

# Appendix 4E

## Preliminary final report

Name of entity

**Centro Properties Group** comprising **Centro Properties Limited** and **Centro Property Trust**

ABN or equivalent company reference

Half yearly  
(tick)

Preliminary  
final (tick)

Half year/financial year ended ('current period')

Centro Properties Limited 078 590 682  
CPT Manager Ltd (RE for Centro  
Property Trust) 054 494 307

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**30 June 2008**

### Results for announcement to the market (A\$'000)

	30 Jun 08	30 Jun 07	%	Note
Revenue and income	<b>745,084</b>	383,190	94%	1
Profit/(Loss) from ordinary activities after tax attributable to members	<b>(2,055,169)</b>	469,719	(>100%)	2
<p>1. Revenue and other income increased during the year ended 30 June 2008 for Centro Properties Group ("CNP") primarily due to two business combinations which occurred in the second half.</p> <p>2. Profit from ordinary activities after tax attributable to members decreased during the year ended 30 June 2008 primarily due to non-cash items including a reduction in US and Australian retail property values and impairment of CNP's investment in joint ventures (including New Plan goodwill).</p> <p>The comparability of the two periods presented in this preliminary final report is limited due to the increase in voting interest held by CNP in a number of its managed funds. The increased voting interest has resulted in a change in control and required CNP to consolidate rather than equity account its interest in these funds (refer to Note 9 Business Combinations).</p> <p>It is recommended that the Appendix 4E be considered together with any public announcements made on 29 August 2008 by CNP in relation to its financial results and underlying operating performance for the year ended 30 June 2008.</p>				
<b>Dividends (ordinary distributions)</b>	Amount per security (distribution from Trust)	Amount per security (dividend from Company)		
Final distribution	Nil			Nil
Previous corresponding period	20.5¢			Nil
Record date for determining entitlements to the dividend, (in the case of a trust, distribution)	<b>N/A</b>			

## Consolidated Income Statement for the year ended 30 June 2008

		Centro Properties Limited and its controlled entities	
	Note	30.06.08 \$'000	30.06.07 \$'000
<b>REVENUE</b>			
Property ownership revenue		410,729	91,264
Property services revenue		213,402	183,519
Distribution revenue		63,236	91,016
<b>Total revenue</b>		<b>687,367</b>	<b>365,799</b>
<b>INCOME</b>			
Other income	3(a)	57,717	17,391
<b>Total income</b>		<b>57,717</b>	<b>17,391</b>
<b>TOTAL REVENUE AND INCOME</b>			
		<b>745,084</b>	<b>383,190</b>
Property revaluation increment/(decrement) for directly owned properties	4(d)	(306,969)	14,261
Fair value adjustment on financial assets at fair value through profit or loss	4(c)	(141,902)	80,214
Share of net profits / (losses) of associates & joint venture partnerships accounted for using the equity method	4(b)	(693,016)	317,501
Impairment of investment in joint venture	4(b)	(578,189)	-
Impairment of goodwill	5	(193,830)	-
Financing costs	3(b)	(482,054)	(194,776)
Net movement on mark to market of derivatives and foreign exchange losses	3(b)	(61,468)	(26,011)
Other direct property expenses		(93,786)	(4,939)
Employee benefits expense		(72,326)	(53,426)
Advisor fees		(69,922)	-
Withholding and franchise taxes		(13,833)	-
Rent, rates, taxes and insurance		(39,698)	(8,464)
Management fees		(4,481)	(3,509)
Light and power		(5,627)	(3,152)
Depreciation and amortisation expense	3(b)	(6,186)	(2,139)
Marketing		(1,903)	(2,925)
Bad and doubtful debts	3(b)	(2,724)	(112)
Net profit/(loss) on the disposal of investment property and equity accounted investments	3(b)	9	(702)
Other shopping centre management costs		(3,240)	(4,773)
Other expenses from ordinary activities		(42,790)	(20,005)
<b>PROFIT/(LOSS) BEFORE INCOME TAX EXPENSE</b>		<b>(2,068,851)</b>	<b>470,233</b>
Income tax benefit	3(c)	16,121	-
<b>NET PROFIT/ (LOSS)</b>		<b>(2,052,730)</b>	<b>470,233</b>
Net profit attributable to minority interest		2,439	514
<b>NET PROFIT/ (LOSS) ATTRIBUTABLE TO MEMBERS OF CENTRO PROPERTIES GROUP</b>		<b>(2,055,169)</b>	<b>469,719</b>
Basic earnings per security (cents)	10	(257.27)	58.44
Diluted earnings per security (cents)		(257.27)	57.83

## Consolidated Balance Sheet for the year ended 30 June 2008

	Note	Centro Properties Limited and its controlled entities 30.06.08 \$'000	30.06.07 \$'000
<b>CURRENT ASSETS</b>			
Cash assets and cash equivalents		201,127	172,276
Restricted Cash	1(j)	81,383	19,095
Derivative financial instruments		458,808	483,985
Trade and other receivables		431,347	361,182
Non-current assets classified as held for sale	4(a)	768,751	785,438
Total current assets		<u>1,941,416</u>	<u>1,821,976</u>
<b>NON-CURRENT ASSETS</b>			
Investments accounted for using the equity method	4(b)	988,402	3,748,895
Financial assets carried at fair value through profit or loss	4(c)	584,852	2,072,604
Other financial assets	4(c)	21,357	43,820
Investment property	4(d)	16,324,967	392,211
Plant and equipment		36,131	14,041
Intangible assets	5	668,774	555,169
Trade and other receivables		10,973	325
Total non-current assets		<u>18,635,456</u>	<u>6,827,065</u>
<b>TOTAL ASSETS</b>		<u>20,576,872</u>	<u>8,649,041</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		634,103	263,341
Interest bearing liabilities		8,327,900	2,611,033
Derivative financial instruments		460,332	699,731
Provisions		81,613	177,476
Total current liabilities		<u>9,503,948</u>	<u>3,751,581</u>
<b>NON-CURRENT LIABILITIES</b>			
Trade and other payables		4,281	54,228
Interest bearing liabilities		6,807,369	992,718
Non-interest bearing liabilities		7,893	283,724
Deferred tax liabilities		104,002	-
Provisions		7,169	1,667
Total non-current liabilities		<u>6,930,714</u>	<u>1,332,337</u>
<b>TOTAL LIABILITIES</b>		<u>16,434,662</u>	<u>5,083,918</u>
<b>NET ASSETS</b>		<u>4,142,210</u>	<u>3,565,123</u>
<b>EQUITY</b>			
Parent entity interest			
Contributed equity	6	2,248,241	2,316,920
Reserves	7	(67,557)	24,653
Retained profits	7	(890,924)	1,195,105
Total parent entity interest		<u>1,289,760</u>	<u>3,536,678</u>
Minority interests	8	2,852,450	28,445
<b>TOTAL EQUITY</b>		<u>4,142,210</u>	<u>3,565,123</u>

## Consolidated Cash Flow Statement for the year ended 30 June 2008

	Note	Centro Properties Limited and its controlled entities 30.06.08 \$'000	30.06.07 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers (inclusive of Goods and Services Tax)		622,917	256,876
Payments to suppliers and employees (inclusive of Goods and Services Tax)		(294,916)	(79,887)
		<b>328,001</b>	176,989
Distributions received from associates and managed investments		175,653	269,067
Interest received		48,008	25,882
Interest paid / derivative settlements		(445,256)	(162,414)
<b>Net cash inflow from operating activities</b>	12(b)	<b>106,406</b>	309,524
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payment for purchase of controlled entities net of cash acquired		159,848	(936,059)
Loans (to) / repaid by other related parties		167,294	(98,564)
Proceeds from sale of property/ Other investments		296,583	686,148
Payments for plant & equipment		(6,952)	(2,312)
Payments for other investments / redemptions		(770,921)	(2,322,988)
Payments for acquisition and development of property investments		(104,997)	(204,424)
<b>Net cash (outflow) from investing activities</b>		<b>(259,145)</b>	(2,878,199)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings		1,388,252	2,699,444
Payments for financial restructuring costs		(50,252)	-
Repayments of borrowings		(894,601)	-
Proceeds from issues of securities net of capital raising costs		-	129,672
Payment for purchase of securities		(66,222)	-
Distributions paid to external parties		(182,398)	(316,198)
Distributions paid to minority interest		(10,921)	(2,585)
<b>Net cash inflow from financing activities</b>		<b>183,858</b>	2,510,333
<b>Net increase in cash and cash equivalents</b>		<b>31,119</b>	(58,342)
Cash and cash equivalents at the beginning of the financial year		172,276	230,561
Effects of exchange rate changes on cash and cash equivalents		(2,268)	57
<b>Cash and cash equivalents at the end of the financial year</b>	12(a)	<b>201,127</b>	172,276

## Consolidated Statements of Changes in Equity for the year ended 30 June 2008

Changes in equity attributable to Members of Centro Properties Group	Note	Centro Properties Limited and its controlled entities	
		30.06.08 \$'000	30.06.07 \$'000
Opening balance at the beginning of the year		3,536,678	3,278,463
<b>Contributed equity</b>			
Contributions of equity, net of transaction costs		-	817,179
Return of equity, net of transaction costs		-	(614,704)
Employee securities acquired on market classified as options under AIFRS		(68,679)	(85,041)
<b>Investment revaluation reserve</b>			
Net movement in investment revaluation reserve	4(b)	-	(17,520)
<b>Share based payments reserve</b>			
Net movement in share based payments reserve	7(c)	11,183	13,076
<b>Foreign currency translation reserve</b>			
Net exchange differences on translation of foreign operations	7(a)	(103,393)	9,228
<b>Retained profits</b>			
Distributions provided for or paid (ordinary security holders and preference unit holders)	7(b)	(30,860)	(333,722)
Net transactions/movement in reserves recognised directly in equity		(191,749)	(211,504)
Net (loss)/profit attributable to Members of Centro Properties Group		(2,055,169)	469,719
<b>Closing balance of equity attributable to Members of Centro Properties Group <sup>(i)</sup></b>		1,289,760	3,536,678
<b>Changes in equity attributable to external Minority Interests</b>			
Opening balance at the beginning of the year		28,445	10,516
Movement in minority interest on acquisition/(disposal) of subsidiaries		2,821,566	20,000
(Loss)/Profit after tax expense for the year		2,439	514
Distributions provided for or paid		-	(2,585)
<b>Closing balance of equity attributable to external Minority Interests <sup>(ii)</sup></b>		2,852,450	28,445
<b>Total equity at the end of the year</b>		4,142,210	3,565,123

(i) Total income and expenses for the year attributable to Members of Centro Properties Group, including amounts recognised directly in equity, is \$2,147.4m (30 June 2007: \$474.5m), being loss after tax expense for the year of (\$2,055.2m) (30 June 2007: Profit of \$469.7m) and net movements in reserves of (\$92.2m) (30 June 2007: \$4.8 m).

(ii) Total income and expenses for the year attributable to Minority Interests, including amounts recognised directly in equity, is \$2.4m (30 June 2007: \$0.5m), being profit after tax expense for the year.

## 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 shows the consolidated entity (the "Group") consisting of Centro Properties Limited and its subsidiaries.

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

This financial report for the period ended 30 June 2008 has been prepared consistent with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year. When the presentation or classification of items in the financial report is amended comparative amounts are also reclassified unless it is impractical. The Group has reclassified its derivative financial instruments for the comparative period, previously disclosed as a net current liability of \$215.7 million to current asset of \$484.0 million and current liabilities of \$699.7 million. The Group has reclassified certain of its interest bearing liabilities for the comparative period, previously disclosed as a non-current liability of (\$3,603.8 million) to current liability of (\$2,611 million) and non-current liability of (\$992.7 million). Both reclassifications were detailed in the Group's 31 December 2007 financial report.

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

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. The Group remains reliant on the support of its lenders through the extension of certain loan facilities totalling \$3.8 billion beyond existing expiry dates and whilst no commitment has yet been given by the lenders to extend the facilities. After taking into account all available information, the directors have concluded that there are reasonable grounds to believe:

- the facilities will be able to be extended and/or refinanced;
- the company 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 Group's net asset position attributable to members of \$1.3 billion.
- The underlying performance of the Group's investment portfolio and services business.
- Management's expectations that the Group will be able to meet its financial commitments or obtain appropriate additional finance from its lenders for any short term liquidity needs.
- The expectation that facilities will be able to be extended once an acceptable proposal is provided to lenders.
- Consideration of the Group's exposure to guarantees and covenants.

Management, in conjunction with the Board, is continuing to review the Group's business, including recapitalisation options, potential asset sales and refinance/extension of debt facilities in conjunction with its lenders.

This encompasses the potential sale of the Group's interests in certain Centro Australia Wholesale Fund investments and Centro America Fund, collectively carried at \$1.2 billion, both of which have attracted strong interest from both domestic and international investors with the conditional sale of 29 of the 31 properties in the Centro America Fund having been announced on 15 July 2008. Further, discussions are being held regarding recapitalisation of the Group as a whole with the Group's Australian lenders. If these initiatives are successful, significant funds will be generated which could be utilised to reduce the Group's debt level. It is acknowledged, that the outcome of these initiatives is not certain.

The Group has debt facilities of \$2.3 billion in aggregate owed to the Australian lending group and US\$450 million owed to US private placement noteholders under the Australian extension deed. As announced on 2 June 2008, the facilities have been extended to 15 December 2008 subject to certain conditions, some of which must be satisfied by 30 September 2008. Under the extension deed a fixed and floating charge was granted to the Australian Lending Group over the unsecured units and assets held by Centro Properties Limited, Centro Property Trust and their 100% owned entities.

The Group has debt facilities of \$1.3 billion within its joint venture investment with Centro Retail Trust (CER) in Super LLC and Centro Shopping America REIT (CSF), the "joint venture facilities". As announced on 2 June 2008, these facilities have been extended to 30 September 2008 with additional development

funding of US \$80 million being provided to Super LLC. Under the Super LLC structure, CER and the Group have a joint obligation to the unsecured financiers of Super LLC.

The extension of the Group's and CER's debt facilities beyond 30 September 2008 is subject to successful further negotiations with Australian and US banks and US Private Placement Noteholders. The directors believe there are reasonable grounds to expect these negotiations will be successful, however, no commitment has yet been given by the lenders in this regard as steps in the reconciliation process must progress further before these discussions can be concluded.

No adjustments were made to the financial report in relation to this uncertainty.

*Early adoption of standards*

The Group has elected to apply the following pronouncements to the annual reporting period beginning 1 July 2007:

- AASB 2008-2 Amendments to Accounting standards – Puttable Financial Instruments and Obligations arising on Liquidation

The early adoption of AASB 2008-2 resulted in the Group classifying \$2.9 billion of unitholders' funds attributable to outside equity interests in the consolidated balance sheet as equity. If the amendments had not been adopted the unitholders' funds would have been classified as a financial liability. No prior year reclassification is required as the balances did not exist in the prior year.

**(b) Basis of Preparation of Centro Properties Group Financial Statements**

The Group financial statements reflect the aggregation of the consolidated financial statements of Centro Properties Limited (the "Company") and Centro Property Trust (the "Trust"). For statutory reporting purposes, in accordance with Australian equivalents to International Financial Reporting Standards, specifically the requirements of UIG 1013 and AASB 3, Centro Properties Limited (ultimate parent of the group) is deemed to be the parent entity of the Centro Properties Group.

These consolidated financial statements incorporate an elimination of inter-entity balances and other adjustments necessary to present the financial statements on a combined basis. The Articles of Association of the Company and the Constitution of the Trust ensure that as far as possible, shares in the Company and units in the Trust are "stapled" together and are traded on the Australian Stock Exchange together, effectively as a "stapled security", for so long as the two entities remain jointly quoted.

**(c) Accounting for Centro Property Trust's Units**

The Constitution of Centro Property Trust was amended to remove the finite life clause of the Trust, effective 1 July 2005. In accordance with ASIC Ruling IR05-29 a special resolution of members was not required for this amendment to be made.

The amendment, when 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.

**(d) Historical Cost Convention**

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss and investment property.

**(e) Principles of Consolidation**

These Group financial statements comprise the consolidated accounts of Centro Properties Limited and its controlled entities (which includes Centro Property Trust) as defined by Accounting Standard AASB 127 Consolidated and Separate Financial Statements. The effects of all transactions between entities in the Group are eliminated in full. Minority interests in the results and equity of controlled entities are shown separately in the consolidated income statement and balance sheet respectively.

Control is the power to govern the financial and operating policies of an 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 Group's 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.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Centro Properties Limited. Investments in associates are accounted for in the Group's financial statements using the equity method or at fair value through profit or loss. 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 Properties Limited.

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

**(f) Acquisitions of Assets**

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition.

Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

**(g) Revenue Recognition**

Revenue is measured at the fair value of the consideration received or receivable. 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) Services revenue**

**Property Management Revenue**

- As the manager of properties owned by clients, the Group receives management fees in accordance with generally accepted commercial terms. Property management revenue is recognised on an accruals basis as earned.

**Development and Leasing Fees**

- The Group operates a development management and leasing business and derives project management and leasing fees in respect of new developments and redevelopments of its own properties and those of other clients. The fees are in accordance with generally accepted commercial terms and conditions based on agreed milestones and are recognised on an accruals basis as earned.

**Funds Management**

- The Group derives fees from the establishment and ongoing management of managed investment vehicles. Funds management revenue is recognised on an accruals basis as earned.

**(iii) Managed vehicle income**

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

**(h) 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, the 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.

#### *Tax consolidation legislation*

Centro Properties Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 8 October 2004.

Centro Properties Limited, as the head entity in the tax consolidated group, account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Centro Properties Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

#### **(i) Cash and Cash Equivalents**

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

#### **(j) 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 USA States.

#### **(k) Receivables**

All trade and other debtors are recognised at the amounts receivable as they are due for settlement no more than 30 days from the date of recognition. Collectability of trade and other debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised when objective evidence of impairment in relation to collection exists on a case by case basis.

#### **(l) Trade and Other Creditors**

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.

#### **(m) Employee Benefits**

##### **(i) Wages and salaries, annual leave and sick leave**

Liabilities for wages and salaries, including non-monetary benefits and annual leave 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 non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

##### **(ii) Long service leave**

The liability for long service leave expected to be settled within 12 months of the reporting date is

recognised in the provision for employee benefits and is measured in accordance with (i) above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are 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 cash outflows.

(iii) **Bonus plans**

A liability for employee benefits in the form of bonus plans is recognised in other creditors when there is no realistic alternative but to settle the liability and at least one of the following conditions is met:

- there are formal terms in the plan for determining the amount of the benefit;
- the amounts to be paid are determined before the time of completion of the financial report; or
- past practice gives clear evidence of the amount of the obligation.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(iv) **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 creditors 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.

**(n) Share-Based Payments**

Group employees are awarded with Group securities under the Centro Properties Group Employee Security Plan and Loan Scheme ("ESP"). The fair value of the securities granted is determined at the grant date and recognised as an expense in the income statement with a corresponding increase in the option reserve component of equity, over the vesting period.

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

**(o) Plant and Equipment**

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on a straight line basis to write off the net cost or revalued amount of each item of plant and equipment (excluding investment properties) over its expected useful life to the consolidated entity.

Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. The expected useful life of plant and equipment is between three and five years.

**(p) Intangible Assets**

(i) **Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates.

Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Goodwill is considered to have an indefinite life.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) **Management contracts**

Services business management contracts acquired as part of a business combination are recognised separately from goodwill. The management contracts are carried at their fair value at the date of acquisition less any accumulated amortisation and impairment losses. Amortisation is currently based on the timing of projected cash flows of the contracts over their estimated useful lives, which currently range up to 40 years.

**(q) 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 as described in note 1(v).

**(r) 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, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired, and are re-evaluated at each reporting date.

**Classification**

(i) **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.

(ii) **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the 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.

(iii) **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.

(iv) **Available-for-sale financial assets**

Available-for-sale financial assets, comprising principally marketable securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the Group intends to dispose of the investment within 12 months of the balance sheet date.

**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.

**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 investments revaluation reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

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.

#### **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.

#### **(s) Assets Held for Sale**

Investment properties classified as held for sale are stated at 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.

#### **(t) 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).

The Group documents at the inception of the transaction 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.

##### **(ii) 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 foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

##### **(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. For the year ended 30 June 2008, no derivative financial instruments were

designated into a hedging relationship and therefore all movements in fair value have been taken to the income statement.

**(u) 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 arms length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow techniques, or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the 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.

**(v) Revaluation of Investment Properties**

For the purpose of the Group accounts, property investments are carried at 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.

**(w) Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

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

**(x) 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. Other borrowing costs are expensed.

**(y) 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 dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign 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 fair value

reserve in equity.

**(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 taken to shareholders' equity. When a foreign operation is sold or borrowings repaid, a proportionate share of such exchange differences are recognised in the income statement as part of the gain or loss on sale.

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.

**(z) Contributed Equity**

Ordinary stapled securities and preference units are classified as equity.

Incremental costs directly attributable to the issue of new stapled securities, preference units or options 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.

**(aa) 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. The weighted average number of stapled securities has been adjusted for the elimination of securities issued under the Employee Securities Plan.

**(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.

**(ab) 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.

**(ac) Segment reporting**

Refer to note 2 for the accounting policy in relation to segment reporting.

**(ad) Financial Guarantee**

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.

**(ae) New accounting standards and UIG interpretations**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2008 reporting periods. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

- (i) AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8

AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Group has not yet decided when to adopt AASB 8. Application of AASB 8 may result in different segments, segment results and different types of information being reported in the segment note of the financial report. However, at this stage, it is not expected to affect any of the amounts recognised in the financial statements.

- (ii) Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]

The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and – when adopted – will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the Group, as the Group already capitalises borrowing costs relating to qualifying assets.

- (iii) Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101

A revised AASB 101 was issued in September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Group intends to apply the revised standard from 1 July 2009.

- (iv) AASB 2008-1 Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations

AASB 2008-1 was issued in February 2008 and will become applicable for annual reporting periods beginning on or after 1 January 2009. The revised standard clarifies that vesting conditions are service conditions and performance conditions only and that other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group will apply the revised standard from 1 July 2009, but it is not expected to affect the accounting for the Group's share-based payments.

- (v) Revised AASB 3 Business Combinations, AASB 127 Consolidated and Separate Financial Statements and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127

Revised accounting standards for business combinations and consolidated financial statements were issued in March 2008 and are operative for annual reporting periods beginning on or after 1 July 2009, but may be applied earlier. The Group has not yet decided when it will apply the revised standards. However, the new rules generally apply only prospectively to transactions that occur after the application date of the standard. Their impact will therefore depend on whether the Group will enter into any business combinations or other transactions that affect the level of ownership held in the controlled entities in the year of initial application. For example, under the new rules:

- all payments (including contingent consideration) to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments subsequently remeasured at fair value through income;
- all transaction cost will be expensed;

- the Group will need to decide whether to continue calculating goodwill based only on the parent's share of net assets or whether to recognise goodwill also in relation to the non-controlling (minority) interest; and
  - when control is lost, any continuing ownership interest in the entity will be remeasured to fair value and a gain or loss recognised in profit or loss.
- (vi) Amendments to IFRS 1 and IAS 27 Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

In May 2008, the IASB made amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements. The new rules will apply to financial reporting periods commencing on or after 1 January 2009. Amendments to the corresponding Australian Accounting Standards are expected to be issued shortly. The Group will apply the revised rules prospectively from 1 July 2010. After that date, all dividends received from investments in subsidiaries, jointly controlled entities or associates will be recognised as revenue, even if they are paid out of pre-acquisition profits, but the investments may need to be tested for impairment as a result of the dividend payment. Furthermore, when a new intermediate parent entity is created in internal reorganisations it will measure its investment in subsidiaries at the carrying amounts of the net assets of the subsidiary rather than the subsidiary's fair value.

**(af) Rounding of amounts**

The company 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.

**(ag) Critical Accounting Estimates and Judgements used in the Preparation of the Financial Statements**

The preparation of financial statements requires estimates 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.

**(i) Investment Property Values**

Investment properties are carried at their fair value. Valuations are either based on an independent valuation or on a Directors' review of the carrying value. 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.

At 30 June 2008, the carrying value of investment properties held by the Group is \$16,325 million (2007: \$392 million).

**(ii) Intangible Assets**

The Group recognises goodwill in its Balance Sheet at 30 June 2008. Goodwill carried by the Group represents the excess of the purchase price paid to acquire control over entities or groups of entities over the fair value of the net assets acquired. The carrying value of these assets is reviewed at every reporting period. The value is dependent on the assessment of uncertain future events, including the future profitability of the businesses acquired.

At 30 June 2008, the carrying value of intangible assets for the Group are \$669 million (2007: \$555 million).



## 2. SEGMENT INFORMATION

### Business Segments

The Group is organised on a global basis into the following activities by business type:

#### *Property Ownership Business*

The Group derives income from retail property rentals of shopping centre space to retailers across Australasia and the United States. The Group also derives income from its retail property investments in listed and unlisted entities.

#### *Services Business*

The Group derives income from its services business activities, incorporating funds management, property management, and development and leasing.

### Geographical Segments

Although the Group's operations are managed on a global basis, they operate in two main geographical areas being Australasia and the United States.

## PRIMARY REPORTING – BUSINESS SEGMENT

2008

Centro Properties Limited and its controlled entities	Property Ownership	Services Business	Other	Group
	\$'000	\$'000	\$'000	\$'000
Revenue	473,965	213,402	-	687,367
Total segment revenue	473,965	213,402	-	687,367
Other income	-	-	57,717	57,717
Total segment revenue and income	473,965	213,402	57,717	745,084
Property revaluations/fair value through profit & loss	(443,013)	(5,858)	-	(448,871)
Share of net (losses) / profits of associates and joint venture partnerships accounted for using the equity method	(651,071)	(41,945)	-	(693,016)
Impairment losses recognised	-	(772,019)	-	(772,019)
Other segment expenses	(169,690)	(46,704)	-	(216,394)
Segment result	(789,809)	(653,124)	57,717	(1,385,216)
Unallocated revenue less unallocated expense				(683,635)
Loss from ordinary activities before income tax				(2,068,851)
Income tax benefit				16,121
<b>Net Loss</b>				<b>(2,052,730)</b>
Segment assets	19,547,972	913,996	-	20,461,968
Unallocated assets				114,904
<b>Total Assets</b>				<b>20,576,872</b>
Segment liabilities	9,266,943	1,626,617	-	10,893,560
Unallocated liabilities				5,541,102
<b>Total Liabilities</b>				<b>16,434,662</b>
<b>Net Assets</b>				<b>4,142,210</b>
<b>Other segment information</b>				
Investments in associates and joint venture partnerships	988,402	-	-	988,402
Acquisitions of property, plant and equipment,	-	16,443	-	16,443
Depreciation and amortisation expense	2,105	4,081	-	6,186

**2007**

<b>Centro Properties Limited and its controlled entities</b>	<b>Property Ownership \$'000</b>	<b>Services Business \$'000</b>	<b>Other \$'000</b>	<b>Group \$'000</b>
Revenue	182,280	183,519	-	365,799
Total segment revenue	182,280	183,519	-	365,799
Other income	-	-	17,391	17,391
Total segment revenue and income	182,280	183,519	17,391	383,190
Property revaluations /fair value through profit & loss	94,475	-	-	94,475
Share of net (losses) / profits of associates and joint venture partnerships accounted for using the equity method	293,935	23,566	-	317,501
Other expenses	(65,484)	(43,587)	(12,468)	(121,539)
Segment result	505,206	163,498	4,923	673,627
Unallocated revenue less unallocated expense				(203,394)
Profit from ordinary activities before income tax				470,233
Income tax benefit				-
<b>Net Profit</b>				<b>470,233</b>
Segment assets	6,267,558	830,208	925,886	8,023,652
Unallocated assets				625,389
<b>Total Assets</b>				<b>8,649,041</b>
Segment liabilities	43,205	160,414	-	203,619
Unallocated liabilities				4,880,299
<b>Total Liabilities</b>				<b>5,083,918</b>
<b>Net Assets</b>				<b>3,565,123</b>
<b>Other segment information</b>				
Investments in associates and joint venture partnerships	3,695,338	53,557	-	3,748,895
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	1,079,870	249,815	958,584	2,288,269
Depreciation and amortisation expense	612	1,527	-	2,139

## SECONDARY REPORTING – GEOGRAPHICAL SEGMENT

2008

Centro Properties Limited and its controlled entities	Australasia	United States	Inter Segment/Other	Group
	\$'000	\$'000	\$'000	\$'000
Revenue	313,880	373,487	-	687,367
Other income	26,550	31,167	-	57,717
Total segment revenue and income	340,430	404,654	-	745,084
Property revaluations and fair value movements	(194,557)	(254,314)	-	(448,871)
Share of net (losses) / profits of associates and joint venture partnerships accounted for using the equity method	(316,650)	(376,367)	-	(693,017)
Other expenses	(1,357,969)	(314,078)		(1,672,047)
Segment result	(1,528,746)	(540,105)	-	(2,068,851)
Unallocated revenue less unallocated expense				-
Profit from ordinary activities before income tax				(2,068,851)
Income tax benefit				16,121
<b>Net Loss</b>				<b>(2,052,730)</b>
Segment assets	5,951,599	14,625,273	-	20,576,872
Acquisitions of property, plant and equipment	16,443	-	-	16,443

2007

Centro Properties Limited and its controlled entities	Australasia	United States	Inter Segment/Other	Group
	\$'000	\$'000	\$'000	\$'000
Revenue	280,180	85,619	-	365,799
Other income	17,391	-	-	17,391
Total segment revenue and income	297,571	85,619	-	383,190
Property revaluations and fair value movements	94,079	396	-	94,475
Share of net (losses) / profits of associates and joint venture partnerships accounted for using the equity method	214,826	102,675	-	317,501
Other expenses	(85,810)	(35,729)	-	(121,539)
Segment result	520,666	152,961	-	673,627
Unallocated revenue less unallocated expense				(203,394)
Profit from ordinary activities before income tax				470,233
Income tax benefit				-
<b>Net Profit</b>				<b>470,233</b>
Segment assets	4,474,510	4,174,531	-	8,649,041
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	174,369	2,113,900	-	2,288,269

### Notes to and forming part of the segment information

#### (a) Accounting policies

Segment information is prepared in conformity with the accounting policies of the Group as disclosed in note 1 and Accounting Standard AASB 114 *Segment Reporting*. The business segments identified in the primary reporting disclosures and the geographical segments are not materially different from the industry and geographical segments identified in previous years.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment

and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of trade debtors, other debtors and prepayments, short term loans and property investments net of related provisions. Segment liabilities consist primarily of funding, interest accruals, trade and other creditors and accruals. All other jointly used assets and liabilities are allocated based upon estimates of usage. Segment assets and liabilities do not include income taxes.

**Centro Properties Limited  
and its controlled entities**  
**30.06.08      30.06.07**  
**\$'000      \$'000**

### 3. PROFIT/(LOSS) FROM CONTINUING OPERATIONS

#### a) Other income

Interest income	30,478	-
Other income	27,239	17,391
	<u>57,717</u>	<u>17,391</u>

#### b) Other expenses included in net profit:

Bad and doubtful debts	(2,724)	(112)
Depreciation – plant and equipment	(4,081)	(1,527)
Amortisation – tenant allowances	(121)	(612)
Amortisation – lease incentives	(691)	-
Amortisation – lease commissions	(1,293)	-
Total depreciation and amortisation	<u>(6,186)</u>	<u>(2,139)</u>
Finance costs:		
Interest expense on financial liabilities not at fair value through profit or loss	(481,396)	(199,280)
Amount capitalised/(reversed)	(658)	4,504
	<u>(482,054)</u>	<u>(194,776)</u>

Net movement on mark to market of derivatives and foreign exchange losses:

Net unrealised loss on mark to market derivatives	(421,975)	(258,081)
Net unrealised gain on foreign exchange translations	360,507	232,070
	<u>(61,468)</u>	<u>(26,011)</u>

Profit/(loss) from sale of investments	9	(702)
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#### c) Income tax benefit

Income tax benefit/(expense) is attributable to:

Income tax (expense)/benefit	(17,137)	-
Decrease in deferred tax liabilities	33,258	-
	<u>16,121</u>	<u>-</u>

The above movements are largely due to the result of revaluation decrements on US property investments and capital gains tax paid on properties sold during the year

**Centro Properties Group**  
Preliminary final report

Note	Centro Properties Limited and its controlled entities	
	30.06.08	30.06.07
	\$'000	\$'000

#### 4. INVESTMENTS

**Included in the balance sheet as:**

Non-current assets classified as held for sale – current	768,751	785,438
Investments accounted for using the equity method	988,402	3,748,895
Other financial assets – non-current	606,209	2,116,424
Investment property – non-current	16,324,967	392,211
	<u>18,688,329</u>	<u>7,042,968</u>

**a) Non-current assets classified as held for sale – current**

**Movements:**

Opening balance at 1 July	785,438	173,436
Transfer from investment property	768,751	785,438
Disposal	(785,438)	(173,436)
Closing balance at 30 June	<u>768,751</u>	<u>785,438</u>

**b) Investments accounted for using the equity method**

**Movements:**

Carrying amount at the beginning of the financial year	3,748,895	2,825,581
Impairment of investment in joint venture	(578,189)	-
Share of net income/(loss)	(693,016)	317,501
Distribution of net income	(76,435)	(269,067)
Additional investment during the year	1,145,299	883,172
Share of movement in investment revaluation reserve	-	(17,520)
Share of decrement in foreign currency translation reserve of associates	(42,162)	9,228
Obtained control during year and now consolidated	(2,515,990)	-
Closing balance at 30 June	<u>988,402</u>	<u>3,748,895</u>

**c) Other financial assets – non-current**

**Movements:**

Carrying amount at the beginning of the financial year	2,116,424	77,787
Fair value gains / (losses)	(141,902)	80,214
Additions / (disposals)	(103,674)	1,958,423
Obtained control during year and now consolidated	(1,264,639)	-
Closing balance at 30 June	<u>606,209</u>	<u>2,116,424</u>

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		Centro Properties Limited and its controlled entities	
	Note	30.06.08	30.06.07
		\$'000	\$'000
<b>d) Investment Property</b>			
<b>Movements:</b>			
Opening balance at 1 July		392,211	1,202,165
Acquisitions		-	161,723
Capitalised subsequent expenditure		30,063	42,701
Transfer to non-current assets held for sale		(768,751)	(785,438)
Disposal		-	(241,684)
Net gain / (loss) from fair value adjustment		(306,969)	14,261
Straight-lining of rent adjustment		15,242	(905)
Tenant allowance amortisation		(121)	(612)
Obtained control during year and now consolidated		16,963,292	-
Closing balance at 30 June		16,324,967	392,211

**e) Valuation basis**

Investment properties are carried at fair value. The value of 43% of investment properties has been independently determined by members of the Australian Property Institute, United States Office of Cushman and Wakefield, Colliers and Weiser Realty Advisors LLC and CB Richard Ellis. For properties acquired during the year, cost equates to fair value on acquisition. The remaining properties have been subjected to director valuation supported by the extrapolation of independent valuation on similar properties.

The basis of the valuation of investment properties is fair value, being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition subject to similar leases.

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**\$'000      \$'000**

## 5. INTANGIBLE ASSETS

Goodwill		
At 1 July net of impairment	555,169	306,783
<i>Movement for the year ended 30 June</i>		
Acquisition of subsidiary	321,562	272,892
Impairment	(193,830)	
Foreign currency translation movements	(14,127)	(24,506)
Movement for the year	<u>113,605</u>	<u>248,386</u>
At 30 June net of impairment	<u>668,774</u>	<u>555,169</u>

## 6. CONTRIBUTED EQUITY

<b>Capital</b>	<b>No. '000</b>	<b>No. '000</b>
Number of securities issued:		
- Ordinary <sup>(1)</sup>	845,116	845,116
- Preference units	51,305	51,305
	<u>896,421</u>	<u>896,421</u>
	<b>\$'000</b>	<b>\$'000</b>
Paid up capital		
- Ordinary	1,687,163	1,755,842
- Preference units	561,078	561,078
	<u>2,248,241</u>	<u>2,316,920</u>

(1) – Include securities issued under the ESP that are deemed to be options under AASB 2 *Share-based Payments*

The Group has US\$500 million of exchangeable securities (preference units) on issue. Preference unit holders rank ahead of ordinary unit holders for both capital and income distributions. Certain events trigger a dividend and capital distribution stopper unless the exchangeable securities are settled early. Although no such trigger event has occurred, the dividend and capital distribution stopper is currently active because Centro elected not to pay the coupon on the exchangeable securities. The Group can remedy the dividend stopper by paying the accumulated distribution entitlements, which currently stand at \$9.4 million.

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controlled entities**  
**Note      30.06.08      30.06.07**  
**\$'000      \$'000**

## 7. RESERVES AND RETAINED PROFITS/(LOSS)

Foreign currency translation reserve	(a)	(103,393)	-
Retained (losses)/profits	(b)	(890,924)	1,195,105
Share based payments reserve	(c)	35,836	24,653
		<u>(958,481)</u>	<u>1,219,758</u>
<b>(a) Foreign currency translation reserve</b>			
Balance at the beginning of the financial year		-	(9,228)
Add/(deduct):			
- Currency translation differences arising during the year		(103,393)	10,324
- Net exchange differences on translation of foreign associates		-	(1,096)

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**Balance at the end of the financial year**

Note	(103,393) -	
	<b>Centro Properties Limited and its controlled entities</b>	
	<b>30.06.08</b>	<b>30.06.07</b>
	<b>\$'000</b>	<b>\$'000</b>

**(b) Retained profits**

Balance at the beginning of the financial year	1,195,105	1,059,108
Add/(deduct):		
Net (loss)/profit attributable to members of Centro Properties Group	(2,055,169)	469,719
Dividends/distributions provided for or paid to ordinary unitholders	-	(331,433)
Dividends/distributions provided for or paid to preference unitholders	(30,860)	(2,289)
<b>Balance at the end of the financial year</b>	<b>(890,924)</b>	<b>1,195,105</b>

**(c) Share based payments reserve**

Balance at the beginning of the financial year	24,653	11,577
Add:		
- Options expense	11,183	13,076
<b>Balance at the end of the financial year</b>	<b>35,836</b>	<b>24,653</b>

## 8. OUTSIDE EQUITY INTEREST

Outside equity interest ("OEI") relates to external party interests in entities consolidated by the Group. The significant increase in OEI during the year is the result of the business combinations detailed in note 9.

## 9. BUSINESS COMBINATIONS

### Direct Property Fund International

#### (a) Summary of acquisition

On 25 January 2008 Centro acquired 3.83 percent of the issued capital of Direct Property Fund International ("DPFI") from Lipoma Pty Ltd in settlement of a put option, increasing Centro's voting interest in DPFI from 47.97% at 31 December 2007 to 51.80%, giving Centro control over DPFI and its controlled entities. As Centro was a co-investor with DPFI in a number of managed funds, the business combination has resulted in the consolidation of these managed funds by the Group. The fair value allocations are provisional as of 30 June 2008.

Prior to the acquisition, Centro accounted for its interest in DPFI using the equity method. The acquired business contributed revenues of \$200.2 million and net loss of (\$110.9) million to Centro for the period from 25 January 2008 to 30 June 2008. If the combination had taken place at the beginning of the year, the revenue for the Group would have been \$529.9 million and the loss from continuing operations would have been (\$387.1) million.

**Details of the fair value of assets and liabilities acquired as at 25 January 2008 are as follows:**

	<b>\$'000</b>
Cash paid	49,385
Equity accounted balance given up	1,667,321
Total purchase consideration	1,716,706
Fair value of net identifiable assets acquired attributable to unit holders of Centro (refer (c) below)	1,522,876
Goodwill	193,830
Impairment of goodwill	(193,830)
	-

#### (b) Purchase consideration

The cash outflow on acquisition is as follows:

	<b>\$'000</b>
Cash consideration paid	49,385
Less balance acquired	(77,740)
Net consolidated cash inflow	(28,355)





**(c) Assets and liabilities acquired**

The assets and liabilities arising from the acquisition are as follows:

	<b>\$'000</b>
<b>Current assets</b>	
Cash and cash equivalents	77,740
Restricted cash	10,516
Distribution receivables	21,798
Receivables	927
Other current assets	1,593
<b>Total current assets</b>	<u>112,574</u>
<b>Non-current assets</b>	
Financial assets at fair value through profit and loss	225,695
Investment property	5,171,327
Derivative financial instruments	61
Other financial assets	13,620
Other non current assets	27,397
<b>Total non-current assets</b>	<u>5,438,100</u>
<b>Total assets</b>	<u>5,550,674</u>
<b>Current liabilities</b>	
Payables	73,711
Interest bearing liabilities	8,812
Interest payable (on equity notes)	8,439
Derivative financial instruments	2,921
Provisions – distribution payable	20,889
<b>Total current liabilities</b>	<u>114,772</u>
<b>Non-current liabilities</b>	
Interest bearing liabilities	2,953,900
Deferred tax liabilities	98,367
<b>Total non-current liabilities</b>	<u>3,052,267</u>
<b>Total liabilities</b>	<u>3,167,039</u>
<b>Net assets</b>	<u>2,383,635</u>
Less fair value of net assets attributable to external minority interests acquired:	860,759
Net assets related to unit holders of Centro acquired:	1,522,876

**Direct Property Fund**

**(a) Summary of acquisition**

On 9 May 2008 Direct Property Fund ("DPF") converted 279,710,679 equity notes belonging to Centro into ordinary units. The conversion increased Centro's voting ownership percentage from 46.81% at 31 December 2007 to 53.65%, giving Centro control over DPF and its controlled entities. No consideration was provided for the conversion. As Centro was a co-investor with DPF in a number of managed funds, the business combination has resulted in the consolidation of these managed funds by the Group. The fair value allocations are provisional as of 30 June 2008.

Prior to the acquisition, Centro accounted for its interest in DPF using the equity method. The acquired business contributed revenues of \$128.9 million and net profit of \$56.6 million to Centro for the period from 9 May 2008 to 30 June 2008. If the combination had taken place at the beginning of the year, the revenue for the Group would have been \$985.4 million and loss from continuing operations would have been (\$1,382) million.

**Details of the fair value of assets and liabilities acquired as at 9 May 2008 are as follows:**

	<b>\$'000</b>
Cash paid	-
Equity accounted balance given up	2,873,647
Total purchase consideration	<u>2,873,647</u>
Fair value of net identifiable assets acquired attributable to unit holders of Centro (refer to (c) below)	2,835,194
Goodwill	<u>38,453</u>

**(b) Purchase consideration**

The cash outflow on acquisition is as follows:

	<b>\$'000</b>
Cash consideration paid	-
Less balance acquired	(82,107)
Net consolidated cash inflow	(82,107)

**(c) Assets and liabilities acquired**

The assets and liabilities arising from the acquisition are as follows:

	<b>\$'000</b>
<b>Current assets</b>	
Cash and cash equivalents	82,107
Restricted cash	69,104
Derivative financial instruments	116,250
Distribution receivables	6,786
Receivables	142,855
Other current assets	54,377
<b>Total current assets</b>	471,479
<b>Non-current assets</b>	
Financial assets at fair value through profit and loss	1,233,792
Investments accounted for using equity method	818,557
Investment property	12,311,525
Plant and equipment	16,443
Derivative financial instruments	639
Other financial assets	17,813
<b>Total non-current assets</b>	14,398,769
<b>Total assets</b>	14,870,248
<b>Current liabilities</b>	
Payables	357,525
Interest bearing liabilities	4,425,667
Interest payable (on equity notes)	9,921
Derivative financial instruments	14,633
Provisions – distribution payable	33,003
<b>Total current liabilities</b>	4,840,749
<b>Non-current liabilities</b>	
Payables	2,236
Interest bearing liabilities	4,301,763
Deferred tax liabilities	38,894
Other non current liabilities	6,142
<b>Total non-current liabilities</b>	4,349,035
<b>Total liabilities</b>	9,189,784
<b>Net assets</b>	5,680,464
Less fair value of net assets attributable to external minority interests acquired:	2,845,270
Net assets related to unit holders of Centro acquired:	2,835,194

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**Heritage Property Investment Trust**

**(a) Summary of acquisition**

On 5 October 2006 the Group acquired 100% of the issued capital of Heritage Property Investment Trust ("Heritage").

The acquired business contributed revenues of \$47.3m and net profit of \$34.6m to the Group for the year ended 30 June 2007. As a result of the changes made to the business post acquisition including the disposal of a number of properties it is not possible to determine the impact on consolidated revenue and consolidated profit for the year ended 30 June 2007 had the acquisition occurred on 1 July 2006.

The goodwill is attributable to the acquired services business. The fair value of assets and liabilities acquired are based on discounted cash flows. Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

	<b>\$'000</b>
Purchase consideration	
Cash paid	974,973
Direct costs relating to the acquisition	38,482
Total purchase consideration (refer to (b) below)	<u>1,013,455</u>
Fair value of net identifiable assets acquired (refer to (c) below)	905,501
Goodwill	<u>107,954</u>

**(b) Purchase consideration**

	<b>\$'000</b>
Outflow of cash net of cash acquired	
Cash consideration	1,013,455
Less: Balances acquired	
Cash	<u>77,396</u>
Outflow of cash	<u>936,059</u>

**(c) Assets and liabilities acquired**

The assets and liabilities arising from the acquisition are as follows:

	<b>\$'000</b>
Fair value of identifiable net assets of controlled entity acquired:	
Short term investments	18,124
Receivables	50,445
Property investments	4,362,812
Plant & equipment	2,936
Other assets	38,098
	<u>4,472,415</u>
Less Payables	75,064
Borrowings	1,885,479
Other liabilities	171,629
	<u>2,132,172</u>
Net Assets	<u>2,340,243</u>
Less Fair value of net assets acquired by:	
- CMCS 39	455,646
- CMCS 40	451,919
- Centro America Fund	527,177
	<u>1,434,742</u>
Residual net identifiable assets acquired	<u>905,501</u>

## **New Plan Excel Realty Property Trust**

### **(a) Summary of acquisition**

On 20 April 2007, as part of the overall acquisition of Centro Super LLC, an entity jointly owned by Centro Properties Group and Centro Retail Trust, acquired 100% of the issued capital of New Plan Excel Realty Property Trust. At year end the Group has equity accounted its interest in Centro Super LLC. Detailed below is the composition of the Groups underlying interest in Centro Super LLC at 5 April 2007, which is the date that Centro Super LLC obtained control of New Plan Excel Realty Property Trust. The Group's interest in Centro Super LLC includes its share of Centro Super LLC's acquisition funding arrangements.

The acquired business contributed income of \$14.5m to the Group for the period to 30 June 2007. As a result of the acquisition costs expensed during the period and the intended disposals of certain assets, the extrapolation of the results since acquisition would not provide a meaningful insight into the impact on consolidated revenue and consolidated profit for the year ended 30 June 2007 had the acquisition occurred on 1 July 2006.

The goodwill is attributable to the acquired services business. The fair value of assets and liabilities acquired are based on discounted cash flows.

**Details of the fair value of the assets and liabilities acquired and goodwill are as follows:**

	<b>\$'000</b>
Purchase consideration	
Cash paid	913,850
Direct costs relating to the acquisition	41,910
Total purchase consideration (refer to (b) below)	<u>955,760</u>
Fair value of net identifiable assets acquired (refer to (c) below)	<u>(2,824)</u>
Goodwill	<u>958,584</u>

### **(b) Purchase consideration**

	<b>\$'000</b>
Outflow of cash net of cash acquired	
Cash consideration	955,760
Less: Balances acquired	
Cash	<u>118,566</u>
Outflow of cash	<u>837,194</u>

### **(c) Assets and liabilities acquired**

The assets and liabilities arising from the acquisition are as follows:

	<b>\$'000</b>
Fair value of identifiable net assets of controlled entity acquired:	
Short term investments	149,403
Receivables	88,152
Property investments	3,892,525
Other assets	314,144
	<u>4,444,224</u>
Less Payables	108,428
Borrowings	3,952,769
Other liabilities	385,851
	<u>4,447,048</u>
Net identifiable liabilities acquired	<u>(2,824)</u>

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	Note	Centro Properties Limited and its controlled entities 30.06.08 Cents	30.06.07 Cents
<b>10. EARNINGS PER SECURITY</b>			
<b>(a) Basic earnings per security</b>		<b>(257.27)</b>	58.44
<b>(b) Reconciliation of earnings used in calculating earnings per share (basic &amp; diluted)</b>		<b>\$'000</b>	\$'000
Net (loss)/profit		<b>(2,052,730)</b>	470,233
Net profit attributable to minority interest		<b>(2,439)</b>	(514)
Net (loss) / profit attributable to member of Centro Properties Group		<b>(2,055,169)</b>	469,719
Less: distributions on preference shares	7(b)	<b>(30,860)</b>	(2,289)
Adjusted profit/(loss)		<b>(2,086,029)</b>	467,430
<b>(c) Weighted average number of shares</b>		<b>No.</b>	No.
Weighted average number of securities on issue for the period ('000)		<b>810,825</b>	799,859

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**11. NET TANGIBLE ASSET BACKING**

Net tangible asset backing per security			
- Basic		<b>\$0.69</b>	\$3.36
Diluted net tangible asset backing per security is not materially different from basic net tangible asset backing.			
Number of securities outstanding at the end of the year used in the calculation of net tangible asset backing per security ('000)		<b>896,421<sup>(1)(2)</sup></b>	896,421 <sup>(1)(2)</sup>

<sup>(1)</sup> – Adjusted to add back securities issued under the ESP that are deemed to be options under AASB 2 *Share-based Payments*

<sup>(2)</sup> – Includes preference units based on potential entitlement to ordinary securities

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**\$'000      \$'000**

## 12. CASH FLOW INFORMATION

### (a) Reconciliation of cash

Cash at the end of the financial year as shown in the Consolidated Cash Flow Statement is reconciled to the related items in the Consolidated Balance Sheet as follows:

Cash assets	<b>201,127</b>	172,276
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### (b) Reconciliation of operating profit after income tax to net cash inflow from operating activities

Net profit/(loss)	(2,052,730)	470,233
Exclude non cash items:		
Net profit on sale of non current assets	(9)	702
Depreciation and amortisation	6,186	2,139
Provision for doubtful debts	2,724	112
Property revaluation (increments)/decrements	306,969	(14,261)
Fair value gains on other financial assets	141,902	(80,214)
Share of net losses/ (profits) of associates	864,801	(79,005)
Impairment of investment in joint venture	578,189	-
Impairment of goodwill	193,830	-
Straight lining of rents	(15,242)	905
Deferred tax benefit	(16,121)	
Net unrealised gain on mark to market & foreign exchange translations	61,468	26,011
Employee security plan	11,183	13,076
Change in operating assets and liabilities, net of the effects of purchase and disposal of controlled entities:		
(Increase) in trade debtors	(43,438)	(48,844)
Increase in other operating liabilities	60,792	21,561
(Decrease)/increase in other provisions	5,902	(2,891)
Net cash inflow from operating activities	<b>106,406</b>	309,524

## 13. CONTINGENT LIABILITIES

The following disclosures are relevant in relation to contingent liabilities of the Group as at 30 June 2008:

### Litigation

- In May 2008 two separate representative proceedings were commenced in the Federal Court against Centro Properties Limited and CPT Manager Limited. The statements of claim in each proceeding allege that Centro Properties Limited and CPT Manager Limited engaged in misleading or deceptive conduct and/or breached continuous disclosure obligations in relation to:
  - the classification of liabilities as current or non-current liabilities in its financial reports;
  - its distributable profit forecast; and
  - the refinancing of debt.

The claims have been made on behalf of persons or entities who acquired CNP securities, in the instance of the first proceeding, between 9 August 2007 to 15 February 2008 and, in the instance of the second proceeding, between 5 April 2007 to 28 February 2008.

In both claims the applicants seek unspecified damages, declarations, interest and costs.

The proceedings are being defended and no amount has been provided for in the financial report. Similar proceedings were commenced against Centro Retail Limited and Centro MCS Manager Limited, a subsidiary of the Group.

#### **Guarantees**

- Guarantee of US\$1,862 million in respect of Super LLC debt. Pursuant to the Super LLC Agreement, US\$664 million of this debt is allocated to Centro Retail Group ("CER").
- Guarantee of US\$350 million revolver debt, in respect of Centro NP LLC, a subsidiary of Super LLC. Pursuant to the Super LLC Agreement, US\$252 million of this debt is allocated to CER.
- Limited Guarantee of US\$424 million, in respect of the \$424 million loan to US subsidiaries of Super LLC, limited to amounts necessary to bring the loan into compliance with certain specified debt service coverage ratios under specified circumstances.
- Bank guarantees of \$5 million each have been arranged by the Group in the name of CPT Manager Limited, Centro MCS Manager Limited and Centro Funds Management Limited to guarantee obligations under Australian Financial Services Licence and responsible entity requirements.

## **14. CONTINGENT COMMITMENTS**

Centro is a co-investor into some of its managed funds. In recognition of the potential liquidity requirements of co-investors in its unlisted managed funds, Centro has provided limited exit mechanisms to investors at the then net asset backing of the relevant fund. Liquidity mechanisms generally fall into three categories; syndicate liquidity, syndicate rollovers and open ended fund liquidity mechanisms. A summary of these exit mechanisms is detailed below.

- The Group has provided a net asset backing guarantee to Direct Property Fund and Direct Property Fund International in relation to their investment in Centro Retail Investment Trust. The guarantee may be called upon on the seventh anniversary of the establishment of Centro Retail Investment Trust or on the occurrence of certain liquidity trigger events. The Group's exposure in respect of this guarantee is the difference between net asset backing and the fair value less costs to sell of Centro Retail Investment Trust. A liability of \$23.9 million has been recognised on the Group's balance sheet for this potential exposure.
- Liquidity guarantees of \$50 million each have been issued to Direct Property Fund and Direct Property Fund International. These guarantees are subject to increases of up to \$51 million in total across the DPF and DPFI in the event that the Group's total economic interest in either fund falls below 35%. The Group currently consolidates both these funds.
- Centro's more recent CMCS syndicates include limited liquidity mechanisms for investors after the third anniversary of the establishment of the syndicate. Syndicates to which this mechanism applies include CMCS37, CMCS38, Centro Australia Wholesale Fund and Centro America Fund. Based on current net asset backing and external ownership interest, this arrangement may result in Centro acquiring annually up to 3 million units, in aggregate, in these syndicates at their then net asset backing.

In addition to the liquidity mechanisms detailed above the Group has provided limited liquidity mechanisms in the form of put options to certain investors at historic net asset backing. The fair value of these put options is reflected as a financial liability on the Group's balance sheet.

- The Group has provided put options and limited liquidity mechanisms over \$42.8 million of units in Centro Premium Fund to third party investors and the financier of those investors. The limited liquidity mechanisms are held by the investors and may be exercised on the second anniversary of the fund, being between April 2009 and June 2009, while the put options may be exercised in the first 22 months of the fund or by the financier on the occurrence of certain trigger events. A liability of \$7.2 million has been recognised on the Group balance sheet for this potential exposure.

#### **Redemptions**

- There is the opportunity for redemption in relation to certain outside equity interests within Centro NP LLC, a subsidiary of Super LLC, in April 2008. The maximum redemption is US\$85 million however this is contingent on unit holders exercising their right for redemption. As of the date of this report, unitholders of US\$45 million of these units have elected redemption, of which US\$35 million has been paid, with US\$10 million remaining outstanding. The total outstanding as at the date of this report is approximately \$50 million. This has been recorded as a liability on the Group balance sheet.

## **15. EVENTS AFTER REPORTING DATE**

Since 30 June 2008, no events have occurred which have had a material impact on the financial position or results of operations of the Group.



## Control gained over entities having material effect

Name of entity (or group of entities)	Direct Property Fund International and controlled entities
Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) since the date in the current period on which control was acquired	\$(110,900,000)
Date from which such profit has been calculated	25 January 2008
Profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period	N/A

Name of entity (or group of entities)	Direct Property Fund and controlled entities
Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) since the date in the current period on which control was acquired	\$56,600,000
Date from which such profit has been calculated	9 May 2008
Profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period	N/A

## Loss of control of entities having material effect

Name of entity (or group of entities)	N/A
Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the current period to the date of loss of control	\$
Date to which the profit (loss) has been calculated	
Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) while controlled during the whole of the previous corresponding period	\$
Contribution to consolidated profit (loss) from ordinary activities and extraordinary items from sale of interest leading to loss of control	\$

## Dividends (in the case of a trust, distributions)

Date the dividend (distribution) is payable

N/A

Record date to determine entitlements to the dividend (distribution) (i.e. on the basis of proper instruments of transfer received by 5.00 pm if securities are not CHES approved, or security holding balances established by 5.00 pm or such later time permitted by SCH Business Rules if securities are CHES approved)

N/A

If it is a final dividend, has it been declared?

N/A

### Amount per security

	Amount per security	Franked amount per security at 30% tax	Amount per security of foreign source dividend
<b>Final distribution:</b> Current year			
Distribution from Trust	-¢		-¢
Dividend from Company	<u>-¢</u>	N/A	-¢
Total distribution	-¢		
Previous year			
Distribution from Trust	20.50¢		-¢
Dividend from Company	<u>-¢</u>		-¢
Total distribution	20.50¢		
<b>Interim distribution:</b> Current year			
Distribution from Trust	-¢		-¢
Dividend from Company	<u>-¢</u>	N/A	-¢
Total distribution	-¢		
Previous year			
Distribution from Trust	19.30¢		-¢
Dividend from Company	<u>-¢</u>		-¢
Total distribution	19.30¢		

### Total dividend (distribution) per security (interim *plus* final)

	Current year	Previous year
Ordinary securities	-¢	39.80¢
Preference units (*)	20.03¢	4.46¢

(\*) Represents distribution calculated on the 51,305 preference units on issue.

The dividend or distribution plans shown below are in operation.

The last date(s) for receipt of election notices for the dividend or distribution plans

Any other disclosures in relation to dividends (distributions).

## Details of aggregate share of profits (losses) of associates and joint venture entities

Group's share of associates' and joint venture entities':		Current period \$A'000	Previous corresponding period - \$A'000
16.1	Profit (loss) from ordinary activities before tax	(693,016)	317,501
16.2	Income tax on ordinary activities	-	-
<b>16.3</b>	<b>Profit (loss) from ordinary activities after tax</b>	(693,016)	317,501
16.4	Extraordinary items net of tax	-	-
<b>16.5</b>	<b>Net profit (loss)</b>	(693,016)	317,501
16.6	Adjustments	-	-
<b>16.7</b>	<b>Share of net profit (loss) of associates and joint venture entities</b>	(693,016)	317,501

## Material interests in entities which are not controlled entities

The economic entity has an interest (that is material to it) in the following entities. *(Where the interest was acquired or disposed of during either the current or previous corresponding period, the date of acquisition ("from dd/mm/yy") or disposal ("to dd/mm/yy") is shown below.)*

### a) Ownership Interests in Significant Associates accounted for using the equity method of accounting

Name of Entity	Ownership Interest		Share of Net Profit	
	2008	2007	2008	2007
	%	%	\$A'000	\$A'000
Bankstown Partnership <sup>1</sup>	50.0	-	2,164	6,471
Roselands Investment Trust <sup>1</sup>	50.0	-	1,425	3,969
Centro Arndale Property Trust <sup>1</sup>	50.0	-	723	2,076
Tuggeranong Town Centre Trust (from 15/12/05) <sup>1</sup>	50.0	-	452	1,700
Hervey Bay Holding Trust <sup>1</sup>	50.0	-	253	759
Victoria Gardens Retail Trust No. 1 <sup>1</sup>	50.0	-	394	1,125
Centro Lutwyche Sub Trust <sup>1</sup>	50.0	50.0	2,008	1,953
Keilor Downs Trust <sup>2</sup>	-	-	-	2,614
Centro Galleria Morley Head Trust <sup>2</sup>	-	-	-	6,548
The Glen Centre Trust <sup>2</sup>	-	-	-	4,613
Centro Toombul Head Trust <sup>2</sup>	-	-	-	3,576
Centro Colonnades Head Trust <sup>2</sup>	-	-	-	2,720
Cranbourne Holding Trust <sup>2</sup>	-	-	-	863
Centro Tweed Sub Trust <sup>2</sup>	-	-	-	1,267
Mildura Centre Plaza Unit Trust <sup>2</sup>	-	-	-	1,263
Taigum Holding Trust <sup>2</sup>	-	-	-	1,157
Southport Holding Trust <sup>2</sup>	-	-	-	984
Mornington S.C. Unit Trust <sup>2</sup>	-	-	-	128
Mornington Holding Trust <sup>2</sup>	-	-	-	610
Springwood Holding Trust <sup>2</sup>	-	-	-	802
Centro Karratha Sub Trust <sup>2</sup>	-	-	-	971
Centro Wodonga Partnership <sup>2</sup>	-	50.0	1,610	1,933
Broken Hill Trust <sup>2</sup>		50.0	1,310	1,365
Centro Karingal Holding Trust <sup>2</sup>		50.0	1,085	3,262
Box Hill Central Holding Trust <sup>2</sup>	-	50.0	1,185	2,206
Whitehorse Plaza Trust <sup>2</sup>	-	50.0	516	1,063
Centro Mandurah Holding Trust <sup>2</sup>	-	50.0	2,222	3,968
Warwick Grove Trust <sup>2</sup>	-	50.0	1,471	2,602
Halls Head Trust <sup>2</sup>	-	50.0	166	322
Centro Cannonvale Sub Trust <sup>2</sup>	-	50.0	614	1,060
Centro Lavington Sub Trust <sup>2</sup>	-	50.0	764	1,247

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Name of Entity	Ownership Interest		Share of Net Profit	
	2008	2007	2008	2007
	%	%	\$A'000	\$A'000
Centro Retail Trust <sup>1,2</sup>	-	9.3	(151,815)	40,062
Centro WCJV, LP Inc <sup>4,</sup>	-	50.0	-	23,566
Centro Direct Property Fund <sup>1,2</sup>	-	48.7	(82,616)	136,499
Centro MCS Syndicate No. 3 <sup>1,2</sup>	-	50.0	-	145
Centro City Perth Property Trust (from 01/02/07)	50.0	50.0	2,376	966
Centro Super LLC <sup>1,2</sup>	-	50.0	(412,694)	4,923
Centro DPF International <sup>3</sup>	-	49.4	(74,346)	46,143
Emerald Village <sup>1</sup>	50.0	-	80	-
Centro Super LLC Joint Ventures <sup>1</sup>	50.0	-	907	-
Heritage Joint Ventures	50.0	50.0	583	-
Other	-	-	6,174	
Total			(693,016)	317,501

<sup>1</sup> Accounted for as an associate until the Centro Direct Property Fund business combination on 9 May 2008.

<sup>2</sup> Consolidated as a controlled entity after the Centro Direct Property Fund business combination on 9 May 2008.

<sup>3</sup> Accounted for as an associate until the Centro Direct Property Fund International business combination on 25 January 2008 and thereafter consolidated as a controlled entity.

<sup>4</sup> Consolidated as a controlled entity from acquisition on 1 July 2007.

**b) Ownership Interests in Significant Associates designated as financial assets carried at fair value through profit or loss**

Name of Entity	Ownership Interest		Distribution	
	2008	2007	2008	2007
	%	%	\$A'000	\$A'000
Centro MCS Syndicate #2 <sup>1</sup>	28.8	-	93	-
Centro MCS Syndicate #4 <sup>1</sup>	36.2	-	175	-
Centro MCS Syndicate #5 <sup>1</sup>	24.1	-	144	-
Centro MCS Syndicate #6 <sup>1</sup>	16.4	-	95	-
Centro MCS Syndicate #8 <sup>1</sup>	8.8	-	58	-
Centro MCS Syndicate #9 <sup>1</sup>	9.0	-	81	-
Centro MCS Syndicate Unit Trust #9 <sup>1</sup>	6.4	-	16	-
Centro MCS Syndicate #10 <sup>1</sup>	15.3	-	72	-
Centro MCS Syndicate Unit Trust #10 <sup>1</sup>	31.5	-	49	-
Centro MCS Syndicate #11 <sup>1</sup>	4.8	-	43	-
Centro MCS Syndicate Unit Trust #11 <sup>1</sup>	8.4	-	16	-
Centro MCS Syndicate #12 <sup>1</sup>	11.3	-	49	-
Centro MCS Syndicate Unit Trust #12 <sup>1</sup>	5.2	-	7	-
Centro MCS Syndicate #14 <sup>1</sup>	24.6	-	110	-
Centro MCS Syndicate Unit Trust #14 <sup>1</sup>	28.0	-	34	-
Centro MCS Syndicate #15 <sup>1</sup>	18.3	-	60	-
Centro MCS Syndicate Unit Trust #15 <sup>1</sup>	25.8	-	23	-
Centro MCS Syndicate #16 <sup>1</sup>	26.8	-	62	-
Centro MCS Syndicate Unit Trust #16 <sup>1</sup>	52.7	-	7	-
Centro MCS Syndicate #17 <sup>1</sup>	6.1	-	41	-
Centro MCS Syndicate Unit Trust #17 <sup>1</sup>	14.2	-	27	-
Centro MCS Syndicate #18 <sup>1</sup>	17.5	-	63	-
Centro MCS Syndicate Unit Trust #18 <sup>1</sup>	29.2	-	24	-
Centro MCS Syndicate Unit Trust #19 <sup>1</sup>	13.1	-	90	-
Centro MCS Syndicate DPI #19 <sup>1</sup>	34.9	-	49	-
Centro MCS Syndicate #20 <sup>1</sup>	16.2	-	42	-
Centro MCS Syndicate #21 Holding Trust <sup>1</sup>	22.7	-	50	-
Centro MCS Syndicate #21 Property Trust <sup>1</sup>	50.0	-	300	-
Centro MCS Syndicate #22 Investment Trust <sup>1</sup>	22.3	-	58	-
Centro MCS Syndicate #22 Property Trust <sup>1</sup>	20.2	-	83	-
Centro MCS 23 Investment Syndicate <sup>1</sup>	40.6	-	23	-
Centro MCS 23 Property Syndicate <sup>1</sup>	26.4	-	38	-
Centro MCS Syndicate #28 <sup>1</sup>	30.4	-	621	-
Centro MCS Syndicate #33 <sup>1</sup>	40.4	-	514	-
Centro MCS Syndicate #34 <sup>1</sup>	42.0	-	243	-
Centro MCS Syndicate #35 <sup>2</sup>	49.6	-	1,049	-
Centro MCS Syndicate #37 <sup>1</sup>	49.7	-	377	-
Centro Premium Fund No1 <sup>3</sup>	50.0	-	1,909	-
Retail Co-Investment Trust <sup>3</sup>	50.0	-	1,035	-

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Name of Entity	Ownership Interest		Distribution	
	2008	2007	2008	2007
	%	%	\$A'000	\$A'000
<b>Centro America Fund</b> <sup>4</sup>	-	41.4	<b>7,137</b>	14,773
Centro Australia Wholesale Fund <sup>5</sup>	-	49.9	<b>19,980</b>	24,944
Centro MCS Syndicate 39 <sup>4</sup>	-	50.0	<b>8,997</b>	15,007
<b>Centro MCS Syndicate 40</b> <sup>4</sup>	-	50.0	<b>8,924</b>	14,809

<sup>1</sup> Accounted as an associate after the Centro Direct Property Fund business combination on 9 May 2008.

<sup>2</sup> Accounted as an associate after the Centro Direct Property Fund International business combination on 25 January 2008.

<sup>3</sup> Direct associates of CNP.

<sup>4</sup> Accounted for as an associate until the Centro Direct Property Fund International business combination on 25 January 2008 and thereafter consolidated as a controlled entity.

<sup>5</sup> Accounted for as an associate until the Centro Direct Property Fund business combination on 9 May 2008 and thereafter consolidated as a controlled entity.

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## Compliance statement

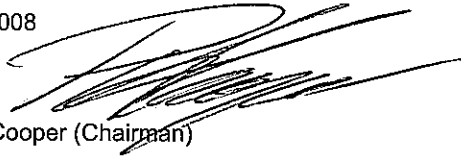
This report is based on accounts to which one of the following applies.

- (Tick one)
- |                                     |  |                          |  |
|-------------------------------------|--|--------------------------|--|
| <input type="checkbox"/>            | The accounts have been audited.  | <input type="checkbox"/> | The accounts have been subject to review.                  |
| <input checked="" type="checkbox"/> | The accounts are in the process of being audited or subject to review. | <input type="checkbox"/> | The accounts have <i>not</i> yet been audited or reviewed. |

The entity has a formally constituted audit committee.

Sign here:

Date: 29 August 2008



Print name: Paul Cooper (Chairman)