in accordance with the Group's financial risk management policies discussed previously.

| CENTRO RETAIL TRUST AND ITS CONTROLLED ENTITIES   |                       |          |              |                       |                  |                  |
|---|-----------------------|----------|--------------|-----------------------|------------------|------------------|
|   | 30 JUNE 2011          |          |              | 30 JUNE 2010          |                  |                  |
|   | With External Parties | With CNP | Total        | With External Parties | With CNP         | Total            |
|   | \$'000                | \$'000   | \$'000       | \$'000                | \$'000           | \$'000           |
| <b>Current derivative assets</b>                  |                       |          |              |                       |                  |                  |
| Interest rate swap contracts <sup>(i)</sup>       | -                     | -        | -            | 546                   | -                | 546              |
| <b>Total current derivatives assets</b>           | -                     | -        | -            | <b>546</b>            | -                | <b>546</b>       |
| <b>Non-current derivative assets</b>              |                       |          |              |                       |                  |                  |
| Interest rate swap contracts <sup>(i)</sup>       | -                     | -        | -            | 2,397                 | -                | 2,397            |
| <b>Total non-current derivatives assets</b>       | -                     | -        | -            | <b>2,397</b>          | -                | <b>2,397</b>     |
| <b>Current derivative liabilities</b>             |                       |          |              |                       |                  |                  |
| Interest rate swap contracts <sup>(i)</sup>       | (257)                 | -        | (257)        | (6,854)               | -                | (6,854)          |
| <b>Total current derivative liabilities</b>       | <b>(257)</b>          | -        | <b>(257)</b> | <b>(6,854)</b>        | -                | <b>(6,854)</b>   |
| <b>Non-current derivative liabilities</b>         |                       |          |              |                       |                  |                  |
| Interest rate swap contracts <sup>(i)</sup>       | -                     | -        | -            | (16,211)              | -                | (16,211)         |
| Forward foreign exchange contracts <sup>(i)</sup> | -                     | -        | -            | -                     | (234,254)        | (234,254)        |
| <b>Total non-current derivative liabilities</b>   | -                     | -        | -            | <b>(16,211)</b>       | <b>(234,254)</b> | <b>(250,465)</b> |

(i) Interest Rate Swap Contracts

The Group's exposure to fluctuations in interest rates is mitigated through the use of interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates. Each contract is settled on a net basis and the fair value of each contract is disclosed in the Balance Sheet as either an asset or liability.

The contracts require settlement of net interest receivable or payable between 30 and 180 days (depending upon the contract). Where possible, the settlement dates coincide with the dates on which interest is payable on the underlying debt. The contracts are settled on a net basis.

(ii) Forward Exchange Contracts / Forward Foreign Exchange Contracts-net Investment Hedges

Throughout the year the Group has closed out all of its existing foreign exchange contracts. These include both income and net investment hedges.

### (g) Fair Value

The net fair value of financial assets and financial liabilities of the Group approximate their carrying value except as disclosed in Note 13 (c).

The Group uses various methods in estimating the fair value of a financial instrument. The methods used comprise the following inputs:

- Level 1 – quoted prices in active markets;
- Level 2 – inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly; or
- Level 3 – inputs are not based on observable market data (unobservable inputs).

The classification of the Group's financial assets and liabilities are summarised below:

| CENTRO RETAIL TRUST AND ITS CONTROLLED ENTITIES               |              |                 |               |              |                  |               |
|---|--------------|-----------------|---------------|--------------|------------------|---------------|
|   | 30 JUNE 2011 |                 |               | 30 JUNE 2010 |                  |               |
|   | Level 1      | Level 2         | Level 3       | Level 1      | Level 2          | Level 3       |
|   | \$'000       | \$'000          | \$'000        | \$'000       | \$'000           | \$'000        |
| <b>Financial assets</b>                                       |              |                 |               |              |                  |               |
| Other financial assets  | -            | -               | 48,731        | -            | -                | 47,442        |
| Financial assets carried at fair value through profit or loss | -            | -               | 36,483        | -            | -                | 32,374        |
| Derivative financial instruments:                             |              |                 |               |              |                  |               |
| Interest rate swap contracts                                  | -            | -               | -             | -            | 2,943            | -             |
|   | -            | -               | <b>85,214</b> | -            | <b>2,943</b>     | <b>79,816</b> |
| <b>Financial liabilities</b>                                  |              |                 |               |              |                  |               |
| Other financial liabilities                                   | -            | (15,114)        | -             | -            | (29,539)         | -             |
| Derivative financial instruments:                             |              |                 |               |              |                  |               |
| Interest rate swap contracts                                  | -            | (257)           | -             | -            | (23,065)         | -             |
| Forward foreign exchange contracts                            | -            | -               | -             | -            | (234,254)        | -             |
|   | -            | <b>(15,371)</b> | -             | -            | <b>(286,858)</b> | -             |

The Group's derivative financial instruments are not traded in active markets, hence they are considered to include Level 2 inputs. Fair values are estimated using valuation techniques, including use of recent arm's length market transactions, reference to current fair value of another instrument that is substantially the same or discounted cash flow techniques.

There were no transfers between Level 1, Level 2 and Level 3 fair value measurements during the current or previous financial year.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 30 JUNE 2011

5. FINANCIAL RISK MANAGEMENT (continued)

(g) Fair Value (continued)

RECONCILIATION OF LEVEL 3 FAIR VALUE MOVEMENTS:

| CENTRO RETAIL TRUST AND ITS CONTROLLED ENTITIES                     |                    |                    |  |
|---|--------------------|--------------------|--|
| Note  | 30.06.11<br>\$'000 | 30.06.10<br>\$'000 |  |
| <b>Opening balance other financial assets at 1 July</b>             | 47,442             | 87,000             |  |
| Net gain from fair value adjustment                                 | 1,289              | 1,500              |  |
| Return of capital relating to refinancing                           | 13(b) -            | (41,058)           |  |
| <b>Closing balance other financial assets at 30 June</b>            | <b>48,731</b>      | <b>47,442</b>      |  |
| <b>Opening balance financial assets carried at FVTPL at 1 July</b>  | <b>32,374</b>      | <b>32,673</b>      |  |
| Capitalised interest and distribution                               | 709                | -                  |  |
| Fair value adjustment   | 3,400              | (299)              |  |
| <b>Closing balance financial assets carried at FVTPL at 30 June</b> | <b>36,483</b>      | <b>32,374</b>      |  |

The following table shows the sensitivity of the fair value of Level 3 financial instruments to changes in key assumptions:

| YEAR ENDED 30 JUNE 2011<br>CENTRO RETAIL TRUST AND ITS CONTROLLED ENTITIES |                 |  |        |
|--|-----------------|--|--------|
|  | Carrying amount | Effect of reasonably possible alternative assumptions <sup>(i)</sup> |        |
|  | \$'000          | +  | -      |
| Assets   |                 | \$'000   | \$'000 |
| Financial assets carried at FVTPL <sup>(i), (ii)</sup>                     | 1,664           | (187)  | 201    |
| Other financial assets <sup>(ii)</sup>                                     | 48,731          | (3,000)  | 3,214  |

(i) The sensitivity has only been calculated on non-current financial assets carried at FVTPL as the current financial assets carried at FVTPL are no longer sensitive to changes in key assumptions as these investments carried a significant portion of their net assets as cash at 30 June 2011.

(ii) The sensitivity has been calculated by changing capitalisation rates of the underlying property investment valuations by 25 bps.

| YEAR ENDED 30 JUNE 2010<br>CENTRO RETAIL TRUST AND ITS CONTROLLED ENTITIES |                 |  |        |
|--|-----------------|--|--------|
|  | Carrying amount | Effect of reasonably possible alternative assumptions <sup>(i)</sup> |        |
|  | \$'000          | +  | -      |
| Assets   |                 | \$'000   | \$'000 |
| Financial assets carried at FVTPL <sup>(i)</sup>                           | 32,374          | (1,169)  | 1,241  |
| Other financial assets <sup>(i)</sup>                                      | 47,442          | (2,950)  | 3,161  |

(i) The sensitivity has been calculated by changing capitalisation rates of the underlying property investment valuations by 25 bps.

## 6. SEGMENT INFORMATION

AASB 8 *Operating Segments* requires a 'management approach' to identifying and presenting segment information, that is, segment information is presented on the same basis as that used for internal reporting purposes. The Group has identified its operating segments based on the internal reports that are reviewed and used by the Chief Executive Officer (CEO) (the "chief operating decision maker") in assessing performance and in determining the allocation of resources.

The Group operated seven reporting segments prior to the disposal of its US investment portfolio, being each of its key investments and CER Operations which primarily contains centralised loan facilities and derivative financial instruments. As the sale of the US investment portfolio settled on 29 June 2011 the Group has not reassessed its reporting segments and therefore, while the Segment Income Statement shows all seven reporting segments, the Segment Balance Sheet shows only the three remaining reporting segments as at balance date.

The accounting policies used by the Group in reporting segment information are the same as those detailed in Note 1 except as detailed below.

### (i) *Net Property Income*

Net property income is the net of revenues and expenses directly attributable to individual properties across CER's property investments.

### (ii) *Underlying Profit*

Underlying profit represents the net profit for each of CER's investments excluding: the impact of asset revaluations; the mark to market of financial instruments; and other one-off or non-recurring items, such as loss on sale of properties that CER's management does not consider form part of the underlying operations of the investment.

### (iii) *Reversal of Current Period Losses*

At 30 June 2009, CER had written down the value of its Super LLC investment to nil. From that time onwards, no revenues or expenses relating to Super LLC are recognised by CER until such time as CER's investment in Super LLC returned to a positive equity position. The below disclosure includes the operating results for Super LLC (up to the date of disposal). The result is then reversed due to CER's investment in Super LLC being fully provided for. The net impact on CER's results from Super LLC is therefore nil.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2011

6. SEGMENT INFORMATION (continued)

The tables below present CER's Income Statement and Balance Sheet by operating segment:

| INCOME STATEMENT<br>Year Ended<br>30 June 2011<br>Centro Retail Trust<br>and its Controlled<br>Entities | EQUITY ACCOUNTED INVESTMENTS |                 |                               |                              | Sub total      | CONTROLLED OPERATIONS |                        |                                       | Total          |
|---|------------------------------|-----------------|-------------------------------|------------------------------|----------------|-----------------------|------------------------|---------------------------------------|----------------|
|   | Australian<br>Property       | CWAR 1<br>(USA) | Centro GA<br>America<br>(USA) | Centro<br>Super LLC<br>(USA) |                | CWAR 5<br>(USA)       | Australian<br>Property | CER<br>Opera-<br>tions <sup>(i)</sup> |                |
|   | \$'000                       | \$'000          | \$'000                        | \$'000                       | \$'000         | \$'000                | \$'000                 | \$'000                                | \$'000         |
| Net property income   | 105,895                      | 12,808          | 66,728                        | 125,939                      | 311,370        | 23,045                | 8,388                  | -                                     | 342,803        |
| Other revenue   | -                            | 2               | 19                            | 167                          | 188            | 9                     | -                      | 12,250                                | 12,447         |
| <b>Total income</b>   | <b>105,895</b>               | <b>12,810</b>   | <b>66,747</b>                 | <b>126,106</b>               | <b>311,558</b> | <b>23,054</b>         | <b>8,388</b>           | <b>12,250</b>                         | <b>355,250</b> |
| Financing costs   | (10,709)                     | (5,304)         | (36,677)                      | (69,571)                     | (122,261)      | (12,331)              | -                      | (112,575)                             | (247,167)      |
| Other operating costs   | -                            | (1,341)         | (5,000)                       | (8,256)                      | (14,597)       | (1,986)               | -                      | (21,923)                              | (38,506)       |
| <b>Underlying profit</b>  | <b>95,186</b>                | <b>6,165</b>    | <b>25,070</b>                 | <b>48,279</b>                | <b>174,700</b> | <b>8,737</b>          | <b>8,388</b>           | <b>(122,248)</b>                      | <b>69,577</b>  |
| Assets revaluations   | 66,923                       | 5,228           | 38,592                        | 45,653                       | 156,396        | 8,054                 | 1,688                  | 4,689                                 | 170,827        |
| Financial instruments<br>/ FX   | -                            | 420             | -                             | -                            | 420            | 116                   | -                      | 210,985                               | 211,521        |
| Other   | -                            | 44              | (4,978)                       | (3,883)                      | (8,817)        | (146)                 | (68)                   | 2,453                                 | (6,578)        |
| Net gain on disposal<br>of US Investments   | -                            | -               | -                             | -                            | -              | -                     | -                      | 1,896                                 | 1,896          |
| Reversal of current<br>period profits   | -                            | -               | -                             | (90,049)                     | (90,049)       | -                     | -                      | -                                     | (90,049)       |
| <b>Net profit / (loss)</b>  | <b>162,109</b>               | <b>11,857</b>   | <b>58,684</b>                 | <b>-</b>                     | <b>232,650</b> | <b>16,761</b>         | <b>10,008</b>          | <b>97,775</b>                         | <b>357,194</b> |
| <b>Attributable to:</b>   |                              |                 |                               |                              |                |                       |                        |                                       |                |
| Continuing operations   |                              |                 |                               |                              |                |                       |                        |                                       | 254,010        |
| Discontinued operations   |                              |                 |                               |                              |                |                       |                        |                                       | 103,184        |

(i) CER Operations includes:

- Revenues and expenses relating to unallocated debt and derivatives;
- Return on investments in Centro Australia Wholesale Fund, Centro MCS 38, Centro MCS 39, Centro MCS 40 and CER's option over Centro Karingal; and
- Inter segment eliminations.

RECONCILIATION OF NET PROFIT AFTER TAX FROM DISCONTINUED US OPERATIONS

|   | CENTRO RETAIL TRUST AND<br>ITS CONTROLLED ENTITIES |
|---|--|
|   | <b>30.06.11</b>                                    |
|   | <b>\$'000</b>                                      |
| CWAR 1 (USA)  | 11,857   |
| Centro GA America (USA)   | 58,684   |
| Centro Super LLC (USA)  | -  |
| CWAR 5 (USA)  | 16,761   |
| Other operating costs of CER Operations attributable to US operations | (2,561)  |
| Income tax benefit  | 16,547   |
| Net gain on disposal of discontinued operations                       | 1,896  |
| <b>Net profit after tax from discontinued US operations</b>           | <b>103,184</b>                                     |

| BALANCE SHEET<br>30 June 2011<br>Centro Retail Trust<br>and its Controlled Entities | EQUITY ACCOUNTED INVESTMENTS |                     | CONTROLLED OPERATIONS         |  | Total<br>\$'000  |
|---|------------------------------|---------------------|-------------------------------|--|------------------|
|   | Australian Property          | Australian Property | CER Operations <sup>(i)</sup> |  |                  |
|   | \$'000                       | \$'000              | \$'000                        |  |                  |
| Property investments  | 1,513,364                    | 111,800             | -                             |  | 1,625,164        |
| Other investments   | -                            | -                   | 126,483                       |  | 126,483          |
| Other assets  | -                            | 1,352               | 187,348                       |  | 188,700          |
| <b>Total assets</b>   | <b>1,513,364</b>             | <b>113,152</b>      | <b>313,831</b>                |  | <b>1,940,347</b> |
| Other liabilities   | (560)                        | (1,352)             | (41,669)                      |  | (43,581)         |
| Current interest bearing liabilities  | -                            | -                   | (734,297)                     |  | (734,297)        |
| Non-current interest bearing liabilities  | (108,942) <sup>(ii)</sup>    | -                   | (41,058)                      |  | (150,000)        |
| <b>Total liabilities</b>  | <b>(109,502)</b>             | <b>(1,352)</b>      | <b>(817,024)</b>              |  | <b>(927,878)</b> |
| <b>Net assets</b>   | <b>1,403,862</b>             | <b>111,800</b>      | <b>(503,193)</b>              |  | <b>1,012,469</b> |

(i) CER Operations includes:

- Unallocated debt and derivatives;
- Investments in Centro Australia Wholesale Fund, Centro MCS 38, Centro MCS 39, Centro MCS 40 and CER's option over Centro Karingal. At 30 June 2011 CER's option over Centro Karingal is presented as an "other investment" with value of \$90m and a non-current liability with value of \$41m;
- Inter segment eliminations; and
- CER's held for sale investment in Centro Birallee.

(ii) Excludes unallocated debt which is included in CER Operations.

The interest bearing liabilities of equity accounted investments of \$108.9 million at 30 June 2011 mature in December 2012.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2011

### 6. SEGMENT INFORMATION (continued)

The tables below present review of CER's income statement and balance sheet by operating segment:

| INCOME STATEMENT                                      | EQUITY ACCOUNTED INVESTMENTS |                 |                               |                              |                | CONTROLLED OPERATIONS |                        |                                       |                |
|---|------------------------------|-----------------|-------------------------------|------------------------------|----------------|-----------------------|------------------------|---------------------------------------|----------------|
| Year Ended<br>30 June 2010                            | Australian<br>Property       | CWAR 1<br>(USA) | Centro GA<br>America<br>(USA) | Centro<br>Super LLC<br>(USA) | Sub total      | CWAR 5<br>(USA)       | Australian<br>Property | CER<br>Opera-<br>tions <sup>(i)</sup> | Total          |
| Centro Retail Trust<br>and its Controlled<br>Entities |                              |                 |                               |                              |                |                       |                        |                                       |                |
|   | \$'000                       | \$'000          | \$'000                        | \$'000                       | \$'000         | \$'000                | \$'000                 | \$'000                                | \$'000         |
| Net property income                                   | 104,691                      | 19,793          | 106,729                       | 211,614                      | 442,827        | 37,936                | 7,152                  | -                                     | 487,915        |
| Other revenue   | -                            | 6               | 1,163                         | 156                          | 1,325          | 13                    | -                      | 11,690                                | 13,028         |
| <b>Total income</b>                                   | <b>104,691</b>               | <b>19,799</b>   | <b>107,892</b>                | <b>211,770</b>               | <b>444,152</b> | <b>37,949</b>         | <b>7,152</b>           | <b>11,690</b>                         | <b>500,943</b> |
| Financing costs                                       | (5,649)                      | (7,492)         | (58,622)                      | (93,938)                     | (165,701)      | (19,729)              | -                      | (95,720)                              | (281,150)      |
| Other operating costs                                 | -                            | (2,652)         | (7,292)                       | (17,627)                     | (27,571)       | (3,720)               | -                      | (28,288)                              | (59,579)       |
| <b>Underlying profit</b>                              | <b>99,042</b>                | <b>9,655</b>    | <b>41,978</b>                 | <b>100,205</b>               | <b>250,880</b> | <b>14,500</b>         | <b>7,152</b>           | <b>(112,318)</b>                      | <b>160,214</b> |
| Assets revaluations                                   | (14,995)                     | 4,672           | (65,367)                      | (128,669)                    | (204,359)      | (1,509)               | (11,332)               | 1,201                                 | (215,999)      |
| Financial instruments<br>/ FX                         | -                            | 1,871           | -                             | (8,647)                      | (6,776)        | (139)                 | -                      | 144,488                               | 137,573        |
| Other   | -                            | 171             | (5,105)                       | 1,279                        | (3,655)        | (512)                 | 201                    | -                                     | (3,966)        |
| Reversal of current<br>period losses                  | -                            | -               | -                             | 35,832                       | 35,832         | -                     | -                      | -                                     | 35,832         |
| <b>Net profit / (loss)</b>                            | <b>84,047</b>                | <b>16,369</b>   | <b>(28,494)</b>               | <b>-</b>                     | <b>71,922</b>  | <b>12,340</b>         | <b>(3,979)</b>         | <b>33,371</b>                         | <b>113,654</b> |
| <b>Attributable to:</b>                               |                              |                 |                               |                              |                |                       |                        |                                       |                |
| Continuing operations                                 |                              |                 |                               |                              |                |                       |                        |                                       | <b>121,705</b> |
| Discontinued operations                               |                              |                 |                               |                              |                |                       |                        |                                       | <b>(8,051)</b> |

(i) CER Operations includes:

- Revenues and expenses relating to unallocated debt and derivatives;
- Returns on Investments in Centro Australia Wholesale Fund, Centro MCS 38, Centro MCS 39, Centro MCS 40 and CER's option over Centro Karingal; and
- Inter segment eliminations.

### RECONCILIATION OF NET PROFIT/(LOSS) AFTER TAX FROM DISCONTINUED US OPERATIONS

|   | CENTRO RETAIL TRUST AND<br>ITS CONTROLLED ENTITIES |
|---|--|
|   | <b>30.06.10</b>                                    |
|   | <b>\$'000</b>                                      |
| <b>Net profit/(loss) after tax from:</b>                              |  |
| CWAR 1 (USA)  | 16,369   |
| Centro GA America (USA)   | (28,494)   |
| Centro Super LLC (USA)  | -  |
| CWAR 5 (USA)  | 12,340   |
| Other operating costs of CER Operations attributable to US operations | (4,602)  |
| Income tax expense  | (3,664)  |
| <b>Net profit/(loss) after tax from discontinued US operations</b>    | <b>(8,051)</b>                                     |

| BALANCE SHEET<br>30 June 2010<br>Centro Retail Trust<br>and its Controlled<br>Entities | EQUITY ACCOUNTED INVESTMENTS |                  |                               |                              | CONTROLLED OPERATIONS |                  |                        |                                  | Total              |
|--|------------------------------|------------------|-------------------------------|------------------------------|-----------------------|------------------|------------------------|----------------------------------|--------------------|
|  | Australian<br>Property       | CWAR 1<br>(USA)  | Centro GA<br>America<br>(USA) | Centro<br>Super LLC<br>(USA) | Sub total             | CWAR 5<br>(USA)  | Australian<br>Property | CER<br>Operations <sup>(i)</sup> |                    |
|  | \$'000                       | \$'000           | \$'000                        | \$'000                       | \$'000                | \$'000           | \$'000                 | \$'000                           | \$'000             |
| Property investments   | 1,434,138                    | 297,156          | 1,386,332                     | 2,744,583                    | 5,862,209             | 529,552          | 108,925                | -                                | 6,500,686          |
| Other investments  | -                            | -                | -                             | -                            | -                     | -                | -                      | 120,895                          | 120,895            |
| Other assets   | -                            | 7,725            | 74,168                        | 175,454                      | 257,347               | 20,344           | 1,382                  | 56,290                           | 335,363            |
| <b>Total assets</b>  | <b>1,434,138</b>             | <b>304,881</b>   | <b>1,460,500</b>              | <b>2,920,037</b>             | <b>6,119,556</b>      | <b>549,896</b>   | <b>110,307</b>         | <b>177,185</b>                   | <b>6,956,944</b>   |
| Other liabilities  | (55)                         | (14,599)         | (41,271)                      | (74,968)                     | (130,893)             | (13,055)         | (1,361)                | (334,523)                        | (479,832)          |
| Current interest bearing<br>liabilities  | -                            | (93,722)         | (128,349)                     | (1,682,430)                  | (1,904,501)           | (20,260)         | -                      | (397,116)                        | (2,321,877)        |
| Non-current interest<br>bearing liabilities  | (108,942) <sup>(ii)</sup>    | (79,242)         | (927,300)                     | (591,968)                    | (1,707,452)           | (353,134)        | -                      | (753,906)                        | (2,814,492)        |
| <b>Total liabilities</b>   | <b>(108,997)</b>             | <b>(187,563)</b> | <b>(1,096,920)</b>            | <b>(2,349,366)</b>           | <b>(3,742,846)</b>    | <b>(386,449)</b> | <b>(1,361)</b>         | <b>(1,485,545)</b>               | <b>(5,616,201)</b> |
| <b>Net assets</b>  | <b>1,325,141</b>             | <b>117,318</b>   | <b>363,580</b>                | <b>570,671</b>               | <b>2,376,710</b>      | <b>163,447</b>   | <b>108,946</b>         | <b>(1,308,360)</b>               | <b>1,340,743</b>   |
| Provision for non<br>recovery  | -                            | -                | -                             | (570,671)                    | (570,671)             | -                | -                      | -                                | (570,671)          |
| <b>Net assets including<br/>non recovery provision</b>                                 | <b>1,325,141</b>             | <b>117,318</b>   | <b>363,580</b>                | <b>-</b>                     | <b>1,806,039</b>      | <b>163,447</b>   | <b>108,946</b>         | <b>(1,308,360)</b>               | <b>770,072</b>     |

(i) CER Operations includes:

- Unallocated debt and derivatives;
- Investments in Centro Australia Wholesale Fund, Centro MCS 38, Centro MCS 39, Centro MCS 40 and CER's option over Centro Karingal. At 30 June 2010 CER's option over Centro Karingal is presented as an "other investment" with value of \$88.5m and a non-current liability with value of \$41m; and
- Inter segment eliminations.

(ii) Excludes unallocated debt which is included in CER Operations.

The table below represents interest bearing liabilities of equity accounted investments at 30 June 2010. The current/non-current classification of interest bearing liabilities for controlled operations is included in Note 5 (e).

| Maturity     | Australian Property | CWAR 1<br>(USA)  | Centro GA America<br>(USA) | Centro Super LLC<br>(USA) | Total              |
|--------------|---------------------|------------------|----------------------------|---------------------------|--------------------|
|              | \$'000              | \$'000           | \$'000                     | \$'000                    |                    |
| Current      | -                   | (93,722)         | (128,349)                  | (1,682,430)               | (1,904,501)        |
| 1-2 years    | -                   | (84)             | (1,867)                    | (40,248)                  | (42,199)           |
| 2-5 years    | (108,942)           | (78,502)         | (461,453)                  | (57,110)                  | (706,007)          |
| Over 5 years | -                   | (656)            | (463,980)                  | (494,610)                 | (959,246)          |
|              | <b>(108,942)</b>    | <b>(172,964)</b> | <b>(1,055,649)</b>         | <b>(2,274,398)</b>        | <b>(3,611,953)</b> |

Due to banking restrictions within the underlying vehicles, no cash distributions were received in the year to 30 June 2010 from CER's investments in Centro Super LLC.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2011

6. SEGMENT INFORMATION (continued)

(a) Reconciliation of Total Revenue

|   |      | CENTRO RETAIL TRUST AND<br>ITS CONTROLLED ENTITIES |                    |
|---|------|--|--------------------|
|   | Note | 30.06.11<br>\$'000                                 | 30.06.10<br>\$'000 |
| <b>Total income per segment note</b>                          |      | 355,250  | 500,943            |
| Less: net property income from equity accounted investments   |      | (311,558)  | (444,152)          |
| Add: expenses directly attributable to investments properties |      | 13,583   | 26,062             |
| Less: total revenue of discontinued operations                | 3(b) | (35,569)   | (59,803)           |
| <b>Total revenue per Income Statement</b>                     |      | <b>21,706</b>                                      | <b>23,050</b>      |

(b) Reconciliation of Total Assets

|   |       | CENTRO RETAIL TRUST AND<br>ITS CONTROLLED ENTITIES |                    |
|---|-------|--|--------------------|
|   | Note  | 30.06.11<br>\$'000                                 | 30.06.10<br>\$'000 |
| <b>Total asset per segment note</b>                     |       | 1,940,347  | 6,956,944          |
| Less: equity accounted total assets per segment note    |       | (1,513,364)  | (6,119,556)        |
| Add: total equity accounted investments                 |       | 1,403,862  | 1,806,039          |
| Less: derivatives within other assets of CER operations |       | (211)  | (21)               |
| Less: return of capital relating to refinancing         | 13(b) | (41,058)   | (41,058)           |
| <b>Total assets per Balance Sheet</b>                   |       | <b>1,789,576</b>                                   | <b>2,602,348</b>   |

(c) Reconciliation of Total Liabilities

|   |       | CENTRO RETAIL TRUST AND<br>ITS CONTROLLED ENTITIES |                    |
|---|-------|--|--------------------|
|   | Note  | 30.06.11<br>\$'000                                 | 30.06.10<br>\$'000 |
| <b>Total liabilities per segment note</b>                                   |       | 927,878  | 5,616,201          |
| Less: equity accounted total liabilities per segment note                   |       | (109,502)  | (3,742,846)        |
| Less: recognition of derivatives within other liabilities of CER operations |       | (211)  | (21)               |
| Less: return of capital relating to refinancing                             | 13(b) | (41,058)   | (41,058)           |
| <b>Total liabilities per Balance Sheet</b>                                  |       | <b>777,107</b>                                     | <b>1,832,276</b>   |

## 7. OTHER REVENUE

|                                   | CENTRO RETAIL TRUST AND ITS CONTROLLED ENTITIES |              |
|-----------------------------------|---|--------------|
|                                   | 30.06.11  | 30.06.10     |
|                                   | \$'000  | \$'000       |
| Revenue on other financial assets | 2,740   | 4,030        |
| Interest revenue                  | 863   | 697          |
| Other                             | 2,851   | 2,091        |
| <b>Other revenue</b>              | <b>6,454</b>                                    | <b>6,818</b> |

## 8. INCOME TAX

|   | CENTRO RETAIL TRUST AND ITS CONTROLLED ENTITIES |                |
|---|---|----------------|
|   | 30.06.11  | 30.06.10       |
|   | \$'000  | \$'000         |
| <b>(a) Income Tax (Benefit)/Expense</b>   |   |                |
| Current tax expense   | -   | 325            |
| Deferred tax (benefit)/expense  | (16,547)  | 3,664          |
| <b>Total income tax (benefit)/expense</b>   | <b>(16,547)</b>                                 | <b>3,989</b>   |
| <b>(b) Numerical Reconciliation of Income Tax (Benefit)/Expense to Prima Facie Tax Payable</b>  |   |                |
| The income tax expense for the financial year differs from the amount calculated on profit. The differences are reconciled as follows:  |   |                |
| Profit before tax from continuing operations  | 254,010   | 122,030        |
| Profit/(loss) before tax from discontinued operations   | 86,637  | (4,387)        |
| <b>Total profit before tax</b>  | <b>340,647</b>                                  | <b>117,643</b> |
| Income tax expense calculated at 30% (2010: 30%)  | (102,194)                                       | (35,293)       |
| Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:   |   |                |
| Effect of trust income not subject to income tax  | 102,194   | 35,618         |
| (Decrease)/increase in deferred tax liabilities arising from revaluation of US investments  | (16,547)  | 3,664          |
|   | <b>(16,547)</b>                                 | <b>3,989</b>   |
| Income tax (benefit)/expense applicable to operating profit is attributable to:   |   |                |
| Continuing operations   | -   | 325            |
| Discontinued operations   | (16,547)  | 3,664          |
|   | <b>(16,547)</b>                                 | <b>3,989</b>   |
| <b>(c) Tax Losses</b>   |   |                |
| The Directors estimate that the potential future income tax benefit at 30 June in respect of temporary items not brought to account is: | -   | 329,558        |

The tax benefit associated with tax losses will only be obtained if:

- (i) the Group derives future assessable income of a nature and an amount sufficient to enable the benefit from deductions for the losses to be realised; and
- (ii) the Group continues to comply with the conditions for deductibility imposed by tax legislation; and
- (iii) no changes in tax legislation adversely affect the Group in realising the benefit from the deduction for the losses.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 30 JUNE 2011

**8. INCOME TAX (continued)**

**(d) Tax Consolidation Legislation**

Centro Retail Trust and its wholly-owned Australian controlled entities have not implemented the tax consolidation legislation.

**(e) Taxation of Financial Arrangements (TOFA)**

Legislation is in place which changes the tax treatment of financial arrangements including the tax treatment of hedging transactions. The Group has assessed the impact of these changes on the Group's tax position. No impact has been recognised and no adjustments have been made to the deferred tax and income tax balances at 30 June 2011 (2010: no adjustments).

**9. CASH ASSETS AND CASH EQUIVALENTS**

|                          | CENTRO RETAIL TRUST AND<br>ITS CONTROLLED ENTITIES |                    |
|--------------------------|--|--------------------|
|                          | 30.06.11<br>\$'000                                 | 30.06.10<br>\$'000 |
| Cash at bank and on hand | 167,566  | 38,574             |

**10. TRADE AND OTHER RECEIVABLES**

|  | CENTRO RETAIL TRUST AND<br>ITS CONTROLLED ENTITIES |                    |
|--|--|--------------------|
|  | 30.06.11<br>\$'000                                 | 30.06.10<br>\$'000 |
| <b>Current</b>                                   |  |                    |
| Trade receivables                                | 100  | 3,635              |
| Less: impairment of receivables                  | (36)   | (931)              |
|  | <b>64</b>  | <b>2,704</b>       |
| Related party receivables                        | 10,514   | 12,326             |
| Prepayments                                      | 2,230  | 5,240              |
| Other receivables                                | 2,476  | 4,984              |
| <b>Total current trade and other receivables</b> | <b>15,284</b>                                      | <b>25,254</b>      |

**(a) Impaired Trade Receivables**

As at 30 June 2011, the Group has a provision of \$36,000 (2010: \$931,000) against the impaired trade receivables. The Group has recognised a loss of \$832,000 (2010: \$2,787,000) in respect of impaired trade receivables during the year ended 30 June 2011. Impairment is assessed at the individual debtor level. These losses have been included in the 'bad and doubtful debt expense' in the Income Statement.

|  | CENTRO RETAIL TRUST AND<br>ITS CONTROLLED ENTITIES |                    |
|--|--|--------------------|
|  | 30.06.11<br>\$'000                                 | 30.06.10<br>\$'000 |
| Opening balance at 1 July                                | 931  | 774                |
| Provision for impairment recognised during the year      | 832  | 2,787              |
| Receivables written off during the year as uncollectable | (705)  | (2,630)            |
| Amounts disposed of on sale of US operations             | (1,022)  | -                  |
| <b>Closing balance at 30 June</b>                        | <b>36</b>  | <b>931</b>         |

## (b) Past Due but Not Impaired

As of 30 June 2011, trade receivables of the Group of \$48,000 (2010: \$1,353,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

|                          | CENTRO RETAIL TRUST AND<br>ITS CONTROLLED ENTITIES |              |
|--------------------------|--|--------------|
|                          | 30.06.11   | 30.06.10     |
|                          | \$'000   | \$'000       |
| < 30 days (not past due) | 16   | 1,351        |
| 31 to 90 days (past due) | 26   | 904          |
| 90+ days (past due)      | 22   | 449          |
|                          | <b>64</b>  | <b>2,704</b> |

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due. The Group does not hold any collateral in relation to these receivables.

## 11. INVESTMENTS

|  | CENTRO RETAIL TRUST AND<br>ITS CONTROLLED ENTITIES |                  |
|--|--|------------------|
|  | 30.06.11   | 30.06.10         |
|  | \$'000   | \$'000           |
| <b>Included in the Balance Sheet as:</b>   |  |                  |
| Investments accounted for using the equity method 11(a)                            | 1,403,862  | 1,806,039        |
| Financial assets carried at fair value through profit or loss <sup>(i)</sup> 11(b) | 36,483   | 32,374           |
| Investment property 11(c)  | 111,800  | 638,477          |
| Other financial assets at fair value through profit and loss 11(d)                 | 48,731   | 47,442           |
| Non-current assets classified as held for sale 11(e)                               | 5,850  | -                |
|  | <b>1,606,726</b>                                   | <b>2,524,332</b> |

(i) Financial assets carried at fair value through profit or loss are classified current and non-current at 30 June 2011.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2011

11. INVESTMENTS (continued)

|  | CENTRO RETAIL TRUST AND<br>ITS CONTROLLED ENTITIES |                    |
|--|--|--------------------|
|  | 30.06.11<br>\$'000                                 | 30.06.10<br>\$'000 |
| <b>(a) Investments Accounted for Using the Equity Method</b> |  |                    |
| Centro America REIT I (48.5%)                                | -  | 117,318            |
| Centro Galleria (WA) (50%)                                   | 307,500  | 275,000            |
| Centro The Glen (VIC) (50%)                                  | 205,750  | 192,150            |
| Centro Toombul (QLD) (50%)                                   | 99,200   | 85,000             |
| Centro Colonnades (SA) (50%)                                 | 148,700  | 145,250            |
| Centro Cranbourne (VIC) (50%)                                | 31,511   | 31,526             |
| Centro Warriewood (NSW) (50%)                                | 37,286   | 34,753             |
| Centro Tweed Mall (NSW) (50%)                                | 36,500   | 43,150             |
| Centro Mildura (VIC) (50%)                                   | 44,850   | 42,300             |
| Centro Taigum (QLD) (50%)                                    | 38,625   | 36,250             |
| Centro Mornington (VIC) (50%)                                | 27,000   | 25,750             |
| Centro Springwood (QLD) (50%)                                | 26,000   | 25,100             |
| Centro Wodonga (VIC) (50%)                                   | 20,750   | 20,000             |
| Centro Westside (NSW) (50%)                                  | 17,300   | 17,875             |
| Centro Goulburn (NSW) (50%)                                  | 24,000   | 23,800             |
| Centro Buranda (QLD) (50%)                                   | 17,000   | 17,000             |
| Centro Super Holding Trust No. 1 (100%)                      | -  | -                  |
| Centro GA America LLC (95%)                                  | -  | 363,580            |
| Centro Super Holding Trust No. 3 (100%)                      | -  | -                  |
| Centro Birallee (VIC) (50%)                                  | -  | 5,950              |
| Centro Box Hill (South) (VIC) (50%)                          | 54,250   | 47,000             |
| Centro Halls Head (WA) (50%)                                 | 14,375   | 13,625             |
| Centro Lansell (VIC) (50%)                                   | 17,000   | 17,800             |
| Centro Lavington (NSW) (50%)                                 | 30,500   | 30,500             |
| Centro Mandurah (WA) (50%)                                   | 67,050   | 59,112             |
| Centro Warwick (WA) (50%)                                    | 63,750   | 61,500             |
| Centro Box Hill North (VIC) (50%)                            | 30,540   | 30,350             |
| Centro Whitsunday (QLD) (50%)                                | 24,925   | 25,150             |
| Centro Armidale (VIC) (50%)                                  | 19,500   | 19,250             |
|  | <b>1,403,862</b>                                   | <b>1,806,039</b>   |

| CENTRO RETAIL TRUST AND<br>ITS CONTROLLED ENTITIES   |       |                    |                    |
|--|-------|--------------------|--------------------|
|  | Note  | 30.06.11<br>\$'000 | 30.06.10<br>\$'000 |
| <b>Movements:</b>  |       |                    |                    |
| Opening balance at 1 July  |       | 1,806,039          | 2,033,875          |
| Disposal of properties   |       | -                  | (19,100)           |
| Share of net profits of associates and joint venture partnerships accounted for using the equity method attributable to: |       |                    |                    |
| Continuing operations  |       | 162,109            | 84,047             |
| Discontinued operations  | 3(b)  | 70,541             | (12,125)           |
| Dividends received or receivable and capital returns   |       | (218,117)          | (153,057)          |
| Foreign currency translation movements   |       | (85,217)           | (26,270)           |
| Additional investment  |       | 17,581             | 7,611              |
| Return of capital relating to refinancing  | 13(b) | -                  | (108,942)          |
| Assets disposed of on sale of US operations  | 3(c)  | (343,224)          | -                  |
| Asset transferred to non-current asset classified as held for sale   | 11(e) | (5,850)            | -                  |
| <b>Closing balance at 30 June</b>  |       | <b>1,403,862</b>   | <b>1,806,039</b>   |
| <b>(b) Financial Assets Carried at Fair Value Through Profit or Loss</b>   |       |                    |                    |
| Centro MCS 38 (83,320,305 units) (2010: 83,320,305 units)  |       | 11,666             | 4,961              |
| Centro MCS 39 (81,585,000 units) (2010: 81,585,000 units)  |       | 22,134             | 25,920             |
| Centro MCS 40 (80,004,000 units) (2010: 80,004,000 units)  |       | 1,019              | -                  |
| Centro Australia Wholesale Fund (2,000,000 units) (2010: 2,000,000 units)  |       | 1,664              | 1,493              |
|  |       | <b>36,483</b>      | <b>32,374</b>      |
| Classified as:   |       |                    |                    |
| Current assets   |       | 34,819             | -                  |
| Non-current assets   |       | 1,664              | 32,374             |
|  |       | <b>36,483</b>      | <b>32,374</b>      |
| <b>Movements:</b>  |       |                    |                    |
| Opening balance at 1 July  |       | 32,374             | 32,673             |
| Capitalised interest and distribution  |       | 709                | -                  |
| Fair value adjustments   |       | 3,400              | (299)              |
| <b>Closing balance at 30 June</b>  |       | <b>36,483</b>      | <b>32,374</b>      |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2011

11. INVESTMENTS (continued)

|   |      | CENTRO RETAIL TRUST AND ITS CONTROLLED ENTITIES |                    |
|---|------|---|--------------------|
|   | Note | 30.06.11<br>\$'000                              | 30.06.10<br>\$'000 |
| <b>(c) Investment Property</b>                                |      |   |                    |
| Barn Plaza (USA) (100%)                                       |      | -   | 43,336             |
| Bethlehem Square (USA) (100%)                                 |      | -   | 48,763             |
| Bristol Park (USA) (100%)                                     |      | -   | 24,500             |
| Chesterbrook Village (USA) (100%)                             |      | -   | 10,918             |
| Collegetown Shopping Centre (USA) (100%)                      |      | -   | 20,050             |
| Fox Run (USA) (100%)  |      | -   | 36,681             |
| Groton Square (USA) (100%)                                    |      | -   | 33,858             |
| Marlton Crossing I & II (USA) (100%)                          |      | -   | 57,032             |
| Ocean Heights (USA) (100%)                                    |      | -   | 39,843             |
| Perkins Farm (USA) (100%)                                     |      | -   | 21,884             |
| Stratford Square (USA) (100%)                                 |      | -   | 22,066             |
| The Shoppes at Valley Forge (USA) (100%)                      |      | -   | 16,692             |
| Valley Fair (USA) (100%)                                      |      | -   | 11,626             |
| Village at Newtown (USA) (100%)                               |      | -   | 57,213             |
| Village Square (USA) (100%)                                   |      | -   | 7,374              |
| Village West (USA) (100%)                                     |      | -   | 29,933             |
| Whitehall Square (USA) (100%)                                 |      | -   | 47,783             |
| Centro Albany (WA) (100%)                                     |      | 26,800  | 24,375             |
| Centro Mount Gambier (SA) (100%)                              |      | 37,500  | 38,100             |
| Centro Warnbro Fair (WA) (100%)                               |      | 47,500  | 46,450             |
|   |      | <b>111,800</b>                                  | <b>638,477</b>     |
| <b>Movements:</b>   |      |   |                    |
| Opening balance at 1 July                                     |      | 638,477   | 702,033            |
| Disposal of investment properties                             |      | -   | (29,266)           |
| Capitalised expenditure                                       |      | 3,303   | 2,928              |
| Property revaluation increment / (decrement) attributable to: |      |   |                    |
| Continuing operations   |      | 1,688   | (11,332)           |
| Discontinued operations                                       | 3(b) | 8,054   | (1,509)            |
| Foreign currency translation movements                        |      | (93,053)  | (23,900)           |
| Straight-lining of rent adjustment                            |      | 39  | 273                |
| Tenant allowance amortisation                                 |      | (754)   | (750)              |
| Assets disposed of on sale of US operations                   | 3(c) | (445,954)                                       | -                  |
| <b>Closing balance at 30 June</b>                             |      | <b>111,800</b>                                  | <b>638,477</b>     |

| CENTRO RETAIL TRUST AND<br>ITS CONTROLLED ENTITIES                      |       |                    |                    |
|---|-------|--------------------|--------------------|
|   | Note  | 30.06.11<br>\$'000 | 30.06.10<br>\$'000 |
| <b>(d) Other Financial Assets at Fair Value Through Profit or Loss</b>  |       |                    |                    |
| CER's option for the ownership of Centro Karingal                       |       | 48,731             | 47,442             |
|   |       | <b>48,731</b>      | <b>47,442</b>      |
| <b>Movements:</b>   |       |                    |                    |
| Opening balance at 1 July   |       | 47,442             | 87,000             |
| Fair value adjustments  |       | 1,289              | 1,500              |
| Return of capital relating to refinancing                               | 13(b) | -                  | (41,058)           |
| <b>Closing balance at 30 June</b>                                       |       | <b>48,731</b>      | <b>47,442</b>      |
| <b>(e) Non-current Assets Classified as Held for Sale</b>               |       |                    |                    |
| Centro Birallee (VIC) (50%) <sup>(i)</sup>                              |       | 5,850              | -                  |
|   |       | <b>5,850</b>       | <b>-</b>           |
| <b>Movements:</b>   |       |                    |                    |
| Opening balance at 1 July   |       | -                  | -                  |
| Asset transferred from investment accounted for using the equity method |       | 5,850              | -                  |
| <b>Closing balance at 30 June</b>                                       |       | <b>5,850</b>       | <b>-</b>           |

(i) The sale of Centro Birallee was completed in July 2011. Refer note 27(b) for details.

## (f) Valuation Basis

Investment properties are carried at fair value. In arriving at fair value, consideration is given to the discounted cash flows of the investment property based on estimates of future cash flows, other contracts and recent prices for similar properties and capitalised income projections based on the property's net market income.

At 30 June 2011, all of CER's investment properties (disclosed in Note 11(a), 11(b), 11(c), 11(d) and 11(e)) were independently valued by members of the Australian Property Institute. During the period, the capitalisation rate of CER's Australian properties moved from 7.47% (June 2010) to 7.29% (June 2011).

A movement in the adopted property capitalisation rates of 0.25%, assuming a 50% gearing in the underlying investments, across the entire Australian property portfolio (disclosed in Note 11(a), 11(b), 11(c), 11(d) and 11(e)) would impact net assets by approximately \$110 million (2010: \$149 million) and impact net tangible assets attributable to members of Centro Retail Group by 5 cents per unit (2010: 7 cents per unit).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2011

11. INVESTMENTS (continued)

(g) Investment in Significant Controlled Entities – Companies, Partnerships and Trusts

|  | GROUP ENTITY INTEREST |               |
|--|-----------------------|---------------|
|  | 30.06.11<br>%         | 30.06.10<br>% |
| <b>Stapled Entities</b>                              |                       |               |
| Centro Retail Limited                                | 100                   | 100           |
| Centro Retail Trust                                  | 100                   | 100           |
| <b>Entities Controlled by Centro Retail Trust</b>    |                       |               |
| Centro America REIT 5                                | -                     | 97            |
| Centro Albany Property Trust                         | 100                   | 100           |
| Centro Shopping America Trust                        | 100                   | 100           |
| Centro GA America Inc.                               | -                     | 100           |
| Centro MCS Syndicate Investment Fund (Class B units) | 100                   | 100           |
| Centro Warnbro Fair Property Trust                   | 100                   | 100           |
| Centro Mt Gambier Property Trust                     | 100                   | 100           |

12. TRADE AND OTHER PAYABLES

|   | CENTRO RETAIL TRUST AND<br>ITS CONTROLLED ENTITIES |                    |
|---|--|--------------------|
|   | 30.06.11<br>\$'000                                 | 30.06.10<br>\$'000 |
| <b>Current</b>                                |  |                    |
| Trade creditors                               | 11   | 1,343              |
| Accrued interest                              | 6,662  | 5,893              |
| Related party accrued interest                | 3,516  | 1,606              |
| Other creditors                               | 17,250   | 36,672             |
| <b>Total current trade and other payables</b> | <b>27,439</b>                                      | <b>45,514</b>      |

### 13. INTEREST BEARING LIABILITIES

|  | CENTRO RETAIL TRUST AND<br>ITS CONTROLLED ENTITIES |                  |
|--|--|------------------|
|  | 30.06.11   | 30.06.10         |
|  | \$'000   | \$'000           |
| <b>Current</b>   |  |                  |
| Secured borrowings                                     | 622,953  | 306,031          |
| Loans from related parties                             | 111,344  | 111,344          |
| <b>Total current interest bearing liabilities</b>      | <b>734,297</b>                                     | <b>417,375</b>   |
| <b>Non-Current</b>                                     |  |                  |
| Secured borrowings                                     | -  | 1,065,982        |
| <b>Total non-current interest bearing liabilities</b>  | <b>-</b>   | <b>1,065,982</b> |
| <b>Total interest bearing liabilities</b>              | <b>734,297</b>                                     | <b>1,483,357</b> |
| <b>Financing arrangements</b>                          |  |                  |
| The Group has access to the following lines of credit: |  |                  |
| Borrowings   | 622,953  | 1,372,013        |
| Related party loans                                    | 111,344  | 111,344          |
| <b>Total facilities available</b>                      | <b>734,297</b>                                     | <b>1,483,357</b> |
| Facilities utilised at 30 June:                        |  |                  |
| Borrowings   | 622,953  | 1,372,013        |
| Related party loans                                    | 111,344  | 111,344          |
| <b>Total facilities utilised at 30 June</b>            | <b>734,297</b>                                     | <b>1,483,357</b> |

Included in the movement of total interest bearing liabilities from \$1.483 billion at 30 June 2010 to \$0.734 billion at 30 June 2011 is:

- \$370 million repayment of borrowings;
- \$73 million impact of movements in the AUD / USD foreign exchange rate; and
- \$306 million of borrowings disposed of on sale of US operations.

#### (a) Assets Pledged as Security

Borrowings are secured against the following properties as at 30 June 2011: Centro Albany, Centro Taigum, Centro Toombul, Centro Armidale, Centro Birallee, Centro Box Hill, Centro Halls Head, Centro Lansell, Centro Lavington, Centro Mount Gambier, Centro Warwick, Centro Box Hill (North), Centro Whitsunday, Warnbro Fair, Centro Buranda, Centro Colonnades, Centro Galleria, Centro Goulburn, Centro Mildura, Centro Westside and Centro Wodonga.

As at 30 June 2010, in addition to the abovementioned properties, the following were also pledged as security: Centro Mornington, Centro Springwood, Centro The Glen, Centro Tweed Mall, and all of investment properties held by CWAR 5 located in USA (refer to Note 11(c)).

#### (b) Return of Capital Relating to Refinancing in the Prior Financial Year

In December 2009, CER refinanced and restructured borrowings of \$150 million. This amount was refinanced within CER's equity accounted and other financial asset investments. As part of this restructure CER repaid \$5 million of debt and the new financiers lent directly to the entities holding Centro Cranbourne, Centro Mandurah, Centro Warriewood and Centro Karingal. This restructuring has impacted the consolidated Balance Sheet by reducing the value of interest bearing liabilities by \$150 million and reducing the value of equity accounted investments by \$109 million and other financial assets by \$41 million. The reduction in CER's investment balances has been treated as a capital return. Reconciliations of the movements in equity accounted investments and other financial assets (refer Note 11(a)/11(d)) demonstrate this impact.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2011

### 13. INTEREST BEARING LIABILITIES (continued)

#### (c) Fair Values

The carrying amount of the Group's interest bearing liabilities compared to fair values have been disclosed below. The fair values have been calculated by discounting the expected future cash flows at prevailing market interest rates:

| CENTRO RETAIL TRUST AND ITS CONTROLLED ENTITIES<br>30 JUNE 2011 |                           |                      |
|---|---------------------------|----------------------|
|   | Carrying Amount<br>\$'000 | Fair Value<br>\$'000 |
| Secured borrowings  | 622,953                   | 622,347              |
| Loans from related parties                                      | 111,344                   | 111,376              |
|   | <b>734,297</b>            | <b>733,723</b>       |

| CENTRO RETAIL TRUST AND ITS CONTROLLED ENTITIES<br>30 JUNE 2010 |                           |                      |
|---|---------------------------|----------------------|
|   | Carrying Amount<br>\$'000 | Fair Value<br>\$'000 |
| Secured borrowings  | 1,372,013                 | 1,359,173            |
| Loans from related parties                                      | 111,344                   | 112,036              |
|   | <b>1,483,357</b>          | <b>1,471,209</b>     |

#### (d) Defaults on Debt Obligations and Breaches of Lending Covenants

At 30 June 2011, the Group had no defaults on debt obligations or breaches of lending covenants for which a waiver has not been obtained (30 June 2010: none).

### 14. DEFERRED TAX LIABILITIES

|   | CENTRO RETAIL TRUST AND<br>ITS CONTROLLED ENTITIES |                    |
|---|--|--------------------|
|   | 30.06.11<br>\$'000                                 | 30.06.10<br>\$'000 |
| The deferred tax liabilities balance comprises temporary differences attributable to: |  |                    |
| US Investment property  | -  | 16,547             |
|   | -  | <b>16,547</b>      |
| <b>Movements:</b>   |  |                    |
| Opening balance at 1 July   | 16,547   | 12,883             |
| Income tax (benefit)/expense  | (16,547)   | 3,664              |
| <b>Closing balance at 30 June</b>   | <b>-</b>   | <b>16,547</b>      |

CER was able to fully offset the taxable gain on disposal of its investment in CWAR 1 with taxable losses incurred on disposal of its other US investments, therefore the full amount of the deferred tax liability at 30 June 2010 has been reversed through income tax benefit relating to discontinued operations in the current financial year.

## 15. CONTRIBUTED EQUITY

|   | CENTRO RETAIL TRUST AND ITS CONTROLLED ENTITIES |             |
|---|---|-------------|
|   | 30.06.11  | 30.06.10    |
|   | Number '000                                     | Number '000 |
| <b>Number of stapled securities issued:</b> |   |             |
| Ordinary                                    | 2,286,399                                       | 2,286,399   |
|   | \$'000  | \$'000      |
| <b>Paid up capital</b>                      |   |             |
| Ordinary                                    | 3,774,316                                       | 3,774,316   |

### (a) Ordinary Stapled Securities

An ordinary stapled security comprises one share in Centro Retail Limited and one unit in Centro Retail Trust. Ordinary stapled securities entitle the holder to participate in distributions and the proceeds on winding up of the Group or Trust in proportion to the number of securities held. The value of stapled securities issued is apportioned between the Company and the Trust.

### (b) Capital Risk Management

When managing capital, the Group's objective is to ensure it continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders by maintaining a capital structure that ensures the lowest cost of capital available.

Due to restrictions on credit globally since December 2007, the Group's access to debt and equity markets has been severely restricted. Capital risk management practices since that time have been conducted within these restricted conditions and the information within this note and Note 5 (Financial Risk Management) above needs to be considered on that basis. While the Group's access to debt and equity markets remains restricted, capital management decisions will be made as the need arises in line with the long term interests of unit holders and the broader economic conditions to which the Group is exposed.

The Group declared a nil distribution payable to ordinary security holders in 2011 (2010: nil).

## 16. CASH FLOW INFORMATION

|   | CENTRO RETAIL TRUST AND<br>ITS CONTROLLED ENTITIES |                    |
|---|--|--------------------|
|   | 30.06.11<br>\$'000                                 | 30.06.10<br>\$'000 |
| <b>(a) Reconciliation of Cash</b>   |  |                    |
| Cash at the end of the year as shown in the Cash Flow Statement is reconciled to the Balance Sheet as follows:  |  |                    |
| Cash and cash equivalents   | 167,566  | 38,574             |
| <b>(b) Reconciliation of Net Profit After Income Tax to Net Cash Flows from Operating Activities</b>            |  |                    |
| Net profit after tax  | 357,194  | 113,654            |
| Adjustments for:  |  |                    |
| Net loss on disposal of investment property   | -  | 585                |
| Amortisation of lease incentives  | 754  | 388                |
| Provision for bad and doubtful debts  | 832  | 2,787              |
| Property revaluations for directly owned properties   | (9,742)  | 12,841             |
| Share of non-distributable items from investments accounted for using the equity method                         | (119,674)  | 80,756             |
| Net gain on disposal of discontinued operations   | (1,896)  | -                  |
| Fair value adjustments on financial assets  | (4,689)  | (1,201)            |
| Deferred tax (benefit)/expense  | (16,547)   | 3,664              |
| Straight lining of rent   | (39)   | 460                |
| Foreign exchange losses   | 23,763   | 1,112              |
| Net movement on mark to market of derivatives   | (234,864)  | (146,206)          |
| Change in operating assets and liabilities, net of the effects of purchase and disposal of controlled entities: |  |                    |
| Increase in operating assets  | (17,289)   | (740)              |
| Increase/(decrease) in operating liabilities  | 7,736  | (14,955)           |
| <b>Net cash (outflow)/inflow from operating activities</b>  | <b>(14,461)</b>                                    | <b>53,145</b>      |

The adjustments above include amounts in respect of continuing and discontinued operations (refer to Note 3).

## 17. EARNINGS PER SECURITY

|   | CENTRO RETAIL TRUST AND ITS CONTROLLED ENTITIES |                    |
|---|---|--------------------|
|   | 30.06.11  | 30.06.10           |
|   | Cents   | Cents              |
| <b>(a) Basic Gain/(Loss) per Security – Cents</b>   |   |                    |
| From continuing operations  | 11.11   | 5.32               |
| From discontinued US operations   | 4.49  | (0.37)             |
| <b>(b) Diluted Gain/(Loss) per Security – Cents</b>   |   |                    |
| From continuing operations  | 11.11   | 5.32               |
| From discontinued US operations   | 4.49  | (0.37)             |
|   | <b>\$'000</b>                                   | <b>\$'000</b>      |
| <b>(c) Reconciliation of Earnings Used in Calculating Earnings per Security (Basic and Diluted)</b> |   |                    |
| Net profit from continuing operations attributable to members                                       | 254,010   | 121,705            |
| Net profit/(loss) from discontinued operations attributable to members                              | 102,681   | (8,421)            |
| <b>Net profit attributable to members of Centro Retail Group</b>                                    | <b>356,691</b>                                  | <b>113,284</b>     |
|   | <b>Number '000</b>                              | <b>Number '000</b> |
| <b>(d) Weighted Average Number of Securities</b>  |   |                    |
| Basic weighted average number of securities on issue for the period                                 | 2,286,399                                       | 2,286,399          |
| Diluted weighted average number of securities on issue for the period                               | 2,286,399                                       | 2,286,399          |

## 18. NET TANGIBLE ASSET BACKING

|   | CENTRO RETAIL TRUST AND ITS CONTROLLED ENTITIES |           |
|---|---|-----------|
|   | 30.06.11  | 30.06.10  |
| <b>(a) Basic Net Tangible Asset Backing per Security</b>  |   |           |
| Net tangible assets attributable to members of Centro Retail Group (\$'000)   | 1,012,469                                       | 765,157   |
| Number of securities outstanding at the end of the year used in the calculation of net tangible asset backing per security ('000) | 2,286,399                                       | 2,286,399 |
| Net tangible asset backing per security – basic   | \$0.44  | \$0.33    |

There are no instrument issue that would give rise to a difference between basic net tangible asset backing per security and diluted net tangible assets per security.

## 19. EMPLOYEE ENTITLEMENTS

With the exception of CER directors (refer to Note 23), no other employees are directly remunerated by CER. All employees are employed and remunerated by other controlled entities of Centro Properties Group.

## 20. AUDITOR REMUNERATION

During the period, the following fees were paid or payable for services provided by the auditor of the parent entity and its related practices.

|   | CENTRO RETAIL TRUST AND ITS CONTROLLED ENTITIES |                |
|---|---|----------------|
|   | 30.06.11  | 30.06.10       |
|   | \$  | \$             |
| <b>Assurance Services</b>   |   |                |
| <b>(a) Audit Services</b>   |   |                |
| Ernst & Young Australian firm: <sup>0</sup>   |   |                |
| Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i> | 728,003   | 447,020        |
| Moore Stephens Australian firm: <sup>0</sup>  |   |                |
| Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i> | -   | 46,600         |
| <b>Total remuneration for audit services</b>  | <b>728,003</b>                                  | <b>493,620</b> |
| Taxation Services   |   |                |
| Ernst & Young Australian firm:  |   |                |
| Taxation compliance services, including review of company income tax returns                      | 40,500  | 29,250         |
|   | <b>40,500</b>                                   | <b>29,250</b>  |

(i) In prior year, Ernst & Young was the Group's signing auditor while Moore Stephens performed audit services over some of the Group's investments. In current year, Ernst & Young is the Group's sole auditor.

## 21. CONTINGENT LIABILITIES

### (a) Litigation

In May 2008 two separate representative proceedings were commenced in the Federal Court against Centro Retail Limited and Centro MCS Manager Limited (as the responsible entity of Centro Retail Trust) (together, **CER**). One proceeding is being conducted by Maurice Blackburn and the other by Slater & Gordon. The statements of claim in each proceeding allege that CER engaged in misleading or deceptive conduct and/or breached continuous disclosure obligations in relation to:

- the classification of certain liabilities as non-current liabilities in CER's consolidated financial statements, which were published in CER's Preliminary Financial Report and Annual Report for the year ended 30 June 2007, and in the Explanatory Memorandum for the proposed merger of Centro Shopping America Trust (**CSF**) and Centro Retail Trust, lodged with ASX on 14 September 2007;
- CER's operating distributable profit per security (**DPS**) forecasts for the 2008 financial year;
- the refinancing of the United States joint venture debt due in December 2007; and
- the treatment of Super LLC's debts and the issue of consolidation of Super LLC's financial statements in CER's Preliminary Financial Report and Annual Report for the year ended 30 June 2007 and the Explanatory Memorandum for the proposed merger of CSF and Centro Retail Trust lodged with ASX on 14 September 2007.

Similar proceedings were commenced against Centro Properties Limited and CPT Manager Limited.

The claims have been made on behalf of persons or entities who acquired CER stapled securities, in the instance of the Maurice Blackburn conducted proceeding, between 7 August 2007 to 15 February 2008 and, in the instance of the Slater & Gordon conducted proceeding, between 17 July 2007 to 28 February 2008.

In late 2010 PricewaterhouseCoopers (**PwC**), CER's former auditor, was added as a respondent to the proceeding conducted by Maurice Blackburn. The claimant group represented by Slater & Gordon also commenced a new representative proceeding against PwC.

In November 2010 a further representative proceeding was commenced by Maurice Blackburn on behalf of CSF security holders against PricewaterhouseCoopers Securities Limited (**PwCS**). This proceeding relates to alleged misleading and deceptive statements in the "Investigating Accountants Report on Financial Forecasts" prepared by PwCS in connection with the proposed merger between CSF and Centro Retail Trust. CER has been joined by PwCS to this further proceeding.

In all claims the applicants seek unspecified damages, declarations, interests and costs.

In each of the representative proceedings to which it is a party, CER has cross claimed against PwC and PwC has cross claimed against CER and also against persons who were directors and/or officers of CER at the relevant time. These directors and/or officers have sought indemnity from CER pursuant to deeds of indemnity that had been entered into with them, as is common practice for publicly listed companies.

The proceedings are being vigorously defended (with defences filed). The parties are completing various interlocutory steps ordered by the Court with a view to a trial commencing in March 2012.

No amount has been provided for in the financial report however, the financial effect of this contingent liability may be material if it becomes an actual liability.

#### **(b) CAWF Security Lend**

Under an agreement dated 10 February 2009, at the request of CER, Centro Australia Wholesale Fund (**CAWF**) agreed to act as a security guarantor for a \$160 million financing facility. As a condition of this agreement, CAWF has agreed that it cannot require CER to release CAWF from all liability in connection with the security prior to 15 December 2011 in line with the expiration of the underlying financing facility. CER has agreed to indemnify CAWF for certain liabilities and loss if the security is enforced by the lenders and the assets subject to this security is sold.

CER utilised part of its net US sale proceeds to settle this facility in full on 29 June 2011 and the CAWF security guarantee is in the process of being released.

#### **(c) Other Contingent Liabilities**

CER holds an investment in the B Class units of Centro MCS Syndicate Investment Fund (**CSIF**). The Victorian State Revenue Office (**SRO**) assessed CSIF in 2009 in relation to its acquisition of Victorian property interests on the establishment of the fund. The assessed amount (including penalties and interest) is approximately \$12.5 million. The SRO also assessed CSIF in 2010 in relation to

CER's acquisition of the B Class units on the basis that it considers that CSIF was not an eligible wholesale trust at the time of the acquisition. The assessed amount (including penalties and interest) is approximately \$4.1 million.

Objections have been lodged against both of these assessments and arrangements have been made with the SRO to stay payment of the duty (subject to certain conditions) until such time as the matters are ultimately determined. Management and its stamp duty advisors consider that no stamp duty is payable on these matters.

## **22. EXPOSURE TO CENTRO PROPERTIES GROUP**

CER has the following exposures to CNP which could have a material impact on CER in the event that CNP was unable to meet its obligations:

- (a) CER has interest bearing liabilities payable to CNP of \$111 million (2010: \$111 million) of which \$101 million matured on 8 August 2011 and \$10 million was on call at reasonable notice.

During June and July 2011, CER negotiated a number of extensions of the \$101 million interest bearing liability payable to CNP. The last extension was until 8 August 2011, and on 9 August 2011, the parties to the Implementation Agreement agreed that the term of the loan was to be extended until the earlier of:

- Aggregation implementation;
- The date the Implementation Agreement and/or the Aggregation process is terminated under certain sections of the Implementation Agreement; and
- The later of the End Date and the date on which the Aggregation process is terminated after the end of the period referred to in clause 9.2(b) of the Implementation Agreement. The End Date is the later of the following:
  - 30 November 2011; and
  - the earlier of the Extended Aggregation Period (as defined in the Implementation Agreement) and 14 December 2011 (or such other date as agreed by the parties to the Implementation Agreement).

In addition, under the Implementation Agreement the other related party loan payable to CNP of \$10 million which was previously payable on reasonable notice, was also to be extended on the same basis as the \$101 million loan.

The extensions and above terms of both loans were formally documented between the parties to the loans on 25 August 2011.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 30 JUNE 2011

**22. EXPOSURE TO CENTRO PROPERTIES GROUP (continued)**

- (b) CER holds other financial liabilities payable to CNP which are due in January 2012. As at 30 June 2011, the fair value of these other financial liabilities (excluding interest bearing liabilities) was \$15 million (2010: \$30 million);
- (c) Centro Properties Group controls CER's Responsible Entity, Centro MCS Manager Limited, and provides services to CER including property and funds management services; and
- (d) An insolvency of CNP may result in a period of significant uncertainty for CER. While the CER Board will seek to address these uncertainties, administrators may potentially be appointed at various levels within the CNP structure.

**23. KEY MANAGEMENT PERSONNEL DISCLOSURES**

There are no key management personnel (KMP) of CER, other than the Directors, as there are no employees of CER, its subsidiaries or Centro MCS Manager Limited (CMCS) in its capacity as the Responsible Entity (RE) of Centro Retail Trust.

Centro Retail Trust pays an RE fee to CMCS to provide, among other services, management and operational services. These services are provided by employees of Centro Properties Group (CNP). The RE fee is not apportioned to any of the services to which it relates, therefore there is no basis to allocate the fee to any KMP of CNP, therefore, remuneration of the KMP providing these services to CER is not included in this report.

Responsible Entity fees for the Centro Retail Group in respect of FY11 were \$19.8 million (\$24.7 million in FY10) and included the provision of services by the Directors of CER. As CER has also paid for the Directors' services, CNP reimburses CER for these costs.

**(a) Key Management Personnel Compensation**

|   | CENTRO RETAIL TRUST AND<br>ITS CONTROLLED ENTITIES |                 |
|---|--|-----------------|
|   | <b>30.06.11</b>                                    | <b>30.06.10</b> |
|   | <b>\$'000</b>                                      | <b>\$'000</b>   |
| Short-term employee benefits                            | 1,078  | 799             |
| Post-employment benefits (superannuation contributions) | 80   | 58              |
| Termination benefits                                    | -  | -               |
| Share-based payments                                    | -  | -               |
|   | <b>1,158</b>                                       | <b>857</b>      |

**(b) Loans to Key Management Personnel**

No loans have been made to the directors of Centro Retail Limited and Centro MCS Manager Limited, the Responsible Entity of Centro Retail Trust, including their personally related entities, by Centro Retail Limited and Centro MCS Manager Limited, the Responsible Entity of Centro Retail Trust.

### (c) Security Holdings of Key Management Personnel

The numbers of securities in the Group held during the financial year by each Director of the Group, including their personally-related entities, are set out below:

| YEAR ENDED 30 JUNE 2011<br>CENTRO RETAIL TRUST AND ITS CONTROLLED ENTITIES |                                  |  |                                |
|--|----------------------------------|--|--------------------------------|
| Name   | Balance at the start of the year | Acquired /<br>(disposed) during the year | Balance at the end of the year |
| <b>Directors of the Group</b>  |                                  |  |                                |
| <b>Ordinary securities</b>   |                                  |  |                                |
| P. Day   | 100,000                          | -  | 100,000                        |
| W. Bowness   | 300,000                          | -  | 300,000                        |
| A. Buduls  | -                                | -  | -                              |
| P. Cooper  | -                                | -  | -                              |
| M. Humphris  | 70,000                           | -  | 70,000                         |
| F. MacKenzie   | 100,000                          | -  | 100,000                        |
| J. Hall  | 20,000                           | n/a                                      | n/a                            |

n/a Information is not disclosed as no longer a Director at 30 June 2011

| YEAR ENDED 30 JUNE 2010<br>CENTRO RETAIL TRUST AND ITS CONTROLLED ENTITIES |                                  |  |                                |
|--|----------------------------------|--|--------------------------------|
| Name   | Balance at the start of the year | Acquired /<br>(disposed) during the year | Balance at the end of the year |
| <b>Directors of the Group</b>  |                                  |  |                                |
| <b>Ordinary securities</b>   |                                  |  |                                |
| P. Day   | -                                | 100,000                                  | 100,000                        |
| W. Bowness   | -                                | 300,000                                  | 300,000                        |
| P. Cooper  | -                                | -  | -                              |
| M. Humphris  | -                                | 70,000                                   | 70,000                         |
| F. MacKenzie   | -                                | 100,000                                  | 100,000                        |
| J. Hall  | 20,000                           | -  | 20,000                         |

### (d) Other Transactions with Key Management Personnel

There were no other transactions with key management personnel that were not conducted on normal arms length basis. The Group has established a policy that requires all 'non-standard' transactions to be subject to prior review by the Board, with legal advice being sought as necessary.

## 24. RELATED PARTY DISCLOSURES

### (a) Parent Entity

The parent entity within the Group is Centro Retail Trust. The ultimate Australian parent entity is Centro Properties Limited. Centro Properties Limited provides property and funds management services to Centro Retail Trust in return for management fees.

### (b) Domicile

CER is domiciled and incorporated in Australia.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 30 JUNE 2011

24. RELATED PARTY DISCLOSURES (continued)

(c) Subsidiaries

Interest in subsidiaries are set out in Note 11.

(d) Key Management Personnel

Disclosures in relation to key management personnel are set out in Note 23.

(e) Transactions with Related Parties

All related parties transactions are transacted at arm's length. The following transactions occurred with related parties:

|  | CENTRO RETAIL TRUST AND<br>ITS CONTROLLED ENTITIES |                    |
|--|--|--------------------|
|  | 30.06.11<br>\$'000                                 | 30.06.10<br>\$'000 |
| <b>Fees paid and payable to Centro MCS Manager Limited and its related parties</b> |  |                    |
| <b>CER Controlled Entities</b>   |  |                    |
| Property management  | 2,101  | 3,170              |
| Development and leasing  | -  | 8                  |
| Management fees <sup>(i)</sup>   | 17,649   | 21,472             |
| <b>CER Associates</b>  |  |                    |
| Property management <sup>(ii)</sup>  | 19,867   | 30,463             |
| Development and leasing  | 266  | 10                 |
| Management fees <sup>(i)</sup>   | 5,469  | 9,815              |
| <b>Other transactions</b>  |  |                    |
| <b>CER Controlled Entities</b>   |  |                    |
| Financing costs paid to Centro Properties Limited                                  | 9,207  | 9,631              |
| Financing costs paid to Centro Australia Wholesale Fund                            | 7,755  | 4,800              |
| Interest income from Centro Properties Trust                                       | (2,740)  | (4,030)            |
| Other revenue from Centro Properties Limited                                       | (1,433)  | (1,299)            |
| <b>CER Associates</b>  |  |                    |
| Financing costs  | 600  | 3,815              |
| Settlement of hedges with Centro Properties Trust                                  | -  | 1,702              |

(i) The decrease in the current year is primarily due to the effect of movements in exchange rates.

(ii) The decrease in the current year is primarily due to the disposal of US associates in February 2011 as detailed in Note 3.

**(f) Outstanding Balances Arising from Sales/Purchases of Goods and Services**

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

|  | CENTRO RETAIL TRUST AND<br>ITS CONTROLLED ENTITIES |                    |
|--|--|--------------------|
|  | 30.06.11<br>\$'000                                 | 30.06.10<br>\$'000 |
| <b>CER Controlled Entities</b>   |  |                    |
| <b>Property management, development and leasing, and management fees payable to:</b> |  |                    |
| Centro MCS Manager Limited and related parties                                       | 2,346  | 17,619             |
| <b>Financing costs payable to:</b>   |  |                    |
| Centro Properties Trust  | 56   | 1,211              |
| Centro Australia Wholesale Fund  | 3,460  | 395                |
| <b>Other payables to:</b>  |  |                    |
| CER Associates   | 1,864  | 2,626              |
| Centro Properties Trust  | 16,321   | 29,519             |
| Centro Properties Limited  | 2,495  | 3,367              |
| <b>CER Associates</b>  |  |                    |
| <b>Other receivables from:</b>   |  |                    |
| Other related parties  | -  | 49,084             |
| <b>Property management, development and leasing, and management fees payable to:</b> |  |                    |
| Centro MCS Manager Limited and related parties                                       | 584  | 9,961              |
| <b>Other payables to:</b>  |  |                    |
| Other related parties  | -  | 33,691             |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 30 JUNE 2011

24. RELATED PARTY DISCLOSURES (continued)

(g) Loans to/from Related Parties

|   | CENTRO RETAIL TRUST AND<br>ITS CONTROLLED ENTITIES |                    |
|---|--|--------------------|
|   | 30.06.11<br>\$'000                                 | 30.06.10<br>\$'000 |
| <b>Loans from Centro Properties Trust</b> |  |                    |
| Opening balance at 1 July                 | 111,343  | 111,343            |
| Interest charged                          | 9,207  | 9,125              |
| Interest paid or payable                  | (9,207)  | (9,125)            |
| <b>Closing balance at 30 June</b>         | <b>111,343</b>                                     | <b>111,343</b>     |
| <b>Loans to Associates</b>                |  |                    |
| Opening balance at 1 July                 | -  | 97,098             |
| Repayment or transfer <sup>(i)</sup>      | -  | (97,098)           |
| <b>Closing balance at 30 June</b>         | <b>-</b>   | <b>-</b>           |

(i) In the prior year the Group and the Trust converted a loan receivable of \$97.1m from Centro America REIT I (CWAR I) to equity.

25. COMMITMENTS

|   | CENTRO RETAIL TRUST AND<br>ITS CONTROLLED ENTITIES |                    |
|---|--|--------------------|
|   | 30.06.11<br>\$'000                                 | 30.06.10<br>\$'000 |
| Capital expenditure contracted for at the reporting date but not recognised as liabilities: |  |                    |
| <b>Capital Expenditure:</b>   |  |                    |
| Related to capital expenditure projects   | -  | 722                |
| <b>Payable:</b>   |  |                    |
| Within one year   | -  | 722                |
| Later than one year but not later than five years   | -  | -                  |
| Later than five years   | -  | -                  |
| <b>Related to Associates</b>  | <b>5,484</b>                                       | <b>26,962</b>      |

## 26. OPERATING LEASES

|   | CENTRO RETAIL TRUST AND<br>ITS CONTROLLED ENTITIES |                |
|---|--|----------------|
|   | 30.06.11   | 30.06.10       |
|   | \$'000   | \$'000         |
| The property of the Group is leased to third party tenants under operating leases at balance date. Lease terms vary between tenants and some leases include percentage rent payments. |  |                |
| Future minimum rental revenues under non-cancellable operating leases at balance date are as follows:   |  |                |
| <b>Receivables:</b>   |  |                |
| Within one year   | 10,063   | 55,189         |
| Later than one year and not later than five years   | 27,770   | 154,544        |
| Later than five years   | 15,309   | 118,593        |
|   | <b>53,142</b>                                      | <b>328,326</b> |

These amounts do not include percentage rentals which depend upon retail sales performance, and recovery of outgoings. The above operating leases do not include investments in associates and joint ventures.

## 27. EVENTS OCCURRING AFTER REPORTING DATE

### (a) Signing of Implementation Agreement – Restructuring Milestone

On 9 August 2011, CER announced it had entered into an agreement (“Implementation Agreement”) with Centro Properties Group (“CNP”), a majority of CNP’s senior lenders and certain CNP managed funds to create a new listed Australian retail property vehicle (“A-REIT”). This involves aggregating the assets of CER and certain CNP managed funds, acquiring the funds and property management platform (“Services Business”) from CNP, and acquiring property and other assets from CNP and certain CNP managed funds (“Aggregation”).

The Aggregation will involve the stapling of the securities in each of CER, Centro Australia Wholesale Fund and Centro DPF Holding Trust (“DPF Holding Trust”), which is a subsidiary trust of Centro Direct Property Fund (“DPF”) (“Aggregation Funds”) to establish the A-REIT which will, subject to ASX approval, be listed on the Australian Securities Exchange.

The Aggregation is subject to numerous conditions precedent that must be satisfied or waived in order for Aggregation to be implemented. These include:

- Approvals by each of the DPF Holding Trust Unitholders, CER securityholders, CAWF Unitholders, various stakeholders of CNP, the Court, ASIC, ASX and FIRB;
- Execution of various deeds and agreements, including the CNP sale agreements and the conditions precedent to those agreements being satisfied or waived, third party consents and consent of the New RE being obtained;
- Approval by the Court of the Debt Cancellation and the satisfaction or waiver of the conditions precedent to the Debt Cancellation;
- Independent Expert Reports being received which conclude that the Aggregation is in the best interests of each of DPF, CER and CAWF securityholders and that the acquisition of the CNP Services Business (and other property and fund assets) is fair and reasonable to CER securityholders (other than CNP);
- ASX approval of the listing of DPF Holding Trust and CAWF as a step to Aggregation;
- No “Prescribed Occurrences” arising (e.g. capital raising, disposal of material assets, altering material contractual arrangements) and no restraints preventing the Aggregation;
- Acceptable refinancing terms for the existing secured debt of CAWF, CER, Centro Syndicate Investment Fund (“CSIF”) and the Syndicates being negotiated and the relevant agreements entered into; and
- Any other necessary third party consents to the Aggregation being obtained.

**27. EVENTS OCCURRING AFTER REPORTING DATE (continued)**

**(a) Signing of Implementation Agreement – Restructuring Milestone (continued)**

CER securityholders will receive a Disclosure Document and Explanatory Memorandum detailing the terms of the Aggregation and containing Notices of Meetings setting out the various resolutions required to effect Aggregation together with an Independent Expert's Report from Grant Samuel & Associates Pty Ltd and recommendations from the CER Directors (other than the Directors who are also Directors of CNP who make no recommendation). It is anticipated that these documents will be mailed to CER securityholders in September 2011, with the relevant meetings of CER securityholders expected to be held in October 2011.

For further details readers should refer to the announcement of 9 August 2011 which was lodged with the ASX or can be found at [www.cerinvestor.com.au](http://www.cerinvestor.com.au). The announcement includes the signed Implementation Agreement.

**(b) Sale of Centro Birallee**

CER has completed the sale of its 50% interest in Centro Birallee in July 2011. The property was sold at a value of \$11.7 million, in line with the 30 June 2011 book value. After payment of transaction costs, CER's share of the net proceeds was applied against the debt facility secured by this property.

The investment in Centro Birallee has been presented in the Balance Sheet as non-current assets classified as held for sale as at 30 June 2011.

**(c) Extension of Related Party Loan**

During June and July 2011, CER negotiated a number of extensions of a \$101 million interest bearing liability payable to Centro Properties Group (CNP). The last extension was until 8 August 2011, and on 9 August 2011 the parties to the Implementation Agreement agreed that the term of the loan was to be extended until the earlier of:

- Aggregation implementation;
- The date the Implementation Agreement and/or the Aggregation process is terminated under certain sections of the Implementation Agreement; and
- The later of the End Date and the date on which the Aggregation process is terminated after the end of the period referred to in clause 9.2(b) of the Implementation Agreement. The End Date is the later of the following:
  - 30 November 2011; and
  - the earlier of the Extended Aggregation Period (as defined in the Implementation Agreement) and 14 December 2011 (or such other date as agreed by the parties to the Implementation Agreement).

In addition, under the Implementation Agreement another related party loan payable to CNP of \$10 million which was previously payable on reasonable notice, was also to be extended on the same basis as the \$101 million loan.

The extensions and above terms of both loans were formally documented between the parties to the loans on 25 August 2011.

**(d) Receipt of Capital Returns from Investments in Centro MCS Investments**

In July 2011, CER received \$33.7 million capital returns from its investments in Centro MCS 38, 39 and 40. The Syndicates paid these capital returns following the settlement of their US assets sale.

Excluding the matters noted above, there has not arisen in the interval between 30 June 2011 and the date hereof any matter or circumstance that has significantly affected or may significantly affect:

- (i) The Group's operations in future financial years; or
- (ii) The results of those operations in future financial years; or
- (iii) The Group's state of affairs in future financial years.



## DIRECTORS' DECLARATION

In the directors' opinion:

- (a) the financial statements and notes set out on Pages 34 to 90 and remuneration disclosures on Pages 29 to 31 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the Company and the Group's financial position as at 30 June 2011 and of their performance, as represented by the results of operations, changes in equity and cash flows, for the financial year ended on that date; and
- (b) There are reasonable grounds to believe that the Group will be able to successfully complete the Aggregation or refinance existing maturities separately as detailed in Note 1(b) of the financial statements and therefore will be able to pay its debts as and when they become due and payable; and
- (c) The financial statements and notes also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declaration by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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



**W. P. Day**

Chairman

Signed at Melbourne, 28 August, 2011

# INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF CENTRO RETAIL TRUST



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## Independent auditor's report to the unitholders of the Centro Retail Group

### Report on the financial report

We have audited the accompanying financial report of Centro Retail Group (the 'Group'), which comprises the consolidated balance sheet as at 30 June 2011, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising Centro Retail Trust (the 'Trust') and the entities it controlled at the year's end or from time to time during the financial year.

### *Directors' responsibility for the financial report*

The directors of Centro MCS Manager Limited, the Responsible Entity of the Group 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 controls as the directors determine are 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 judgment, 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 controls relevant to the entity'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 entity's internal controls. 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*. We have given to the directors of Centro MCS Manager Limited, a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Liability limited by a scheme approved  
under Professional Standards Legislation

### Opinion

In our opinion:

- a. the financial report of Centro Retail Group is in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of the consolidated entity'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.

### Inherent Uncertainties

Without qualifying the opinion expressed above, we draw attention to Note 1(b) in the financial report which indicates that the current liabilities of the Group exceed its current assets by \$553.6 million primarily due to loan facilities expiring within 12 months. As a result, a significant uncertainty exists in relation the Group's ability to continue as a going concern, and therefore whether the Group will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report, as the Group remains reliant on the continued support of its lenders through the extension or refinancing of certain loan facilities beyond existing expiry dates. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

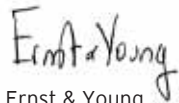
In addition, we draw attention to Note 21(a) in the financial report where there is a contingent liability where no amount has been provided for in the financial report as at 30 June 2011. The financial effect of this contingent liability may be material if it becomes an actual liability.

### Report on the remuneration report

We have audited the Remuneration Report included in pages 29 to 31 of the directors' report for the year ended 30 June 2011. The directors of Centro MCS Manager Limited, the Responsible Entity of the Group are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

### Opinion

In our opinion, the Remuneration Report of the Centro Retail Group for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



B R Meehan  
Partner  
Melbourne  
28 August 2011

# SUMMARY OF SECURITYHOLDERS

AS AT 29 JULY 2011

| SUMMARY OF SECURITYHOLDERS   |                           | FULLY PAID ORDINARY SECURITIES |  |
|--|---------------------------|--------------------------------|--|
| Range  | Number of Securityholders | % of Issued Securities         |  |
| 1 to 1,000   | 2,318                     | 0.06%                          |  |
| 1,001 to 5,000   | 3,864                     | 0.44%                          |  |
| 5,001 to 10,000  | 1,527                     | 0.51%                          |  |
| 10,001 to 50,000   | 2,091                     | 2.04%                          |  |
| 50,001 to 100,000  | 337                       | 1.13%                          |  |
| 100,001 and Over   | 306                       | 95.82%                         |  |
| <b>Number of Securityholders</b>                                     | <b>10,443</b>             | <b>100%</b>                    |  |
| <b>Holdings Less than a marketable parcel</b>                        | <b>3,017</b>              |                                |  |
| SUBSTANTIAL SECURITYHOLDERS  |                           | FULLY PAID ORDINARY SECURITIES |  |
|  | Number Held               | % of Issued Securities         |  |
| CPT MANAGER LIMITED <Centro Property Trust>                          | 543,392,947               | 23.77%                         |  |
| CENTRO MCS MANAGER LIMITED <Centro Retail Holding>                   | 524,950,491               | 22.96%                         |  |
| CITICORP NOMINEES PTY LIMITED  | 451,756,418               | 19.76%                         |  |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED                            | 141,746,183               | 6.20%                          |  |
| J P MORGAN NOMINEES AUSTRALIA LIMITED                                | 115,841,902               | 5.07%                          |  |
| 20 LARGEST SECURITYHOLDERS   |                           | FULLY PAID ORDINARY SECURITIES |  |
|  | Number Held               | % of Issued Securities         |  |
| CPT MANAGER LIMITED <Centro Property Trust>                          | 543,392,947               | 23.77%                         |  |
| CENTRO MCS MANAGER LIMITED <Centro Retail Holding>                   | 524,950,491               | 22.96%                         |  |
| CITICORP NOMINEES PTY LIMITED  | 451,756,418               | 19.76%                         |  |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED                            | 141,746,183               | 6.20%                          |  |
| J P MORGAN NOMINEES AUSTRALIA LIMITED                                | 115,841,902               | 5.07%                          |  |
| NATIONAL NOMINEES LIMITED  | 83,712,789                | 3.66%                          |  |
| CITICORP NOMINEES PTY LIMITED <Colonial First State InvA/C>          | 43,941,804                | 1.92%                          |  |
| CENTRO MCS MANAGER LIMITED <Centro Direct Property Fund>             | 41,832,404                | 1.83%                          |  |
| CENTRO MCS MANAGER LTD <Centro DPF International>                    | 26,495,624                | 1.16%                          |  |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA                   | 22,819,903                | 1.00%                          |  |
| CPT MANAGER LIMITED <Centro (CPT) Trust>                             | 19,538,983                | 0.85%                          |  |
| RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <APN A/C> | 13,372,233                | 0.58%                          |  |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 3                    | 12,442,952                | 0.54%                          |  |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2                    | 10,894,229                | 0.48%                          |  |
| MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED                       | 7,596,258                 | 0.33%                          |  |
| PALIR PTY LTD <Gilbert S/F A/C>                                      | 5,531,928                 | 0.24%                          |  |
| COGENT NOMINEES PTY LIMITED  | 5,476,663                 | 0.24%                          |  |
| MR PAUL DICKEY & MRS MARIANNA DICKEY <The Senna Super Fund A/C>      | 5,224,586                 | 0.23%                          |  |
| JP MORGAN NOMINEES AUSTRALIA LIMITED <Cash Income A/C>               | 5,174,137                 | 0.23%                          |  |
| MR YU-TSANG HSU & MRS SHU-CHEN HUANG <Bruce & Jane Family A/C>       | 4,200,000                 | 0.18%                          |  |
| <b>Total 20 Largest Securityholders</b>                              | <b>2,085,942,434</b>      | <b>91.23%</b>                  |  |
| <b>Total Capital</b>   | <b>2,286,399,424</b>      | <b>100%</b>                    |  |



## GLOSSARY

**ABN** – Australian Business Number.

**A\$** – Australian Dollars.

**AICD** – Australian Institute of Company Directors.

**Anchor** – Typically a large retailer (often a supermarket, department store or discount department store) with a lettable area greater than 1,000m<sup>2</sup>.

**ASIC** – Australian Securities & Investments Commission – ASIC enforces and regulates company and financial services laws to protect consumers, investors and creditors.

**Assets** – The resources owned by a company, fund or person. Assets can be tangible, e.g. cash, investments, property and equipment, or intangible, for example goodwill, patents.

**ASX** – Australian Securities Exchange Limited.

**Basis Points** – One basis point is 1/100th of one percent. One per cent is equal to 100 basis points.

**Book Value** – The value of an asset as recorded in a company's statutory accounts, representing its cost plus any additions, less depreciation. The book value may differ from the current market value.

**Capitalisation Rate** – The net income from a property expressed as a percentage of the market value of the property.

**Centro (CNP)** – Centro Properties Group being Centro Properties Limited (ABN 45 078 590 682) and Centro Property Trust (ARSN 091 043 793) and all other entities controlled by each of them.

**Centro MCS** – The direct property syndicate, consisting of Centro MCS Manager Limited (ABN 69 051 908 984) and CPT Manager Limited (ABN 37 054 494 307).

**Centro Retail Trust (CER)** – A pure property trust specialising in the ownership of shopping centres. CER owns retail property investments in Australia.

**Centro Stapled Securities** – Securities traded on the ASX which comprise one ordinary unit in the Centro Property Trust and one ordinary share in Centro Properties Limited.

**CMBS** – Commercial Mortgage Backed Securities – A form of secured borrowing against commercial property assets, similar to a home loan.

**Comprehensive Income** – Comprises items of income and expense (including reclassification adjustments) that are not recognised in profit or loss as required or permitted by other Australian Accounting Standards.

**Derivative** – A security whose price is dependent upon or derived from one or more underlying assets. The derivative itself is merely a contract between two or more parties. Its value is determined by fluctuations in the underlying asset. The most common underlying assets include stocks, bonds, commodities, currencies, interest rates and market indexes. Most derivatives are characterised by high leverage.

**Direct Property** – Real estate investments which are held directly or through unlisted collective ownership vehicles subject to appraisal valuations.

**Distributions** – Income payments made by a trust to its investors.

**EBIT** – Earnings before interest and taxes.

**FinSIA** – Financial Services Institute of Australia.

**Foreign Exchange (FX)** – System of trading in and converting the currency of one country into that of another.

**FVTPL** – Fair value through profit or loss.

**Gearing Ratio** – The gearing ratio is generally expressed as a percentage and is calculated as the proportion of borrowings to assets.

**GST** – Goods and Services Tax.

**Hedge** – A strategy used to offset financial risks such as movements in interest rates or foreign currency exchange (FX) rates. Common hedging strategies adopted include the use of interest rate swaps, FX rate forwards and cross currency swaps, which are effectively used to fix interest rates or foreign currency exchange rates for the life of the swap. These swaps are generally independent of the debt facilities, so a swap maturity date may be different to the term of the debt facility.

**Liquidity** – The ability of an asset to be converted into cash.

**Listed Asset** – A company that is publicly owned and listed on a recognised securities exchange.

**Look-through Gearing** – Indirect gearing, once the debt level of underlying investments is taken into account.

## GLOSSARY (continued)

**LPT** – Listed Property Trust – A property trust that is listed on the ASX. Now commonly referred to as Real Estate Investment Trusts (REITs).

**LVR** – Loan to Value Ratio.

**Margin** – Fee charged by a lending institution or loan facility above the base interest rate of a loan.

**Market Capitalisation** – The value of an entity as reflected in its stock market price. It is calculated as current price per security multiplied by the number of securities on issue.

**Market Value** – The estimated amount for which an asset should exchange 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 had each acted knowledgeably, prudently and without compulsion.

**MTM** – Mark to Market – The accounting act of recording the price or value of a security, portfolio or account to reflect its current market value rather than its book value.

**NAB** – The NAB (or Net Asset Backing) is the measure used to reflect the fair value of a syndicate or fund on a per unit basis. The use of a NAB methodology differs somewhat from the accounting norm of a Net Tangible Assets (NTA) figure (NTA being simply the total tangible assets of a company or trust on a per unit basis). Though NAB is quite closely aligned with NTA, it is adjusted for several factors such as actual or likely property acquisition costs, structuring and establishment costs, exit and success fees and selling costs.

**NOI** – Net Operating Income – Property revenues less property expenses, excluding debt service, depreciation and capital expenditures.

**NTA** – Net Tangible Assets – Calculated as the total assets of an entity, minus any intangible assets such as goodwill, patents and trademarks, less all liabilities and the par value of preferred stock.

**OEI** – Outside Equity Interest.

**Property Trust** – A property trust is a means for investors to purchase an interest in a portfolio of real property assets. Investors in property trusts typically receive regular rental income through distributions and any capital gains on the assets are also passed on to investors through the trust. There are two main types of property trusts: a Real Estate Investment Trust (REIT), which is a pooled investment whose units are listed on the ASX, previously referred to as LPTs, and Unlisted Property Trusts which are not listed on the ASX.

**RE** – Responsible Entity – A company that holds an Australian Financial Services Licence authorising it to operate a registered managed investment scheme.

**Securities** – A financial instrument, which is a claim over an asset or a future income stream. Examples are bonds and shares.

**Syndicate** – A direct property investment vehicle whereby investors' funds are pooled over a set group of properties for a fixed term. This is normally administered by an RE with ownership vested with a custodian on behalf of investors.

**Tax Advantaged** – The non-assessable distribution component received by investors. This amount generally does not form part of an investor's taxable income in the year of receipt. It normally comprises of tax deferred income attributable to depreciation and capital allowances that will reduce the investor's CGT cost base in the units and tax free amounts relating to the capital gains discount that will not affect the CGT cost base.

**Unitholder** – The person for the time being registered under the provisions of the trust deed as the holder of a unit in the trust and includes persons jointly registered.

**Unit Trust** – A pooled investment, where a number of investors buy units in a trust which is promoted and managed by a professional investment manager. Each investor owns a unit, (or a number of units) the value of which depends on the value of those assets owned by the trust.

**US\$** – US Dollars.

**Wholesale Fund** – An unlisted fund managed by a professional fund manager that pools moneys from institutional investors to invest in assets that would not normally be accessible to individuals.

**Yield** – The income from an investment expressed as a percentage of its value.



## DIRECTORY

### RESPONSIBLE ENTITY OF THE TRUST

Centro MCS Manager Limited  
ABN 69 051 908 984  
3rd Floor, Centro The Glen  
235 Springvale Road  
Glen Waverley Victoria 3150  
Telephone +61 3 8847 0000

### DIRECTORS OF THE RESPONSIBLE ENTITY

Peter Day (Chairman)  
Bill Bowness  
Anna Buduls  
Paul Cooper  
Michael Humphris  
Fraser MacKenzie

### SECRETARIES OF THE RESPONSIBLE ENTITY

Elizabeth Hourigan  
Dimitri Kiriacoulacos  
Paul Flanigan (Assistant Company Secretary)

### REGISTERED OFFICE

Corporate Offices  
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Telephone +61 3 8847 0000  
Facsimile +61 3 9886 1234  
Toll Free (AUS) 1800 802 400  
Toll Free (NZ) 0800 449 605  
Email [investor@centro.com.au](mailto:investor@centro.com.au)  
Website [centro.com.au](http://centro.com.au)

### AUDITOR

Ernst & Young  
Ernst & Young Building  
8 Exhibition Street  
Melbourne Victoria 3000

### SECURITY REGISTRAR

Link Market Services Limited  
Level 1  
333 Collins Street  
Melbourne Victoria 3000