

GROUP FINANCIAL STATEMENTS

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The Directors of Centro Properties Limited and CPT Manager Limited, the Responsible Entity of Centro Property Trust, present their report on the financial report of the Centro Properties Group for the year ended 30 June 2004.

Centro Properties Group

The Centro Properties Group (the 'Group' or 'Centro') comprises Centro Properties Limited and its controlled entities (the 'Company') with Centro Property Trust and its controlled entities (the 'Trust'). Although separate entities, the securities of each are permanently 'stapled' to ensure that they are traded as a single interest. In the interests of investors, Directors have prepared combined accounts which incorporate an aggregation of the financial statements of the Company and the Trust as if both entities operate together. They are therefore treated as a consolidated entity notwithstanding that neither entity controls the other.

Directors

The following persons were Directors of Centro Properties Limited and CPT Manager Limited during the whole of the financial year and up to the date of this report:

Brian Healey
Andrew Thomas Scott
Peter Graham Goldie
David Douglas Heydon Graham
Lawrence Albert Wilson

Sam Kavourakis was appointed a Director on 1 November 2003 and continues in office at the date of this report.

Louis Peter Wilkinson was appointed a Director on 1 March 2004 and continues in office at the date of this report.

Secretary: **Philippa Mary Maslin Kelly**

Principal Activities

The principal activities during the year of the consolidated entity constituted by the Company and the entities that it controlled from time to time were property investment, management, development and funds management. The principal activities during the year of the consolidated entity constituted by the Trust and the entities that it controlled from time to time were property investment and investing in loans to the Company.

Distributions

Distributions paid to members during the financial year were as follows:

	30.6.04 \$'000
Final distribution from the Trust for the year ended 30 June 2003 of 14.15 cents per stapled security paid on 29 August 2003	77,771
Interim distribution from the Trust of 14.75 cents per stapled security paid on 27 February 2004	93,036
	170,807

In addition to the above distributions, Directors approved the payment of a final trust distribution of \$101,518,000 (15.80 cents per stapled security) to be paid on 27 August 2004.

Review of Operations

Particulars of financial results and review of performance are set out on pages 8 to 52 of this annual report and form part of this report.

Likely Developments and Expected Results of Operations

Information on the likely developments in the operations of the Group have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the Group.

Environmental Regulations

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

Directors' and Executives' Remuneration Report

The remuneration committee, comprising the six non-executive Directors, advises the Board on remuneration policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for executive Directors, other senior executives and non-executive Directors.

Executive remuneration and other terms of employment are reviewed annually by the committee having regard to performance against individual and Group related goals. As well as a base salary, remuneration packages include superannuation, retirement and termination entitlements, performance-related bonuses and fringe benefits. Bonuses are linked directly to the performance of the group.

Executives are eligible to participate in the Centro Properties Employee Share Plan at the discretion of the Board. Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the Group's operations and achieving the Group's objectives. Employees are also eligible to participate in the Centro Properties Employee Share Plan. Remuneration of non-executive Directors is determined by the Board and is subject to the limits approved by investors from time to time. Non-executive Directors are also entitled to retirement benefits in accordance with Board policy. Bonuses are not payable to non-executive Directors.

Refer to Note 28 for details on principles used to determine the nature and amount of remuneration and details regarding the Centro Properties Executive Option Plan.

Details of the nature and amount of each element of the remuneration of each Director of Centro Properties Limited and CPT Manager Limited and each of the five officers of the Group receiving the highest remuneration are set out and detailed below.

Directors of Centro Properties Limited and CPT Manager Limited

2004	Primary			Post-Employment		Equity	
Name	Cash Salary & Fees	Cash Bonus	Non-Monetary Benefit ⁽¹⁾	Superannuation	Retirement Benefits ⁽²⁾	Options ⁽³⁾	Total
	\$	\$	\$	\$	\$	\$	\$
B. Healey	210,000	—	—	19,800	100,200	—	330,000
L.A. Wilson	95,000	—	—	8,850	40,130	—	143,980
P.G. Goldie	84,000	—	—	9,480	38,400	—	131,880
D.D.H. Graham	84,000	—	—	7,860	36,780	—	128,640
S. Kavourakis*	77,555	—	—	5,215	—	—	82,770
L.P. Wilkinson*	35,777	—	—	2,520	—	—	38,297
A.T. Scott	756,882	660,000	158,156	68,119	—	56,556	1,699,713
Total	1,343,214	660,000	158,156	121,844	215,510	56,556	2,555,280

* Appointed during the financial year.

Other Executives of Centro Properties Limited and CPT Manager Limited

'Other executives' are officers who are involved in, concerned in, or who take part in, the management of the affairs of Centro Properties Group and related bodies corporate.

2004	Primary			Post-Employment		Equity	
Name	Cash Salary & Fees	Cash Bonus	Non-Monetary Benefits ⁽¹⁾	Superannuation	Retirement Benefits ⁽²⁾	Options ⁽³⁾	Total
	\$	\$	\$	\$	\$	\$	\$
G. Terry	421,848	348,480	138,021	46,872	—	39,154	994,375
R. Nenna	377,103	267,371	106,066	31,015	—	21,752	803,307
J. Hutchinson	343,119	181,876	103,527	30,881	—	—	659,403
A. Torney	287,902	136,000	40,955	9,168	—	—	474,025
M. Wilson	184,059	135,959	79,707	14,514	—	21,752	435,991
Total	1,614,031	1,069,686	468,276	132,450	—	82,658	3,367,101

(1) Non-monetary benefits generally refers to the cost to the Group of providing interest-free loans to finance the purchase of Centro stapled securities in accordance with the rules of the Centro Properties Employee Share Plan, and other non-cash fringe benefits.

(2) Retirement benefits represent the amount accrued during the financial year in accordance with the terms of each relevant Director's Service Agreement as set out in Note 28. These amounts have not been paid to Directors during the financial year and are only payable upon retirement. No retirement benefits are accrued for executives of the Group.

(3) Refer to Note 28 for details of how the value of option remuneration has been determined.

Executive Share Options Issued to Directors and Executives

Date Options Granted	Exercise Date	Issue Price of Shares	Number Under Option
15 February 2002	15 February 2005	\$3.43	1,600,000
Total			1,600,000

For further information on options issued to Directors and Executives, refer to Note 28.

Financial Report

The financial statements have been drawn up to comply with the Corporations Act 2001.

At the date of this report the Directors are not aware of any circumstances not otherwise dealt within the report which would render any amount stated in the financial statements misleading.

Significant Changes in the State of Affairs

The results of the operations of the Group during the year were not substantially affected by any item, transaction or event of a material and unusual nature and there have been no significant changes in the state of affairs otherwise than as referred to in the Directors' Report and Annual Report.

Events Occurring after Reporting Date

There has not arisen in the interval between 30 June 2004 and the date hereof any item, transaction or event of a material nature likely, in the opinion of the Directors, to affect substantially:

- (i) the operations of the Group;
- (ii) the results of those operations; or
- (iii) the state of affairs of the Group;

for the next financial year, except as otherwise referred to in the financial statements or in this Directors' Report.

Information on Directors

Particulars of the qualifications, experience and special responsibilities of each Director, as at the date of this report, are set out on pages 46 and 47 of the Annual Report.

The interests of each Director in the capital of the Company and the Trust at the date of this report are set out in Note 28.

Insurance of Directors and Officers

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

The Officers of the Company covered by the insurance policy include the Directors; B. Healey, A.T. Scott, P.G. Goldie, D.D.H. Graham, L.A. Wilson, S. Kavourakis and L.P. Wilkinson and the Secretary; P.M.M. Kelly.

Meetings of Directors

The following table sets out the number of meetings of Directors of Centro Properties Limited and CPT Manager Limited, the Responsible Entity of the Trust, (including meetings of committees of Directors) held during the year ended 30 June 2004 and the number of meetings attended by each Director.

	Board Meetings	Board Audit & Risk Management Committee Meetings	Compliance Committee Meetings	Remuneration Committee Meetings	Board Sub-Committee Meetings	Nomination Committee Meetings
Centro Properties Limited						
Number of meetings held	17	3	n/a	7	5	2
Number of meetings attended by:						
B. Healey	16	3	n/a	7	5	2
A.T. Scott	17	#	n/a	#	5	2
P.G. Goldie	16	3	n/a	7	#	2
D.D.H. Graham	16	3	n/a	7	#	2
L.A. Wilson	17	3	n/a	7	#	2
S. Kavourakis* (appointed 1 November 2003)	7	1	n/a	2	#	1
L.P. Wilkinson* (appointed 1 March 2004)	4	—	n/a	2	—	#
CPT Manager Limited						
Number of meetings held	18	3	4	n/a	5	n/a
Number of meetings attended by:						
B. Healey	17	3	4	n/a	5	n/a
A.T. Scott	18	#	4	n/a	5	n/a
P.G. Goldie	17	3	4	n/a	#	n/a
D.D.H. Graham	17	3	4	n/a	#	n/a
L.A. Wilson	17	3	4	n/a	#	n/a
S. Kavourakis* (appointed 1 November 2003)	8	1	3	n/a	#	n/a
L.P. Wilkinson* (appointed 1 March 2004)	5	—	—	n/a	#	n/a

Not a member of the Committee

* Attended all meetings held during period of appointment

Rounding of amounts to the nearest thousand dollars

The Group is of a kind referred to in class order 98/0100 issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' report and financial report. Amounts in the Directors' report and financial report have been rounded off, in accordance with that class order, to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the Corporations Act 2001.

Signed at Melbourne, 11 August, 2004 in accordance with a resolution of the Directors.



L. A. Wilson
Director



A.T. Scott
Director

	Note	30.6.04 \$'000	30.6.03 \$'000	30.6.02 \$'000	30.6.01 \$'000	30.6.00 \$'000
Revenue from operating activities (excluding shares of equity accounted net profits of associates and joint ventures)	3(b)	319,102	191,352	164,739	135,600	90,304
Revenue from outside the operating activities	3(b)	30,665	307,900	5,965	636	302
Revenue from ordinary activities		349,767	499,252	170,704	136,236	90,606
Borrowing costs expense	3(c)	(69,017)	(34,948)	(30,228)	(21,767)	(17,766)
Debt/hedge restructuring costs		—	(24,056)	—	—	—
Employee share plan refinancing costs		—	(8,539)	—	—	—
Repairs, maintenance, cleaning and security		(27,462)	(19,034)	(16,792)	(13,536)	(8,300)
Employee benefits expense		(30,902)	(16,435)	(12,855)	(9,907)	(7,563)
Rent, rates, taxes and insurance		(22,387)	(14,500)	(12,860)	(10,887)	(6,725)
Property management fees		(9,805)	(6,803)	(5,967)	(5,232)	(3,832)
Light and power		(9,182)	(4,620)	(4,263)	(4,320)	(3,974)
Marketing		(2,386)	(1,662)	(1,616)	(1,312)	(1,294)
Depreciation and amortisation expense	3(c)	(12,208)	(1,517)	(1,579)	(1,640)	(810)
Carrying amount of non-current assets sold		(19,512)	—	—	—	—
Acquisition costs relating to units in listed entity sold		—	(264,329)	—	—	—
Other expenses from ordinary activities		(22,246)	(10,393)	(6,882)	(5,746)	(4,744)
Shares of net profits of associates and joint ventures accounted for using the equity method	30	63,294	33,846	18,008	12,126	18,689
Profit from ordinary activities before income tax expense		187,954	126,262	95,670	74,015	54,287
Income tax expense	4	—	—	—	—	—
Net profit		187,954	126,262	95,670	74,015	54,287
Net profit attributable to outside equity interest		(2,732)	—	—	—	—
Net profit attributable to members of Centro Properties Group		185,222	126,262	95,670	74,015	54,287
Net increase in asset revaluation reserve	20(a)	91,444	73,877	18,646	25,924	26,089
Total revenues, expenses and valuation adjustments attributable to members of Centro Properties Group recognised directly in equity		91,444	73,877	18,646	25,924	26,089
Total changes in equity attributable to members of Centro Properties Group other than those resulting from transactions with owners as owners		276,666	200,139	114,316	99,939	80,376
Basic earnings per security (cents)	22	29.62	27.35	26.04	24.92	24.30
Diluted earnings per security (cents)	22	29.58	27.29	26.04	24.92	23.80

The accompanying notes form part of these financial statements

	Note	30.6.04 \$'000	30.6.03 \$'000	30.6.02 \$'000	30.6.01 \$'000	30.6.00 \$'000
Current assets						
Cash assets	6	5,333	192,260	972	206	656
Receivables	7	127,531	184,654	48,182	44,366	21,452
Other financial assets	9	85,215	—	—	—	—
Total current assets		218,079	376,914	49,154	44,572	22,108
Non-current assets						
Receivables	8	25,678	24,710	21,888	13,266	9,471
Investments accounted for using the equity method	9	763,301	517,196	237,084	157,660	137,293
Other financial assets	9	2,305,849	1,386,295	1,260,181	1,024,795	829,211
Plant and equipment	11	5,707	3,518	3,629	2,974	3,374
Intangible assets	12	197,541	—	—	—	—
Other	13	325	2,793	4,333	2,195	1,705
Total non-current assets		3,298,401	1,934,512	1,527,115	1,200,890	981,054
Total assets		3,516,480	2,311,426	1,576,269	1,245,462	1,003,162
Current liabilities						
Payables	14	128,940	37,112	23,390	18,864	13,017
Interest bearing liabilities	15	—	—	—	83	1,792
Provisions	16	104,023	79,249	53,601	42,805	29,994
Total current liabilities		232,963	116,361	76,991	61,752	44,803
Non-current liabilities						
Interest bearing liabilities	17	1,083,348	488,141	438,552	336,215	315,253
Provisions	18	2,029	1,453	1,264	999	988
Total non-current liabilities		1,085,377	489,594	439,816	337,214	316,241
Total liabilities		1,318,340	605,955	516,807	398,966	361,044
Net assets		2,198,140	1,705,471	1,059,462	846,496	642,118
Equity						
Contributed equity	19	1,862,923	1,509,828	937,696	743,376	564,922
Reserves	20(a)	284,602	193,158	119,281	100,635	74,711
Retained profits	20(b)	2,485	2,485	2,485	2,485	2,485
Total entity interest		2,150,010	1,705,471	1,059,462	846,496	642,118
Outside equity interest in controlled entities (Contributed equity)		48,130	—	—	—	—
Total equity		2,198,140	1,705,471	1,059,462	846,496	642,118

The accompanying notes form part of these financial statements

	Note	30.6.04 \$'000	30.6.03 \$'000	30.6.02 \$'000	30.6.01 \$'000	30.6.00 \$'000
Cash flows from operating activities						
Receipts from customers (inclusive of Goods and Services Tax)		283,036	197,927	159,625	110,270	75,608
Payments to suppliers and employees (inclusive of Goods and Services Tax)		(71,484)	(67,171)	(57,675)	(27,948)	(30,019)
		211,552	130,756	101,950	82,322	45,589
Distributions received		—	1,875	3,620	3,060	51
Distributions received from associates		38,055	29,404	17,261	12,126	18,689
Debt/hedge restructuring costs		—	(24,056)	—	—	—
Interest received		5,265	6,061	6,768	636	302
Interest paid		(65,806)	(34,647)	(29,841)	(21,860)	(18,341)
Proceeds from tax refunds		3,877	1,520	—	—	—
Income tax instalments paid		—	(3,892)	(1,520)	—	(325)
Net cash inflow from operating activities	21(b)	192,943	107,021	98,238	76,284	45,965
Cash flows from investing activities						
Payment for purchase of controlled entity, net of cash acquired	10	(128,799)	—	—	—	—
Loans to other related parties		(48,680)	(120,642)	(104,101)	(28,156)	(4,542)
Repayment of loans by other related parties		124,098	3,844	128,413	4,542	—
Proceeds from sale of property investment		25,140	—	—	—	—
Proceeds from sale of units in property trust		—	290,430	—	—	—
Proceeds from sale of plant & equipment		12	194	39	1,135	714
Payments for acquisition and development of property investments		(933,482)	(288,650)	(251,358)	(171,977)	(93,483)
Payments for acquisition of units in property trusts		(98,153)	(340,987)	(41,263)	(10,954)	—
Interest paid on property held for development		(1,343)	(1,765)	(551)	(792)	(2,157)
Payments for plant & equipment	11	(3,815)	(1,373)	(2,076)	(2,227)	(2,271)
Net cash (outflow) from investing activities		(1,065,022)	(458,949)	(270,897)	(208,429)	(101,739)
Cash flows from financing activities						
Proceeds from/(repayment of) borrowings		568,700	82,972	77,230	20,962	(41,806)
Proceeds from issues of securities		190,710	519,013	128,716	138,337	113,932
Distributions paid		(68,116)	(47,607)	(29,136)	(23,464)	(17,349)
Distributions paid to outside interest		(2,732)	—	—	—	—
Restructure and capital raising costs paid	19	(3,410)	(11,162)	(3,302)	(2,431)	—
Net cash inflow from financing activities		685,152	543,216	173,508	133,404	54,777
Net increase/(decrease) in cash held		(186,927)	191,288	849	1,259	(997)
Cash at the beginning of the financial year		192,260	972	123	(1,136)	(139)
Cash at the end of the financial year	21(a)	5,333	192,260	972	123	(1,136)
Non-cash financing activities	21(c)					

The accompanying notes form part of these financial statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Details of principal accounting policies used in the compilation of the combined financial statements of Centro Properties Group are set out below. This general purpose financial report has been prepared in accordance with the historical cost convention except that permanent property investments are at valuations which reflect current values. The accounting policies have been consistently applied unless otherwise stated.

The Australian Accounting Standards Board (AASB) is adopting International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB will issue Australian equivalents to IFRS, and the Urgent Issues Group will issue abstracts corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. The adoption of Australian equivalents to IFRS will be first reflected in the Group's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006. Refer to Note 1(ab) for further information.

(a) Basis of Preparation of Combined Financial Statements

The Centro Properties Group (the 'Group' or 'Centro') financial report reflects the aggregation of the consolidated financial reports of Centro Properties Limited (the 'Company') and Centro Property Trust (the 'Trust'), notwithstanding that neither entity controls the other. This aggregated report incorporates an elimination of inter-entity balances and other adjustments necessary to present the financial statements on a combined basis. The financial report has been prepared in accordance with the requirements of AASB 1030 'Application of Accounting Standards to Financial Year Accounts and Consolidated Accounts of Disclosing Entities other than Companies'. The articles of association of the Company and the Constitution of the Trust ensure that 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.

Although there is no statutory requirement to prepare financial statements for the Group, it is the policy of the Directors of the Company and the Responsible Entity of the Trust, to prepare combined financial statements in order to provide investors with an understanding of the combined results. These combined financial statements are a general purpose financial report prepared in accordance with Urgent Issues Group Consensus View 13, 'The Presentation of the Financial Report of Entities Whose Securities are Stapled'.

This combined financial report should be read in conjunction with the individual statutory financial statements of the Company and the Trust.

(b) Principles of Consolidation

These combined financial statements comprise the consolidated accounts of Centro Properties Limited and its controlled entities as defined by Accounting Standard AASB 1024 'Consolidated Accounts' and Centro Property Trust and its controlled entities. The effects of all transactions between entities in the Group are eliminated in full. Outside equity interests in the results and equity of controlled entities are shown separately in the consolidated statement of financial performance and statement of financial position respectively.

Where control of an entity is obtained during a financial year, its results are included in the Group's statement of financial performance 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 associates are accounted for in the Group's financial statements using the equity method. Under this method, the Group's share of the post-acquisition profits or losses of associates is recognised in the consolidated statement of financial performance, 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 joint ventures are accounted for as set out in Note 1(i).

(c) Accounting Standards

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views, the requirements of the Constitution, and the Corporations Act 2001 as if Centro Properties Group is a disclosing entity required to comply with the Corporations Act 2001.

The accounting policies adopted in preparing the financial report have been consistently applied except as otherwise stated.

(d) Acquisitions of Assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their market price as at the acquisition date.

Transaction costs arising on the issue of equity instruments are recognised directly in equity. 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 the acquisition. 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.

(e) Revenue Recognition

(i) Property ownership income

As the owner of a number of shopping centres, the Group derives rental income from the leasing of these properties. Rental revenue is recognised on an accruals basis as earned.

(ii) Services income

• Property management income

As the manager of its own properties and those of other clients, the Group receives management and performance fee income in accordance with generally accepted commercial terms. Property management income 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 and are recognised as revenue on a percentage of completion basis.

- **Funds management**

The Group derives revenue from trust management and custodian fees from managing several managed investment schemes. Funds management revenue is recognised on an accruals basis as earned.

(f) Capitalisation of Interest

Interest is capitalised to land and improvements currently under development. Capitalisation of interest ceases when the development is complete. Refer to Note 1(v).

(g) Income Tax

Tax effect accounting is applied whereby income tax expense in the statement of financial performance is matched with the accounting profit after allowing for permanent differences. The tax asset relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit at the rates which are expected to apply when those timing differences reverse.

Centro Properties Limited and its wholly-owned Australian controlled entities have decided to implement the tax consolidation legislation as of 1 July 2003. The Australian Taxation Office has not yet been notified of this decision.

As a consequence, Centro Properties Limited, as the head entity in the tax consolidated Group, will recognise any current and deferred tax amounts relating to transactions, events and balances of the wholly-owned Australian controlled entities in this Group as if those transactions, events and balances were its own, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances. Any amounts receivable or payable under an accounting tax sharing agreement with the tax consolidated entities will be recognised separately as tax-related amounts receivable or payable. Any expenses and revenues arising under the tax sharing agreement will be recognised as a component of income tax expense (revenue).

Any deferred tax balances recognised by the Group in relation to wholly-owned entities joining the tax consolidated Group will be measured based on their carrying amounts at the level of the tax consolidated Group before the implementation of the tax consolidation regime.

(h) Revaluation of Property Assets

For the purpose of the combined accounts, Directors revalue the permanent property investments of the Group either on the basis of valuations determined by independent valuers as at 30 June each year or, in respect of properties acquired during the year, on the basis of the valuation prepared at the time of acquisition. The independent valuers determine current market value by capitalising the net income of the properties at a selected initial yield.

Properties that underwent extensive redevelopment during the financial year are recorded at cost, including redevelopment costs and operational capital expenditure.

Revaluation increments are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in net profit or loss, the increment is recognised immediately as revenue in net profit or loss.

Revaluation decrements are recognised immediately as expenses in net profit or loss, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited directly to the asset revaluation reserve.

Revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

Potential capital gains tax is not taken into account in determining revaluation amounts unless it is expected that a liability for such tax will crystallise.

Revaluations do not result in the carrying value of property assets exceeding their recoverable amount. Refer to Note 1(w).

(i) Joint Ventures

The interest in a joint venture entity is accounted for using the equity method. Under this method the share of profits or losses of the entity are recognised in the statement of financial performance, and the share of movements in reserves is recognised in reserves in the statement of financial position. Details relating to the joint venture entity are set out in Note 30.

Profits or losses on transactions establishing the joint venture entity and transactions with the joint venture are eliminated to the extent of the Group's ownership interest.

(j) Capital Gains Tax

Where applicable, liability for capital gains tax is recognised only when there has been a decision to sell an asset. This would be reflected in the annual revaluation of investments.

(k) Depreciation of Plant and Equipment

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 3 and 5 years.

(l) Management Contracts

The cost of management contracts are amortised over the period of the management contract.

(m) Intangible Assets

(i) Goodwill

Where an entity or operation is acquired, the identifiable net assets acquired are measured at fair value. The excess of the fair value of the cost of acquisition over the fair value of the identifiable net assets acquired, including any liability for restructuring costs, is brought to account as goodwill and amortised on a straight line basis over the period during which the benefits are expected to arise, which is 20 years for the carrying amounts of goodwill relating to acquisitions to date. The cost of acquisition is discounted as described in Note 1(d) where settlement of any part of cash consideration is deferred.

(n) Employee benefits

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

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick 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.

(v) Employee benefit on-costs

Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

(vi) Equity-based compensation benefits

Equity-based compensation benefits are provided to employees via the Centro Properties Employee Share Plan (refer to Note 25) and the Centro Properties Executive options plan (refer to Note 28).

No accounting entries are made in relation to the Centro Properties Executive options plan until options are exercised, at which time the amounts receivable from employees are recognised in the statement of financial position as share capital. The amounts disclosed for remuneration of Directors and executives in Note 28 include the assessed fair values of options at the date they were granted.

(o) 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.

Collectibility 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 some doubt as to collection exists on a case by case basis.

(p) Trade and Other Creditors

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

(q) Interest Bearing Liabilities

Loans are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and is recorded as part of other creditors.

(r) Cash

For the purpose of the Statement of Cash Flows, cash includes deposits at call with financial institutions which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

(s) 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, by the weighted average number of stapled securities and their equivalents outstanding during the financial year, adjusted for bonus elements in securities issued during the year.

(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.

(t) Net Tangible Asset Backing Per Security

Basic net tangible asset backing per security is determined by dividing the net assets (excluding intangible assets) by the number of securities and their equivalents outstanding at balance date.

Diluted net tangible asset backing per security adjusts the figures used in the determination of basic net tangible asset backing per security by taking into account amounts unpaid on stapled securities.

(u) Derivative Financial Instruments

The Group enters into interest rate swap agreements. These derivative financial instruments are not recognised in the financial statements on inception. The net amount payable or receivable is progressively brought to account over the period to settlement. The amount recognised is accounted for as an adjustment to interest expense during the period and included in other debtors or other creditors at each reporting date.

When an interest rate swap is terminated early and the underlying hedged transactions are still expected to occur as designated, the gains or losses arising on the swap upon its early termination continue to be deferred and are progressively brought to account over the period during which the hedged transactions are recognised.

When an interest rate swap is terminated early and the underlying hedged transactions are no longer expected to occur as designated, the gains or losses arising on the swap upon its early termination are recognised in the statement of financial performance as at the date of the termination.

(v) Borrowing Costs

Borrowing costs are recognised as expenses in the period in which they are incurred, except where they are included in the costs of qualifying assets.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the year of 6.06% (2003: 6.67%).

Borrowing costs include:

- interest on short-term and long term borrowings, including amounts paid or receivable on interest rate swaps; and
- amortisation of discounts or premiums relating to borrowings.

(w) Recoverable Amount of Non-Current Assets

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a Group of assets working together, recoverable amount is determined on the basis of the relevant Group of assets. The decrement in the carrying amount is recognised as an expense in net profit or loss in the reporting period in which the recoverable amount write-down occurs.

The expected net cash flows included in determining recoverable amounts of non-current assets are discounted to their present values using a market-determined, risk-adjusted discount rate.

(x) Investments

(i) Permanent property Investments

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(h). Investment properties are maintained at a high standard and, as permitted by accounting standards, the properties are not depreciated.

(ii) Other investments

Interests in listed and unlisted securities, other than controlled entities and associates in the Group's financial statements, are brought to account at cost and distribution income is recognised in the statement of financial performance when receivable. Controlled entities and associates are accounted for in the Group's financial statements as set out in Note 1(b). Interests in joint ventures are accounted for in accordance with Note 1(i).

(y) Distributions

Provision is made for the amount of any distribution declared, determined or publicly recommended by the Directors on or before the end of the financial year but not distributed at balance date.

(z) Rounding of Amounts

The Group is of kind referred to in Class Order 98/0100, 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, or in certain cases, to the nearest dollar.

(aa) Foreign Currency

(i) Transactions

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. At balance date amounts payable and receivable in foreign currencies are translated to Australian currency at rates of exchange current at that date. Resulting exchange differences are recognised in determining the profit or loss for the year.

(ii) Specific commitments

Hedging is undertaken in order to avoid or minimise possible adverse financial effects of movements in exchange rates. Gains or costs arising upon entry into a hedging transaction intended to hedge the purchase or sale of goods or services, together with subsequent exchange gains or losses resulting from those transactions are deferred in the statement of financial position from the inception of the hedging transaction up to the date of the purchase or sale and included in the measurement of the purchase or sale. The net amounts receivable or payable under the hedging transaction are also recorded in the statement of financial position. Any gains or losses arising on the hedging transaction after the recognition of the hedged purchase or sale are included in the statement of financial performance.

In the case of hedges of monetary items, exchange gains or losses are brought to account in the financial year in which the exchange rates change. Gains or costs arising at the time of entering into such hedging transactions are brought to account in the statement of financial performance over the lives of the hedges.

When anticipated purchase or sale transactions have been hedged, actual purchases or sales which occur during the designated hedged period are accounted for as having been hedged until the amounts of those transactions in the designated period are fully allocated against the hedged amounts.

If the hedged transaction is not expected to occur as originally designated, or if the hedge is no longer expected to be effective, any previously deferred gains or losses are recognised as revenue or expense immediately.

If the hedging transaction is terminated prior to its maturity date and the hedged transaction is still expected to occur as designated, deferral of any gains and losses which arose prior to termination continues and those gains and losses are included in the measurement of the hedged transaction.

In circumstances where a hedging transaction is terminated prior to maturity because the hedged transaction is no longer expected to occur as designated, any previously deferred gains and losses are recognised in the statement of financial performance on the date of termination.

If a hedge transaction relating to a commitment for the purchase or sale of goods or services is redesignated as a hedge of another specific commitment and the original transaction is still expected to occur as designated, the gains and losses that arise on the hedge prior to its redesignation continue to be deferred and included in the measurement of the original purchase or sale when it takes place. If the hedge transaction is redesignated as a hedge of another commitment because the original purchase or sale transaction is no longer expected to occur as designated, the gains and losses that arise on the hedge prior to its redesignation are recognised in the statement of financial performance at the date of the redesignation.

(iii) Foreign controlled entities

As the foreign controlled entity is self-sustaining, its assets and liabilities are translated into Australian currency at rates of exchange current at balance date, while its revenues and expenses are translated at the average of rates ruling during the year. Exchange differences arising on translation are taken to the foreign currency translation reserve.

Upon disposal or partial disposal of a self-sustaining foreign operation, the balance of the foreign currency translation reserve relating to the operation, or to the part disposed of, is transferred to retained profits.

(ab) Adoption of International Financial Reporting Standards

The Australian Accounting Standards Board (AASB) is adopting International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB will issue Australian equivalents to IFRS, and the Urgent Issues Group will issue abstracts corresponding to International Accounting Standards Board (IASB) interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee.

The adoption of Australian equivalents to IFRS will be first reflected in the Group's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006.

The principle accounting policies followed by the Group are set out in detail in Note 1 of these Financial Statements. These policies are in accordance with Australian Generally Accepted Accounting Practices ('AGAAP'). Adoption of Australian equivalents to IFRS may result in changes to these accounting policies that have significant impacts on the reported financial position and financial performance of the Group.

Entities complying with Australian equivalents to IFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of IFRS to that comparative period. Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained earnings as at 1 July 2004.

The Group has established a project team to manage the transition to Australian equivalents to IFRS, including training of staff and system and internal control changes necessary to gather all the required financial information. The project team is chaired by the Chief Financial Officer. The project team has prepared a detailed timetable for managing the transition and is currently on schedule. To date the project team has performed a preliminary analysis of most of the Australian equivalents to IFRS and has identified a number of accounting policy changes that will be required. In some cases choices of accounting policies are available, including elective exemptions under Pending Accounting Standard AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards. Some of these choices are still being analysed to determine the most appropriate accounting policy for the Group.

Differences between AGAAP and IFRS

Major changes identified to date that will be required to the Group's existing accounting policies, that are expected to arise from adopting Australian equivalents to IFRS include the following:

(i) Foreign currency

Under AGAAP, gains and losses on foreign currency derivatives are deferred and brought to account with the underlying transactions being hedged:

- For hedges of foreign earnings, gains and losses are reflected in the statement of financial performance, as the underlying earnings are recognised; and
- For hedges of net investments in foreign operations, gains and losses are reflected in the foreign currency translation reserve.

Under IFRS, hedge accounting cannot be applied to derivatives entered into to hedge the foreign exchange exposure relating to foreign earnings. Accordingly, such derivatives are measured at fair value and gains and losses are reflected in the statement of financial performance as they arise. The foreign exchange exposure on net investments in foreign operations can be hedged under IFRS, provided that certain strict tests are met relating to hedge designation, documentation and effectiveness. If these tests are satisfied then the hedging derivative is measured at fair value and gains and losses reflected in the foreign currency translation reserve. However, to the extent that the hedge does not satisfy the above tests then a corresponding portion of the gain or loss is reflected in the statement of financial performance immediately.

(ii) Financial instruments: Disclosure and presentation

Under AASB 132 – Financial Instruments: Disclosure and Presentation, the current classification of financial instruments issued by entities in the Group is not expected to change.

(iii) Financial instruments: Recognition and measurement

- Under AASB 139 – Financial Investments: Recognition and Measurement, there may be major impacts as a result of financial assets held by the Group being subject to classification as either held for trading, held to maturity, available for sale or loans and receivables and, depending upon classification, measured at fair value or amortised cost. The most likely accounting change is that certain loans receivable will be measured at fair value.
- Interest rate risk management derivatives currently are not recorded in the financial statements until the underlying transactions occur. Under AASB 139 all derivatives must be recognised on balance sheet at fair value. All derivatives will be revalued to fair value at each balance date with any fair value movements taken either to the statement of financial performance or equity depending on the nature and effectiveness of the hedge. There are strict rules regarding the designation of derivatives as hedges and each hedge is required to be tested each reporting period for effectiveness to maintain its hedge status. All of the Group's interest rate swaps will be required to be recorded on balance sheet at fair value.

(iv) Investment properties

Under AGAAP, revaluation increments are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in the net profit or loss, the increment is recognised immediately as revenue in net profit or loss. Under AASB 140 – Investment Property, if investment properties are measured at fair value, gains or losses arising from changes in fair value are to be recognised in the statement of financial performance in the period in which they arise.

(v) Goodwill

Under AGAAP, goodwill must be amortised on a systematic basis over the best estimate of its useful life, but not greater than 20 years. At 30 June 2004 the Group has recorded goodwill on acquisition of a controlled entity of \$207.9m on its balance sheet and is amortising this goodwill over 20 years. Under IFRS 3 – Business Combinations, amortisation of goodwill will

be prohibited, and will be replaced by an annual impairment test focusing on the cash flows of the related cash generating unit.

(vi) Income Tax

Under the Australian equivalent to IAS 12 – Income Taxes, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the statement of financial position and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity.

This will result in a change to the current accounting policy, under which deferred tax balances are determined using the income statement method, items are only tax-effected if they are included in the determination of pre-tax accounting profit or loss and/or taxable income or loss and current and deferred taxes cannot be recognised directly in equity.

The Group is currently not in a tax payable position and has no material deferred tax balances. Adoption of the revised standard is not expected to have a material impact on the financial statements, with the exception of the tax effect of revaluations of investment properties held by the Group.

(vii) Business Combinations

Under IFRS, different purchase price allocation rules apply in an acquisition. A greater emphasis on the recognition of obligations and identifiable intangible assets will be required under IFRS. Business combinations occurring before transition date (1 July 2004) may be grandfathered. The proposed merger of the Group and Prime Retail Group, if approved, will not be grandfathered and the business combination accounting will need to be re-stated under IFRS.

(viii) Equity Based Compensation Benefits

Under the Australian Equivalent to IFRS2 – Share Based Payment, equity based compensation to employees will be recognised as an expense in respect of the services received. This will result in a change to the current accounting policy, under which no expense is recognised for equity based compensation.

The above should not be regarded as a complete list of changes in accounting policies that will result from the transition to Australian equivalents to IFRS, as not all standards have been analysed as yet, and some decisions have not yet been made where choices of accounting policies are available. For these reasons it is not yet possible to quantify the impact of the transition to Australian equivalents to IFRS on the Group's financial position and reported results.

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 in most Australian mainland states including

Victoria, New South Wales, Queensland, Western Australia and South Australia. 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, development and leasing.

Note 2 continues on the following page

Primary Reporting – Business Segment				
2004	Property Ownership	Services Business	Inter Segment/ Other	Group
	\$'000	\$'000	\$'000	\$'000
Sales revenue	260,533	58,569	—	319,102
Shares of net profits of associates and joint ventures	58,948	4,346	—	63,294
Other revenue	25,400	—	5,265	30,665
Total segment revenue	344,881	62,915	5,265	413,061
Segment result	220,405	34,278	—	254,683
Unallocated revenue less unallocated expense				(66,729)
Profit from ordinary activities before income tax				187,954
Income tax expense				—
Net profit				187,954
Segment assets	3,268,323	211,439	—	3,479,762
Unallocated assets				36,718
Total assets				3,516,480
Segment liabilities	1,169,221	43,067	—	1,212,288
Unallocated liabilities				106,052
Total liabilities				1,318,340
Investments in associates and joint ventures	763,301	—	—	763,301
Acquisitions of property, plant and equipment, intangibles and other non segment assets	1,031,635	199,825	—	1,231,460
Depreciation and amortisation	1,616	10,592	—	12,208
Other non-cash expenses	585	—	—	585
2003	Property Ownership	Services Business	Inter Segment/ Other	Group
	\$'000	\$'000	\$'000	\$'000
Sales revenue	162,609	28,743	—	191,352
Shares of net profits of associates and joint ventures	33,846	—	—	33,846
Other revenue	297,864	—	10,036	307,900
Total segment revenue	494,319	28,743	10,036	533,098
Segment result	129,190	23,741	—	152,931
Unallocated revenue less unallocated expense				(26,669)
Profit from ordinary activities before income tax				126,262
Income tax expense				—
Net profit				126,262
Segment assets	2,102,346	13,949	—	2,116,295
Unallocated assets				195,131
Total assets				2,311,426
Segment liabilities	541,669	11,734	—	553,403
Unallocated liabilities				52,552
Total liabilities				605,955
Investments in associates and joint ventures	517,196	—	—	517,196
Acquisitions of property, plant and equipment, intangibles and other non segment assets	629,637	—	—	629,637
Depreciation and amortisation	1,312	205	—	1,517
Other non-cash expenses	522	—	1,380	1,902

Note 2 continues on the following page

Secondary Reporting – Geographical Segment

The Group operates in two major geographical segments, being Australia and the United States. The results from the United States segment is not material to the results and has therefore not been separately disclosed.

Notes to and Forming part of the Segment Information

(a) Accounting Policies

Segment reporting is prepared in conformity with the accounting policies of the entity as disclosed in Note 1 and Accounting Standard AASB 1005: Segment Reporting. The business segments identified in the primary reporting disclosures and the geographical segments are not materially different to 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 any related provisions. Segment liabilities consist primarily of funding, interest accruals, trade and other creditors and accruals. All other assets and liabilities are unallocable based upon estimates of usage. Segment assets and liabilities do not include income taxes.

(b) Equity Accounted Investments

Refer to Note 30 for details of investments in associates. These investments are accounted for using the equity method of accounting.

	30.6.04 \$'000	30.6.03 \$'000	30.6.02 \$'000	30.6.01 \$'000	30.6.00 \$'000
3. PROFIT FROM ORDINARY ACTIVITIES					
(a) Profit from ordinary activities before income tax comprises:					
Net property ownership income	197,732	126,131	103,401	86,776	68,825
Other investment income:					
Listed entity distributions	9,998	3,502	3,472	3,037	988
Unlisted entity distributions	27,986	9,967	4,896	126	99
Overhead expenses	(18,183)	(9,098)	(8,042)	(6,003)	(4,888)
Net property investment income	217,533	130,502	103,727	83,936	65,024
Services income	62,915	28,743	23,530	18,041	11,508
Overhead expenses	(18,045)	(4,454)	(4,253)	(4,646)	(3,669)
Net services income	44,870	24,289	19,277	13,395	7,839
Depreciation and amortisation	(1,820)	(1,517)	(1,579)	(1,640)	(810)
Finance and corporate costs (net of interest income)	(66,729)	(26,572)	(25,755)	(21,676)	(17,766)
Debt/hedge restructuring costs	—	(24,056)	—	—	—
Employee share plan refinancing costs	—	(8,539)	—	—	—
Net profit from sale of Mulgrave Business Park	4,488	—	—	—	—
Goodwill amortisation	(10,388)	—	—	—	—
Write off of tax asset	—	(1,380)	—	—	—
Net gain on sale of units in AMP Shopping Centre Trust	—	26,101	—	—	—
Gain on restructure of Prime Converting Preference Securities	—	7,434	—	—	—
Net profit before income tax	187,954	126,262	95,670	74,015	54,287
Net profit attributable to outside equity interest	(2,732)	—	—	—	—
Net profit attributable to members of Centro Properties Group	185,222	126,262	95,670	74,015	54,287

Note 3 continues on the following page

Note 3 continued

	30.6.04 \$'000	30.6.03 \$'000	30.6.02 \$'000	30.6.01 \$'000	30.6.00 \$'000
(b) Revenue includes:					
Revenue from operating activities					
Property ownership income	260,533	162,609	141,209	117,559	78,796
Services revenue	58,569	28,743	23,530	18,041	11,508
	319,102	191,352	164,739	135,600	90,304
Revenue from outside the operating activities					
Proceeds from sale of units in AMP Shopping Centre Trust	—	290,430	—	—	—
Gain on restructure of Prime Converting Preference Securities	—	7,434	—	—	—
Proceeds from sale of Mulgrave Business Park	25,400	—	—	—	—
Interest income	5,265	10,036	5,965	636	302
	30,665	307,900	5,965	636	302
Revenue from ordinary activities (excluding shares of equity accounted net profits of associates and joint ventures)	349,767	499,252	170,704	136,236	90,606
(c) Expenses include:					
Bad and doubtful debts	585	522	301	280	389
Depreciation – plant and equipment	1,616	1,312	1,374	1,435	810
Amortisation – management contracts	204	205	205	205	—
Amortisation of goodwill	10,388	—	—	—	—
Borrowing costs					
Interest and finance charges paid/payable	70,360	40,646	30,779	22,559	19,923
Amount capitalised	(1,343)	(5,698)	(551)	(792)	(2,157)
Borrowing costs expense	69,017	34,948	30,228	21,767	17,766
(d) Individually significant items:					
Net gain on sale of units in AMP Shopping Centre Trust	—	26,101	—	—	—
Debt/hedge restructuring costs	—	(24,056)	—	—	—
Employee share plan refinancing costs	—	(8,539)	—	—	—
Gain on restructure of Prime Converting Preference Securities	—	7,434	—	—	—
Write off of tax asset	—	(1,380)	—	—	—
Goodwill amortisation	(10,388)	—	—	—	—
Net profit from sale of Mulgrave Business Park	4,488	—	—	—	—
	(5,900)	(440)	—	—	—

4. INCOME TAX EXPENSE

Income tax expense

The income tax expense for the financial year differs from the amount calculated on the profit. The differences are reconciled as follows:

Profit from ordinary activities before income tax expense	187,954	126,262	95,760	74,015	54,287
Income tax calculated at 30% (2003 at 30%)	56,386	37,878	28,701	25,165	19,543
Trust income not subject to income tax	(49,991)	(44,866)	(23,370)	(23,997)	(14,892)
Tax effect of permanent differences:					
- non-deductible depreciation	(1,581)	(2,571)	(2,638)	(2,418)	(1,809)
- distributions from unlisted trusts and partnerships	(1,737)	(1,617)	(2,166)	(1,083)	(2,670)
- costs capitalised for accounting	(195)	(82)	(7)	(20)	(575)
- write off of tax asset	—	414	—	—	—
- Capital Gains Tax (CGT) indexation benefit on sale of Mulgrave Business Park	(681)	—	—	—	—
- Amortisation of goodwill	1,244	—	—	—	—
- Non-assessable foreign income	(1,303)	—	—	—	—
- other	226	578	(1)	(41)	402
- under provision of tax in prior year	—	—	—	—	—

Note 4 continues on the following page

Note 4 continued

	30.6.04 \$'000	30.6.03 \$'000	30.6.02 \$'000	30.6.01 \$'000	30.6.00 \$'000
Income tax adjusted for permanent differences	2,368	(10,266)	519	(2,394)	(1)
Tax benefit recognised, not brought to account	(2,368)	10,266	(519)	2,394	1
Income tax expense applicable to operating profit	—	—	—	—	—

Tax Losses

The Directors estimate that the potential future income tax benefit at 30 June 2004 in respect of tax losses not brought to account is

1,207	6,289	33	552	1,466
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This benefit for tax losses will only be obtained if:

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

Centro Properties Limited and its wholly-owned Australian controlled entities have decided to implement the tax consolidation legislation as of 1 July 2003. The Australian Taxation Office has not yet been notified of this decision.

As a consequence, Centro Properties Limited, as the head entity in the tax consolidated Group, will recognise any current and deferred tax amounts relating to transactions, events and balances of the

wholly-owned Australian controlled entities in this Group as if those transactions, events and balances were its own, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances. Any amounts receivable or payable under an accounting tax sharing agreement with the tax consolidated entities will be recognised separately as tax-related amounts receivable or payable. Any expenses and revenues arising under the tax sharing agreement will be recognised as a component of income tax expense (revenue).

Any deferred tax balances recognised by the Group in relation to wholly-owned entities joining the tax consolidated Group will be measured based on their carrying amounts at the level of the tax consolidated Group before the implementation of the tax consolidation regime.

Adoption of tax consolidation legislation is not expected to have a material impact on the financial statements of the Group.

	Note	30.6.04 \$'000	30.6.03 \$'000	30.6.02 \$'000	30.6.01 \$'000	30.6.00 \$'000
5. DISTRIBUTIONS						
Directors have declared a final distribution of 15.80 cents which will be paid on 27 August 2004 to holders of stapled securities at the close of business on 30 June 2004.						
The distribution comprises:						
- Distribution from trust of 15.80 cents (last year 14.15 cents)		101,518	77,771	44,990	41,735	23,019
- Dividend from company of nil cents (last year nil cents)		—	—	7,369	—	6,213
Distributions provided	16	101,518	77,771	52,359	41,735	29,232
Interim distribution of 14.75 cents per stapled security comprising:						
- Distribution from trust of 14.75 cents (last year 13.25 cents)		93,036	62,227	37,825	27,377	18,349
- Dividend from company of nil cents (last year nil cents)		—	—	10,402	7,666	7,475
Distributions paid		93,036	62,227	48,227	35,043	25,824
Total distributions provided for or paid amount to 30.55 cents per stapled security						
- Distribution from trust of 30.55 cents (last year 27.40 cents)		194,554	139,998	82,815	69,112	41,368
- Dividend from company of nil cents (last year nil cents)		—	—	17,771	7,666	13,688
Total distributions provided for or paid	20(b)	194,554	139,998	100,586	76,778	55,056
Estimated amount of retained profits and reserves that could be distributed as dividends and be franked out of existing franking credits or out of franking credits arising from the payment of income tax in respect of the year ended 30 June 2004 after servicing the dividends declared at balance date.						
		Nil	Nil	Nil	Nil	Nil

Note 5 continued

	Note	30.6.04 Cents	30.6.03 Cents	30.6.02 Cents	30.6.01 Cents	30.6.00 Cents
Tax components of the distributions						
Interim distribution						
Trust - Tax advantaged		6.05	4.31	4.07	1.55	1.26
- Taxable		8.70	8.94	5.93	8.02	7.13
		14.75	13.25	10.00	9.57	8.39
Company - Franked		—	—	—	—	—
- Unfranked		—	—	2.75	2.68	3.36
		—	—	2.75	2.68	3.36
Total interim distribution		14.75	13.25	12.75	12.25	11.75
Final distribution						
Trust - Tax advantaged		6.48	4.61	4.72	3.01	0.87
- Taxable		9.32	9.54	6.88	9.84	8.66
		15.80	14.15	11.60	12.85	9.53
Company - Franked		—	—	—	—	—
- Unfranked		—	—	1.90	—	2.62
		—	—	1.90	—	2.62
Total final distribution		15.80	14.15	13.50	12.85	12.15
Total distribution						
Trust - Tax advantaged		12.53	8.92	8.78	4.56	2.13
- Taxable		18.02	18.48	12.82	17.86	15.79
		30.55	27.40	21.60	22.42	17.92
Company - Franked		—	—	—	—	—
- Unfranked		—	—	4.65	2.68	5.98
		—	—	4.65	2.68	5.98
Total distribution		30.55	27.40	26.25	25.10	23.90
Total tax advantaged		41%	33%	33%	18%	9%

	30.6.04 \$'000	30.6.03 \$'000	30.6.02 \$'000	30.6.01 \$'000	30.6.00 \$'000
6. CASH ASSETS (CURRENT)					
Cash on hand	17	12	11	12	9
Cash at bank	5,316	192,248	961	194	647
	5,333	192,260	972	206	656

7. RECEIVABLES (CURRENT)					
Trade debtors	22,971	3,093	4,630	4,461	2,933
Less: Provision for doubtful debts	(1,694)	(654)	(622)	(545)	(734)
	21,277	2,439	4,008	3,916	2,199
Other debtors and prepayments	41,851	39,640	20,769	11,500	13,247
Income tax refunds receivable	—	3,892	1,520	—	—
Short-term development loan – Victoria Gardens	14,585	81,476	18,041	—	—
Short-term loan to Centro MCS Syndicate 32 – International No.2	41,306	—	—	—	—
Short term loan to Centro Property Syndicate No.8	—	57,207	—	—	—
Short-term loan to Centro Property Syndicate No.6	—	—	3,844	—	—
Short-term loan to Centro Property Syndicate No.5	—	—	—	28,156	—
Short-term loan to Prime Retail Group	—	—	—	—	4,542
Short-term loan to other related parties	2,956	—	—	—	—

Note 7 continues on the following page

Note 7 continued

	Note	30.6.04 \$'000	30.6.03 \$'000	30.6.02 \$'000	30.6.01 \$'000	30.6.00 \$'000
Instalments receivable in relation to conversion of Prime Converting Preference Securities		5,556	—	—	—	—
Undistributed profits from investment in entities not controlled by the Group		—	—	—	794	1,464
		127,531	184,654	48,182	44,366	21,452

Refer to Note 29 for terms and conditions relating to short-term loans.

8. RECEIVABLES (NON-CURRENT)

Employee share plan loan		25,678	19,154	21,888	13,266	9,471
Instalments receivable in relation to conversion of Prime Converting Preference Securities		—	5,556	—	—	—
		25,678	24,710	21,888	13,266	9,471

Refer to Note 25 for terms and conditions of Employee share plan loans.

9. INVESTMENTS

Investments accounted for using the equity method	(a)(b)(c)	763,301	517,196	237,084	157,660	137,293
Permanent property investments	(a)	2,340,283	1,377,177	1,213,237	977,881	791,909
Investment in listed entities	(b)	—	—	37,840	37,840	28,292
Investment in unlisted entities	(c)	43,468	1,601	1,276	1,125	945
Investment in management rights	(d)	7,313	7,517	7,828	7,949	8,065
		3,154,365	1,903,491	1,497,265	1,182,455	966,504

Included in the statement of financial position as:

Investments accounted for using the equity method		763,301	517,196	237,084	157,660	137,293
Other financial assets – current		85,215	—	—	—	—
Other financial assets – non-current		2,305,849	1,386,295	1,260,181	1,024,795	829,211
		3,154,365	1,903,491	1,497,265	1,182,455	966,504

(a) Permanent Property Investments

The Group's permanent property investments have been valued by the Directors so as to reflect valuations as at 30 June 2004 prepared by registered valuers from CB Richard Ellis, Jones Lang LaSalle and FPD Savills. Galleria, Colonnades, Toombul and Arndale were acquired during the year and are recorded at cost in accordance with Note 1(h). The extensive redevelopment of Victoria Gardens was completed during the year and therefore Victoria Gardens has also been recorded at cost in accordance with Note 1(h). The carrying values of these centres include redevelopment costs and operational capital expenditure incurred in the period since acquisition.

The Group has an interest (100% unless indicated) in the following property investments:

Galleria, WA	440,224	—	—	—	—
The Glen, Vic	254,000	238,300	226,250	200,850	168,500
Toombul, Qld	219,915	—	—	—	—
Bankstown Square, NSW – (50% interest) ⁽¹⁾	188,061	176,946	—	—	—
Mandurah Forum, WA	152,400	142,650	129,250	128,550	127,350
Roselands, NSW – (50% interest) ⁽¹⁾	125,028	119,315	111,606	111,160	97,293
Colonnades, SA	122,117	—	—	—	—
Karingal Hub, Vic	113,000	102,000	97,500	96,500	94,000
Cranbourne Park, Vic ⁽²⁾	107,000	93,500	84,000	40,500	40,000
Warriewood, NSW	101,000	89,400	82,000	79,000	76,000
Warwick Grove, WA	99,000	81,000	79,157	—	—
Tweed Mall, NSW	75,000	70,000	62,000	62,000	59,500
Taigum Central, Qld	68,500	60,000	69,234	37,484	—
Box Hill Central, Vic	66,000	60,000	56,000	52,000	—
Arndale, SA	60,762	—	—	—	—
Whitehorse, Vic	53,300	51,217	17,451	—	—
Keilor, Vic ⁽³⁾	—	53,000	49,200	48,200	44,200

Note 9 continues on the following page

Note 9 continued

	Note	30.6.04 \$'000	30.6.03 \$'000	30.6.02 \$'000	30.6.01 \$'000	30.6.00 \$'000
Southport Park, Qld		48,700	45,800	40,000	37,300	36,500
Springwood, Qld		46,200	42,500	29,511	27,700	25,500
Bay Central, Qld		47,500	42,000	—	—	—
Mildura Plaza, Vic		43,600	39,470	35,670	34,750	33,493
Mornington Central, Vic		42,700	38,000	35,000	32,000	24,716
Lavington, NSW		31,000	28,700	27,000	26,000	25,000
Taree City Centre, NSW – (50% interest) ⁽¹⁾		21,922	21,850	19,100	—	—
Lutwyche, Qld		23,200	41,000	28,410	29,879	—
Karratha City, WA – (50% interest) ⁽¹⁾		21,953	19,705	16,145	30,425	30,450
Westcourt Plaza, Qld		21,200	21,000	25,150	26,700	28,400
Halls Head Central, WA		18,750	18,300	20,659	9,943	—
Argyle Mall, NSW – (50% interest) ⁽¹⁾		15,012	15,000	13,615	—	—
Buranda Plaza, Qld – (50% interest) ⁽¹⁾		7,451	7,400	6,625	—	—
Victoria Gardens Retail Trust, Vic – (50% interest) ⁽¹⁾		27,788	—	—	—	—
Mulgrave Business Park, Vic		—	19,340	19,300	18,600	18,300
		2,662,283	1,737,393	1,379,833	1,129,541	929,202
Less equity accounted investments ⁽¹⁾	30	(407,215)	(360,216)	(166,596)	(151,660)	(137,293)
Non-current permanent property investments		2,255,068	1,377,177	1,213,237	977,881	791,909
Current permanent property investments						
Lutwyche, Qld – (50% interest) ⁽³⁾		23,200	—	—	—	—
Keilor, Vic ⁽³⁾		54,493	—	—	—	—
Glenview Apartments		7,522	—	—	—	—
		85,215	—	—	—	—
Total permanent property investments		2,340,283	1,377,177	1,213,237	977,881	791,909

(1) Centro's 50% investment in Roselands, Karratha City, Taree City Centre, Argyle Mall, Buranda Plaza, Bankstown Square and Victoria Gardens is accounted for in the financial statements using the equity method of accounting. Refer to Note 30.

(2) Remaining 50% of Cranbourne Park was acquired in December 2001.

(3) Centro contracted to sell Keilor and a 50% interest in Lutwyche to Centro MCS 33 in July 2004. Prior year non-current comparatives represent a 100% interest.

b) Investment in Listed Entities – at cost		137,064	39,118	37,840	37,840	28,292
Less equity accounted investments	30	(137,064)	(39,118)	—	—	—
		—	—	37,840	37,840	28,292

Centro acquired partly paid Converting Preference Securities in Prime Retail Group during 2000 and paid the first and second call during 2001. The preference securities were converted to ordinary securities in 2003. In 2003, Prime Retail Group became an associate of the Group and has been equity accounted in accordance with Note 1(b).

c) Investment in Unlisted Entities – at cost		262,490	119,463	76,364	7,125	945
Less equity accounted investments		(219,022)	(117,862)	(75,088)	(6,000)	—
	30	43,468	1,601	1,276	1,125	945

As at June 2004, the Group controls and has therefore consolidated both the Centro Direct Property Fund ('DPF') and Pooled Property Fund ('PPF'). The Group also exhibits significant influence over unlisted investments totalling \$219,022,000, as a consequence of the consolidation of the DPF. These investments have been equity accounted. The remainder of the Group's investments in unlisted entities held through the DPF, PPF and directly are recorded at cost. These investments amount to \$43,468,000.

(d) Investment in Management Rights – at cost		8,133	8,133	8,133	8,133	8,133
Accumulated amortisation		(820)	(616)	(305)	(184)	(68)
		7,313	7,517	7,828	7,949	8,065

Note 9 continues on the following page

Note 9 continued

(e) Investments in Controlled Entities – Companies, Partnerships and Trusts		
	Issued Capital Group Entity Interest	
	30.6.04 %	30.6.03 %
Chief Entities		
Centro Properties Limited	100	100
Centro Property Trust	100	100
Entities controlled by Centro Properties Limited		
333 Queen Street Pty Ltd	100	100
Centro Asset Management Pty Ltd	100	100
Centro Development Management Pty Ltd	100	100
Centro MCS Manager Limited	100	—
Centro MCS Property Funds Limited	100	—
Centro MCS Property Services Pty Ltd	100	—
Centro Property Management (Vic) Pty Ltd	100	100
Centro Syndication Finance Pty Ltd	100	100
CPM (ACT) Pty Ltd	100	100
CPM (NSW) Pty Ltd	100	100
CPM (Qld) Pty Ltd	100	100
CPM (SA) Pty Ltd	100	100
CPM (WA) Pty Ltd	100	100
CPT Custodian Pty Limited	100	—
CPT Manager Limited	100	100
Dunecorp Pty Limited	100	—
Freesia Pty Ltd	100	—
Karingal 2 Holdings Pty Ltd	100	100
Karratha Holdings Pty Ltd	100	100
Karratha Partnership	100	100
Karratha Properties Pty Ltd	100	100
Lavington Square Pty Ltd	100	100
Loyal No. 46 Pty Ltd	100	100
Luzy Pty Ltd	100	100
MCS Property Group Pty Ltd	100	—
MCS Property Holdings Pty Ltd	100	—
Mornington Centre Pty Ltd	100	100
Mulgrave Business Park Pty Ltd	100	100
Mulgrave Business Park Partnership	100	100
Pleach Pty Ltd	100	100
PMC 14 Pty Ltd	100	—
PMC 23 Pty Ltd	100	—
Presmar Finance Pty Ltd	100	—
Presmar Properties Pty Ltd	100	—
Preston Central Pty Ltd	100	—
Tangerine Aura Pty Ltd	100	—
Tinweal Pty Ltd	100	—
Uppsala Partnership	100	100
Uppsala Pty Ltd	100	100
Warriewood Pty Ltd	100	100
Bain Unit Trust No.4	100	100
CPL Tweed Holding Trust	100	100

Note 9 continues on the following page

Note 9 continued

	Issued Capital Group Entity Interest	
	30.6.04 %	30.6.03 %
Centro WCJV GP Inc. (Financial Year End 31 December)	100	—
Centro WCJV LP Inc. (Financial Year End 31 December)	100	—
Entities controlled by Centro Property Trust		
Centro Capital Pty Ltd	100	—
Box Hill Central Holding Trust	100	100
Box Hill Central Trust	100	100
Centro Arndale Holding Trust No.1	100	—
Centro Arndale Sub Trust No.1	100	—
Centro Bankstown Holding Trust No.2	100	100
Centro Bankstown Sub Trust No.2	100	100
Centro Colonnades Head Trust	100	—
Centro Colonnades Sub Trust	100	—
Centro CTT Holding Trust	100	100
Centro Direct Property Fund	80	—
Centro Galleria Morley Head Trust	100	—
Centro Galleria Morley Sub Trust	100	—
Centro MCS 32 – Holding Trust	100	—
Centro MCS 33 – Holding Trust	100	—
Centro MCS 34 – Holding Trust	100	—
Centro PPF	100	—
Centro PPF Holding Trust	100	—
Centro PPF Investment Trust	100	—
Centro PPF Sub Trust	100	—
Centro Property Trust	100	—
Centro Roselands Trust	100	100
Centro Toombul Head Trust	100	—
Centro Toombul Sub Trust	100	—
Centro Victoria Gardens Holding Trust	100	100
CMCS Syndicate Holding Trust	100	—
CMCS Syndicate Investment Trust	100	—
CPT Tweed Holding Trust	100	100
Cranbourne Holding Trust	100	100
Cranbourne Park Unit Trust	100	100
Cranbourne Sub Trust	100	100
Glen Centre Development Trust	100	100
Glen Holding Trust	100	100
Glen Property Trust	80	80
Halls Head Trust	100	100
Hervey Bay Holding Trust	100	100
Hervey Bay Sub Trust	100	100
Karratha City Shopping Centre Holding Trust	100	100
Keilor Downs Trust	100	100
Lutwyche Holding Trust	100	100
Lutwyche Sub Trust	100	100
MCS Property Group Unit Trust	100	—
MCS Property Holdings Trust	100	—
MCS Property Unit Trust	100	—

Note 9 continues on the following page

Note 9 continued

	Issued Capital Group Entity Interest	
	30.6.04 %	30.6.03 %
Mildura Centre Plaza Unit Trust	100	100
Mornington Holding Trust	100	100
Mornington Shopping Centre Unit Trust	83	83
Mornington Sub Trust	100	100
PRX Holding Trust	100	—
Ridgebay Unit Trust	100	100
Southport Holding Trust	100	100
Southport Sub Trust	100	100
Springwood Holding Trust	100	100
Springwood Sub Trust	100	100
Taigum Holding Trust	100	100
Taigum Sub Trust	100	100
The Glen Centre Trust	70	70
Warriewood Square Unit Trust	100	100
Warwick Grove Trust	100	100
Whitehorse City Trust	100	100
Whitehorse City Sub Trust	100	100
Whitehorse Plaza Holding Trust	100	100
Whitehorse Plaza Sub Trust	100	100

All entities other than Centro WCJV GP Inc. and Centro WCJV LP Inc. (which are incorporated in the United States of America) are formed or incorporated in Australia.

10. ACQUISITION OF CONTROLLED ENTITIES

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding	
			2004 %	2003 %
MCS Property Services Business:				
MCS Property Ltd	Australia	Ordinary	100	—
MCS Property Funds Ltd	Australia	Ordinary	100	—
MCS Property Services Pty Ltd	Australia	Ordinary	100	—
MCS Property Unit Trust	Australia	Ordinary	100	—
Freesia Pty Ltd	Australia	Ordinary	100	—
Bwired Pty Ltd	Australia	Ordinary	100	—
Dunecorp Pty Ltd	Australia	Ordinary	100	—
Tangerine Aura Pty Ltd	Australia	Ordinary	100	—
Presmar Finance Pty Ltd	Australia	Ordinary	100	—
Presmar Properties Pty Ltd	Australia	Ordinary	100	—
Preston Central Pty Ltd	Australia	Ordinary	100	—
Direct Property Fund	Australia	Ordinary	80	—
Pooled Property Fund	Australia	Ordinary	100	—

Acquisition of MCS Property Services Business

On 25 July 2003 (effective 1 July 2003), Centro acquired the MCS Property Services business for \$199.8 million. This acquisition was funded by a mixture of debt, equity and earn-out commitments. Earn-out commitments are dependent upon the achievement of certain performance criteria.

Note 10 continues on the following page

Note 10 continued

Details of the acquisition are as follows:

	\$'000
Fair value of identifiable net assets of controlled entity acquired	
Plant and equipment	277
Receivables	5,964
Investments	1,083
Cash on hand and at bank	296
Payables	(9,779)
Deferred income	(5,945)
	(8,104)
Less: Outside equity interests	—
	(8,104)
Goodwill on consolidation	207,929
Cash consideration	199,825

	2004 \$'000	2003 \$'000
Outflow of cash to acquire controlled entity, net of cash acquired:		
Total consideration	199,825	—
Less: securities issued	(45,730)	—
Less: deferred purchase consideration	(25,000)	—
Cash consideration	129,095	—
Less: balances acquired:		
Cash	296	—
	296	—
Outflow of cash	128,799	—

	30.6.04 \$'000	30.6.03 \$'000	30.6.02 \$'000	30.6.01 \$'000	30.6.00 \$'000
II. PLANT AND EQUIPMENT					
Plant and equipment at cost	12,970	9,372	8,362	6,930	6,963
Less: accumulated depreciation	(7,263)	(5,854)	(4,733)	(3,956)	(3,589)
	5,707	3,518	3,629	2,974	3,374

Reconciliation:

Reconciliation of the carrying amount of plant & equipment at the beginning and end of the current financial year is set out below:

Carrying amount at 1 July 2003	3,518	3,629
Additions	3,815	1,373
Disposals	(10)	(172)
Depreciation expense	(1,616)	(1,312)
Carrying amount at 30 June 2004	5,707	3,518

12. INTANGIBLE ASSETS					
Goodwill	207,929	—	—	—	—
Less: accumulated amortisation	(10,388)	—	—	—	—
	197,541	—	—	—	—

	Note	30.6.04 \$'000	30.6.03 \$'000	30.6.02 \$'000	30.6.01 \$'000	30.6.00 \$'000
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13. OTHER (NON-CURRENT)

Other		325	2,793	4,333	2,195	1,705
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14. PAYABLES (CURRENT)

Trade creditors		106	166	431	164	709
Accrued interest		9,272	4,835	3,607	1,334	1,427
Deferred purchase consideration		20,555	—	—	—	—
Loans to associates		45,314	—	—	—	—
Other creditors		53,693	32,111	19,352	17,366	10,881
		128,940	37,112	23,390	18,864	13,017

15. INTEREST BEARING LIABILITIES (CURRENT)

Bank overdraft		—	—	—	83	1,792
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16. PROVISIONS (CURRENT)

Distributions	5	101,518	77,771	52,359	41,735	29,232
Employee entitlements		2,505	1,478	1,242	1,070	762
		104,023	79,249	53,601	42,805	29,994

Movements in Provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below.

	Note	Distributions \$'000
Current		
Carrying amount at start of year		77,771
Total distributions for year		194,562
Total cash distributions paid during year		(68,116)
Less distributions participating in distribution reinvestment plan	21(c)	(102,699)
Carrying amount at year end		101,518

The provision for distribution was publicly recommended by the Directors on 21 June 2004 (before the reporting date.)

17. INTEREST BEARING LIABILITIES (NON-CURRENT)

Secured					
Bank loans	583,348	138,141	438,552	336,215	315,253
Commercial Mortgage Backed Securities	500,000	350,000	—	—	—
Total secured non-current interest bearing liabilities	1,083,348	488,141	438,552	336,215	315,253
Unrestricted access was available at balance date to the following lines of credit:					
Total facilities: Term loan facilities	1,400,000	800,000	620,275	448,000	424,375
Overdraft facility	2,000	2,000	2,000	2,000	2,000
	1,402,000	802,000	622,275	450,000	426,375
Used:					
Term loan facilities					
- net proceeds from bills drawn	1,083,348	488,141	438,552	336,215	315,253
- add expired discount costs included in Payables (current)	9,272	2,744	1,410	999	1,284
- add unexpired discount costs	6,653	1,859	1,188	3,785	2,875
Overdraft facility	—	—	—	83	1,792
	1,099,273	492,744	441,150	341,082	321,204

Note 17 continues on the following page

Note 17 continued

	Note	30.6.04 \$'000	30.6.03 \$'000	30.6.02 \$'000	30.6.01 \$'000	30.6.00 \$'000
Unused: Term loan facilities		300,727	307,256	179,125	107,001	104,963
Overdraft facility		2,000	2,000	2,000	1,917	208
		302,727	309,256	181,125	108,918	105,171

Security:

Included in the total term loan facilities of \$1,400 million are Commercial Mortgage Backed Securities (CMBS) issues totalling \$500 million, which are secured by mortgages over a number of selected investment properties.

CMBS issues totalling \$288 million are secured by the following investment properties: Springwood, Southport Park, Mornington Central, The Glen, Warwick Centre, Warwick Grove, Lavington Square and Tweed Mall.

CMBS issues totalling \$212 million are secured by the following investment properties: Cranbourne Park, Karingal Hub, Mandurah and Warriewood.

Facilities

(a) Term Funding Facilities

The Trust borrows under a loan facility agreement which provides for up to \$1,400 million. The balance reduces at several intervals until expiry in December 2009.

Under the terms of the Intra Group Debt Facility between the Company and the Trust, the Trust lends on an unsecured basis to the Company up to 80% of the total assets of the Group from its own reserves or out of borrowings. This arrangement will remain in place provided that the units in the Trust and the shares in the Company remain stapled and all monies lent are invested by the Company in accordance with the Constitution.

(b) Overdraft Facility

The overdraft facility may be drawn upon on any business day. The interest rate on the overdraft facility is variable. The current interest rate on the overdraft facility is 9.10% (2003: 8.60%).

Interest Rate Management

Interest rate swap contracts in place at balance date fix the cost of borrowings as follows:

Financial Year Ending	Average Amount (\$M)	Weighted Average Rate (%)
2005	894.4	4.96
2006	842.6	4.95
2007	821.0	5.06
2008	541.8	5.16
2009	445.1	5.57
2010	397.3	5.80
2011	300.0	6.07
2012	242.9	6.04
2013	67.9	6.38

	Note	30.06.04 \$'000	30.06.03 \$'000	30.06.02 \$'000	30.06.01 \$'000	30.06.00 \$'000
18. PROVISIONS (NON-CURRENT)						
Employee entitlements		2,029	1,453	1,264	999	988

19. CONTRIBUTED EQUITY						
		No. '000	No. '000	No. '000	No. '000	No. '000

Capital

Number of securities issued:

- Ordinary	(a)	642,516	549,615	387,846	324,786	257,173
- Partly paid		—	—	8,548	8,548	8,548
		\$'000	\$'000	\$'000	\$'000	\$'000

Paid up capital

- Ordinary		1,862,923	1,509,828	936,163	741,843	561,679
- Partly paid		—	—	1,533	1,533	3,243
		1,862,923	1,509,828	937,696	743,376	564,922

Movements in Ordinary Capital:						
Date	Details	Notes	Number of Shares	Issue price	\$'000	
1 July 2003	Opening balance		549,615,351		1,509,828	
29 July 2003	Placement	(a)	10,340,254	4.05	41,878	
29 July 2003	Employee share plan	(d)	1,743,584	4.05	7,062	
6 August 2003	Placement	(a)	48,900,000	3.90	190,710	
29 August 2003	Distribution reinvestment plan	(b)	14,161,413	4.01	56,726	
11 November 2003	Employee share plan	(d)	5,996,125	3.79	22,725	
31 December 2003	Less: Transfer to retained profits		—	—	(7,282)	
20 February 2004	Employee share plan	(d)	185,000	4.17	771	
1 March 2004	Distribution reinvestment plan	(b)	11,574,500	3.97	45,973	
30 June 2004	Less: Capital raising costs		—	—	(3,418)	
30 June 2004	Less: Transfer to retained profits		—	—	(2,050)	
30 June 2004	Balance		642,516,227		1,862,923	

(a) Ordinary Stapled Securities

An ordinary stapled security comprises one share in Centro Properties Limited and one unit in Centro Property Trust. Ordinary stapled securities entitle the holder to participate in distributions and the proceeds on winding up of the company or trust in proportion to the number of and amounts paid on the securities held. The value of stapled securities issued is generally apportioned \$0.01 to the Company and the remainder to the Trust.

On the show of hands, every holder of ordinary securities present at a meeting in person or by proxy is entitled to one vote, and upon a poll each stapled security is entitled to one vote.

(b) Distribution Reinvestment Plan

The Group has established a dividend reinvestment plan under which holders of ordinary securities may elect to have all or part of their distribution entitlements satisfied by the issue of new ordinary securities rather than by being paid in cash. Securities are issued under the plan at a 1.0% discount to the market price.

(c) Options

Information relating to the Centro Properties Executive Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year are set out in Note 28.

(d) Employee Share Plan

Information relating to the Centro Properties Employee Share Plan, including details of shares issued under the plan, are set out in Note 25.

	Note	30.6.04 \$'000	30.6.03 \$'000	30.6.02 \$'000	30.6.01 \$'000	30.6.00 \$'000
20. RESERVES AND RETAINED PROFITS						
Asset revaluation reserve	(a)	284,602	193,158	119,281	100,635	74,711
Retained profits	(b)	2,485	2,485	2,485	2,485	2,485
(a) Asset revaluation reserve						
Balance at the beginning of the financial year		193,158	119,281	100,635	74,711	48,622
Add:						
- Revaluation of permanent property investments		91,444	73,877	18,646	25,924	26,089
Balance at the end of the financial year		284,602	193,158	119,281	100,635	74,711
(b) Retained profits						
Balance at the beginning of the financial year		2,485	2,485	2,485	2,485	3,254
Net profit attributable to members of Centro Properties Group		185,222	126,262	95,670	74,015	54,287
Transfer from contributed equity		9,332	13,736	4,916	2,763	—
Dividends/distributions provided for or paid	5	(194,554)	(139,998)	(100,586)	(76,778)	(55,056)
Balance at the end of the financial year		2,485	2,485	2,485	2,485	2,485

c) Nature and purpose of reserves

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets, as described in Note 1(h). The balance standing to the credit of the reserve may be used to satisfy the distribution of bonus shares to securityholders and is only available for the payment of cash dividends in limited circumstances as permitted by law.

21. CASH FLOW INFORMATION

(a) Reconciliation of cash

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Cash assets	6	5,333	192,260	972	206	656
Less: Bank overdrafts	15	—	—	—	(83)	(1,792)
		5,333	192,260	972	123	(1,136)

(b) Reconciliation of operating profit after income tax to net cash inflow from operating activities

Profit after tax	187,954	126,262	95,670	74,015	54,287
Net (profit)/loss on sale of non-current assets	(4,488)	(33,555)	8	57	(37)
Exclude non-cash items					
- Depreciation and amortisation	(12,208)	1,517	1,579	1,640	810
- Provision for doubtful debts	1,040	(128)	77	(189)	215
Change in operating assets and liabilities, net of the effects of purchase and disposal of controlled entities					
- (Increase)/decrease in undistributed profits from investments in partnerships	—	—	794	670	(1,464)
- (Increase)/decrease in trade debtors	(15,302)	1,537	(169)	(1,717)	(1,310)
- (Increase)/decrease in other operating assets	(2,211)	(12,678)	(10,789)	1,747	(8,204)
- (Increase)/decrease in future tax assets	3,892	1,380	—	—	(333)
- (Decrease)/increase in other operating liabilities	8,247	13,722	10,631	(258)	1,471
- Increase in other provisions	1,603	8,964	437	319	530
Net cash inflow from operating activities	192,943	107,021	98,238	76,284	45,965

Note 21 continued

	30.6.04 \$'000	30.6.03 \$'000	30.6.02 \$'000	30.6.01 \$'000	30.6.00 \$'000
(c) Non-cash financing activities					
Distribution satisfied by the issue of securities under the Distribution Reinvestment Plan	102,699	66,979	60,826	40,811	30,125

22. EARNINGS PER SECURITY

Basic earnings per security	29.62	27.35	26.04	24.92	24.30
Diluted earnings per security	29.58	27.29	26.04	24.92	23.80
Weighted average number of stapled securities outstanding during the year used in the calculation of basic earnings per security ('000)	No. 625,317	No. 461,136	No. 367,403	No. 297,044	No. 223,028
Weighted average number of stapled securities outstanding during the year and potential ordinary securities used in the calculation of diluted earnings per security ('000)	626,917	462,736	367,403	297,044	n/a

Options

Options granted to employees under the Centro Properties Executive Option Plan are considered to be potential ordinary securities. They have been included in the determination of diluted earnings per security.

Comparative Information

The basic, diluted earnings per security and the weighted average number of stapled securities amounts disclosed for the year ended 30 June 2003 have been adjusted for bonus elements in ordinary securities issued during the year ended 30 June 2004 in accordance with Australian Accounting Standard AASB 1027: Earnings Per Share.

23. NET TANGIBLE ASSET BACKING

Net tangible asset backing per security	\$	\$	\$	\$	\$
- Basic	3.04	3.09	2.71	2.58	2.48
- Diluted	3.04	3.09	2.61	2.45	2.33
Number of securities outstanding at the end of the year used in the calculation of basic net tangible asset backing per security ('000)	No. 642,516	No. 549,615	No. 387,846	No. 324,786	No. 257,173

24. FINANCIAL INSTRUMENTS
(a) Off balance sheet derivative instruments
Interest rate swap contracts

The Group's exposure to fluctuations in interest rates is hedged through the use of interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates. The contracts are settled on a net basis and the net amount payable at the reporting date is included in Payables (current) (Note 14).

Note 24 continues on the following page

Note 24 continued

At 30 June 2004, the notional principal amount and the periods of expiry of the interest rate swap contracts which commenced prior to balance date are as follows:

	Note	30.6.04 \$'000	30.6.03 \$'000	30.6.02 \$'000	30.6.01 \$'000	30.6.00 \$'000
Less than 1 year		320,000	(160,000)	65,000	10,000	130,500
1-2 years		183,000	170,000	40,000	40,000	10,000
2-3 years		20,000	180,000	70,000	40,000	40,000
3-4 years		275,000	-	50,000	25,000	40,000
4-10 years		135,000	10,000	165,000	215,000	75,000
		933,000	200,000	390,000	330,000	295,500

In addition, there are a number of interest rate swap contracts entered into before balance date but with a commencement date after 30 June 2004. The face value of these contracts is \$477 million. They have commencement dates ranging from July 2004 to July 2009 and maturity dates ranging from April 2006 to March 2013.

(b) Credit risk exposures

The credit risk on financial assets of the Group, which have been recognised on the Statement of Financial Position, is generally the carrying amount net of any provisions for doubtful debts.

Financial assets

Cash assets	6	5,333	192,260	972	206	656
Other receivables	7	41,306	57,207	3,844	28,156	4,542
		46,639	249,467	4,816	28,362	5,198

Financial liabilities

Overdraft	15	—	—	—	83	1,792
Bank loans	17	1,083,348	516,291	438,552	336,215	315,253
Sub-total		1,083,348	516,291	438,552	336,298	317,045
Net financial assets (liabilities)		(1,036,709)	(266,824)	(433,736)	(307,936)	(311,847)

All other assets and liabilities are non-interest bearing.

The interest rate applicable at balance date to cash balances is 5.10% (last year 4.65%). The interest rate applicable to other receivables at balance date is 8.75% (2003: 8.20%). Interest rates on borrowings are variable. The Group's exposure to fluctuations in interest rates is largely hedged through the use of interest rate swap contracts under which it 'swaps' variable rate interest for fixed rate interest. The average effective interest rate on borrowings is 6.06% (2003: 6.67%).

The weighted average interest rates applicable to swap contracts in place at balance date are disclosed in Note 17.

The credit risk of off balance sheet financial assets of the Group is generally the net accrued receivable and payable of swap contracts.

(c) Interest rate risk exposure

Interest rate exposures arise from assets and liabilities which are subject to interest rate variations. The Group's exposure to variable interest rate risk and the effective weighted average interest rate for interest bearing financial assets and liabilities is as follows:

(d) Net fair value of financial assets and liabilities

On balance sheet

The net fair value of financial assets and financial liabilities of the Group approximates their carrying value.

Off balance sheet

The net fair value of financial assets and financial liabilities arising from interest rate swap agreements has been determined as the carrying value which represents the amount currently receivable or payable at balance date.

25. EMPLOYEE BENEFITS

	30.6.04 \$	30.6.03 \$
Employee benefit and related on-costs liabilities		
Included in other creditors – current (Note 14)	4,282	1,743
Provision for employee benefits – current (Note 16)	2,505	1,478
Provision for employee benefits – non-current (Note 18)	2,029	1,453
	8,816	4,674

Note 25 continued

	30.6.04 \$'000	30.6.03 \$'000
Employee numbers	No.	No.
Number of employees at the reporting date	690	365

Refer to Note 28 for details in regard to the Centro Properties Executive Option Plan.

Centro Properties Employee Share Plan

Employees are eligible to participate in the Centro Properties Employee Share Plan at the discretion of the Board. The terms of the Centro Properties Employee Share Plan were approved by shareholders on 20 September 1991.

The securities issued to eligible employees, are currently financed by an interest free loan from Centro, the value of which forms part of each employee's remuneration. The price per security is the prevailing market price, as determined by the Board. The Board also determines the number of securities offered to an eligible employee.

The participating employee cannot sell or otherwise deal with the securities unless the loan is fully repaid. In all other respects the employee securities rank equally with other fully paid ordinary stapled securities.

Generally, any dividends or distributions paid are applied as employee share loan repayments less an amount equal to the income tax payable by the employee on the dividend/ distribution paid.

	No	No.
Securities issued under the plan to participating employees	16,936,607	9,894,500

26. AUDITOR'S REMUNERATION

Audit Services

Remuneration for audit or review of the statutory financial reports of the Centro Properties Group

620,800 339,400

Remuneration for other statutory audits

238,160 142,500

858,960 481,900

Other assurance services

Other assurance related services

431,689 345,000

Taxation services

Taxation compliance

305,578 297,720

Taxation advisory

12,747 39,466

318,325 337,186

Advisory services

Other services

— 39,100

27. CONTINGENT LIABILITIES

A bank guarantee of \$5 million has been arranged by the Group in the name of CPT Manager Limited to guarantee its obligations under its Australian Financial Services Licence and responsible entity requirements.

28. DIRECTOR AND EXECUTIVE DISCLOSURES

The following persons were Directors of the Centro Properties Group during the financial year:

Chairman – Non-executive

B. Healey

Executive Director

A.T. Scott, Chief Executive Officer

Non-executive Directors

P.G. Goldie

D.D.H. Graham

L.A. Wilson

S. Kavourakis (appointed 1 November 2003)

L.P. Wilkinson (appointed 1 March 2004)

Executives (other than Directors) with the greatest authority for strategic direction and management

The following persons were the executives with the greatest authority for the strategic direction and management of the Group ('specified executives') during the financial year:

Name	Position	Employer
G. Terry	Chief Operating Officer	Centro Properties Limited
R. Nenna	Chief Financial Officer	Centro Properties Limited
J. Hutchinson	General Counsel	Centro Properties Limited
A. Torney	General Manager Unlisted Funds	Centro Properties Limited
M. Wilson	National Property Manager	Centro Properties Limited
S. Schilling	Chief Information Officer	Centro Properties Limited

Remuneration of Directors and Executives

Principles used to determine the nature and amount of Remuneration

The primary objective of Centro's Remuneration Policy is to ensure that the level and composition of remuneration offered enables the recruitment, retention and motivation of individuals and teams, in order to maximise the likelihood of achieving the Group's short, medium and long-term business objectives.

For the Chief Executive Officer and the senior management team this is interpreted and applied by the Remuneration Committee, after consideration of market factors and advice from external remuneration consultants.

The total package comprises elements of fixed and incentive ('at risk') remuneration, with incentive remuneration designed to ensure an appropriate emphasis on long term growth and financial performance, whilst continuing to deliver short term goals.

Non-executive Directors

Fees and payments to non-executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. Non-executive Directors' fees and payments are reviewed annually by the Board. The Board also considered the advice of independent remuneration consultants to ensure non-executive Directors' fees and payments are appropriate and in line with the market. The Chairman's fees are determined as a factor of the fees of non-executive Directors and is compared with comparative roles in the external market. Non-executive Directors do not receive securities as part of their remuneration.

Directors' Fees

The current base remuneration was last reviewed with effect from 1 July 2003. The Chairman's remuneration is inclusive of

committee fees while non-executive Directors who chair a committee receive additional yearly fees and additional fees are also payable to Directors for their attendance at certain ad hoc committee meetings.

Non-executive Directors' fees are determined within an aggregate Directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at \$700,000.

Retirement Allowances for Directors

On 1 July 2003, the Board resolved to remove retirement allowances for non-executive Directors appointed after that date, in line with recent guidance on non-executive Directors' remuneration. Retirement benefits continue to be accrued for Directors appointed prior to 1 July 2003.

Executive Pay

The components and guidelines for structuring remuneration are as follows:

(i) Fixed Remuneration (Base Package)

This includes salary, superannuation and other benefits such as motor vehicles. The aim of this component is to provide a competitive level of regular remuneration, compared with similar roles within the listed property trust sector, and roles of similar responsibility in other industries. Payments will normally be set at around the median of this comparator Group, and will vary based on assessed individual competence and performance.

(ii) Performance Based Remuneration (Short Term Incentive)

This is normally in the form of cash based remuneration, linked to delivery of clearly defined short-term financial targets such as growth in Distributions per Security. Payout targets are geared within the range of the 50th to 75th percentiles of the comparator Group, provided stretch targets are achieved.

Note 28 continues on the following page

Note 28 continued

(iii) Equity Based Remuneration (Long Term Incentive)

Delivered in the form of security-based remuneration under the rules of the Centro Properties Employee Share Plan, the benefit is linked to the achievement of sustainable and profitable business growth. It is expected that, allied with high levels of performance, the annualised value of long term incentive would result in a total package at around the 75th percentile of the comparator Group.

(iv) Centro Group Executive Options Plan

Information on the Group Executive Option Plan is set out on page 87.

Details of Remuneration

Details of the remuneration of each Director of Centro Properties Limited and each of the six specified executives of the Group, including their personally-related entities, are set out below.

2004	Primary			Post-Employment		Equity	
Name	Cash Salary & Fees	Cash Bonus	Non - Monetary Benefits ⁽¹⁾	Superannuation	Retirement Benefits ⁽²⁾	Options ⁽³⁾	Total
	\$	\$	\$	\$	\$	\$	\$
B. Healey	210,000	—	—	19,800	100,200	—	330,000
L.A. Wilson	95,000	—	—	8,850	40,130	—	143,980
P.G. Goldie	84,000	—	—	9,480	38,400	—	131,880
D.D.H. Graham	84,000	—	—	7,860	36,780	—	128,640
S. Kavourakis*	77,555	—	—	5,215	—	—	82,770
L.P. Wilkinson*	35,777	—	—	2,520	—	—	38,297
A.T. Scott	756,882	660,000	158,156	68,119	—	56,556	1,699,713
Total	1,343,214	660,000	158,156	121,844	215,510	56,556	2,555,280

* Appointed during the financial year.

Total Remuneration of Directors of the Group for the year ended 30 June 2003 is set out below. Information for individual Directors is not shown as this is the first financial report prepared since the issue of AASB 1046 – Director and Executive Disclosures By Disclosing Entities. Fewer Directors are included in the 2003 comparative information than in year ended 30 June 2004.

2003	Primary			Post-Employment		Equity	
Name	Cash Salary & Fees	Cash Bonus	Non - Monetary Benefits ⁽¹⁾	Superannuation	Retirement Benefits ⁽²⁾	Options ⁽³⁾	Total
	\$	\$	\$	\$	\$	\$	\$
Total	1,031,503	396,000	238,252	93,840	100,055	48,013	1,907,663

Details of the remuneration of each of the six specified executives of the Group are set out below:

2004	Primary			Post-Employment		Equity	
Name	Cash Salary & Fees	Cash Bonus	Non - Monetary Benefits ⁽¹⁾	Superannuation	Retirement Benefits ⁽²⁾	Options ⁽³⁾	Total
	\$	\$	\$	\$	\$	\$	\$
G. Terry	421,848	348,480	138,021	46,872	—	39,154	994,375
R. Nenna	377,103	267,371	106,066	31,015	—	21,752	803,307
J. Hutchinson	343,119	181,876	103,527	30,881	—	—	659,403
A. Torney	287,902	136,000	40,955	9,168	—	—	474,025
M. Wilson	184,059	135,959	79,907	14,514	—	21,752	435,991
S. Schilling	152,009	125,195	62,588	30,000	—	—	369,792
Total	1,766,040	1,194,881	530,864	162,450	—	82,658	3,736,893

Total Remuneration of specified executives of the Group for the year ended 30 June 2003 is set out below. Information for individual specified executives is not shown as this is the first financial report prepared since the issue of AASB 1046 – Director and Executive Disclosures By Disclosing Entities. Different individuals and fewer individuals are included in the 2003 comparative information than those specified in the year ended 30 June 2004.

2003	Primary			Post-Employment		Equity	
Name	Cash Salary & Fees	Cash Bonus	Non - Monetary Benefits ⁽¹⁾	Superannuation	Retirement Benefits ⁽²⁾	Options ⁽³⁾	Total
	\$	\$	\$	\$	\$	\$	\$
Total	1,152,057	323,221	564,089	100,363	—	70,174	2,209,904

- (1) Non-monetary benefits generally refers to the cost to the Group of providing interest free loans to finance the purchase of Centro stapled securities in accordance with the rules of the Centro Properties Employee Share Plan and other non-cash fringe benefits.
- (2) Retirement benefits represent the amount accrued during the financial year in accordance with the terms of each relevant Director's service agreement as set out below. These amounts have not been paid to Directors during the financial year and are only payable upon retirement.
- (3) Refer to page 87 for details of how the value of option remuneration has been determined.

Note 28 continues on the following page

Note 28 continued

Service Agreements

Remuneration and other terms of employment for the Chief Executive Officer is formalised in an Executive Service Agreement and for the specified executives in letters of employment. Each of these agreements provide for the provision of performance-related cash bonuses and participation, when eligible, in the Centro Employee Share Plan. Other major provisions of the agreements relating to remuneration are set out below.

A.T. Scott, Chief Executive Officer

- Term of agreement – open ended.
- Base Remuneration, inclusive of superannuation, as at 30 June 2004 of \$825,001, reviewed annually by the remuneration committee.
- Payment of termination benefit on termination by the employer; other than for gross misconduct, equal to 1.5 times total annual remuneration.

G.E. Terry, Chief Operating Officer

- Term of agreement – open ended.
- Base Remuneration, inclusive of superannuation, as at 30 June 2004 of \$468,720, reviewed annually by the remuneration committee.
- Payment of termination benefit on termination by the employer; other than for gross misconduct, equal to 1.5 times total annual remuneration.

R.G. Nenna, Chief Financial Officer

- Term of agreement – open ended.
- Base Remuneration, inclusive of superannuation, as at 30 June 2004 of \$415,800, reviewed annually by the remuneration committee.
- Payment of termination benefit on termination by the employer; other than for gross misconduct, equal to 1.5 times total annual remuneration.

J. Hutchinson, General Counsel

- Term of agreement – open ended.
- Base Remuneration, inclusive of superannuation, as at 30 June 2004 of \$374,000, reviewed annually by the remuneration committee.
- Payment of termination benefit on termination by the employer; other than for gross misconduct, equal to 1.5 times total annual remuneration.

A. Torney, General Manager Unlisted Funds

- Term of agreement – open ended.
- Base Remuneration, inclusive of superannuation, as at 30 June 2004 of \$357,000 reviewed annually by the remuneration committee.
- Payment of termination benefit on termination by the employer; other than for gross misconduct, equal to 1.5 times total annual remuneration.

M.B. Wilson, National Property Manager

- Term of agreement – open ended.
- Base Remuneration, inclusive of superannuation, as at 30 June 2004 of \$198,573, reviewed annually by the remuneration committee.

- Payment of termination benefit on termination by the employer; other than for gross misconduct, equal to 1.5 times total annual remuneration.

S.J. Schilling, Chief Information Officer

- Term of agreement – open ended.
- Base Remuneration, inclusive of superannuation, as at 30 June 2004 of \$182,009, reviewed annually by the remuneration committee.
- Payment of termination benefit on termination by the employer; other than for gross misconduct, equal to 1.5 times total annual remuneration.

Appointment Details

Directors' remuneration and terms are outlined in an appointment letter. Appointment is initially for the period up to confirmation at the following appropriate meeting of shareholders and then subject to re-election on a rotational basis every two to three years. Other major provisions of the agreements relating to remuneration are set out below.

B. Healey, Chairman

- Base Fees, as at 30 June 2004 of \$210,000, reviewed annually by the remuneration committee.
- Current retirement allowance under a Retirement Agreement equal to total remuneration paid or payable, less superannuation contributions, for the three years up to ceasing to hold office as a Director.

L.A. Wilson, Non-executive Director, Chairman of Audit & Risk and Compliance Committees

- Base Fees, as at 30 June 2004 of \$95,000, reviewed annually by the remuneration committee.
- Current retirement allowance under a Retirement Agreement equal to total remuneration paid or payable, less superannuation contributions, for the three years up to ceasing to hold office as a Director.

P.G. Goldie, Non-executive Director

- Base Fees, as at 30 June 2004 of \$84,000, reviewed annually by the remuneration committee.
- Current retirement allowance under a Retirement Agreement equal to total remuneration paid or payable, less superannuation contributions, for the three years up to ceasing to hold office as a Director.

D.D.H. Graham, Non-executive Director

- Base Fees, as at 30 June 2004 of \$84,000, reviewed annually by the remuneration committee.
- Current retirement allowance under a Retirement Agreement equal to total remuneration paid or payable, less superannuation contributions, for the three years up to ceasing to hold office as a Director.

S. Kavourakis, Non-executive Director

- Base Fees, as at 30 June 2004 of \$107,333, reviewed annually by the remuneration committee.

L.P. Wilkinson, Non-executive Director

- Base Fees, as at 30 June 2004 of \$107,333, reviewed annually by the remuneration committee.

Note 28 continues on the following page

Note 28 continued

Equity Instrument Disclosures Relating to Directors and Executives

Centro Properties Executive Option Plan

No share options were granted to Directors or executives during the 2004 financial year. Options outstanding were issued to vest in three years from the date of issue, if vesting conditions approved by shareholders are satisfied on the vesting date. Those vesting

conditions include pre-determined financial benchmarks over the three year period to 30 June 2004, which have been satisfied.

Vesting of the issued options is also dependent upon the continuation of employment through-out the required vesting period of the employee who was given the options.

Options are granted under the plan for no consideration and carry no distribution entitlement or voting rights.

Grant Date	Exercise Date	Exercise Price	Balance at start of the year	Issued during the year	Exercised during the year	Lapsed during the year	Balance at the end of the year
			No.	No.	No.	No.	No.
15 February 2002	15 February 2005	3.43	1,600,000	—	—	—	1,600,000
			1,600,000	—	—	—	1,600,000
15 February 2002	15 February 2005	3.43	1,850,000	—	—	250,000	1,600,000
			1,850,000	—	—	250,000	1,600,000

Options provided as Remuneration

The fair value of options granted to Directors and specified executives is assessed at the grant date and included in remuneration over the period from grant date to vesting date, based upon periodic assessments of the probability of options vesting. 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.

Shares provided on Exercise of Remuneration Options

There were no ordinary securities provided to specified Directors or specified executives during the financial year as a result of the exercise of remuneration options.

Option Holdings

The numbers of options over ordinary securities in the Group held during the financial year by each Director of the Group and each of the six specified executives of the Group, including their personally-related entities, are set out below.

Name	Balance at the start of the year	Granted during the year as remuneration	Exercised during the year	Other changes during the year	Balance at the end of the year	Non-vested and non-exercisable at the end of the year
	\$	\$	\$	\$	\$	\$
Directors of the Group						
B. Healey	—	—	—	—	—	—
A.T. Scott	650,000	—	—	—	650,000	650,000
P.G. Goldie	—	—	—	—	—	—
D.D.H. Graham	—	—	—	—	—	—
L.A. Wilson	—	—	—	—	—	—
S. Kavourakis	—	—	—	—	—	—
L.P. Wilkinson	—	—	—	—	—	—

Note 28 continues on the following page

Note 28 continued

Name	Balance at the start of the year	Granted during the year as remuneration	Exercised during the year	Other changes during the year	Balance at the end of the year	Non-vested and non-exercisable at the end of the year
	\$	\$	\$	\$	\$	\$

Specified Executives of the Group

G. Terry	450,000	—	—	—	450,000	450,000
M. Wilson	250,000	—	—	—	250,000	250,000
A. Torney	—	—	—	—	—	—
S. Schilling	—	—	—	—	—	—
R. Nenna	250,000	—	—	—	250,000	250,000
J. Hutchinson	—	—	—	—	—	—

Security Holdings

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

Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year ⁽¹⁾	Balance at the end of the year
------	----------------------------------	---	--	--------------------------------

Directors of the Group

Ordinary Securities

B. Healey	81,553	—	—	81,553
A.T. Scott	1,458,321	—	1,231,404	2,689,725
P.G. Goldie	28,811	—	2,125	30,936
D.D.H. Graham	151,000	—	—	151,000
L.A. Wilson	34,537	—	6,570	41,107
S. Kavourakis	—	—	15,000	15,000
L.P. Wilkinson	—	—	5,000	5,000

Specified Executives of the Group

Ordinary Securities

G. Terry	750,000	—	550,000	1,300,000
M. Wilson	490,000	—	200,000	690,000
A. Torney	—	—	400,000	400,000
S. Schilling	339,000	—	180,000	519,000
R. Nenna	620,000	—	320,000	940,000
J. Hutchinson	570,000	—	320,000	890,000

(1) For the Executive Director and specified executives this primarily represents issues under the Centro Employee Share Plan.

Loans to Directors and Executives

Details of loans made to Directors of this Group and the six specified executives of the Group, including their personally related entities are set out below:

Group	Balance at the start of the year	Interest paid and payable for the year	Interest not Charged	Balance at the end of the year
	\$	\$	\$	\$

Directors of Centro Properties Group

A.T. Scott	3,382,815	—	138,172	4,431,000
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Specified Executives of the Group

G. Terry	2,006,075	—	63,329	2,030,875
M. Wilson	1,196,508	—	23,029	738,500
A. Torney	1,516,000	—	46,057	1,477,000
S. Schilling	976,381	—	20,726	664,650
R. Nenna	1,872,487	—	58,050	1,861,600
J. Hutchinson	1,952,269	—	58,050	1,861,600
Total	9,519,720	—	269,241	8,634,225

Note 28 continues on the following page

Note 28 continued

The Group has historically provided interest-free loans to participants in the Centro Properties Employee Share Plan. As a capital management initiative, the Group arranged for a financial institution to replace the Group as the lender to the employees for all loans outstanding as at 30 June 2003. Loans outstanding at the

start of the year therefore became third party loans to employees. Loans outstanding at the end of the year represent new loans issued during the 2004 financial year by the Group under the Centro Properties Employee Share Plan.

29. RELATED PARTY DISCLOSURES

Under the Corporations Act 2001, Centro Properties Limited and Centro Property Trust are not related parties. Details of any transactions between the two are not required to be disclosed in accordance with Australian Accounting Standards.

- (i) Income as detailed in Note 3 was derived from controlled and related entities on the basis outlined in Note 1.
- (ii) The names of persons who were Directors of Centro Properties Limited and CPT Manager Limited during the financial year are as follows:
Brian Healey
Andrew Thomas Scott
Peter Graham Goldie
David Douglas Heydon Graham
Lawrence Albert Wilson
Sam Kavourakis was appointed a Director on 1 November 2003 and continues in office at the date of this report.
Louis Peter Wilkinson was appointed a Director on 1 March 2004 and continues in office at the date of this report.
- (iii) All of the Directors received or were entitled to receive distributions either beneficially or as Director or Trustee of associated entities.
- (iv) Details of transactions by Directors of securities in the Group during the year ended 30 June 2004 are disclosed in Note 30.
- (v) The ultimate controlling entities in the Group are Centro Properties Limited and Centro Property Trust. Details of the respective controlled entities are disclosed in Note 9. With the exception of Centro Watt GP Inc. and Centro Watt LP Inc, all entities within the Group are incorporated within Australia. WCJV GP Inc. and WCJV LP Inc. are incorporated in the United States of America.
- (vi) The Trust is the principal borrower for Centro Properties Group and members of the Group (i.e. the Company and the Trust) have entered into cross guarantees to support its obligations.

The Company borrows from the Trust on an unsecured basis. The balance outstanding at 30 June 2004 totals \$499,427,362 (2003: \$715,142,027).

Interest paid by the Company to the Trust during the year amounted to \$44,549,039 (2003: \$65,583,397).

The effects of the above transactions have been eliminated in the combined accounts.

- (vii) Share of profits from associates is contained in Note 30.
- (viii) The Group advanced \$176,805,559 to Centro MCS Syndicate No.32 to finance the syndicate asset acquisitions pending receipt of proceeds from the issue of new units and external borrowings. There is no fixed term for repayment of the loan. Interest is charged at commercial rates. The Group also holds \$41,306,000 equity notes in Centro MCS Syndicate No.32 for the year ended 30 June 2004. The equity notes have been designed to share common characteristics with ordinary equity

held by investors. Total income of \$5,929,637 was derived from the advanced funds and the equity notes. The outstanding balance is included in Note 7. The Group received responsible entity fee of \$664,000 during the year.

- (ix) The Group advanced \$81,476,171 to Victoria Gardens Retail Trust to finance the development of Victoria Gardens Shopping Centre. There is no fixed term for repayment of the loan. Total interest income derived from the funds advanced to Victoria Gardens Retail Trust was \$1,836,000. The outstanding balance is included in Note 7.
- (x) The Group advanced \$57,207,334 to Centro Property Syndicate No.8 to finance the assets of the syndicate pending receipt of proceeds from the issue of new units and external borrowings. There is no fixed term for repayment of the loan. Interest is charged at commercial rates. Until transfer of its interest in CPS No.8 to the DPF on 1 April 2004, the Group held \$40,000,000 equity notes in Centro Property Syndicate No.8. Total income of \$3,934,459 was derived from the advanced funds and the equity notes. There was no balance owing as at 30 June 2004. The Group received responsible entity fees of \$166,000 during the year.
- (xi) The Group advanced \$117,000,000 to Centro MCS Syndicate No.33 to finance the assets of the syndicate pending receipt of proceeds from the issue of new units and external borrowings. This loan was repaid in full during the financial year, however, two of the assets for which the loan was provided, will not be transferred by the Group to the syndicate until 1 July 2004. This has resulted in an amount owing by the Group to the syndicate of \$45,314,675 as at 30 June 2004. The outstanding amount payable is included in Note 14. The Group also held \$45,437,809 equity notes in Centro MCS Syndicate No.33 during the year. This amount was repaid in full during the financial year. Total income of \$695,333 was derived from the advanced funds and equity notes during the year.
- (xii) The Group has earned net responsible entity fees and custodian fees of \$1,331,000 during the year from Prime Retail Group. The Group also earned the following other income from Prime Retail Group during the year: Interest: \$386,137; Administration and Accounting Fees: \$153,950; Property Management Fees: \$902,949.
- (xiii) The Group has earned entity fees from other associates as detailed below:

Centro Direct Property Fund No.2	834
Bankstown Partnership	—
Roselands Property Trust	594
Bain Unit Trust No.3	—
Victoria Gardens Retail Trust No.1	—
Centro Property Syndicate No.5	432
Centro Property Syndicate No.6	622
Centro Property Syndicate No.7	400

\$'000

Note 29 continues on the following page

30. INVESTMENTS IN ASSOCIATES

Investments in associates are accounted for in the combined financial statements using the equity method of accounting, and are set out below:

Name of Entity	Ownership Interest		Carrying Amount		Share of Net Profit	
	2004 %	2003 %	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Centro Direct Property Fund 2	25	25	44,385	44,250	3,444	3,504
Bankstown Partnership	50	50	188,062	176,946	13,988	6,712
Roselands Property Trust	48	50	27,010	22,692	3,702	4,213
Roselands Investment Trust	50	50	125,028	119,315	8,883	8,700
Bain Unit Trust No.3	50	50	21,953	19,705	1,840	1,646
Victoria Retail Gardens Trust No.1	50	—	27,788	—	1,695	—
Centro Property Syndicate No.5	26	26	10,315	8,695	863	808
Centro Property Syndicate No.6	25	25	11,658	10,815	998	981
Centro Property Syndicate No.7	35	35	7,882	6,878	609	376
Centro Property Syndicate No.8	50	47	70,152	68,782	3,940	5,154
Centro MCS 32 – International No.2	32	—	48,000	—	8,428	—
Centro MCS 33	100 ⁽¹⁾	—	44,004	—	—	—
Prime Retail Group	37	21	137,064	39,118	10,558	1,752
WC Joint Venture LP (WCJV)	50	—	—	—	4,346	—
Total	—	—	763,301	517,916	63,294	33,846

(1) As at 30 June 2004 the Group owns 100% of the issued units in CMCS 33. However, a third party entity has the capacity to control the voting rights of an equivalent number of units as held by the Group through presently exercisable call options and therefore has the capacity to exert joint control. As a result, CMCS 33 is considered a jointly controlled entity and has therefore been equity accounted in accordance with Note 1(b).

Centro Direct Property Fund No.2

Centro owns 25% of Centro Direct Property Fund No.2, formerly CT Retail Investment Trust. Through this investment, Centro has a 50% interest in various shopping centres, namely Taree City Centre, Argyle Mall and Buranda Plaza. Income from these properties is recognised by Centro when it is earned. The carrying amount of the investment reflects 50% of the value of the properties. All retained earnings and reserves in the financial statements of Centro Direct Property Fund No.2, which are attributable to Centro, are recognised by Centro in the carrying amount of its investment.

Bankstown Partnership

Centro has a 50% interest in the Bankstown Partnership, the owner of Bankstown Square Shopping Centre. Income from Bankstown Square is recognised by Centro when it is earned. The carrying amount of the units in Bankstown Partnership reflects 50% of the value of Bankstown Square. All retained earnings and reserves in the financial statements of Bankstown Partnership are recognised by Centro in the carrying amount of its investment.

Roselands Investment Trust

Roselands Investment Trust is the owner of Roselands Shopping Centre. Income from Roselands is recognised by Centro when it is earned. The carrying amount of the units in Roselands Investment Trust reflects 50% of the value of Roselands Shopping Centre. All retained earnings and reserves in the financial statements of Roselands Investment Trust, which are attributable to Centro, are recognised by Centro in the carrying amount of its investment.

Karratha City Shopping Centre

Centro has a 50% interest in Karratha City Shopping Centre, through its investment in Bain Unit Trust No.3. Income from Karratha City is recognised by Centro when it is earned. The carrying amount of the investment reflects 50% of the value of Karratha City Shopping Centre. All retained earnings and reserves in the financial statements of Bain Unit Trust No.3, which are attributable to Centro, are recognised by Centro in the carrying amount of its investment.

Victoria Gardens Shopping Centre

Centro has a 50% interest in Victoria Gardens Shopping Centre, through its investment in Centro Victoria Gardens Holding Trust. Income from Victoria Gardens is recognised by Centro when it is earned. The carrying amount of the investment reflects 50% of the value of Victoria Gardens Shopping Centre. All retained earnings and reserves in the financial statements of Centro Victoria Gardens Holding Trust, which are attributable to Centro, are recognised in the carrying amount of its investment.

Centro MCS Syndicate No.32

Centro has a 32% interest in Centro MCS Syndicate No.32. Through this investment Centro has an interest in 14 shopping centres in California. Income from these properties is recognised by Centro when it is earned. All retained earnings and reserves in the financial statements of Centro MCS Syndicate No.32, which are attributable to Centro, are recognised in the carrying amount of its investment.

Note 30 continues on the following page

Note 30 continued

Centro MCS Syndicate No.33

Centro has a 100% interest in Centro MCS Syndicate No.33, of which, approximately \$10 million is in the form of Equity Notes. Through this investment, Centro has an interest in various shopping centres, namely, Centro Keilor, Centro Lutwyche, Milton Village Shopping Centre, Centro Arndale, Coburns Central Shopping Centre, Flinders Square Shopping Centre and Burnie Kmart Plaza. Income from these properties is recognised by Centro when it is earned. The carrying amount of the investment reflects 20% of the value of Centro MCS Syndicate No.33. All retained earnings and reserves in the financial statements of Centro MCS Syndicate No.33, which are attributable to Centro, are recognised in the carrying amount of its investment.

Prime Retail Group – 37%

Centro has a 32% interest in Prime Retail Group as at 30 June 2004. Income from Prime Retail Group is recognised by Centro when it is earned. The carrying amount of the investment reflects

32% of the value of Prime Retail Group. All retained earnings and revenues in the financial statements of Prime Retail Group, which are attributable to Centro, are recognised by Centro in the carrying amount of its investment. On the 27 July 2004, Centro and Prime announced a proposed merger of the two vehicles.

Watt Centro Management Joint Venture LP (WCJV)

Centro has a 50% interest in the WCJV through its US controlled entities Centro WCJV GP Inc. and Centro WCJV LP Inc. The WCJV distributes 100% of its retained earnings and has no net assets as at 30 June 2004. The results of the WCJV have been equity accounted in the Group accounts in accordance with Note 1(i).

Various Other Property Syndicates

Income from syndicates is recognised by Centro when it is earned. All retained earnings and reserves of these syndicates, which are attributable to Centro, are recognised in the carrying amount of its investment.

	30.6.04 \$'000	30.6.03 \$'000
Movements in Carrying Amount of Investments in Associates		
Carrying amount at the beginning of the financial year	517,916	237,084
Share of net income	63,294	33,846
Distribution of net income	(63,294)	(32,770)
Additional investment during the year	240,356	265,205
Reduction of investment in associates, fully acquired during the year	—	—
Share of decrement on revaluation of properties	5,029	14,551
Carrying amount at the end of the financial year	763,301	517,916
Share of associates' contingent liabilities	Nil	Nil
Share of associates' expenditure commitments	Nil	Nil
Summary of the performance and financial position of associates		
Aggregate net profits after income tax	138,765	80,049
Assets	2,485,557	1,706,919
Liabilities	804,489	916,292
	30.6.04 \$'000	30.6.03 \$'000
Share of Reserves Attributable to Associates		
Asset Revaluation Reserve		
Balance at the beginning of the financial year	23,448	8,897
Additions/(decrements) during the year	5,029	14,551
Reduction for entity fully acquired	—	—
Balance at the end of the financial year	28,477	23,448
Retained earnings		
Balance at the beginning of the financial year	Nil	Nil
Additions during the year	Nil	Nil
Balance at the end of the financial year	Nil	Nil

31. COMMITMENTS

	30.6.04 \$'000	30.6.03 \$'000
(a) Capital commitments		
Capital expenditure		
Capital expenditure commitments contracted for:		
Capital expenditure projects	31,300	30,000
Payable		
- No later than one year	31,300	30,000

(b) Superannuation Commitments

Employees are entitled to benefits on retirement, disability or death from the Group sponsored superannuation plan. The Group and employee members make contributions as specified in the rules of the plan. The plan is an accumulation plan, and accordingly, no actuarial assessments are necessary. Group contributions are fully vested from the date of joining and are legally enforceable. The assets of the plan are sufficient to meet all benefits that would have vested in the event of the plan's termination, or the voluntary or compulsory termination of employment of the respective employees. The Group also participates in certain industry plans on behalf of various employees. The plans operate on an accumulation basis and provide lump sum benefits for members, subject to government preservation rules. Contributions are made by the Group in accordance with legally enforceable agreements.

(c) Syndicate Exit Mechanisms

Centro has provided to investors in the Roselands Property Syndicate, Centro Property Syndicate No.5, Centro Property Syndicate No.6, Centro Property Syndicate No.8, Centro MCS Syndicate No.32 and Centro MCS Syndicate MCS No.33 the opportunity to exit from the syndicates in August 2004, July 2007, February 2008, July 2009, October 2009 and May 2011 respectively by selling their units to Centro. The value of the units will be determined by reference to the market value of the underlying property at the time of disposal.

Centro will have the opportunity to pay for those units in cash or Centro stapled securities (at a 0.5% discount to the market price).

If any units are sold by investors to Centro, at the same date Centro may require that all investors sell all of their units on the same basis.

Roselands Property Trust owns 50% of Roselands Shopping Centre, the other 50% of which is owned by Centro. The value at balance date of 50% of Roselands Shopping Centre is \$125.5 million.

Centro Property Syndicate No.5 owns an interest in five convenience based shopping centres. The value at balance date of the syndicate's interest in these five properties is \$114.4 million.

Centro Property Syndicate No.6 owns an interest in two convenience based shopping centres and a bulky goods centre. The value at balance date of the syndicate's interest in these three properties is \$102.5 million.

Centro Property Syndicate No.8 owns a 50% interest in Centro Bankstown and a 100% interest in Centro David Jones Perth. The value at balance date of the syndicate's interest in these properties is \$284.5 million.

Centro MCS Syndicate No.32 owns a 48.5% interest in the CWAR US REIT. The value at balance date of the syndicate's interest in these properties is \$164 million.

Centro MCS Syndicate No.33 owns an interest in seven convenience based shopping centres. The value at balance date of the syndicate's interest in these properties is \$110.3 million.

The Trust is the principal borrower for Centro Properties Group and members of the Group (i.e. the Company and the Trust) have entered into cross guarantees to support its obligations.

32. OPERATING LEASES

The property of the Group is leased to third parties under operating leases at balance date. Lease terms vary between tenants and some leases include percentage rent payments.

Future minimum rental revenues under non-cancellable operating leases at balance date are as follows:

Receivables

- Not later than one year	307,329	239,630
- Later than one year and not later than five years	793,083	758,578
- Later than five years	489,688	513,842

These amounts do not include percentage rentals which depend upon retail sales performance, and recovery of outgoings.

33. EVENTS OCCURRING AFTER REPORTING DATE

Disposal of Keilor and Lutwyche

On 1 July 2004, Centro disposed of its investment in Keilor and 50% of its investment in Lutwyche to Centro MCS Syndicate No.33 for \$63 million and \$23.2 million respectively. There is no profit or loss arising from this transaction.

Proposed Merger of Centro and Prime

On 27 July 2004 Centro Properties Group and Prime Retail Group announced a proposed merger of the two vehicles. The merger is to be achieved by means of a court approved scheme of arrangement between Centro Properties Limited and Prime Property Management Limited and by a 'trust scheme' between Centro Properties Trust and Prime Retail Property Trust. The effective ratio will be five Prime securities per one Centro security. The effect of the merger will be to create a new stapled security

structure with the property investment activities of the merged entity being undertaken by Centro Property Trust and the properties services activities being undertaken by Centro Properties Limited and its controlled entities.

Pro forma financial information for the merged entity has been included in an Explanatory Memorandum incorporating the Directors' recommendations, independent expert reports and notices of securityholder meetings proposed to be held on 17 September 2004. The potential impact of the proposed merger has not been reflected in the following table.

Distribution Reinvestment Plan

The Distribution Reinvestment Plan will deliver a further \$44.1 million to issued capital as 45% of the participants elected in June 2004 to participate in the August 2004 distribution.

The impact of the Centro Properties Group Statement of Financial Position as at 30 June 2004 of the above transactions excluding the proposed merger of Centro and Prime is set out in the table below:

	Centro Properties Group Consolidated Statement of Financial Position as at 30 June 2004	Consolidated Statement of Financial Position adjusted for post balance date events
	\$'000	\$'000
Total assets	3,516,480	3,516,480
Financed by:		
- Interest bearing liabilities	1,083,348	1,140,766
- Payables and provisions	234,992	133,474
- Equity	2,198,140	2,242,240
	3,516,480	3,516,480
Gearing	30.8%	32.4%

The financial statements of Centro Properties Group comprise the financial statements of Centro Properties Limited and controlled entities together with the financial statements of Centro Property Trust and controlled entities, notwithstanding that neither entity exercises control over the other ('combined financial statements').

The combined financial statements for the year ended 30 June 2004, have been prepared by the Directors of Centro Properties Limited and the Responsible Entity of the Trust, CPT Manager Limited.

The Directors declare that the financial statements and notes set out on pages 57 to 93:

- (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the Group's financial position as at 30 June 2004 and of its performance, as represented by the results of its operations and its cash flows for the financial year ended on that date.

In the Directors' opinion:

- (a) the financial statements and notes are in accordance with the Corporations Act 2001; and
- (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

In the opinion of the Directors of CPT Manager Limited the financial statements and notes are in accordance with the Constitution dated 31 July 1989.

This declaration is made in accordance with a resolution of the Directors of Centro Properties Limited.

Signed at Melbourne, 11 August 2004.



L. A. Wilson
Director



A. T. Scott
Director

This declaration is made in accordance with a resolution of the Directors of CPT Manager Limited.

Signed at Melbourne, 11 August 2004.



L. A. Wilson
Director



A. T. Scott
Director



Independent Audit Report to the Stapled Securityholders of Centro Properties Group

Audit opinion

In our opinion, the financial report of Centro Properties Group:

- gives a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of Centro Properties Group (defined below) as at 30 June 2004, and of its performance for the year ended on that date, and
- is presented in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*, and
- in accordance with the provisions of the Constitution.

This opinion must be read in conjunction with the rest of our audit report.

Scope

The financial report and directors' responsibility

The Financial Report comprises the Statement of Financial Position, Statement of Financial Performance, Statement of Cash Flows, Accompanying Notes to the Financial Statements, and the Directors' Declaration for Centro Properties Group (the 'Group'), for the year ended 30 June 2004. The consolidated Group comprises both Centro Properties Limited and Centro Property Trust and the entities they controlled at the end of, or during the financial year ended on 30 June 2004. The financial report has been prepared as if Centro Properties Group is a disclosing entity required to comply with the *Corporations Act 2001*.

The Directors of Centro Properties Limited and the Directors of the Responsible Entity of Centro Property Trust are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the stapled securityholders of the Group. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Group's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

When this audit report is included in an Annual Report, our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Our audit did not involve an analysis of the prudence of business decisions made by Directors or management.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

In addition to our statutory audit work, we were engaged to undertake other services for the Group. In our opinion the provision of these services has not impaired our independence.

Signed at Melbourne, 11 August 2004

PricewaterhouseCoopers

PricewaterhouseCoopers

S J Cougle

S J Cougle
Partner

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CENTRO PROPERTIES LIMITED CONCISE ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2004

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This concise report has been derived from the full financial report for the year ended 30 June 2004. The full financial report and auditor's report will be sent to members on request, free of charge. Please call 1800 802 400 and a copy will be forwarded to you.

The concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of Centro Properties Limited and its controlled entities as the full financial report.

The Directors present their report on the consolidated accounts of Centro Properties Limited for the year ended 30 June 2004.

Directors

The following persons were Directors of Centro Properties Limited (the 'Company') during the whole of the financial year and up to the date of this report:

Brian Healey
Andrew Thomas Scott
Peter Graham Goldie
David Douglas Heydon Graham
Lawrence Albert Wilson

Sam Kavourakis was appointed a Director on 1 November 2003 and continues in office at the date of this report.

Louis Peter Wilkinson was appointed a Director on 1 March 2004 and continues in office at the date of this report.

Secretary: **Philippa Mary Maslin Kelly**

Principal Activities

The principal activities during the year of the consolidated entity constituted by the Company and the entities that it controlled from time to time were property investment, management, development, and funds management.

Dividends

No final dividend was declared for the year ended 30 June 2004. (2003: Nil)

Review of Operations

Details of the earnings for the year ended 30 June 2004, compared with 2003 are set out in the table below:

OPERATING PROFIT FOR THE YEAR ENDED 30 JUNE 2004			
	June 2004 \$'000	June 2003 \$'000	Change %
Centro Mandurah Forum, WA	11,240	10,733	4.7
Karingal Hub, Vic	8,185	8,061	1.5
Centro The Glen, Vic – 30%	5,548	5,202	6.7
Centro Tweed Mall, NSW – 50%	2,774	2,726	1.8
Lavington, NSW	2,555	2,548	0.3
Westcourt Plaza, Qld	1,921	1,804	6.5
Centro Karratha City, WA – 50%	1,859	1,646	12.9
Mulgrave Business Park, Vic	1,777	1,958	(9.2)
Centro Mornington Central, Vic – 17%	549	540	1.7
Other investment income	134	94	42.5
Overhead expenses ⁽¹⁾	(18,183)	(9,098)	99.9
Property ownership income	18,359	26,214	(30.0)
Services income ⁽²⁾	62,915	28,743	118.9
Overhead expenses ⁽¹⁾	(18,046)	(4,797)	276.2
Net services income	44,869	23,946	87.4
Depreciation and amortisation	(1,676)	(1,472)	13.9
Debt/hedge restructuring costs	—	(24,056)	n/a
Employee share plan refinancing costs	—	(8,539)	n/a
Profit from sale of Mulgrave Business Park	4,488	—	n/a
Goodwill amortisation	(2,690)	—	n/a
Finance and corporate costs (net of interest income) ⁽³⁾	(42,277)	(39,379)	7.4
Profit/(loss) after tax	21,073	(23,286)	n/a
Earnings per share (EPS) (cents)	3.37	(5.05)	n/a

(1) Overhead expenses: Reflect the continuing growth in the assets under management.

(2) Services income: Reflects additional income earned through growth in funds under management and other funds management activities including acquisition of the MCS Business, effective 1 July 2003.

(3) Finance and corporate costs: Increase reflects partial debt funding of the acquisition of the MCS Business during the year.

Events Occurring after Reporting Date

Proposed Merger of Centro and Prime

On 27 July 2004 Centro Properties Group ('Centro') and Prime Retail Group ('Prime') announced a proposed merger of the two vehicles. The merger is to be achieved by means of a court approved scheme of arrangement between Centro Properties Limited and Prime Property Management Limited and by a 'trust scheme' between Centro Properties Trust and Prime Retail Property Trust. The effective ratio will be five Prime securities per one Centro security. The effect of the merger will be to create a new stapled security structure with the property investment activities of the merged entity being undertaken by Centro Property Trust and the properties services activities being undertaken by Centro Properties Limited and its controlled entities.

Pro forma financial information for the merged entity has been included in an Explanatory Memorandum incorporating the Directors' recommendations, independent expert reports and notices of securityholder meetings proposed to be held on 17 September 2004. The potential impact of the proposed merger has not been reflected in the table below.

Distribution Reinvestment Plan

The Distribution Reinvestment Plan will deliver a further \$0.1 million to issued capital as 45% of the participants elected in June 2004 to participate in the August 2004 distribution.

The financial effects of the above transactions have not been brought to account as at 30 June 2004.

The impact on the Centro Properties Limited statement of financial position as at 30 June 2004 of the above transactions, excluding the proposed merger of Centro and Prime, is set out in the table below:

	Centro Properties Limited Consolidated Statement of Financial Position as at 30 June 2004	Consolidated Statement of Financial Position adjusted for post balance date events
	\$'000	\$'000
Total assets	675,716	675,716
Financed by:		
- Interest bearing liabilities	499,427	499,316
- Payables and provisions	31,109	31,109
- Equity	145,180	145,291
	675,716	675,716

There has not arisen in the interval between 30 June 2004 and the date hereof any item, transaction or event of a material nature likely, in the opinion of the Directors of the Company, to affect substantially:

- (i) the operations of the Company;
- (ii) the results of those operations; or
- (iii) the state of affairs of the Company;

for the next financial year, except as otherwise referred to in the financial statements or in this Directors' Report.

Likely Developments and Expected Results of Operations

With strong underlying sales growth in its centres and a growing services business the company remains in a very strong position. This should ensure that it is well placed to take advantage of opportunities to add value for investors.

Environmental Regulations

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

Directors' and Executives' Remuneration Report

The remuneration committee, comprising the six non-executive Directors, advises the Board on remuneration policies and practices generally, and makes specific recommendations on remuneration

packages and other terms of employment for executive Directors, other senior executives and non-executive Directors.

Executive remuneration and other terms of employment are reviewed annually by the committee having regard to performance against individual and group related goals. As well as a base salary, remuneration packages include superannuation, retirement and termination entitlements, performance-related bonuses and fringe benefits. Bonuses are linked directly to the performance of the Company.

Executives are eligible to participate in the Centro Properties Employee Share Plan at the discretion of the board. Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the Company's operations and achieving the Company's objectives. Employees are also eligible to participate in the Centro Properties Employee Share Plan. Remuneration of non-executive Directors is determined by the Board and is subject to the limits approved by investors from time to time. Non-executive Directors are also entitled to retirement benefits in accordance with Board policy. Bonuses are not payable to non-executive Directors.

Details of the nature and amount of each element of the emoluments of each Director of Centro Properties Limited, which includes their role as Directors of CPT Manager Limited, the Responsible Entity of Centro Property Trust and a number of registered schemes under the Managed Investments Act and each of the five officers of the Company receiving the highest remunerations are set out in the tables below:

Directors of Centro Properties Limited and CPT Manager Limited

2004	Primary			Post-Employment		Equity	
Name	Cash Salary & Fees	Cash Bonus	Non - Monetary Benefits ⁽¹⁾	Superannuation	Retirement Benefits ⁽²⁾	Options ⁽³⁾	Total
	\$	\$	\$	\$	\$	\$	\$
B. Healey	210,000	—	—	19,800	100,200	—	330,000
L.A. Wilson	95,000	—	—	8,850	40,130	—	143,980
P.G. Goldie	84,000	—	—	9,480	38,400	—	131,880
D.D.H. Graham	84,000	—	—	7,860	36,780	—	128,640
S. Kavourakis*	77,555	—	—	5,215	—	—	82,770
L.P. Wilkinson*	35,777	—	—	2,520	—	—	38,297
A.T. Scott	756,882	660,000	158,156	68,119	—	56,556	1,699,713
Total	1,343,214	660,000	158,156	121,844	215,510	56,556	2,555,280

* Appointed during the financial year.

Other Executives of Centro Properties Limited

'Other executives' are officers who are involved in, concerned in, or who take part in, the management of the affairs of Centro Properties Limited and/or related bodies corporate.

2004	Primary			Post-Employment		Equity	
Name	Cash Salary & Fees	Cash Bonus	Non - Monetary Benefits ⁽¹⁾	Superannuation	Retirement Benefits ⁽²⁾	Options ⁽³⁾	Total
	\$	\$	\$	\$	\$	\$	\$
G. Terry	421,848	348,480	138,021	46,872	—	39,154	994,375
R. Nenna	377,103	267,371	106,066	31,015	—	21,752	803,307
J. Hutchinson	343,119	181,876	103,527	30,881	—	—	659,403
A. Torney	287,902	136,000	40,955	9,168	—	—	474,025
M. Wilson	184,059	135,959	79,707	14,514	—	21,752	435,991
Total	1,614,031	1,069,686	468,276	132,450	—	82,658	3,367,101

(1) Non-monetary benefits generally refers to the cost to the Group of providing interest-free loans to finance the purchase of Centro stapled securities in accordance with the rules of the Centro Properties Employees Share Plan, and other non-cash fringe benefits.

(2) Retirement Benefits represent the amount accrued during the financial year in accordance with the terms of each relevant Director's Service Agreement as set out in Note 28 of the Group accounts. These amounts have not been paid to Directors during the financial year and are only payable upon retirement. No Retirement Benefits are accrued for executives of the Group.

(3) Refer to Note 28 of the Group accounts for details of how the value of options remuneration has been determined.

Executive Share Options Issued to Directors and Executives

Date options granted	Exercise date	Issue price of shares	Number under option
15 February 2002	15 February 2005	\$3.43	1,600,000
Total			1,600,000

For further information on options issued to Directors and executives, refer to Centro Properties Group Financial Statements.

Financial Report

The financial statements have been drawn up to comply with the Corporations Act 2001. At the date of this report the Directors of the Company are not aware of any circumstances not otherwise dealt with in the report which would render any amount stated in the financial statements misleading.

Significant changes in the state of affairs

The results of the operations of the consolidated entity during the year were not substantially affected by any item, transaction or event of a material and unusual nature and there have been no significant changes in the state of affairs otherwise than as referred to in the Directors' Report and financial report.

Information on Directors

Particulars of the qualifications, experience and special responsibilities of each Director, as at the date of this report, are set out on pages 46 and 47 of this Annual Report. The interests

of each Director in the shares of the Company at the date of this report are set out on page 88 of this Annual Report.

Insurance of Directors and Officers

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

The Officers of the Company covered by the insurance policy include the Directors; B. Healey, A.T. Scott, P.G. Goldie, D.D.H. Graham, L.A. Wilson, S. Kavourakis and L.P. Wilkinson and the Secretary; P.M.M. Kelly.

Meetings of Directors

The following table sets out the number of meetings of Directors of Centro Properties Limited (including meetings of committees of Directors) held during the year ended 30 June 2004 and the number of meetings attended by each Director.

	Board Meetings	Board Audit & Risk Management Committee Meetings	Remuneration Committee Meetings	Other Sub-Committee Meetings	Nomination Committee Meetings
Centro Properties Limited					
Number of meetings held	17	3	7	5	2
Number of meetings attended by:					
B. Healey	16	3	7	5	2
A.T. Scott	17	#	#	5	2
P.G. Goldie	16	3	7	#	2
D.D.H. Graham	16	3	7	#	2
L.A. Wilson	17	3	7	#	2
S. Kavourakis* (appointed 1 November 2003)	7	1	2	#	1
L.P. Wilkinson* (appointed 1 March 2004)	4	—	2	#	—

Not a member of the Committee

* Attended all meetings held during period of appointment.

Rounding of amounts to the nearest thousand dollars

The Company is of a kind referred to in class order 98/0100 issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' report and financial report. Amounts in the Directors' report and financial report have been rounded off, in accordance with that class order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the Corporations Act 2001.

Signed at Melbourne, 11 August 2004 in accordance with a resolution of the Directors.



L. A. Wilson
Director



A. T. Scott
Director

	Centro Properties Limited and Controlled Entities		
	Note	30.6.04 \$'000	30.6.03 \$'000
Revenue from operating activities (excluding shares of equity accounted net profits of associates and joint ventures)		92,987	78,374
Revenue from outside the operating activities		27,069	1,006
Revenue from ordinary activities		120,056	79,380
Borrowing costs expense		(44,641)	(44,320)
Debt/hedge restructuring		—	(24,056)
Employee share plan refinancing costs		—	(8,539)
Repairs, maintenance, cleaning and security		(4,364)	(4,139)
Employee benefits expense		(18,432)	(13,595)
Rent, rates, taxes and insurance		(5,991)	(5,062)
Property management fees		(2,128)	(2,065)
Light and power		(1,984)	(1,922)
Depreciation and amortisation expense		(4,400)	(1,472)
Marketing		(443)	(572)
Carrying amount of non-current assets sold		(19,512)	—
Other expenses from ordinary activities		(11,356)	(7,038)
Share of net profits of associates and joint ventures accounted for using the equity method		14,268	10,114
Profit/(loss) from ordinary activities before income tax expense		21,073	(23,286)
Income tax expense		—	—
Net profit/(loss)		21,073	(23,286)
Net profit attributable to outside equity interest		—	—
Net profit/(loss) attributable to members of Centro Properties Limited		21,073	(23,286)
Net increase in asset revaluation reserve		23,455	14,432
Total revenues, expenses and valuation adjustments attributable to members of Centro Properties Limited recognised directly in equity		23,455	14,432
Total changes in equity attributable to members of Centro Properties Limited other than those resulting from transactions with owners as owners		44,528	(8,854)
Basic earnings per share (cents)	3	3.37	(5.05)
Diluted earnings per share (cents)	3	3.37	(5.05)

The above Consolidated Statement of Financial Performance should be read in conjunction with the accompanying notes and discussion and analysis

DISCUSSION AND ANALYSIS OF CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2004

Revenue from ordinary activities increased by 51% during the year, reflecting the substantial growth in funds management. The acquisition of the MCS Property Services business also resulted in increased services revenue. Net earnings rose to \$21 million, compared with a loss of \$23.2 million incurred in the prior year. The 'turn around' in earnings was primarily due to the continuing growth of the services business, as well as the absence of debt/hedge restructuring costs and employee share plan restructuring costs which occurred in the previous financial year.

During the period additional income has also been earned from the management of newly acquired and redeveloped properties and the establishment of new property syndicates.

Services Business net income now represents 16.9% of the earnings of the Centro Properties Group compared to 15.5% in the prior year.

Net income from property investments decreased by 30% to \$18 million compared to last year. This largely reflects an increase in overhead expenses, due to the Group's continued growth. Offsetting the above, was good growth in income at the majority of centres. Income growth was reported at all centres except for Mulgrave Business Park. Mulgrave Business Park, being Centro's non-retail asset, was disposed of during the year resulting in a net profit on sale of \$4.5 million. Partly offsetting this was goodwill amortisation expense of \$2.7 million relating to the acquisition of the MCS Property Services business.

	Centro Properties Limited and Controlled Entities	
	30.6.04 \$'000	30.6.03 \$'000
Current assets		
Cash assets	1,469	192,250
Receivables	113,068	156,396
Other financial assets	7,522	—
Total current assets	122,059	348,646
Non-current assets		
Receivables	25,678	19,154
Investments accounted for using the equity method	146,299	134,998
Other financial assets	325,374	322,217
Plant and equipment	4,690	3,340
Intangible assets	51,291	—
Other	325	1,797
Total non-current assets	553,657	481,506
Total assets	675,716	830,152
Current liabilities		
Payables	26,575	15,304
Provisions	2,505	1,478
Total current liabilities	29,080	16,782
Non-current liabilities		
Interest bearing liabilities	499,427	715,142
Provisions	2,029	1,453
Total non-current liabilities	501,456	716,595
Total liabilities	530,536	733,377
Net assets	145,180	96,775
Equity		
Contributed equity	70,291	66,414
Reserves	78,866	55,411
Retained profits (accumulated losses)	(3,977)	(25,050)
Total equity	145,180	96,775

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes and discussion and analysis

DISCUSSION AND ANALYSIS OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2004

Assets

Assets have decreased by \$154 million to \$676 million. This decrease is largely due to a temporary increase in cash assets towards the end of the prior financial year. There was also a decrease in various current receivables, including the partial repayment of short-term loans provided for the development of Victoria Gardens. Intangible assets increased to \$51.3 million (nil previously), being goodwill arising from the acquisition of the MCS Property Services business.

Liabilities

Liabilities have decreased by \$203 million to \$531 million. The borrowings of the Company were temporarily increased, at 30 June 2003, due to the timing of purchase settlements and loans provided in respect of the development of Victoria Gardens and interim funding for Centro MCS 28.

Equity

New capital raised during the year by Centro Properties Group contributed \$3.9 million to the Company. Reserves increased by \$23.5 million due to property revaluation gains on the Company's properties.

Centro Properties Limited and Controlled Entities		
	30.6.04 \$'000	30.6.03 \$'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	137,410	97,266
Payments to suppliers and employees (inclusive of goods and services tax)	(39,271)	(39,664)
	98,139	57,602
Distributions received	—	94
Distributions received from associates	10,860	9,893
Interest received	1,669	4,569
Debt/hedge refinancing costs	—	(24,056)
Borrowing costs	(44,532)	(43,905)
Proceeds from tax refunds	3,876	1,520
Income tax instalments paid	—	(3,892)
Net cash inflow from operating activities	70,012	1,825
Cash flows from investing activities		
Payment for acquisition of controlled entity net of cash acquired	(33,436)	—
Proceeds from sale of property investments	25,140	193
Payments for acquisition and development of property investments	(18,037)	(3,661)
Interest paid on property held for development	(256)	(57)
Payments for plant and equipment	(2,854)	(1,373)
Net cash (outflow) from investing activities	(29,443)	(4,898)
Cash flows from financing activities		
Proceeds from (repayment to) related parties	(231,839)	200,078
Proceeds from share issues (net of capital raising costs)	489	1,487
Dividends paid	—	(7,187)
Net cash inflow/(outflow) from financing activities	(231,350)	194,378
Net increase/(decrease) in cash held	(190,781)	191,305
Cash at the beginning of the financial year	192,250	945
Cash at the end of the financial year	1,469	192,250

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes and discussion and analysis

DISCUSSION AND ANALYSIS OF CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2004

Cash Flows from Operating Activities

Net cash flows from operating activities were higher than for the previous year, due to income from the services business. Overheads expenditure was reduced due to the absence of debt/hedge restructuring costs which were incurred in the previous financial year.

Cash Flows from Investing Activities

The major investing activity of the Company for the year was the purchase of the MCS Property Services business.

Cash Flows from Financing Activities

The loan from Centro Property Trust was reduced by \$216 million predominantly due to the cash assets at 30 June 2003 being repaid to Centro Property Trust to finance its acquisition of the Galleria and Toombul Shopping Centres.

**Centro Properties Limited
and Controlled Entities**

30.6.04
\$'000

30.6.03
\$'000

I. STATEMENT OF ACCOUNTING POLICIES

Basis of Accounting

The Concise Financial Report has been prepared in accordance with Accounting Standard AASB1039 'Concise Financial Reports' and the Corporations Act 2001. The financial statements, specific disclosures and other information included in the Concise Financial Report are derived from, and is consistent with the full financial report of Centro Properties Limited for the year ended 30 June 2004. The Centro Properties Group consists of the Centro Property Trust and Centro Properties Limited. These two entities have their units and shares stapled together, and trade on the Australian Stock Exchange as Centro Properties Group. The Concise Financial Report cannot be expected to provide as detailed an understanding of the financial performance, financial position and financing and investing activities of Centro Properties Limited as the full financial report. The accounting policies have been consistently applied and are consistent with those of the previous financial year unless otherwise stated.

2. DIVIDENDS

Nil dividend will be paid for the current year

Final dividend of nil cents per share unfranked (last year nil cents)

Interim dividend of nil cents per share unfranked (last year nil cents)

Total dividends provided for or paid amount to nil cents per share unfranked (last year nil cents)

Estimated amount of retained profits and reserves that could be distributed as dividends and be franked out of existing franking credits or out of franking credits arising from the payment of income tax in respect of the year ended 30 June 2004 after servicing the dividends declared at balance date.

Nil

Nil

3. EARNINGS PER SHARE

Cents

Cents

Basic earnings per share

3.37

(5.06)

Diluted earnings per share

3.37

(5.06)

Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share ('000)

No.
625,317

No.
461,136

Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted earnings per share ('000)

626,917

462,736

4. EVENTS OCCURRING AFTER REPORTING DATE

Proposed Merger of Centro and Prime

On 27 July 2004 Centro Properties Group ('Centro') and Prime Retail Group ('Prime') announced a proposed merger of the two vehicles. The merger is to be achieved by means of a court approved scheme of arrangement between Centro Properties Limited and Prime Property Management Limited and by a 'trust scheme' between Centro Properties Trust and Prime Retail Property Trust. The effective ratio will be five Prime securities per one Centro security. The effect of the merger will be to create a new stapled security structure with the property investment activities of the merged entity being undertaken by Centro Property Trust and the properties services activities being undertaken by Centro Properties Limited and its controlled entities.

Pro forma financial information for the merged entity has been included in an Explanatory Memorandum incorporating the Directors' recommendations, independent expert reports and notices of securityholder meetings proposed to be held on 17 September 2004. The potential impact of the proposed merger has not been reflected in the table below.

The financial effects of the above transactions have not been brought to account as at 30 June 2004.

Distribution Reinvestment Plan

The Distribution Reinvestment Plan will deliver a further \$0.1 million to issued capital as 45% of the participants elected in June 2004 to participate in the August 2004 distribution.

Note 4 continued

The impact on the Centro Properties Limited balance sheet as at 30 June 2004 of the above transactions, excluding the proposed merger of Centro and Prime, is set out in the table below:

	Centro Properties Limited Consolidated Statement of Financial Position as at 30 June 2004 \$'000	Consolidated Statement of Financial Position adjusted for post balance date events \$'000
Total assets	675,716	675,716
Financed by:		
- Interest bearing liabilities	499,427	499,316
- Payables and provisions	31,109	31,109
- Equity	145,180	145,291
	675,716	675,716

5. SEGMENT INFORMATION

2004	Property Ownership \$'000	Services Business \$'000	Inter Segment/ Other \$'000	Consolidated \$'000
Primary Reporting – Business Segment				
Sales revenue	33,614	59,373	—	92,987
Share of profits from associates and joint ventures	10,726	3,542	—	14,268
Other revenue	25,400	—	1,669	27,069
Total segment revenue	69,740	62,915	1,669	134,324
Segment result	18,359	42,179	—	60,538
Unallocated revenue less unallocated expense				(39,465)
Profit from ordinary activities before income tax				21,073
Income tax expense				—
Net profit				21,073
Segment assets	578,364	65,190	—	643,554
Unallocated assets				32,162
Total assets				675,716
Segment liabilities	499,501	26,501	—	526,002
Unallocated liabilities				4,534
Total liabilities				530,536
2003	Property Ownership \$'000	Services Business \$'000	Inter Segment/ Other \$'000	Consolidated \$'000
Sales revenue	43,393	28,743	—	72,136
Share of profits from associates and joint ventures	10,114	—	—	10,114
Other revenue	—	—	7,244	7,244
Total segment revenue	53,507	28,743	7,244	89,494
Segment result	26,214	23,946	—	50,160
Unallocated revenue less unallocated expense				(73,446)
Profit from ordinary activities before income tax				(23,286)
Income tax expense				—
Net profit				(23,286)
Segment assets	599,662	13,949	—	613,611
Unallocated assets				216,541
Total assets				830,152
Segment liabilities	718,712	11,734	—	730,446
Unallocated liabilities				2,931
Total liabilities				733,377



Independent Audit Report to the members of Centro Properties Limited

Audit opinion

In our opinion, the concise financial report of Centro Properties Limited for the year ended 30 June 2004 complies with Australian Accounting Standard AASB 1039: *Concise Financial Reports*.

This opinion must be read in conjunction with the rest of our audit report.

Scope

The concise financial report and directors' responsibility

The concise financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, discussion and analysis of and notes to the financial statements for Centro Properties Limited (the 'Company') for the year ended 30 June 2004.

The Directors of the Company are responsible for the preparation and presentation of the financial report in accordance with Australian Accounting Standard AASB 1039: *Concise Financial Reports*.

Audit approach

We conducted an independent audit of the concise financial report in order to express an opinion on it to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the concise financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We also performed an independent audit of the full financial report of the Company for the financial year ended 30 June 2004. Our audit report on the full financial report was signed on 11 August 2004, and was not subject to any qualification.

In conducting our audit of the concise financial report, we performed procedures to assess whether in all material respects the concise financial report is presented fairly in accordance with Australian Accounting Standard AASB 1039: *Concise Financial Reports*.

We formed our audit opinion on the basis of these procedures, which included:

- testing that the information included in the concise financial report is consistent with the information in the full financial report, and
- examining, on a test basis, information to provide evidence supporting the amounts, discussion and analysis, and other disclosures in the concise financial report which were not directly derived from the full financial report.

When this audit report is included in a document containing the Directors' Report, our procedures include reading the Directors' Report to determine whether it contains any material inconsistencies with the financial report.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Signed at Melbourne, 11 August 2004

PricewaterhouseCoopers

S J Cougle
Partner

PricewaterhouseCoopers
ABN 91 760 451 167

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CENTRO PROPERTY TRUST CONCISE ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2004

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ARSN: 090 931 123

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This concise report has been derived from the full financial report for the year ended 30 June 2004. The full financial report and auditor's report will be sent to members on request, free of charge. Please call 1800 802 400 and a copy will be forwarded to you.

The concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of Centro Property Trust and its controlled entities as the full financial report.

The Directors of the Responsible Entity, CPT Manager Limited, present their report on the consolidated accounts of Centro Property Trust for the year ended 30 June 2004.

Directors

The following persons were Directors of CPT Manager Limited (the 'Company') during the whole of the financial year and up to the date of this report:

Brian Healey

Andrew Thomas Scott

Peter Graham Goldie

David Douglas Heydon Graham

Lawrence Albert Wilson

Sam Kavourakis was appointed a Director on 1 November 2003 and continues in office at the date of this report.

Louis Peter Wilkinson was appointed a Director on 1 March 2004 and continues in office at the date of this report.

Secretary: **Philippa Mary Maslin Kelly**

Principal Activities

The principal activities during the year of the consolidated entity constituted by Centro Property Trust and the entities that it controlled from time to time (the 'Trust') were property investment and investing in loans to Centro Properties Limited.

Financial Results

Directors are pleased to report a consolidated operating profit of \$172.99 million for the year ended 30 June 2004, an increase of 11% over the \$155.26 million last year.

Operating profit attributable to Trust unitholders (i.e. net of minority interests) was \$164.15 million, an increase of 10% compared to last year.

Distributions

Distributions paid to members during the financial year were as follows:

	30.6.04 \$'000
Final distribution from trust for the year ended 30 June 2003 of 14.15 cents per stapled security paid on 27 August 2003	77,771
Interim distribution from trust of 14.75 cents per stapled security paid on 27 February 2004	93,036
	170,807

In addition to the above distributions, Directors recommended the payment of a final trust distribution of \$101,518,000 (15.80 cents per unit) to be paid on 27 August 2004.

Review of Operations

Details of the earnings for the year ended 30 June 2004, compared with 2003 are as follows:

OPERATING PROFIT FOR THE YEAR ENDED 30 JUNE 2004			
	June 2004 \$'000	June 2003 \$'000	Change %
Centro Galleria, WA (acquired July 2003)	29,422	—	n/a
Centro Bankstown Square, NSW – 50%	13,858	9,636	43.8
Centro The Glen, Vic – 70%	13,034	12,241	6.5
Centro Toombul, Qld (acquired July 2003)	16,537	—	n/a
Centro Roselands, NSW – 50%	8,944	8,700	2.8
Centro Colonnades, SA (acquired August 2003)	7,852	—	n/a
Centro Cranbourne, Vic	7,666	7,359	4.2
Centro Warriewood, NSW	7,167	7,005	2.3
Centro Warwick Grove, WA	6,888	6,403	7.6
Centro Box Hill, Vic	6,112	5,702	7.2
Centro Taigum, Qld	4,691	4,298	9.1
Centro Southport, Qld	4,137	3,790	9.2
Centro Keilor, Vic	3,803	3,748	1.5
Victoria Gardens, Vic – 50% (development completed October 2003)	3,768	—	n/a
Centro Springwood, Qld	3,406	2,932	16.2
Mildura, Vic	3,247	3,123	4.0
Centro Whitehorse, Vic (development completed July 2003)	3,114	—	n/a
Centro Bay Central, Qld	2,849	2,143	32.9
Centro Lutwyche, Qld	2,811	2,730	3.0
Centro Tweed Mall, NSW – 50%	2,774	2,726	1.8

	June 2004 \$'000	June 2003 \$'000	Change %
Centro Mornington, Vic – 83%	2,683	2,581	4.0
David Jones Perth CBD Complex, WA ⁽¹⁾	—	1,254	n/a
Arndale, SA – 50% (acquired January 2004)	1,958	—	n/a
Taree City, NSW (50% interest)	1,776	1,811	(1.9)
Argyle, NSW (50% interest)	1,380	1,364	1.2
Centro Halls Head, WA	853	765	11.5
Buranda, Qld (50% interest)	594	603	(1.5)
Other investment income ⁽²⁾	35,118	15,065	133.1
Net gain on sale of units in AMP Shopping Centre Trust	—	26,101	n/a
Gain on restructure of Prime Converting Preference Securities	—	7,434	n/a
Services income	196,442	139,514	40.8
Depreciation and amortisation	(144)	—	n/a
Goodwill amortisation	(7,697)	—	n/a
Debt/hedge restructuring costs	—	(24,056)	n/a
Finance costs (net of interest income) ⁽³⁾	(24,452)	34,090	171.7
Profit after tax (net of minority interest)	164,149	149,548	9.8
Earnings per security (EPS) (cents)	26.25	32.40	

(1) David Jones Perth was disposed of to CMCS 28 in January 2003.

(2) Other investment income: Includes ordinary and converting preference distributions from Prime Retail Group, as well as distributions from investments in Roselands Property Trust and CMCS 25, 26, 27, 28, 32 and Centro Direct Property Fund.

(3) Finance costs: Higher interest cost reflects current year acquisitions predominantly funded by debt and the absence of proportionate recharging of the debt/hedge restructuring costs to Centro Properties Limited.

Events Occurring after Reporting Date

Disposal of Keilor and Lutwyche

On 1 July 2004, Centro disposed of its investment in Keilor and 50% of its investment in Lutwyche to CMCS 33 for \$63 million and \$23.2 million respectively. There is no profit or loss arising from this transaction.

Proposed Merger of Centro and Prime

On 27 July 2004 Centro Properties Group ('Centro') and Prime Retail Group ('Prime') announced a proposed merger of the two vehicles. The merger is to be achieved by means of a court approved scheme of arrangement between Centro Properties Limited and Prime Property Management Limited and by a 'trust scheme' between Centro Properties Trust and Prime Retail Property Trust. The effective ratio will be five Prime securities per one Centro security. The effect of the merger will be to create a new stapled security structure with the property investment activities of the merged entity being undertaken by Centro Property Trust and the properties services activities being undertaken by Centro Properties Limited and its controlled entities.

Pro forma financial information for the merged entity has been included in an Explanatory Memorandum incorporating the Directors' recommendations, independent expert reports and notices of securityholder meetings proposed to be held on 17 September 2004. The potential impact of the proposed merger has not been reflected in the table below.

Distribution Reinvestment Plan

The Distribution Reinvestment Plan will deliver a further \$44 million to issued capital as 45% of the participants elected in June 2004 to participate in the August 2004 distribution.

The financial effects of the above transactions have not been brought to account as at 30 June 2004.

The impact on the Centro Property Trust statement of financial position as at 30 June 2004 of the above transactions (excluding the proposed merger of Centro and Prime) is set out in the table below:

	Centro Property Trust Consolidated Statement of Financial Position as at 30 June 2004 \$'000	Consolidated Statement of Financial Position adjusted for post balance date events \$'000
Total assets	3,438,845	3,438,845
Financed by:		
- Interest bearing liabilities	1,083,348	1,140,866
- Payables and provisions	199,150	97,632
- Equity	2,156,347	2,200,347
	3,438,845	3,438,845

There has not arisen in the interval between 30 June 2004 and the date hereof any item, transaction or event of a material nature likely, in the opinion of the Directors of the Responsible Entity, to affect substantially:

- (i) the operations of the Trust;
- (ii) the results of those operations; or
- (iii) the state of affairs of the Trust;

for the next financial year, except as otherwise referred to in the financial statements or in this Directors' Report.

Likely Developments and Expected Results of Operations

With strong underlying sales growth in its centres and the Trust, Centro remains in a very strong position. This should ensure that it is well placed to take advantage of opportunities to add value for investors.

Environmental Regulations

As a property owner, the Trust is subject to the normal environmental regulations of landowners within Australia.

These include regulations against air pollution, liquid discharge and soil contamination. The proper care and maintenance of asbestos, which is present in a number of properties, is also carefully monitored. The Trust has in place monitoring procedures to ensure proper compliance and there are no matters requiring specific disclosure.

Directors' and Executives' Remuneration Report

The remuneration committee of Centro Properties Limited, the parent entity of the Responsible Entity, comprising the six non-executive Directors, advises the Board on remuneration policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for executive Directors, other senior executives and non-executive Directors.

Executive remuneration and other terms of employment are reviewed annually by the committee having regard to performance against individual and Group related goals. As well as a base salary, remuneration packages include superannuation, retirement and termination entitlements, performance-related bonuses and fringe benefits. Bonuses are linked directly to the performance of the Trust.

Executives are eligible to participate in the Centro Properties Employee Share Plan at the discretion of the Board. Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the Group's operations and achieving the Group's objectives. Employees are also eligible to participate in the Centro Properties Employee Share Plan. Remuneration of non-executive Directors is determined by the Board and is subject to the limits approved by investors from time to time. Non-executive Directors are also entitled to retirement benefits in accordance with Board policy. Bonuses are not payable to non-executive Directors.

Details of the nature and amount of each element of the remuneration of each Director of CPT Manager Limited and each of the five officers of CPT Manager Limited receiving the highest remuneration are set out in the following tables.

Directors of Centro Properties Limited and CPT Manager Limited

2004	Primary			Post-Employment		Equity	
Name	Cash Salary & Fees	Cash Bonus	Non-Monetary Benefit ⁽¹⁾	Superannuation	Retirement Benefits ⁽²⁾	Options ⁽³⁾	Total
	\$	\$	\$	\$	\$	\$	\$
B. Healey	210,000	—	—	19,800	100,200	—	330,000
L.A. Wilson	95,000	—	—	8,850	40,130	—	143,980
P.G. Goldie	84,000	—	—	9,480	38,400	—	131,880
D.D.H. Graham	84,000	—	—	7,860	36,780	—	128,640
S. Kavourakis*	77,555	—	—	5,215	—	—	82,770
L.P. Wilkinson*	35,777	—	—	2,520	—	—	38,297
A.T. Scott	756,882	660,000	158,156	68,119	—	56,556	1,699,713
Total	1,343,214	660,000	158,156	121,844	215,510	56,556	2,555,280

* Appointed during the financial year.

Other Executives of CPT Manager Limited

'Other executives' are officers who are involved in, concerned in, or who take part in, the management of the affairs of CPT Manager Limited and/or related bodies corporate.

2004	Primary			Post-Employment		Equity	
Name	Cash Salary & Fees	Cash Bonus	Non-Monetary Benefit ⁽¹⁾	Superannuation	Retirement Benefits ⁽²⁾	Options ⁽³⁾	Total
	\$	\$	\$	\$	\$	\$	\$
G. Terry	421,848	348,480	138,021	46,872	—	39,154	994,375
R. Nenna	377,103	267,371	106,066	31,015	—	21,752	803,307
J. Hutchinson	343,119	181,876	103,527	30,881	—	—	659,403
A. Torney	287,902	136,000	40,955	9,168	—	—	474,025
M. Wilson	184,059	135,959	79,707	14,514	—	21,752	435,991
Total	1,614,031	1,069,684	468,276	132,450	—	82,658	3,367,101

(1) Non-monetary benefits generally reflects the cost to the Group of providing interest free loans to finance the purchase of Centro stapled securities in accordance with the rules of the Centro Properties Employee Share Plan and other non-cash fringe benefits.

(2) Retirement benefits represent the amount accrued during the financial year in accordance with the terms of each relevant Director's Service Agreement. These amounts have not been paid to Director's during the financial year and are only payable upon retirement. No retirement benefits are accrued for executives.

(3) Refer to Note 28 of the Group accounts for details of how the value of option remuneration has been determined.

Executive Share Options Issued to Directors and Executives

Date options granted	Exercise date	Issue price of shares	Number under option
15 February 2002	15 February 2005	\$3.43	1,600,000
Total			1,600,000

Financial Report

The financial statements have been drawn up to comply with the Corporations Act 2001.

At the date of this report the Directors of CPT Manager Limited are not aware of any circumstances not otherwise dealt with in the report which would render any amount stated in the financial statements misleading.

Significant changes in the state of affairs

The results of the operations of the consolidated entity during the year were not substantially affected by any item, transaction or event of a material and unusual nature and there have been no significant changes in the state of affairs otherwise than as referred to in the Directors' Report and financial report.

Information on Directors

Particulars of the qualifications, experience and special responsibilities of each Director, as at the date of this report, are set out on pages 44 and 47 of the annual report.

The interests of each Director in the capital of the Trust at the date of this report are set out on page 86 of the annual report.

Insurance of Directors and Officers

During the financial year Centro Properties Limited and CPT Manager Ltd insured their Directors, Secretary and Executive Officers against liability to third parties and for costs incurred in defending any civil or criminal proceedings that may be brought against them in their capacity as Directors of the Responsible Entity. This excludes a liability which arises out of a wilful breach of duty or improper use of inside information. The premium also insures Centro Properties Limited and CPT Manager Ltd for any indemnity payments it may make to its Officers in respect of costs and liabilities incurred.

Disclosure of the premium payable is prohibited under the conditions of the policy.

The Officers covered by the insurance policy include the Directors; B. Healey, A.T. Scott, P.G. Goldie, D.D.H. Graham, L.A. Wilson, S. Kavourakis and L.P. Wilkinson and the Secretary; P.M.M. Kelly.

Meetings of Directors

The following table sets out the number of meetings of Directors of CPT Manager Limited (including meetings of committees of Directors) held during the year ended 30 June 2004 and the number of meetings attended by each Director.

	Board Meetings	Board Audit & Risk Management Committee Meetings	Compliance Committee Meetings	Board Sub-Committee Meetings
CPT Manager Limited				
Number of meetings held	18	3	4	5
Number of meetings attended by:				
B. Healey	17	3	4	5
A.T. Scott	18	#	4	5
P.G. Goldie	17	3	4	#
D.D.H. Graham	17	3	4	#
L.A. Wilson	17	3	4	#
S. Kavourakis* (appointed 1 November 2003)	8	1	3	#
L.P. Wilkinson* (appointed 1 March 2004)	5	—	—	#

Not a member of the Committee

* Attended all meetings held during period of appointment.

Rounding of amounts to the nearest thousand dollars

The Trust is of a kind referred to in class order 98/0100 issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' report and financial report. Amounts in the Directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that class order.

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the Corporations Act 2001.

Signed at Melbourne, 11 August 2004 in accordance with a resolution of the Directors.



L. A. Wilson
Director

A. T. Scott
Director

Centro Property Trust and Controlled Entities			
	Note	30.6.04 \$'000	30.6.03 \$'000
Revenue from operating activities (excluding shares of equity accounted net profits of associates and joint ventures)		260,914	181,376
Revenue from outside the operating activities		130	297,881
Revenue from ordinary activities		261,044	479,257
Borrowing costs expense		(68,908)	(34,369)
Debt/hedge restructuring		—	(24,056)
Repairs, maintenance, cleaning and security		(22,164)	(13,811)
Employee benefits expense		(11,257)	(2,648)
Rent, rates, taxes and insurance		(15,985)	(9,055)
Property management fees		(7,360)	(4,431)
Light and power		(7,107)	(2,632)
Marketing		(1,593)	(999)
Depreciation and amortisation expense		(7,841)	(46)
Acquisition costs relating to units in listed entity sold		—	(264,329)
Other expenses from ordinary activities		(5,719)	(2,547)
Share of net profits of associates and joint venture accounted for using the equity method		59,887	34,926
Profit from ordinary activities before income tax expense		172,987	155,260
Income tax expense		—	—
Net profit		172,987	155,260
Net profit attributable to outside equity interest		(8,838)	(5,712)
Net profit attributable to members of Centro Property Trust		164,149	149,548
Net increase in asset revaluation reserve		68,000	59,435
Total revenues, expenses and valuation adjustments attributable to members of Centro Property Trust recognised directly in equity		68,000	59,435
Total changes in equity attributable to members of Centro Property Trust other than those resulting from transactions with owners as owners		232,149	208,983
Basic earnings per unit (cents)	3	26.25	32.40
Diluted earnings per unit (cents)	3	26.21	32.34

The above Consolidated Statement of Financial Performance should be read in conjunction with the accompanying notes and discussion and analysis

DISCUSSION AND ANALYSIS OF CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2004

Revenue from ordinary operations decreased by 46% during the year. Revenue from outside the operating activities decreased to \$0.13 million from \$297.9 million for the previous year, largely due to the proceeds from sale of units in AMP Shopping Centre Trust in 2003, which totalled \$290 million. There was also a gain of \$7.4 million from the restructure of the Trust's investment in Prime converting preference securities in 2003 which did not occur in the current year.

Revenue from operating activities increased by 44% during the year, reflecting additional earnings from properties acquired or developed during the year (including Galleria, Toombul, Colonnades and Arndale(50%)), and growth in earnings from existing centres.

Strong income growth has been experienced at The Glen, Warwick Grove, Box Hill and Taigum. The results from most properties reflect a continuation of solid returns, although weaker economic conditions, and in some cases increased competition resulted in flatter results experienced at Tweed Mall, Keilor, Argyle and Buranda.

Borrowing cost expense was significantly higher in the current year, primarily due to the debt funding of property acquisitions noted above.

	Centro Property Trust and Controlled Entities	
	30.6.04 \$'000	30.6.03 \$'000
Current assets		
Cash assets	3,864	10
Receivables	26,818	42,581
Other financial assets	77,693	—
Total current assets	108,375	42,591
Non-current assets		
Receivables	499,427	720,698
Investments accounted for using the equity method	751,836	560,641
Other financial assets	1,931,940	994,023
Plant and equipment	1,018	178
Intangible assets	146,249	—
Other	—	1,043
Total non-current assets	3,330,470	2,276,583
Total assets	3,438,845	2,319,174
Current liabilities		
Payables	97,632	20,708
Provisions	101,518	77,771
Total current liabilities	199,150	98,479
Non-current liabilities		
Interest bearing liabilities	1,083,348	516,291
Total non-current liabilities	1,083,434	516,291
Total liabilities	1,282,498	614,770
Net assets	2,156,347	1,704,404
Equity		
Parent entity interest		
Contributed equity	1,792,632	1,443,414
Reserves	205,737	137,737
Retained profits	6,461	27,535
Total parent entity interest	2,004,830	1,608,686
Outside equity interest in controlled entities	151,517	95,718
Total equity	2,156,347	1,704,404

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes and discussion and analysis

DISCUSSION AND ANALYSIS OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2004

Assets

Assets have increased by 48% to \$3.439 billion and reflect the considerable growth of the portfolio.

The Trust made a number of significant acquisitions during the year, including Galleria, Toombul, Colonnades and Arndale (50%). In the same period, the development of Victoria Gardens Shopping Centre was completed.

Liabilities

Liabilities have grown by 109% and largely reflect the increase in borrowings to finance, in part, the growth in assets.

Equity

The Trust raised \$349.2 million in new equity during the year from several issues. These include placements in July 2003 and August 2003, an Employee Purchase Plan issue in July 2003, November 2003, and February 2004 and the very successful Distribution Reinvestment Plan, which resulted in the retention of approximately 50% to 70% of distributions in each six month interval. The proceeds were used to finance, in part, the growth in assets.

In accordance with policy, the Trust's property interests were revalued as at balance date. This has resulted in an increase in the revaluation reserve of \$68.0 million.

	Centro Property Trust and Controlled Entities	
	30.6.04 \$'000	30.6.03 \$'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	214,171	106,658
Payments to suppliers and employees (inclusive of goods and services tax)	(76,160)	(23,659)
	138,011	82,999
Distributions received	—	1,781
Distributions received from associates	57,882	30,705
Interest received	44,662	68,074
Debt/hedge restructuring costs	—	(24,056)
Interest paid	(68,908)	(34,482)
Net cash inflow from operating activities	171,647	125,021
Cash flows from investing activities		
Proceeds from sale of units in AMP Shopping Centre Trust	—	290,430
Proceeds from sale of plant and equipment	—	—
Payment for plant and equipment	(961)	—
Payments for acquisition and development of property investments	(915,445)	(288,650)
Payment for acquisition of units in property trusts	(98,153)	(340,987)
Payment for acquisition of controlled entity net of cash acquired	(95,363)	—
Repayment from/loan to other related party	257,464	(327,806)
Interest paid on property held for development	(1,087)	(1,708)
Net cash (outflow) from investing activities	(853,545)	(668,721)
Cash flows from financing activities		
Proceeds from/(repayment of) interest bearing liabilities	567,057	77,739
Proceeds from issue of units	190,221	517,609
Capital raising costs paid	(3,410)	(11,245)
Distributions paid	(68,116)	(40,420)
Net cash inflow from financing activities	685,752	543,683
Net (decrease)/increase in cash held	3,854	(17)
Cash at the beginning of the financial year	10	27
Cash at the end of the financial year	3,864	10

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes and discussion and analysis

DISCUSSION AND ANALYSIS OF CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2004

Cash Flows from Operating Activities

Net cash flows from operating activities was higher than for the previous year, reflecting the substantial increase in the revenue base as outlined earlier.

Cash Flows from Investing Activities

The considerable increase in assets through acquisitions and developments is reflected in the cash applied to investment activities.

Cash Flows from Financing Activities

The Trust raised cash from additional borrowings and from the issue of new equity during the year. Distributions totalling \$68.1 million were paid to investors. This is low compared to earnings and reflects the value of the Distribution Reinvestment Plan in retaining cash.

	Centro Property Trust and Controlled Entities	
	30.6.04 \$'000	30.6.03 \$'000

I. STATEMENT OF ACCOUNTING POLICIES

Basis of Accounting

The Concise Financial Report has been prepared in accordance with Accounting Standard AASB1039 'Concise Financial Reports' and the Corporations Act 2001.

The financial statements, specific disclosures and other information included in the Concise Financial Report are derived from, and is consistent with the full financial report of Centro Property Trust for the year ended 30 June 2004.

The Centro Properties Group consists of the Centro Property Trust and Centro Properties Limited. These two entities have their units and shares stapled together, and trade on the Australian Stock Exchange as Centro Properties Group.

The Concise Financial Report cannot be expected to provide as detailed an understanding of the financial performance, financial position and financing and investing activities of Centro Property Trust as the full financial report.

The accounting policies have been consistently applied and are consistent with those of the previous financial year unless otherwise stated.

2. DISTRIBUTIONS

A final distribution of 15.80 cents per unit was approved prior to 30 June and will be paid on 27 August 2004 to investors registered at the close of business on 30 June 2004.

Final distribution of 15.80 cents per unit provided for (last year 14.15 cents)

101,518 77,771

Interim distribution of 14.75 cents per unit paid (last year 13.25 cents)

93,036 62,227

Total distributions provided for or paid amount to 30.55 cents per unit (last year 27.40 cents)

194,554 139,998

Tax Components of the Distributions

Interim distribution

- Tax advantaged

6.05 4.31

- Taxable

8.70 8.94

14.75 13.25

Final distribution

- Tax advantaged

6.48 4.61

- Taxable

9.32 9.54

15.80 14.15

Total distribution

- Tax advantaged

12.53 8.92

- Taxable

18.02 18.48

30.55 27.40

3. EARNINGS PER UNIT

Basic earnings per unit (cents)

26.25 32.40

Diluted earnings per unit (cents)

26.21 32.34

Weighted average number of units outstanding during the year used in the calculation of basic earnings per unit ('000)

No.
625,317 461,136

Weighted average number of units outstanding during the year used in the calculation of basic earnings per unit ('000)

626,917 462,736

4. EVENTS OCCURRING AFTER REPORTING DATE

Disposal of Keilor and Lutwyche

On 1 July 2004, Centro disposed of its investment in Keilor and 50% of its investment in Lutwyche to CMCS 33 for \$63 million and \$23.2 million respectively. There is no profit or loss arising from this transaction.

Proposed Merger of Centro and Prime

On 27 July 2004 Centro Properties Group ('Centro') and Prime Retail Group ('Prime') announced a proposed merger of the two vehicles. The merger is to be achieved by means of a court approved scheme of arrangement between Centro Properties Limited and Prime Property Management Limited and by a 'trust scheme' between Centro Properties Trust and Prime Retail Property Trust. The effective ratio will be five Prime securities per one Centro security. The effect of the merger will be to create a new stapled security structure with the property investment activities of the merged entity being undertaken by Centro Property Trust and the properties services activities being undertaken by Centro Properties Limited and its controlled entities.

Pro forma financial information for the merged entity has been included in an Explanatory Memorandum incorporating the Directors' recommendations, independent expert reports and notices of securityholder meetings proposed to be held on 17 September 2004. The potential impact of the proposed merger has not been reflected in the table below.

Distribution Reinvestment Plan

The Distribution Reinvestment Plan will deliver a further \$44 million to issued capital as 45% of the participants elected in June 2004 to participate in the August 2004 distribution.

The financial effects of the above transactions have not been bought to account as at 30 June 2004.

The impact on the Centro Property Trust Statement of Financial Position as at 30 June 2004 of the above (excluding the proposed merger between Centro and Prime) is set out in the table below:

	Centro Property Trust Consolidated Statement of Financial Position as at 30 June 2004 \$'000	Consolidated Statement of Financial Position adjusted for post balance date events \$'000
Total assets	3,438,845	3,438,845
Financed by:		
- Interest bearing liabilities	1,083,348	1,140,866
- Payables and provisions	199,150	97,632
- Equity	2,156,347	2,200,347
	3,438,845	3,438,845

5. FINANCIAL REPORTING BY SEGMENTS PRIMARY REPORTING – BUSINESS SEGMENT

2004	Property Ownership \$'000	Inter Segment/ Other \$'000	Consolidated \$'000
Sales revenue	213,662	—	213,662
Share of profits from associates and joint ventures	59,887	—	59,887
Other revenue	—	48,144	48,144
Total segment revenue	273,539	48,144	321,683
Segment result	199,174	—	199,174
Unallocated revenue less unallocated expense			(26,187)
Profit from ordinary activities before income tax			172,987
Income tax expense			—
Net profit			172,987
Segment assets	2,788,287	—	2,788,287
Unallocated assets			650,558
Total assets			3,438,845
Segment liabilities	1,180,980	—	1,180,980
Unallocated liabilities			101,518
Total liabilities			1,282,498

2003	Property Ownership \$'000	Inter Segment/ Other \$'000	Consolidated \$'000
Sales revenue	113,516	—	113,516
Share of profits from associates and joint ventures	34,926	—	34,926
Other revenue	297,864	67,877	365,741
Total segment revenue	446,306	67,877	514,183
Segment result	145,226	—	145,226
Unallocated revenue less unallocated expense			10,034
Profit from ordinary activities before income tax			155,260
Income tax expense			—
Net profit			155,260
Segment assets	1,602,801	—	1,602,801
Unallocated assets			716,373
Total assets			2,319,174
Segment liabilities	536,999	—	536,999
Unallocated liabilities			77,771
Total liabilities			614,770



Independent Audit Report to the Unitholders of Centro Property Trust

Audit opinion

In our opinion, the concise financial report of Centro Property Trust for the year ended 30 June 2004 complies with Australian Accounting Standard AASB 1039: *Concise Financial Reports*.

This opinion must be read in conjunction with the rest of our audit report.

Scope

The concise financial report and directors' responsibility

The concise financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, discussion and analysis of and notes to the financial statements for Centro Property Trust (the "Trust") for the year ended 30 June 2004.

The Directors of CPT Manager, the Responsible Entity of the Trust, are responsible for the preparation and presentation of the financial report in accordance with Australian Accounting Standard AASB 1039: *Concise Financial Reports*.

Audit approach

We conducted an independent audit of the concise financial report in order to express an opinion on it to the unitholders of the Trust. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the concise financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We also performed an independent audit of the full financial report of the Trust for the financial year ended 30 June 2004. Our audit report on the full financial report was signed on 11 August 2004, and was not subject to any qualification.

In conducting our audit of the concise financial report, we performed procedures to assess whether in all material respects the concise financial report is presented fairly in accordance with Australian Accounting Standard AASB 1039: *Concise Financial Reports*.

We formed our audit opinion on the basis of these procedures, which included:

- testing that the information included in the concise financial report is consistent with the information in the full financial report, and
- examining, on a test basis, information to provide evidence supporting the amounts, discussion and analysis, and other disclosures in the concise financial report which were not directly derived from the full financial report.

When this audit report is included in a document containing the directors' report, our procedures include reading the directors' report to determine whether it contains any material inconsistencies with the financial report.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

Signed at Melbourne, 11 August 2004

PricewaterhouseCoopers

S J Cougle
Partner

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	Number Held	Fully Paid % of Issued Securities
1 - 1,000	3,498	0.19
1,001 - 5,000	5,466	2.48
5,001 - 10,000	2,448	2.78
10,001 - 100,000	1,663	5.56
100,001 and over	151	88.99
Number of securityholders	13,226	100.00
Holdings less than a marketable parcel	1,304	

Voting Rights:

On a show of hands, one vote each member

On a poll, fully paid securities entitle a securityholder to one vote for each stapled security held

On a poll, partly paid securities entitle a securityholder to vote proportionally with the paid up value of the partly paid security held

	Number Held	Fully Paid Ordinary Securities % of Issued Securities
SUBSTANTIAL SECURITYHOLDERS		
Citicorp Nominees Pty Ltd	101,880,867	16.18
Westpac Custodian Nominees Limited	96,174,424	15.27
JP Morgan Nominees Australia Limited	80,689,945	12.81
National Nominees Limited	78,456,882	12.46

20 LARGEST SECURITYHOLDERS		
Citicorp Nominees Pty Ltd	101,880,867	16.18
Westpac Custodian Nominees Limited	96,174,424	15.27
JP Morgan Nominees Australia Limited	80,689,945	12.81
National Nominees Limited	78,456,882	12.46
RBC Global Services Australia Nominees Pty Ltd	35,667,768	5.66
Cogent Nominees Pty Limited	29,453,284	4.68
Bond Street Custodians Limited	16,917,424	2.69
HSBC Custody Nominees (Australia) Limited	11,162,844	1.77
Sandhurst Trustees Limited	10,263,667	1.63
AMP Life Limited	10,139,513	1.61
ANZ Nominees Limited	9,793,913	1.56
Queensland Investment Corporation	9,683,841	1.54
Transport Accident Commission	6,219,979	0.99
Victorian Workcover Authority	5,298,089	0.84
UBS Private Clients Australia Nominees Pty Ltd	4,774,353	0.76
Westpac Financial Services Limited	4,476,353	0.71
Suncorp Custodian Services Pty Ltd	3,409,160	0.54
Australian Foundation Investment Company Limited	3,270,131	0.52
IAG Nominees Pty Limited	3,224,689	0.51
ANZ Managed Investment Company Limited	2,517,261	0.40
Total 20 largest securityholders	523,474,929	83.13
Total capital	642,516,227	100.00

	Fully Paid Ordinary Securities	
	Number Held	% of Issued Securities
INTERESTS OF DIRECTORS AND EMPLOYEES IN THE CAPITAL OF THE GROUP		
Brian Healey	81,553	
Andrew Thomas Scott ⁽¹⁾	2,689,725	
Peter Graham Goldie	30,936	
David Douglas Heydon Graham	1,000	
- holds a controlling interest in D.H.Graham Holdings Pty Ltd	150,000	
Lawrence Albert Wilson	41,107	
Peter Wilkinson	5,000	
Sam Kavourakis	15,000	
Employees	12,867,607	
Total interests of Directors and employees	15,881,928	2.5

(1) Mr Scott also holds an interest in 650,000 Executive Share Options.

Year Ended 30 June		1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Profit from ordinary activities before tax	\$M	20.943	22.553	23.195	30.479	42.191	54.287	74.015	95.670	126.262	187.954
Net profit attributable to members	\$M ⁽¹⁾	17.256	20.367	21.372	30.479	42.191	54.287	74.015	95.670	126.702	191.122
Earnings per security	c ⁽¹⁾	19.0	20.0	19.0	21.2	23.10	24.30	24.92	26.04	27.51	30.55
Distributions	\$M	17.624	20.314	21.362	30.479	41.897	55.056	76.778	100.586	139.998	194.554
Tax advantaged	%	47.0	39.0	13.0	14.2	14.4	8.9	18.0	41.0	33.0	41.0
Distributions per security	c	19.0	19.5	19.0	21.2	22.75	23.90	25.10	26.25	27.40	30.55
Total assets	\$M	371.822	454.926	491.518	547.626	796.390	1,003.162	1,245.462	1,576.269	2,331.426	3,516.480
Securityholders' equity	\$M	222.454	256.798	243.598	379.981	453.034	642.118	846.496	1,059.462	1,705.471	2,150.010
Revaluation gain	\$M	11.477	(3.701)	(4.232)	6.919	13.078	26.089	25.924	18.646	73.877	91.444
Net tangible asset backing per security	\$	2.37	2.29	2.17	2.22	2.35	2.48	2.58	2.71	3.09	3.04
Gearing	%	34.6	39.5	46.5	24.6	38.7	31.6	27.0	28.0	15.1	30.8

(1) Excluding individually significant items

Registry

Securityholders seeking information on their holdings should contact our registrar:

ASX Perpetual Registrars Limited
Level 4, 333 Collins Street
Melbourne Victoria 3000

Telephone (03) 9615 9664
Toll Free 1300 887 890
Facsimile (03) 9615 9900
(03)9615 9744 (for receipt of proxies)
Email registrars@asxperpetual.com.au
Website www.asxperpetual.com.au

A number of securityholder services are available online at the above website address. All enquiries must include your Securityholder Reference Number (SRN). Direct credit of distributions is available.

Distribution Reinvestment Plan

The Plan is presently open and a discount of 1% applies from the weighted average market price prior to the relevant period. Notification must be received in writing prior to the end of the relevant period.

Web Site

Centro has established a web site at www.centro.com.au which provides useful information for securityholders on Centro and its investments, including stock exchange announcements, up-to-date key statistics, published reports and recent investor presentations.

Investor Enquiries

For other general enquiries, please contact our Investor Relations Department at the Registered Office on **1800 802 400** or by contacting us by email to investor@centro.com.au

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