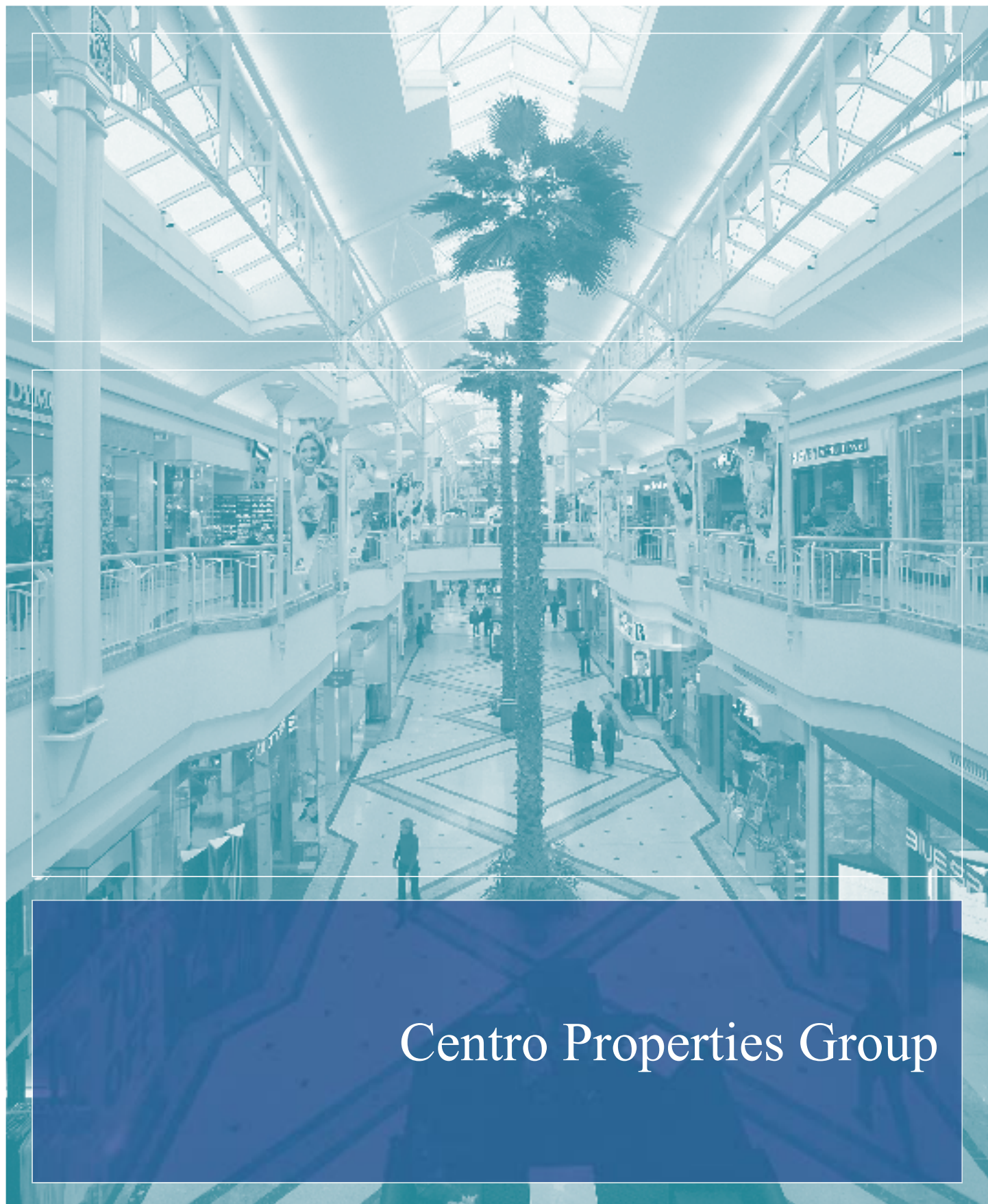


Financial Report 2005



Centro Properties Group



Centro Properties Group

(formerly Prime Retail Group)

Group Financial Statements

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Centro Properties Group (formerly Prime Retail Group) Directors' Report

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 2005.

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

Louis Peter Wilkinson

Secretary: Danielle Rowe was appointed Company Secretary on 8 October 2004 and continues in office at the date of this report.

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.

Significant Changes in the State of Affairs

On 8 October 2004, Centro Properties Group ("CEP") merged with the Prime Retail Group ("PRX") (the "merger"). The legal form of the merger was such that PRX acquired CEP. PRX was then renamed "Centro Properties Group".

On 18 April 2005 the Group acquired the Kramont Realty Trust ("Kramont").

Other than the above, 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 other than as referred to in the Directors' Report and Annual Report.

Review of Operations

IMPORTANT NOTE

As noted above, on 8 October 2004, Centro Properties Group ("CEP") merged with the Prime Retail Group ("PRX") (the "merger"). The legal form of the merger was such that PRX acquired CEP. PRX was then renamed "Centro Properties Group". The merger has affected the comparability of the Group's financial results.

In accordance with Accounting Standards, the financial statements presented in this financial report reflect:

- June 2005 information – 12 months of PRX results and nine months of CEP results; and
- June 2004 comparatives – 12 months of PRX results.

Directors are pleased to report an operating profit of \$186.1 million for the year ended 30 June 2005, an increase of 449% over the \$33.9 million last year.

Operating profit attributable to Centro security holders (i.e. net of minority interests) was \$179.6 million, an increase of 436% compared to last year.

Centro's strong operating profit result is due to a combination of factors, including strong continuing property income growth, the successful merger of Centro and Prime, additional domestic and international acquisitions, value adding through redevelopment and outstanding Ownership Services Business income growth. The strong profit result has continued to deliver distribution growth for Centro investors.

The commentary contained in the Summary of Financial Performance on pages 14-16 of the Centro Properties Group Annual Report provides additional financial information which Centro believes will assist in assessing the merged Group's financial performance for the year ended 30 June 2005 (including providing a basis for comparing actual results with the financial forecasts included in the merger Explanatory Memorandum).

The comparability of certain statistics included in this financial report (marked with *) has been affected by the 5:1 consolidation of securities following the merger. These statistics have been restated to reflect the 5:1 consolidation.

Distributions

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

	30.6.05
	\$'000
<hr/>	
Final distribution from the Trust for the year ended 30 June 2004 of 9.40* cents per stapled security paid on 13 August 2004	8,745
Interim distribution from the Trust of 16.0 cents per stapled security paid on 25 February 2005	122,643
	131,188
<hr/>	

In addition to the above distributions, Directors approved the payment of a final Trust distribution of \$137,244,000 (17.60 cents per stapled security) to be paid on 26 August 2005.

Likely Developments and Expected Results of Operations

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

Environmental Regulations

As a property owner, the Group is subject to the normal environmental regulations of landowners within Australia. These include regulation against air pollution, liquid discharge and soil contamination. The proper care and maintenance of asbestos, which is present in a number of properties, is also carefully monitored. The Group has in place

Centro Properties Group (formerly Prime Retail Group) Directors' Report

monitoring procedures to ensure proper compliance and there are no matters requiring specific disclosure.

Matters Subsequent to the End of the Financial Year

There has not arisen in the interval between 30 June 2005 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 Note 33 to the financial statements or in this Directors' Report.

Remuneration Report

Section 1 – General Remuneration Structure and Policies

Nomination Committee and Remuneration Committee

The Directors of Centro Properties Limited and CPT Manager Limited as responsible entity of Centro Property Trust ("Centro Properties Group" or the "Group") present the remuneration report for the financial year ended 30 June 2005. This report forms part of the Directors' Report of the Group financial statements.

The Board of the Group has established a Nomination Committee and a Remuneration Committee. The composition and function of these committees is set out within the Corporate Governance Statement on pages 42-45 of the Centro Properties Group Annual Report. Committee charters are available on the Centro website at www.centro.com.au.

The Remuneration Committee advises the Board on remuneration policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for executive directors, secretaries and other senior executives. In doing so, the Remuneration Committee takes into consideration both market factors and advice from external remuneration consultants. Remuneration and other terms of employment are reviewed annually by the Committee in light of performance against individual and Group related goals.

Remuneration Principles

A remuneration policy has been adopted by the Board. The key principles of the policy are:

- To ensure that the level and composition of remuneration enables the recruitment, retention and motivation of all staff, in order to maximise the likelihood of achieving the Group's short, medium and long term business objectives; and
- To provide an element of incentive based remuneration for the Chief Executive Officer and executive management team that will ensure an appropriate emphasis on long term growth and financial performance, whilst continuing to deliver short term goals.

These principles form the basis of the remuneration package for all employees.

In respect of non-executive directors fees and payments, these reflect the demands and responsibilities of their role as discussed in Section 4.

Centro Employee Security Plan

The Centro Employee Security Plan and Loan Scheme ("ESP") enables all employees to acquire Centro securities at the prevailing market price and apply for a ten year interest free non-recourse loan to fund the purchase. Eligibility for participation in the ESP is at the discretion of the Board having regard to individual circumstances and performance.

Generally, any dividends or distributions paid are applied as loan repayments less an amount equal to the income tax payable by the employee on the dividend/distribution paid, subject to certain loan to security value criteria. Participating employees 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.

The benefits of the ESP and the value of the loan form part of each employee's remuneration package. The Board believes that the issue of Centro securities aligns employee interests with those of other security holders, and the Group's strong financial performance, distribution growth and appreciation in security price has meant that employees are able to participate directly in the value that Centro adds to its investors. Further information on the Centro Employee Security

Plan and Loan Scheme is included at Section 5 of this report.

Conditional Vesting Securities

In addition to the above issue of securities available to all staff, security-based remuneration may also be delivered to the Executive Director (Chief Executive Officer), the executive management team ("specified executives") and other senior executives, in the form of conditional vesting securities which are subject to hurdles linked to Group performance.

The performance hurdles involve a comparison of the Total Shareholder Return ("TSR") on Centro's securities and that of other listed property trust ("LPT") securities over a period of three financial years. Centro's TSR is to be compared to that of each other TSR in the UBS Equities Limited S&P/ASX Property 200 Accumulation Index (or similar or replacement index as determined by the Board) over the same period. Only TSRs of LPTs which have been in the index for the full three years will be compared. TSR measures the total return on a security and takes into account both capital appreciation and distributions of income. The ranking of Centro's TSR will determine the proportion of securities issued which may be retained by the employee as follows:

- If Centro's TSR is equal to or exceeds the TSR of 80% of the LPTs ranked, 100% of the securities will be retained;
- If Centro's TSR exceeds the TSR of 50% of the LPTs ranked but does not equal or exceed the TSR of 80% of the LPTs ranked, the percentage of securities that will be retained will be calculated as follows:
 - $\% = 40 + [2 \times (P - 50)]$
 - P = the percentage of the LPTs ranked that Centro's TSR is equal to or exceeds (expressed as a whole number, rounding up any fraction);
- If Centro's TSR is equal to or below the TSR of 50% of the LPTs ranked, none of the securities will vest.

The Board adopted TSR as the performance hurdle in accordance with standard market practice and because it forms the most appropriate comparator base.

Executive Option Plan

The Executive Option Plan ("EOP") was approved by Centro security holders at the

Centro Properties Group (formerly Prime Retail Group) Directors' Report

2001 AGM. Options were granted to a number of specified executives (as set out in the table on pages 7-9) under the terms of the EOP on 15 February 2002 and no further issues have taken place to date.

The pre-determined financial benchmarks over the three year period to 30 June 2004 for the issued options were satisfied and the options were exercised on 28 September 2004 at an issue price of \$3.43. The options were due to be exercised on 15 February 2005. However, the rules of the EOP provide for early vesting of options in certain circumstances, including a scheme of arrangement. As a result, the implementation of the scheme of arrangement of the former Centro Properties Group to enable its merger with Prime Retail Group brought forward the vesting day for the options to the date the Security Plan was approved by Centro security holders. No unexercised options remain outstanding at 30 June 2005.

The Board approved the granting of 10 year interest free loans (under the same terms as the Centro Employee Security Plan and Loan Scheme) to meet the cost of funding the exercise of the options. The provision of the loans was conditional upon the Centro-Prime merger being approved and that the total amount of the loans did not exceed the total aggregate exercise price of \$5,488,000. The value of this loan is included in the remuneration package for the specified executives and is set out in the remuneration table on page 5.

Total Participation in the Centro Employee Security Plan and Loan Scheme

The number of employees including the specified executives participating in the Centro Employee Security Plan and Loan Scheme are 381 (2004: Nil[#]). The number of securities on issue was 21,940,364* (2004: Nil[#]).

* Includes the exercised options discussed above.

Due to the Centro-Prime merger the opening balance was nil.

Elements of Remuneration

The total package for the Chief Executive Officer, executive management team, secretaries and other senior executives includes 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.

The components and guidelines for structuring remuneration are as follows:

1. 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.

2. Performance based Remuneration (Short Term Incentive)

This is normally in the form of cash-based remuneration, linked to delivery of distributions per security targets. These targets are set by the Board for each financial year and are based on actual distributions paid. The Board has determined that this is an appropriate condition as it ensures a definite link to Company results. Payout targets are geared within the range of the 50th to 75th percentiles of the comparator group, provided stretch targets are achieved. The Board's Remuneration Committee continues to review these incentives based on market practice and with the assistance of reports from independent consultants.

3. Equity based Remuneration (Long Term Incentive)

This benefit is linked to the achievement of sustainable and profitable business growth and is delivered in the form of security-based remuneration under the rules of the Centro Employee Security Plan previously discussed. As equity based remuneration is aligned with high levels of performance, it is expected that the annualised value of any long term incentive would result in a total package at around the 75th percentile of the comparator group.

Section 2 – Group Performance

Centro delivered investors a total return (comprising distributions and security price growth) of 57% for the year ended 30 June 2005. Centro was the highest performer in the S&P/ASX 200 Property Accumulation Index over the past two to 10 years and has delivered investors an average annual total return of 19.2% over the past 10 years.

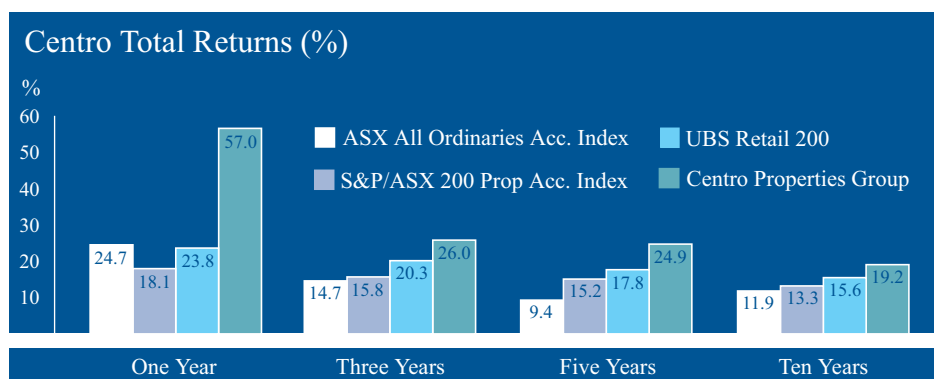
The chart at the bottom of the page compares Centro's total returns with industry benchmarks over the past year, three years, five years and 10 years.

The strong total returns that Centro has delivered to investors over the past 10 years have been driven by sustained earnings and distribution growth.

Centro's financial performance for the year ended 30 June 2005 exceeded the targets set by the Board for awarding the performance based remuneration (short term incentive) payments as described above. The Board determined that maximum bonuses would be awarded if distributions per security for the year ended 30 June 2005 equalled or exceeded 32.60 cents (reflecting growth of at least 7% on the 30.55 cents distribution per security for the year ended 30 June 2004). Centro delivered distributions per security of 33.60 cents for the year ended 30 June 2005 (reflecting growth of 10% on the 30.55 cents distributions per security for the year ended 30 June 2004).

Section 3 – Remuneration of Chief Executive Officer and Executive Management Team

The following tables set out the remuneration details for the executive director and the executives with the greatest authority for strategic direction and management of the Group during the financial year. The same executives also comprise the Group's five most highly remunerated executives.



Centro Properties Group (formerly Prime Retail Group)

Directors' Report

The relative proportion of the Chief Executive Officer's and the specified executives' total remuneration package that is performance based is set out in the table below:

2005	Primary			Post-employment	Equity	
Name	Salary	Cash Bonus ⁽¹⁾	Non-monetary Benefits ⁽²⁾	Superannuation	Employee Security Plan ⁽³⁾	Total
A.T. Scott Chief Executive Officer	\$825,686	\$720,000	\$88,463	\$74,312	\$408,508	\$2,116,969
G. Terry Chief Operating Officer	\$427,973	\$281,232	\$66,513	\$40,744	\$281,276	\$1,097,738
R. Nenna Chief Financial Officer	\$362,074	\$174,636	\$42,027	\$32,587	\$201,302	\$812,626
J. Hutchinson General Counsel	\$360,274	\$157,080	\$2,315	\$32,425	\$182,160	\$734,254
T. Torney General Manager Funds Management	\$348,249	\$142,800	—	\$11,585	\$125,847	\$628,481
M. Wilson National Property Manager ⁽⁴⁾	\$127,775	\$62,551	\$49,573	\$11,500	\$125,234	\$376,633
S. Schilling Chief Information Officer	\$180,455	\$86,793	—	\$36,526	\$130,836	\$434,610
Total	\$2,632,486	\$1,625,092	\$248,891	\$239,679	\$1,455,163	\$6,201,311

(1) Bonus accrued for period July 2004 to June 2005 paid in July 2005.

(2) Includes motor vehicle and other non-cash fringe benefits.

(3) Employee Security Plan covers 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 Security Plan.

(4) M. Wilson based on nine months' service in Australia prior to his secondment to CWMJV plus the value of benefits subject to Australian FBT provided over the whole year.

In general, between 35% and 50% of the total remuneration packages for executive directors and senior management is performance-based.

2004	Primary			Post-employment	Equity	
Name	Salary	Cash Bonus	Non-monetary Benefits	Superannuation	Employee Security Plan	Total
A.T. Scott Chief Executive Officer	\$756,882	\$660,000	\$56,556	\$68,119	\$158,156	\$1,699,713
G. Terry Chief Operating Officer	\$421,848	\$348,480	\$39,154	\$46,872	\$138,021	\$994,375
R. Nenna Chief Financial Officer	\$377,103	\$267,371	\$41,928	\$31,015	\$85,890	\$803,307
J. Hutchinson General Counsel	\$343,119	\$181,876	—	\$30,881	\$103,527	\$659,403
T. Torney General Manager Funds Management	\$287,902	\$136,000	—	\$9,168	\$40,955	\$474,025
M. Wilson National Property Manager	\$184,059	\$135,959	\$22,800	\$14,514	\$78,659	\$435,991
S. Schilling Chief Information Officer	\$152,009	\$125,195	—	\$30,000	\$62,588	\$369,792
Total	\$2,522,922	\$1,854,881	\$160,438	\$230,569	\$667,796	\$5,436,606

Centro Properties Group (formerly Prime Retail Group)

Directors' Report

Loans Provided to Executives

The following loans have been provided to Executives to fund the acquisition of securities under the Employee Security Plan and Executive Option Plan:

	June 2005 \$ Value	June 2004 \$ Value
A.T. Scott Chief Executive Officer	9,523,857	4,431,000
G. Terry Chief Operating Officer	5,203,789	2,030,875
R. Nenna Chief Financial Officer	3,653,141	1,861,600
J. Hutchinson General Counsel	4,272,069	1,861,600
T. Torney General Manager Funds Management	2,768,472	1,477,000
M. Wilson National Property Manager	3,149,562	738,500
S. Schilling Chief Information Officer	2,846,560	664,650

The following table sets out the percentage of the Short Term Incentive (STI) that was paid and the percentage that was forfeited for the 2005 financial year:

	% STI Paid	% STI Forfeited	\$ Value
A.T. Scott Chief Executive Officer	100%	0%	\$720,000
G. Terry Chief Operating Officer	100%	0%	\$281,232
R. Nenna Chief Financial Officer	100%	0%	\$174,636
J. Hutchinson General Counsel	100%	0%	\$157,080
T. Torney General Manager Funds Management	100%	0%	\$142,800
M. Wilson ⁽¹⁾ National Property Manager	100%	0%	\$62,511
S. Schilling Chief Information Officer	100%	0%	\$86,793

(1) Based on service for the Group for the period 1 July 2004 to 31 March 2005.

STI constitutes a cash bonus linked to delivery of distributions per security targets as described on page 4. The amounts above were provided for in Centro's financial results for the year ended 30 June 2005 and were paid in August 2005.

Centro Properties Group (formerly Prime Retail Group)

Directors' Report

The numbers of securities in the Group held during the financial year by each of the above specified executives of the Group, including their personally related entities as issued via the Employee Security Plan or Executive Option Plan, are as follows:

Name	Type of Equity Grant	Number of Securities ⁽¹⁾	Date of Grant	% Vested	Date Vested	% Forfeited	Future Financial Year that Securities will Vest	Held by Personally Related Entity
A. Scott	Ordinary securities issued pursuant to ESP	375,000	Apr 1998	n/a	n/a	n/a	n/a	Yes
	Ordinary securities issued pursuant to ESP	200,000	Nov 1999	n/a	n/a	n/a	n/a	Yes
	Ordinary securities issued pursuant to ESP	225,000	Dec 2001	n/a	n/a	n/a	n/a	No
	Ordinary securities issued pursuant to ESP with conditional vesting terms	500,000	Oct 2002	100%	30 Jun 2005	0%	–	No
	Ordinary securities issued pursuant to ESP with conditional vesting terms	1,200,000	Nov 2003	–	–	–	2006	No
	Ordinary securities issued pursuant to Executive Option Plan	650,000	Feb 2002	100%	28 Sep 2004	0%	–	No
Total		3,150,000						
G. Terry	Ordinary securities issued pursuant to ESP	100,000	Dec 1998	n/a	n/a	n/a	n/a	Yes
	Ordinary securities issued pursuant to ESP	100,000	Nov 1999	n/a	n/a	n/a	n/a	Yes
	Ordinary securities issued pursuant to ESP	200,000	Dec 2000	n/a	n/a	n/a	n/a	Yes
	Ordinary securities issued pursuant to ESP	100,000	Dec 2001	n/a	n/a	n/a	n/a	Yes
	Ordinary securities issued pursuant to ESP	125,000	Oct 2002	n/a	n/a	n/a	n/a	Yes
	Ordinary securities issued pursuant to ESP with conditional vesting terms	125,000	Oct 2002	100%	30 Jun 2005	0%	–	Yes
	Ordinary securities issued pursuant to ESP	200,000	Nov 2003	n/a	n/a	n/a	n/a	Yes
	Ordinary securities issued pursuant to ESP with conditional vesting terms	350,000	Nov 2003	–	–	–	2006	Yes
	Ordinary securities issued pursuant to Executive Option Plan	450,000	Feb 2002	100%	28 Sep 2004	0%	–	Yes
Total		1,750,000						

Centro Properties Group (formerly Prime Retail Group)

Directors' Report

Name	Type of Equity Grant	Number of Securities ⁽¹⁾	Date of Grant	% Vested	Date Vested	% Forfeited	Future Financial Year that Securities will Vest	Held by Personally Related Entity
J. Hutchinson	Ordinary securities issued pursuant to ESP	320,000	Oct 2002	n/a	n/a	n/a	n/a	No
	Ordinary securities issued pursuant to ESP with conditional vesting terms	250,000	Oct 2002	100%	30 Jun 2005	0%	—	No
	Ordinary securities issued pursuant to ESP	120,000	Nov 2003	n/a	n/a	n/a	n/a	No
	Ordinary securities issued pursuant to ESP with conditional vesting terms	200,000	Nov 2003	—	—	—	2006	No
	Ordinary securities issued pursuant to ESP with conditional vesting terms	300,000	Oct 2004	—	—	—	2007	No
Total		1,190,000						
R. Nenna	Ordinary securities issued pursuant to ESP	420,000	Dec 2001	n/a	n/a	n/a	n/a	No
	Ordinary securities issued pursuant to ESP	100,000	Oct 2002	n/a	n/a	n/a	n/a	No
	Ordinary securities issued pursuant to ESP with conditional vesting terms	100,000	Oct 2002	100%	30 Jun 2005	0%	—	No
	Ordinary securities issued pursuant to ESP	120,000	Nov 2003	n/a	n/a	n/a	n/a	No
	Ordinary securities issued pursuant to ESP with conditional vesting terms	200,000	Nov 2003	—	—	—	2006	No
	Ordinary securities issued pursuant to Executive Option Plan	250,000	Feb 2002	100%	28 Sep 2004	0%	—	No
Total		1,190,000						
S. Schilling	Ordinary securities issued pursuant to ESP	39,000	Apr 1998	n/a	n/a	n/a	n/a	No
	Ordinary securities issued pursuant to ESP	10,000	Dec 1998	n/a	n/a	n/a	n/a	No
	Ordinary securities issued pursuant to ESP	15,000	Nov 1999	n/a	n/a	n/a	n/a	No
	Ordinary securities issued pursuant to ESP	15,000	May 2000	n/a	n/a	n/a	n/a	No
	Ordinary securities issued pursuant to ESP	55,000	Dec 2000	n/a	n/a	n/a	n/a	No
	Ordinary securities issued pursuant to ESP	60,000	Dec 2001	n/a	n/a	n/a	n/a	No
	Ordinary securities issued pursuant to ESP	25,000	Oct 2002	n/a	n/a	n/a	n/a	No
	Ordinary securities issued pursuant to ESP	120,000	Feb 2003	n/a	n/a	n/a	n/a	No
	Ordinary securities issued pursuant to ESP	80,000	Nov 2003	n/a	n/a	n/a	n/a	No

Centro Properties Group (formerly Prime Retail Group) Directors' Report

Name	Type of Equity Grant	Number of Securities ⁽¹⁾	Date of Grant	% Vested	Date Vested	% Forfeited	Future Financial Year that Securities will Vest	Held by Personally Related Entity
S. Schilling (continued)	Ordinary securities issued pursuant to ESP with conditional vesting terms	100,000	Nov 2003	—	—	—	2006	No
	Ordinary securities issued pursuant to ESP	21,000	Oct 2004	n/a	n/a	n/a	n/a	No
	Ordinary securities issued pursuant to ESP with conditional vesting terms	300,000	Oct 2004	—	—	—	2007	No
	Total	840,000						
M. Wilson	Ordinary securities issued pursuant to ESP	125,000	Apr 1998	n/a	n/a	n/a	n/a	No
	Ordinary securities issued pursuant to ESP	50,000	Dec 1998	n/a	n/a	n/a	n/a	No
	Ordinary securities issued pursuant to ESP	60,000	Nov 1999	n/a	n/a	n/a	n/a	No
	Ordinary securities issued pursuant to ESP	80,000	Dec 2000	n/a	n/a	n/a	n/a	No
	Ordinary securities issued pursuant to ESP	55,000	Dec 2001	n/a	n/a	n/a	n/a	No
	Ordinary securities issued pursuant to ESP	60,000	Oct 2002	n/a	n/a	n/a	n/a	No
	Ordinary securities issued pursuant to ESP with conditional vesting terms	60,000	Oct 2002	100%	30 Jun 2005	0%	—	No
	Ordinary securities issued pursuant to ESP	100,000	Nov 2003	n/a	n/a	n/a	n/a	No
	Ordinary securities issued pursuant to ESP with conditional vesting terms	100,000	Nov 2003	—	—	—	2006	No
	Options issued pursuant to Executive Option Plan	250,000	Feb 2002	100%	28 Sep 2004	0%	—	No
	Ordinary securities issued pursuant to ESP with conditional vesting terms	100,000	Feb 2005	—	—	—	2008	No
	Total	1,040,000						
T. Torney	Ordinary securities issued pursuant to ESP	200,000	Nov 2003	n/a	n/a	n/a	n/a	Yes
	Ordinary securities issued pursuant to ESP with conditional vesting terms	200,000	Nov 2003	—	—	—	2006	Yes
	Ordinary securities issued pursuant to ESP	100,000	Oct 2004	n/a	n/a	n/a	n/a	No
	Ordinary securities issued pursuant to ESP with conditional vesting terms	100,000	Oct 2004	—	—	—	2007	No
	Total	600,000						

(1) The opening balance at 1 July 2004 was nil due to the Centro-Prime merger. Total number of securities as shown above reflects closing balance at 30 June 2005.

Centro Properties Group (formerly Prime Retail Group) Directors' Report

Service Agreements

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

Term of Agreement	Open ended for all specified executives and the Chief Executive Officer.
Notice Period	The employer must give 18 months notice (24 months for Chief Executive Officer) and the employee must give six months' notice.
Termination Benefits	Payment of termination benefit on termination by the employer, other than for gross misconduct, is equal to 1.5 times total remuneration for all specified executives and equal to 2.0* times total remuneration for the Chief Executive Officer.

* The 2004 Annual Report stated this figure as 1.5. This was a typographical error with the termination benefit not changing during the 2005 financial year.

Section 4 – Remuneration of Non-executive Directors

Non-executive directors' fees, including committee fees and ad hoc fees, are determined by the Remuneration Committee within an aggregate directors' fee pool limit, which is periodically recommended for approval by security holders. The maximum currently stands at \$1,250,000. This amount was approved at the 2004 Annual General Meeting.

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. The remuneration of non-executive directors is not linked to the performance of the company in order to maintain their independence and impartiality. Non-executive directors' fees and payments are reviewed annually by the Remuneration Committee after considering the advice of independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market.

It is the usual practice of the Group for the Chairman of the Board to undertake both whole of Board and individual director reviews. This review process takes place annually and involves the Chairman reviewing the effectiveness and contribution of individual directors. Whilst this process is seen by the Board as having been very effective, it has been supplemented this year by engaging independent business consultants Korn/Ferry International to evaluate the governance and performance of the Board. This evaluation process entails the completion of a detailed report based on completion of questionnaires and interviews with directors and senior executives.

Following the freezing of retirement benefits (refer to table on page 11), effective from 1 January 2005, directors receive a fee of

\$100,000 per annum in relation to their services as a director. In accordance with rule 9.3(f) of the constitution, non-executive directors are also permitted to be paid additional fees for attendance at ad hoc meetings. Such fees are included in the aggregate remuneration cap approved by security holders. Directors who sit on the Board's committees receive these additional fees as follows:

- Audit and Risk Management Committee – \$6,000 per annum;
- Compliance Committee – \$5,000 per annum
- Nomination and Remuneration Committees – \$3,000 per annum;
- Committee Chairmen for the Audit and Risk Management and Compliance Committees receive a fee of \$12,000 and \$10,000 per annum respectively;
- Directors who sit on other committees of the Board, such as due diligence committees, receive an attendance fee of \$2,000 per full day and \$1,000 per half day. During the year, non-executive directors were paid a total of \$53,000 in ad hoc committee fees.

Following the freezing of retirement benefits (refer to table on page 11), effective from 1 January 2005, the Chairman of the Board receives a fee of \$300,000 per annum. This level of remuneration reflects the greater time commitment and responsibility required and is commensurate with similar roles in the external market. The Chairman receives no further remuneration for committee membership. During the reporting period, the Chairman has been a member of all Board committees and chaired the Nomination and Remuneration Committees. Due to changes in the composition of Board Committees

commencing 1 July 2005, in recognition that with increased Board size the need for all Board members to sit on all Committees no longer exists, the Chairman will be a member of, and chair, the Nomination and Remuneration Committees only.

Superannuation contributions are also made on behalf of the non-executive Directors in accordance with the Group's statutory superannuation obligations and are included in the fee pool limit. Non-executive Directors are also entitled to be reimbursed for all business-related expenses, including travel on company business, as may be incurred in the discharge of their duties.

Non-executive director Security Plan

The Group does not have a non-executive director security plan. Non-executive directors do not receive securities as part of their remuneration. Non-executive directors do not have any loans payable to Centro under the Employee Security Plan.

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 changes in market practice on non-executive directors' remuneration. On 3 July 2004, the Board further resolved to "freeze" the retirement benefits accrued to 31 December 2004 for non-executive directors appointed prior to 1 July 2003. The benefits will not be paid until the participating non-executive director retires from the Board. Until then, the benefit will be increased each year on 1 December (commencing on 1 January 2005) by the annual Consumer Price Index ("CPI"), September quarter to September quarter, as published by the Australian Bureau of Statistics. Annual fees have been adjusted to reflect the Board's decision to discontinue accrual of a retirement benefit.

Centro Properties Group (formerly Prime Retail Group)

Directors' Report

Details of non-executive director remuneration for the financial year are set out in the following table. All values are A\$ unless otherwise stated.

2005	Committee Fees (including ad hoc committee fees)		Superannuation Contributions	Retirement Benefit ⁽³⁾	Total
Name	Directors' Fees \$	\$	\$	\$	\$
B. Healey (Chairman)	262,500 ⁽¹⁾	–	23,625	45,000	331,125
L.A. Wilson	87,500 ⁽¹⁾	25,000	10,125	15,000	137,625
P.G. Goldie	87,500 ⁽¹⁾	39,000	9,135	15,000	150,635
D.D.H. Graham	87,500 ⁽¹⁾	14,000	9,135	15,000	125,635
S. Kavourakis	100,000	42,000	9,735	– ⁽²⁾	151,735
L.P. Wilkinson	100,000	14,000	9,735	– ⁽²⁾	123,735
Total	725,000	134,000	71,490	90,000	1,020,490

(1) The freezing of retirement benefits effective 1 January 2005 has resulted in the directors' fees paid during the reporting period being less than the annual fees noted above.
(2) No retirement benefits are due. Mr Kavourakis and Mr Wilkinson were appointed after 1 July 2003.
(3) Retirement benefits represent the amount accrued during the financial year. As noted above the accrual of retirement benefits ceased as at 31 December 2004.

2004	Committee Fees (including ad hoc committee fees)		Superannuation Contributions	Retirement Benefit	Total
Name	Directors' Fees \$	\$	\$	\$	\$
B. Healey (Chairman)	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 ⁽¹⁾	77,555	–	5,215	–	82,770
L.P. Wilkinson ⁽¹⁾	35,777	–	2,520	–	38,297
Total	586,332	–	53,725	215,510	855,567

(1) Appointed during the 2004 year.

Section 5 – Centro Employee Security Plan and Loan Scheme

The Centro Employee Security Plan and Loan Scheme ("Plan") was approved by security holders on 20 September 1991. The Plan enables employees to acquire Centro securities at the prevailing market price and apply for a 10 year interest free non-recourse loan to fund the purchase. Eligibility for participation in the Plan is at the discretion of the Board. Generally, any dividends or distributions paid are applied as loan repayments less an amount equal to the income tax payable by the employee on the dividend/distribution paid. The value of the loan forms part of each employee's remuneration.

Participating employees 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.

In order to provide long term incentives to senior management other than the Group executives disclosed in Section 3, the Board may also approve the issue of conditional vesting securities which are subject to the same performance hurdles as set out on page 3.

During the year, the Board approved a variation to the Plan to allow participants to receive dividends or distributions in full once the loan for a grant of securities reaches 75% of the market price of the securities, on the condition that the loan subsequently remains below 85% of the market price. In the event that the 85% threshold is exceeded, a portion of the dividend or distribution is once again applied towards repayment of the loan. This variation to the Plan is not available to participants holding conditional vesting securities, in which case both the 75% rule and the vesting condition must be met.

30.6.05 30.6.04

Number of employees participating in the Plan	381	Nil [#]
Securities issued under the Plan to participating employees	21,940,364*	Nil [#]

* Includes exercised options.

Due to the Centro-Prime merger the opening balance was nil.

Information on Directors

Particulars of the qualifications, experience and special responsibilities of each Director, as at the date of this report, are set out below.

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.

Centro Properties Group (formerly Prime Retail Group) Directors' Report

Mr Brian Healey (Chairman)

An independent non-executive director of Centro Properties Group since 1993 and a Director of Centro Retail Limited. Mr Healey is also a Director of Fosters Group Limited and Incitec Pivot Limited, and was a Director of Orica Limited until 2003.

Mr Andrew Scott (Chief Executive Officer)

A Director and the Chief Executive Officer of Centro Properties Group since 1997 and a Director of Centro Retail Limited. Mr Scott joined the Group in March 1997 after 15 years with Coles Myer Ltd. in various senior property, finance and strategy positions. Prior to joining Centro, he was Director of Property for Coles Myer Ltd. Mr Scott is also the Chairman of the Shopping Centre Council of Australia and Foundation Chairman and School Council member of the Lauriston Girls' School. Within the past three years, Mr Scott has not held any additional directorships of ASX ("Australian Stock Exchange") listed entities.

Mr Graham Goldie

An independent non-executive Director of Centro Properties Group since 1994 and a Director of Centro Retail Limited. Mr Goldie has been appointed Chairman of the Compliance Committee commencing 1 July 2005. Mr Goldie has a background in retail store management with over 15 years' experience at a senior executive level for Target and Myer stores. Since 1991, Mr Goldie has operated his own consultancy service, consulting to a wide range of diverse interests. Mr Goldie is Chairman of the Advisory Board at the Australian Centre for Retail Studies ("ACRS"), a specialist centre within the Department of Marketing at Monash University. Within the past three years, Mr Goldie has not held any additional directorships of ASX listed entities.

Mr David Graham

An independent non-executive Director of Centro Properties Group since 1985 and a Director of Centro Retail Limited. Mr Graham is the principal of DDH Graham Limited, a corporate advisory and funds management firm based in Brisbane. Mr Graham is also a Director of Stradbroke Ferries Limited.

Mr Graham's background is in stockbroking and merchant banking. He started his career as an analyst and economist at a leading

stockbroking firm and moved from research to the underwriting and advisory areas and was involved extensively in merger and acquisition and capital raising transactions.

He established DDH Graham Limited in 1981 which operates a money market fund, and is the responsible entity for a number of investment trusts. Within the past three years, Mr Graham has not held any additional directorships of ASX listed entities.

Mr Laurie Wilson

An independent non-executive Director of Centro Properties Group since 1993 and a Director of Centro Retail Limited. Mr Wilson has been the Chairman of the Audit and Risk Management Committee and Compliance Committee for the reporting period. Due to changes in the composition of Board Committees, Mr Wilson will retire as Chairman of these Committees from 1 July 2005. Mr Wilson was Managing Director of Bowater Scott Australia (Group) Limited for 15 years, a company manufacturing and marketing a comprehensive array of leading consumer branded tissue products to the grocery retail and hospitality sectors. Previously serving as a Director of several corporations including Arnotts Ltd, Campbell's Soups Australia, Richardson Pacific Limited and Heidelberg Australia, Mr Wilson is presently a Director and Chairman of Forestry Tasmania. Within the past three years, Mr Wilson has not held any additional directorships of ASX listed entities.

Mr Sam Kavourakis

An independent non-executive Director of Centro Properties Group since November 2003 and a Director of Centro Retail Limited. Mr Kavourakis has been appointed Chairman of the Audit and Risk Management Committee commencing 1 July 2005. Mr Kavourakis has extensive investment and fund management experience in Australia, including within the property sector. He was the Managing Director of National Mutual Funds Management for eight years, during which time he was responsible for all asset management functions within the National Mutual Group, both in Australia and offshore and managing an investment team of more than 400 people. Mr Kavourakis is currently a Director of a number of companies and associations including Ticor Limited, Rio Tinto Staff Superannuation Fund, Australand Wholesale Investments Limited,

Collins House Financial Services and Traffic Technologies Ltd. Within the past three years, Mr Kavourakis has not held any additional directorships of ASX listed entities.

Mr Peter Wilkinson

An independent non-executive Director of Centro Properties Group since March 2004 and a Director of Centro Retail Limited. Mr Wilkinson has extensive retail management and property experience within Australia, including almost six years as Chief Executive and Managing Director of David Jones Limited. During this time he was responsible for managing the strategic development and value generation of 35 stores, and clearly positioned David Jones as Australia's premier department store. He had previously spent 18 years with Myer and Coles Myer Ltd, including positions as Managing Director of Target, Managing Director of Myer Grace Bros and Chief Operating Officer of the Coles Myer Group. Mr Wilkinson has held numerous positions within the retail sector, including President of the Australian Retailers Association, and is currently a Director of Australian Wool Services Limited and Fone Zone Pty Ltd. Mr Wilkinson was been a Director of David Jones Limited for the period 1997 to 2003.

Secretaries

The Company Secretary is Ms Danielle Rowe, BA, LLB. Danielle was appointed to the position of Company Secretary of Centro Properties Group in October 2004. Over the past 13 years she has held various positions, including General Counsel, Corporate Affairs Manager, Solicitor and Company Secretary in the energy industry and for an insurance company.

Ms Philippa Kelly, LLB, ASIA, formerly acted in the role as Company Secretary and continues to act as alternate Company Secretary as required.

Insurance of Directors and Officers

During the financial year the Company insured its Directors, Secretary and Officers against liability to third parties and for costs incurred in defending any civil or criminal proceedings that may be brought against them in their capacity as Directors and Officers 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

Centro Properties Group (formerly Prime Retail Group) Directors' Report

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: D. Rowe.

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 2005 and the number of meetings attended by each Director.

	Board Meetings	Board Audit and Risk Management Committee Meetings	Compliance Committee Meetings	Remuneration Committee Meetings	Board Sub-committee Meetings	Nomination Committee Meetings
Centro Properties Limited						
Number of meetings held	15	2	n/a	2	7	1
Number of meetings attended by:						
B. Healey	15	2	n/a	2	7	1
A.T. Scott	15	#	n/a	#	7	1
P.G. Goldie	15	2	n/a	2	1	1
D.D.H. Graham	15	2	n/a	2	#	1
L.A. Wilson	14	2	n/a	2	#	1
S. Kavourakis	15	2	n/a	2	1	1
L.P. Wilkinson	15	2	n/a	1	#	—

	Board Meetings	Board Audit and Risk Management Committee Meetings	Compliance Committee Meetings	Remuneration Committee Meetings	Board Sub-committee Meetings	Nomination Committee Meetings
CPT Manager Limited						
Number of meetings held	17	2	4	n/a	7	n/a
Number of meetings attended by:						
B. Healey	17	2	4	n/a	7	n/a
A.T. Scott	17	#	4	n/a	7	n/a
P.G. Goldie	17	2	4	n/a	1	n/a
D.D.H. Graham	17	2	4	n/a	#	n/a
L.A. Wilson	16	2	3	n/a	#	n/a
S. Kavourakis	17	2	4	n/a	1	n/a
L.P. Wilkinson	17	2	4	n/a	#	n/a
# Not a member of the Committee.						

Centro Properties Group (formerly Prime Retail Group) Directors' Report

Non-Audit Services

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important.

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out in Note 26 to the financial statements.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit Committee is satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out in Note 26 to the Group financial report, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermines the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the Group, acting as advocate for the Group or jointly sharing economic risks and rewards.

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 15.

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 19 August 2005 in accordance with a resolution of the Directors.



B. Healey
Director



A.T. Scott
Director

Centro Properties Group (formerly Prime Retail Group)

Auditor's Independence Declaration



Auditor's Independence Declaration

As lead auditor for the audit of Centro Properties Group for the year ended 30 June 2005, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Centro Properties Group, comprising both Centro Properties Limited and Centro Property Trust and the entities they controlled during the period.

A handwritten signature in blue ink, appearing to read 'S. Cougle'.

Stephen Cougle
Partner
PricewaterhouseCoopers
Melbourne
19 August 2005

PricewaterhouseCoopers
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Statement of Financial Performance for the year ended 30 June 2005

Centro Properties Group (formerly Prime Retail Group)			
	Note	30.6.05 \$'000	30.6.04 \$'000
Revenue from ordinary activities (excluding shares of equity-accounted net profits of associates and joint ventures)	3(b)	317,827	25,924
Revenue from outside operating activities	3(b)	209,736	24,540
Borrowing costs expense	3(c)	(65,761)	(7,758)
Repairs, maintenance, cleaning and security		(24,417)	(2,143)
Employee benefits expense		(26,591)	–
Rent, rates, taxes and insurance		(23,786)	(2,284)
Management fees		(11,740)	(908)
Light and power		(7,774)	(486)
Marketing		(2,006)	(116)
Depreciation and amortisation expense	3(c)	(30,410)	–
Bad and doubtful debts		(992)	(144)
Other shopping centre costs		(2,786)	(1,504)
Other expenses from ordinary activities		(19,923)	(2,173)
Carrying amount of non-current assets sold		(185,143)	(14,852)
Shares of net profits of associates and joint ventures accounted for using the equity method		59,819	15,790
Profit from ordinary activities before income tax expense		186,053	33,886
Income tax expense	4	–	–
Net profit		186,053	33,886
Net profit attributable to outside equity interest		(6,451)	(406)
Net profit attributable to members of Centro Properties Group		179,602	33,480
Net increase in asset revaluation reserve	20(a)	125,564	15,753
Net exchange differences on translation of financial report of foreign associates	20(b)	9,446	7,027
Total revenues, expenses and valuation adjustments attributable to members of Centro Properties Group recognised directly in equity		135,010	22,780
Total changes in equity attributable to members of Centro Properties Group other than those resulting from transactions with owners as owners		314,612	56,260
Basic earnings per security (cents)	22	26.15	42.20
Diluted earnings per security (cents)	22	26.15	37.30

The above Statement of Financial Performance should be read in conjunction with the accompanying notes.

Statement of Financial Position as at 30 June 2005

Centro Properties Group (formerly Prime Retail Group)			
	Note	30.6.05 \$'000	30.6.04 \$'000
Current assets			
Cash assets	6	67,372	1,360
Receivables	7	165,837	10,097
Other financial assets	9	2,293,320	1,318
Total current assets		2,526,529	12,775
Non-current assets			
Receivables	8	49,789	—
Investments accounted for using the equity method	9	860,159	105,889
Other financial assets	9	2,368,256	242,562
Plant and equipment	11	5,823	—
Intangible assets	12	675,705	—
Other	13	78,381	127,681
Total non-current assets		4,038,113	476,132
Total assets		6,564,642	488,907
Current liabilities			
Payables	14	139,859	8,497
Non-interest bearing liabilities	15	52,847	7,307
Provisions	16	140,590	8,745
Total current liabilities		333,296	24,549
Non-current liabilities			
Payables	14	20,555	—
Interest bearing liabilities	17	2,650,735	101,127
Provisions	18	2,376	—
Total non-current liabilities		2,673,666	101,127
Total liabilities		3,006,962	125,676
Net assets		3,557,680	363,231
Equity			
Contributed equity	19	3,392,046	336,551
Reserves	20(a) (b)	157,790	22,780
Retained profits	20(c)	2,485	—
Total entity interest		3,552,321	359,331
Outside equity interest in controlled entities		5,359	3,900
Total equity		3,557,680	363,231

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Cash Flows for the year ended 30 June 2005

Centro Properties Group (formerly Prime Retail Group)			
	Note	30.6.05 \$'000	30.6.04 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of Goods and Services Tax)		313,393	24,030
Payments to suppliers and employees (inclusive of Goods and Services Tax)		(73,009)	(4,378)
		240,384	19,652
Distributions received from associates		62,891	10,011
Interest received		6,688	1,203
Interest paid		(62,911)	(6,909)
Net cash inflow from operating activities	21(b)	247,052	23,957
Cash flows from investing activities			
Payment for purchase of controlled entity net of cash acquired		(939,307)	—
Loans to other related parties		(1,847)	—
Proceeds from sale of property investments		201,581	9,454
Payments for plant and equipment		(1,476)	—
Payments for acquisition and development of property investments		(392,166)	(191,358)
Interest paid on property held for development		(1,334)	—
Net cash (outflow) from investing activities		(1,134,549)	(181,904)
Cash flows from financing activities			
Proceeds from borrowings		824,181	13,931
Proceeds from issues of securities		200,000	168,288
Distributions paid		(61,474)	(24,107)
Distributions paid to outside equity interest		(6,451)	—
Receipts from related parties		189	603
Restructure and capital raising costs paid		(2,936)	(1,560)
Net cash inflow from financing activities		953,509	157,155
Net increase / (decrease) in cash held		66,012	(792)
Cash at the beginning of the financial year		1,360	2,152
Cash at the end of the financial year	21(a)	67,372	1,360
Non-cash financing activities	21(c)	69,914	2,121
The above Statement of Cash Flows should be read in conjunction with the accompanying notes.			

Centro Properties Group (formerly Prime Retail Group)

Notes to and forming part of the Financial Statements

for the year ended 30 June 2005

1. 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 has issued Australian equivalents to IFRS, and the Urgent Issues Group has issued 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(aa) 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.

Centro Properties Group (formerly Prime Retail Group)

Notes to and forming part of the Financial Statements

for the year ended 30 June 2005

(e) Revenue Recognition (continued)

(ii) Services Income (continued)

– 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 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(u).

(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.

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 joint venture entities 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) Website Costs

Costs in relation to websites are charged as expenses in the period in which they are incurred unless they relate to the acquisition of an asset, in which case the costs are capitalised and amortised over the period of expected benefit.

(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 three and five years.

(l) Intangible Assets

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.

Centro Properties Group (formerly Prime Retail Group)

Notes to and forming part of the Financial Statements

for the year ended 30 June 2005

(m) 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 includes the current year's assessed fair value of options, the total of which are recognised over the vesting period.

(n) 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.

(o) 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.

(p) 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.

(q) 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.

(r) 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.

Centro Properties Group (formerly Prime Retail Group)

Notes to and forming part of the Financial Statements

for the year ended 30 June 2005

(s) 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.

(t) Interest Rate Risk Management

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.

(u) 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 5.75% (2004: 6.06%).

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.

(v) 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.

(w) 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).

(x) 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.

(y) Rounding of Amounts

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 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.

(z) 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.

Centro Properties Group (formerly Prime Retail Group)

Notes to and forming part of the Financial Statements

for the year ended 30 June 2005

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.

(aa) Impacts of Adopting Australian Equivalents to IFRS

The Australian Accounting Standard Board (AASB) is adopting International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS ("AIFRS"), and the Urgent Issues Group has issued interpretations corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. These Australian equivalents to IFRS are referred to hereafter as AIFRS. The adoption of AIFRS 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.

Entities complying with AIFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of AIFRS to that comparative period. Most adjustments required on transition to AIFRS 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 AIFRS, 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.

The project team has analysed all of the AIFRS and has identified the accounting policy changes that will be required. In some cases choices of accounting policies are available, including elective exemptions under Accounting Standard AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*. These choices have been analysed to determine the most appropriate accounting policy for the Group.

The known or reliably estimable impacts on the financial report for the year ended 30 June 2005 had it been prepared using AIFRS are set out in Note 34. The expected financial effects of adopting AIFRS are shown for each line item in the statements of financial performance and statements of financial position, with descriptions of the differences. No material impacts are expected in relation to the statements of cash flows.

Although the adjustments disclosed in this note are based on management's best knowledge of expected standards and interpretations, and current facts and circumstances, these may change. For example, amended or additional standards or interpretations may be issued by the AASB and the IASB. Therefore, until the Group prepares its first full AIFRS financial statements, the possibility cannot be excluded that the accompanying disclosure may have to be adjusted.

Centro Properties Group (formerly Prime Retail Group)
Notes to and forming part of the Financial Statements
for the year ended 30 June 2005

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 as well as New Zealand and the United States. The Group also derives income from its retail property investments in listed and unlisted entities.

Services Business

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

PRIMARY REPORTING – BUSINESS SEGMENT

2005	Property Ownership \$'000	Services Business \$'000	Inter- segment/ Other \$'000	Group \$'000
Sales revenue	260,585	57,242	–	317,827
Shares of net profits of associates and joint ventures	59,819	–	–	59,819
Other revenue	202,405	–	7,331	209,736
Total segment revenue	522,809	57,242	7,331	587,382
Segment result	228,603	15,880	–	244,483
Unallocated revenue less unallocated expense				(58,430)
Profit from ordinary activities before income tax				186,053
Income tax expense				–
Net Profit				186,053
Segment assets	5,702,855	706,841	–	6,409,696
Unallocated assets				154,946
Total Assets				6,564,642
Segment liabilities	2,823,984	30,193	–	2,854,177
Unallocated liabilities				152,785
Total Liabilities				3,006,962
Depreciation and amortisation expense	6,598	23,812	–	30,410

2004

The Group operated in one business segment with the principal activity being to provide a vehicle for investors to invest in a portfolio of convenience-based retail property.

Centro Properties Group (formerly Prime Retail Group)
Notes to and forming part of the Financial Statements
for the year ended 30 June 2005

2. SEGMENT INFORMATION (continued)

SECONDARY REPORTING – GEOGRAPHICAL SEGMENT

Centro Properties Group operates in three major geographical segments, being Australia, the United States and New Zealand. In the 2005 financial year, the results of the New Zealand operations are not material and have therefore not been separately disclosed. The New Zealand operations have been included in the Australasian segment. No New Zealand operations existed in the comparative period.

2005	Australasia \$'000	United States \$'000	Inter- segment/ Other \$'000	Group \$'000
Revenue from ordinary activities	284,520	33,307	–	317,827
Shares of net profits of associates and joint ventures	41,872	17,947	–	59,819
Other revenue	202,405	–	7,331	209,736
Total segment revenue	528,797	51,254	7,331	587,382
Segment result	205,215	39,268	–	244,483
Unallocated revenue less unallocated expense				(58,430)
Profit from ordinary activities before income tax				186,053
Income tax expense				–
Net Profit				186,053
Segment assets	4,596,095	1,968,547	–	6,564,642
Unallocated assets				–
Total Assets				6,564,642
Acquisitions of property, plant and equipment, intangibles and other non-segment assets	3,941,638	1,682,521	–	5,624,159
2004	Australia \$'000	United States \$'000	Inter- segment/ Other \$'000	Group \$'000
Revenue from ordinary activities	27,899	–	–	27,899
Shares of net profits of associates and joint ventures	5,147	10,643	–	15,790
Other revenue	–	–	–	–
Total segment revenue	33,046	10,643	–	43,689
Other (income) expenses from ordinary activities	(11,659)	–	–	(11,659)
Segment result	21,387	10,643	–	32,030
Unallocated revenue less unallocated expense				1,856
Profit from ordinary activities before income tax				33,886
Income tax expense				–
Net Profit				33,886
Segment assets	305,659	183,248	–	488,907
Unallocated assets	–	–	–	–
Total Assets	305,659	183,248	–	488,907

Centro Properties Group (formerly Prime Retail Group)
Notes to and forming part of the Financial Statements
for the year ended 30 June 2005

2. SEGMENT INFORMATION (continued)

Notes to and forming part of the Segment Information

(a) Accounting Policies

Segment reporting is prepared in conformity with the accounting policies of the Group 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 from the industry and geographical segments identified in previous years.

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

(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.

Centro Properties Group
(formerly Prime Retail Group)

30.6.05
\$'000

30.6.04
\$'000

3. PROFIT FROM ORDINARY ACTIVITIES

(a) Profit from ordinary activities before income tax comprises:

Net property ownership income	211,748	20,906
Other investment income		
Unlisted entity distributions	27,891	19,114
Overhead expenses	(18,770)	(2,172)
Net property investment income	220,869	37,848
Services income	57,242	—
Overhead expenses	(17,550)	—
Net services income	39,692	—
Depreciation and amortisation	(6,598)	—
Finance and corporate costs (net of interest income)	(58,430)	(4,995)
Debt/hedge restructuring costs	(2,106)	(1,560)
Profit from sale of investments	16,438	2,593
Goodwill amortisation	(23,812)	—
Net profit before income tax	186,053	33,886
Net profit attributable to outside equity interest	(6,451)	(406)
Net profit attributable to members of Centro Properties Group	179,602	33,480
(b) Revenue includes:		
Revenue from operating activities		
Property ownership income	260,585	25,924
Services revenue	57,242	—
	317,827	25,924
Revenue from outside the operating activities		
Proceeds from sale of investments	201,581	17,445
Other income	824	5,892
Interest income	7,331	1,203
	209,736	24,540
Revenue from ordinary activities (excluding shares of equity-accounted net profits of associates and joint venture partnerships)	527,563	50,464

Centro Properties Group (formerly Prime Retail Group)
Notes to and forming part of the Financial Statements
for the year ended 30 June 2005

3. PROFIT FROM ORDINARY ACTIVITIES (continued)		
	Centro Properties Group (formerly Prime Retail Group)	
	30.6.05 \$'000	30.6.04 \$'000
(c) Other expenses included in operating profit:		
Bad and doubtful debts	(992)	(144)
Depreciation – plant and equipment	(1,639)	–
Amortisation	(28,771)	–
Borrowing costs:		
– Interest and finance charges paid/payable	(68,686)	(7,758)
– Amount capitalised	2,925	–
Borrowing costs expense	(65,761)	(7,758)
(d) Individually significant items:		
Amortisation	(28,771)	–
Profit from sale of investments	16,438	2,593
Debt/hedge restructuring costs	(2,106)	(1,560)
Revaluation increment on investment properties	–	3,706
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	186,053	33,886
Income tax calculated at 30% (2004 at 30%)	55,816	10,044
Trust income not subject to income tax	(64,999)	(10,044)
Tax effect of permanent differences:		
– Non-deductible depreciation	(134)	–
– Distributions from unlisted trusts and partnerships	(1,814)	–
– Costs capitalised for accounting	(354)	–
– Amortisation of goodwill	5,387	–
– Book profit on sale of investments	(1,263)	–
– Other	16	–
Income tax adjusted for permanent differences	(7,345)	–
Tax benefit recognised, not brought to account	7,345	–
Income tax expense applicable to operating profit:	–	–
Tax Losses		
The Directors estimate that the potential future income tax benefit at 30 June 2005 in respect of tax losses not brought to account is	918	–
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;		
(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 implemented the tax consolidation legislation as of 8 October 2004.		

Centro Properties Group (formerly Prime Retail Group)
Notes to and forming part of the Financial Statements
for the year ended 30 June 2005

4. INCOME TAX EXPENSE (continued)

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 are 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 are recognised separately as tax-related amounts receivable or payable. Any expenses and revenues arising under the tax sharing agreement are 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 are measured based on their carrying amounts at the level of the tax consolidated group before the implementation of the tax consolidation regime.

Centro Properties Group
(formerly Prime Retail Group)

30.6.05
\$'000

30.6.04
\$'000

5. DISTRIBUTIONS

The Directors have declared a final distribution of 17.60 cents which will be paid on 26 August 2005 to holders of stapled securities at the close of business on 30 June 2005.

The distribution comprises:

- Distribution from Trust of 17.60 cents (last year: 18.68* cents)
- Dividend from Company of nil cents (last year: nil cents)

137,244
–

17,374
–

Distributions provided

137,244

17,374

Interim distribution of 16.00 cents per stapled security comprising:

- Distribution from Trust of 16.00 cents (last year: 17.70* cents)
- Dividend from Company of nil cents (last year: nil cents)

122,643
–

13,253
–

Distributions paid

122,643

13,253

Total distributions provided for or paid amount to 33.60 cents per stapled security

- Distribution from Trust of 33.60 cents (last year: 36.38* cents)
- Dividend from Company of nil cents (last year: nil cents)

259,887
–

30,627
–

Total distributions provided for or paid

259,887

30,627

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 2005 after servicing the dividends declared at balance date.

Nil

Nil

Centro Properties Group (formerly Prime Retail Group)
Notes to and forming part of the Financial Statements
for the year ended 30 June 2005

5. DISTRIBUTIONS (continued)		
	Centro Properties Group (formerly Prime Retail Group)	
	Cents	Cents
Tax components of the distributions		
Interim distribution		
Trust – Tax advantaged	4.03	8.73*
– Taxable	11.97	8.97*
	16.00	17.70*
Company – Franked	Nil	Nil
– Unfranked	Nil	Nil
	Nil	Nil
Total interim distribution	16.00	17.70*
Final distribution		
Trust – Tax advantaged	4.43	9.21*
– Taxable	13.17	9.47*
	17.60	18.68*
Company – Franked	Nil	Nil
– Unfranked	Nil	Nil
	Nil	Nil
Total final distribution	17.60	18.68*
Total distribution	33.60	36.38*
Trust – Tax advantaged	8.46	17.94*
– Taxable	25.14	18.44*
	33.60	36.38*
Company – Franked	Nil	Nil
– Unfranked	Nil	Nil
	Nil	Nil
Total distribution	33.60	36.38*
Total tax advantaged	8.46	17.94*
The comparability of certain statistics included in this concise financial report (marked with *) has been affected by the 5:1 consolidation of securities following the merger. These statistics have been restated to reflect the 5:1 consolidation.		

Centro Properties Group (formerly Prime Retail Group)
Notes to and forming part of the Financial Statements
for the year ended 30 June 2005

Centro Properties Group (formerly Prime Retail Group)			
	Note	30.6.05 \$'000	30.6.04 \$'000
6. CASH ASSETS (CURRENT)			
Cash on hand		18	—
Cash at bank		67,354	1,360
		67,372	1,360
7. RECEIVABLES (CURRENT)			
Trade debtors		27,610	1,126
Less: Provision for doubtful debts		(5,514)	(52)
		22,096	1,074
Other debtors		67,550	9,023
Prepayments		11,559	1,318
GST receivable		1,449	—
Short term loans to and receivable from related parties		63,183	—
		165,837	11,415
8. RECEIVABLES (NON-CURRENT)			
Employee share plan loan		39,169	—
Other receivables		10,620	—
		49,789	—
Refer to Note 25 for terms and conditions of Employee share plan loans.			
9. INVESTMENTS			
Investments accounted for using the equity method	(a) (b)	915,725	105,889
Permanent property investments	(a) (b)	4,490,841	242,562
Investment in unlisted entities	(b)	115,169	—
		5,521,735	348,451
Included in the statement of financial position as:			
Investments accounted for using the equity method		860,159	105,889
Other financial assets – current		2,293,320	—
Other financial assets – non-current		2,368,256	242,562
		5,521,735	348,451

Centro Properties Group (formerly Prime Retail Group)

Notes to and forming part of the Financial Statements

for the year ended 30 June 2005

9. INVESTMENTS (continued)

(a) Permanent property investments

For the purposes of the combined accounts, the permanent property investments have been valued by Directors so as to reflect valuations as at 30 June 2005 prepared by registered valuers from CB Richard Ellis, Jones Lang LaSalle, FPD Savills and m3property. Barrington Mall, Meadowlands, Cannonvale, Armidale and Vallejo were acquired during the year and are recorded at cost. The carrying values of these centres include redevelopment costs and operational capital expenditure incurred in the period since acquisition.

Centro Properties Group
(formerly Prime Retail Group)

30.6.05 **30.6.04**
\$'000 **\$'000**

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

– Centro Galleria (WA) ^{(1) (3)}	462,000	–
– Centro The Glen (Vic) ^{(1) (3)}	320,000	–
– Centro Toombul (Qld) ^{(1) (3)}	233,000	–
– Centro Bankstown (NSW) – 50% interest ⁽¹⁾	218,486	–
– Centro Mandurah (WA) ⁽¹⁾	185,125	–
– Karingal Hub (Vic) ⁽¹⁾	174,500	–
– Centro Colonnades – (SA) ^{(1) (3)}	156,000	–
– Centro Roselands (NSW) – 50% interest ⁽¹⁾	146,014	–
– Centro Cranbourne (Vic) ^{(1) (3)}	125,100	–
– Centro Warriewood (NSW) ^{(1) (3)}	121,400	–
– Centro Warwick (WA) ⁽¹⁾	111,400	–
– Centro Tweed Mall (NSW) ^{(1) (3)}	90,000	–
– Centro Box Hill (Vic) ⁽¹⁾	78,500	–
– Mildura Plaza (Vic) ^{(1) (3)}	77,160	–
– Centro Taigum (Qld) ^{(1) (3)}	75,900	–
– Victoria Gardens Retail Trust (Vic) – 50% interest ⁽¹⁾	36,515	–
– Centro Arndale – 50% interest (SA) ⁽¹⁾	69,637	–
– Centro Southport (Qld) ⁽³⁾	60,000	–
– Centro Mornington (Vic) ⁽³⁾	55,000	–
– Centro Whitehorse (Vic) ⁽¹⁾	54,800	–
– Centro Hervey Bay (Qld) ⁽¹⁾	53,100	–
– Centro Springwood (Qld) ^{(1) (3)}	51,500	–
– Centro Wodonga (Vic) ⁽³⁾	50,000	41,000
– Lavington Square (NSW) ⁽¹⁾	49,000	–
– Centro Goulburn (NSW) ^{(1) (3)}	41,085	–
– Centro Westside (NSW) ⁽³⁾	37,700	19,878
– Centro Lansell (Vic)	36,200	32,000
– Centro Nerang (Qld)	35,800	29,200
– Target Vallejo (USA) (acquired Apr 2005)	31,943	–
– Newton Gardens (SA)	27,000	17,765
– Centro Karratha (WA) – 50% interest ⁽¹⁾	26,967	–
– Centro Murray Bridge (SA) ⁽²⁾	25,500	23,000
– Centro Lutwyche (Qld) – 50% interest ⁽¹⁾	24,902	–
– Centro Victoria Park (WA)	23,750	18,062
– Centro Barrington (NZ) (acquired Nov 2004)	23,085	–
– Centro Halls Head (WA) ⁽¹⁾	21,200	–
– Centro Buranda (Qld) ^{(1) (3)}	19,235	–
– Centro Northshore (Vic)	15,700	13,357
– Centro Birallee (Vic)	13,900	12,200
– Centro Whitsundays (Qld) (acquired Feb 2005)	12,573	–
– Centro Meadowlands (NZ) (acquired Jan 2005)	11,565	–
– Centro Armidale (NSW) (acquired Jun 2005)	6,307	–
– Port Pirie Plaza (SA) (sold Dec 2004)	–	11,200
– Target Warrnambool (Vic) (sold Jan 2005)	–	9,800
– Coles Morwell (Vic) (sold Dec 2004)	–	9,700
– Emerald Market Plaza (Qld) – 50% interest (sold Dec 2004)	–	5,400
– Kramont Realty Trust (USA) (acquired Apr 2005) ^{(4) (5)}	1,577,303	–
	5,065,852	242,562

Centro Properties Group (formerly Prime Retail Group)
Notes to and forming part of the Financial Statements
for the year ended 30 June 2005

9. INVESTMENTS (continued)		
	Centro Properties Group (formerly Prime Retail Group)	
	30.6.05 \$'000	30.6.04 \$'000
Less equity-accounted investments ⁽⁶⁾	(582,841)	—
Less amounts transferred to current:		
– Target Vallejo (USA)	(31,943)	—
– Other ^{(3) (4) (5)}	(2,093,161)	—
Non-current permanent property investments	2,357,907	242,562
Current permanent property investments		
– Glenview Apartments (Vic)	757	—
– Target Vallejo (USA)	31,943	—
– Elizabeth Plaza (Tas)	7,073	—
– Other ^{(3) (4) (5)}	2,093,161	—
Current permanent property investments	2,132,934	—
Total Permanent property investments	4,490,841	242,562
<p>(1) Acquired on 8 October 2004 as part of the Prime-Centro merger.</p> <p>(2) Centro has a 54.5% interest.</p> <p>(3) 50% interest to be transferred to Centro Retail Trust during August 2005. The interest in these properties totalling \$987,005,000 has therefore been transferred to “other financial assets – current”.</p> <p>(4) 100% interest in 17 assets held by Kramont Realty Trust to be transferred to Centro Retail Trust during August 2005. The interest in these properties totalling \$695,201,000 has therefore been transferred to “other financial assets – current”.</p> <p>(5) Subsequent to year end, Centro committed to dispose of its 100% interest in 30 assets to Centro MCS 36. The interest in these properties totalling \$410,955,000 has therefore been transferred to “other financial assets – current”.</p> <p>(6) Comprises all permanent property investments in which the Group holds a 50% interest.</p>		
	Centro Properties Group (formerly Prime Retail Group)	
	30.6.05 \$'000	30.6.04 \$'000
(b) Investment in unlisted entities – at cost		
Investment in unlisted entities – at cost	448,053	—
Less equity-accounted investments	(277,318)	—
Less equity-accounted investments transferred to current ⁽¹⁾	(55,566)	—
	115,169	—
<p>Centro exerts significant influence over unlisted investments totalling \$332.8 million. These investments have been equity-accounted. The remainder of Centro’s investments in unlisted entities are recorded at cost. These investments amount to \$115.1 million, the majority of which relate to investment in CWAR I (refer to Note 28).</p> <p>⁽¹⁾ Equity-accounted investment in CWAR I is recorded as a current asset as it is intended for sale to Centro Retail Trust.</p>		

Centro Properties Group (formerly Prime Retail Group)
Notes to and forming part of the Financial Statements
for the year ended 30 June 2005

9. INVESTMENTS (continued)		
(c) Investment in controlled entities - companies, partnerships and trusts		
	Issued Capital Group Entity Interest 30.6.05 %	30.6.04 %
CHIEF ENTITIES		
Centro Properties Limited (formerly Prime Property Management Limited)	100	100
Centro Property Trust (formerly Prime Retail Property Trust)	100	100
ENTITIES CONTROLLED BY CENTRO PROPERTIES LIMITED		
Centro (CPL) Ltd	100	—
ENTITIES CONTROLLED BY CENTRO (CPL) LTD		
333 Queen Street Pty Ltd ⁽¹⁾	100	—
Centro Asset Management Pty Ltd ⁽¹⁾	100	—
Centro Corporate Services Pty Ltd ⁽¹⁾	100	—
Centro Development Management Pty Ltd ⁽¹⁾	100	—
Centro Development Trust ⁽¹⁾	100	—
Centro Fund Manager (NZ) Ltd ⁽¹⁾ (incorporated in NZ)	100	—
Centro Management Services Trust ⁽¹⁾	100	—
Centro MCS Manager Limited ⁽¹⁾	100	—
Centro MCS Property Funds Limited ⁽¹⁾	100	—
Centro MCS Property Services Pty Ltd ⁽¹⁾	100	—
Centro Property Management Trust ⁽¹⁾	100	—
Centro Property Manager (NZ) Ltd ⁽¹⁾ (incorporated in NZ)	100	—
Centro Property Management (Vic) Pty Ltd ⁽¹⁾	100	—
Centro Services Group Pty Ltd ⁽¹⁾	100	—
Centro Services Holdings Pty Ltd ⁽¹⁾	100	—
Centro Syndication Finance Pty Ltd ⁽¹⁾	100	—
Centro WCJV, LP Inc. ⁽²⁾	100	—
Centro WCJV, GP Inc. ⁽²⁾	100	—
CPL Tweed Holding Trust ⁽¹⁾	100	—
CPM (ACT) Pty Ltd ⁽¹⁾	100	—
CPM (NSW) Pty Ltd ⁽¹⁾	100	—
CPM (Qld) Pty Ltd ⁽¹⁾	100	—
CPM (SA) Pty Ltd ⁽¹⁾	100	—
CPM (WA) Pty Ltd ⁽¹⁾	100	—
CPT Custodian Pty Limited ⁽¹⁾	100	—
CPT Manager Limited ⁽¹⁾	100	—
Dunecorp Pty Limited ⁽¹⁾	100	—
Freesia Pty Ltd ⁽¹⁾	100	—
Karingal 2 Holdings Pty Ltd	51	—
Karratha Holdings Pty Ltd ⁽¹⁾	100	—
Karratha Partnership ⁽¹⁾	100	—
Karratha Properties Pty Ltd ⁽¹⁾	100	—
Lavington Square Pty Ltd ⁽¹⁾	100	—
Loyal No. 46 Pty Ltd ⁽¹⁾	100	—
Luzy Pty Ltd ⁽¹⁾	100	—
Mornington Centre Pty Ltd ⁽¹⁾	100	—
Mulgrave Business Park Partnership ⁽¹⁾	100	—
Mulgrave Business Park Pty Ltd ⁽¹⁾	100	—
Pleach Pty Ltd ⁽¹⁾	100	—
PMC 14 Pty Ltd ⁽¹⁾	100	—
PMC 23 Pty Ltd ⁽¹⁾	100	—
Presmar Finance Pty Ltd ⁽¹⁾	100	—
Presmar Properties Pty Ltd ⁽¹⁾	100	—
Preston Central Pty Ltd ⁽¹⁾	100	—
Tangerine Aura Pty Ltd ⁽¹⁾	100	—
Tinweal Pty Ltd ⁽¹⁾	100	—

Centro Properties Group (formerly Prime Retail Group)
Notes to and forming part of the Financial Statements
for the year ended 30 June 2005

9. INVESTMENTS (continued)		
	Issued Capital Group Entity Interest	
	30.6.05 %	30.6.04 %
Uppsala Partnership ⁽¹⁾	100	—
Uppsala Pty Ltd ⁽¹⁾	100	—
Warriewood Pty Ltd ⁽¹⁾	100	—
ENTITIES CONTROLLED BY CENTRO PROPERTY TRUST		
Bendigo Trust	100	100
Birallee Holding Trust	100	100
Birallee Sub Trust	100	100
Bridge Plaza Sub Trust	72.75	72.75
Bridge Plaza Joint Venture ⁽¹⁾	74.91	74.91
Broken Hill Trust	100	100
Centro (CPT) Trust ⁽¹⁾	100	—
Centro Albury Holding Trust	100	—
Centro Albury Sub Trust	100	—
Centro Brooks Garden Holding Trust	100	—
Centro Brooks Garden Sub Trust	100	—
Centro Cannonvale Holding Trust	100	—
Centro Cannonvale Sub Trust	100	—
Centro MCS 35 – Holding Trust	100	—
Centro MCS 36 Trust 1 – 12	100	—
Centro Meadowlands Holding Trust	100	—
Centro Meadowlands Sub Trust	100	—
Centro NZ Shopping Centre Fund Ltd (incorporated in NZ)	100	—
Centro NZ Shopping Centre Fund Sub Trust	100	—
Centro Retail Limited	100	—
Centro Warrnambool Holding Trust	100	—
Centro Warrnambool Sub Trust	100	—
Centro West End Holding Trust	100	—
Centro West Sub Trust	100	—
CPT HT 7 ⁽¹⁾	100	—
CPT HT 8 ⁽¹⁾	100	—
CPT HT 9 ⁽¹⁾	100	—
CPT HT 10 ⁽¹⁾	100	—
CPT ST 7 ⁽¹⁾	100	—
CPT ST 8 ⁽¹⁾	100	—
CPT ST 9 ⁽¹⁾	100	—
CPT ST 10 ⁽¹⁾	100	—
Emerald Village Acquisition Trust	100	100
Morwell Trust	100	100
Nerang Trust	100	100
Newton Trust	100	100
North Shore Holding Trust	100	100
North Shore Sub Trust	100	100
Sunshine Trust	100	100
Thomco 1098 Pty Ltd	72.75	72.75
Victoria Park Sub Trust	100	100
Warrnambool Trust	100	100
Port Pirie Trust	—	100
ENTITIES CONTROLLED BY CENTRO (CPT) TRUST		
Box Hill Central Holding Trust ⁽¹⁾	100	—
Box Hill Central Trust ⁽¹⁾	100	—
Centro Arndale Holding Trust No. 1 ⁽¹⁾	100	—

Centro Properties Group (formerly Prime Retail Group)
Notes to and forming part of the Financial Statements
for the year ended 30 June 2005

9. INVESTMENTS (continued)		
	Issued Capital Group Entity Interest	
	30.6.05 %	30.6.04 %
Centro Arndale Sub Trust No. 1 ⁽¹⁾	100	—
Centro Bankstown Holding Trust No. 2 ⁽¹⁾	100	—
Centro Bankstown Sub Trust No. 2 ⁽¹⁾	100	—
Centro Barrington Holding Trust	100	—
Centro Barrington Sub Trust	100	—
Centro Capital Pty Ltd ⁽¹⁾	100	—
Centro Colonnades Head Trust ⁽¹⁾	100	—
Centro Colonnades Sub Trust ⁽¹⁾	100	—
Centro CTT Holding Trust ⁽¹⁾	100	—
Centro Direct Property Fund (New Zealand) Holding Trust ⁽¹⁾	100	—
Centro MCS 34 (New Zealand) Trust	100	—
Centro Galleria Morley Head Trust ⁽¹⁾	100	—
Centro Galleria Morley Sub Trust ⁽¹⁾	100	—
Centro Karingal Sub Trust No. 2 (Starzone)	100	—
Centro Karingal Holding Trust ⁽¹⁾	100	—
Centro Karingal Sub Trust ⁽¹⁾	100	—
Centro Pooled Property Fund ⁽¹⁾	100	—
Centro PPF Holding Trust ⁽¹⁾	100	—
Centro PPF Investment Trust ⁽¹⁾	100	—
Centro PPF Sub Trust ⁽¹⁾	100	—
Centro Retail Trust	100	—
Centro Roselands Trust ⁽¹⁾	100	—
Centro Securitisation Trust ⁽¹⁾	100	—
Centro Services Group Trust ⁽¹⁾	82	—
Centro Services Holding Trust ⁽¹⁾	82	—
Centro Services Trust ⁽¹⁾	82	—
Centro Toombul Head Trust ⁽¹⁾	100	—
Centro Toombul Sub Trust ⁽¹⁾	100	—
Centro Victoria Gardens Holding Trust ⁽¹⁾	100	—
Centro Watt America REIT VI, Inc. ⁽²⁾	97	—
Centro Watt America REIT V, Inc. ⁽²⁾	97	—
Centro Watt Operating Partnership 5, L.P. ⁽²⁾	100	—
Centro Watt Operating Partnership 6, L.P. ⁽²⁾	100	—
CMCS 32 Holding Trust ⁽¹⁾	100	—
CMCS 33 Holding Trust ⁽¹⁾	100	—
CMCS 34 Holding Trust ⁽¹⁾	100	—
CMCS Syndicates Holding Trust ⁽¹⁾	100	—
CMCS Syndicates Investment Trust ⁽¹⁾	100	—
CPT Tweed Holding Trust ⁽¹⁾	100	—
Cranbourne Holding Trust ⁽¹⁾	100	—
Cranbourne Park Unit Trust ⁽¹⁾	100	—
Cranbourne Sub Trust ⁽¹⁾	100	—
CWAR GP Trust V ⁽²⁾	100	—
CWAR GP Trust VI ⁽²⁾	100	—
CWAR LP Trust V ⁽²⁾	100	—
CWAR LP Trust VI ⁽²⁾	100	—
CWAR V Sub Trust 1 ⁽²⁾	100	—
CWAR V Sub Trust 2 ⁽²⁾	100	—
CWAR V1 Holding Trust 1 ⁽²⁾	100	—
CWAR V1 Holding Trust 2 ⁽²⁾	100	—
Glen Centre Development Trust ⁽¹⁾	100	—
Glen Holding Trust ⁽¹⁾	100	—
Glen Property Trust ⁽¹⁾	81	—

Centro Properties Group (formerly Prime Retail Group)
Notes to and forming part of the Financial Statements
for the year ended 30 June 2005

9. INVESTMENTS (continued)		
	Issued Capital Group Entity Interest	
	30.6.05 %	30.6.04 %
Halls Head Trust ⁽¹⁾	100	—
Hervey Bay Holding Trust ⁽¹⁾	100	—
Hervey Bay Sub Trust ⁽¹⁾	100	—
Mildura Centre Plaza Unit Trust ⁽¹⁾	100	—
Mornington Holding Trust ⁽¹⁾	100	—
Mornington Shopping Centre Unit Trust ⁽¹⁾	83	—
Mornington Sub Trust ⁽¹⁾	100	—
Southport Holding Trust ⁽¹⁾	100	—
Southport Sub Trust ⁽¹⁾	100	—
Springwood Holding Trust ⁽¹⁾	100	—
Springwood Sub Trust ⁽¹⁾	100	—
Taigum Holding Trust ⁽¹⁾	100	—
Taigum Sub Trust ⁽¹⁾	100	—
The Glen Centre Trust ⁽¹⁾	70.14	—
Warriewood Square Unit Trust ⁽¹⁾	100	—
Warwick Grove Trust ⁽¹⁾	100	—
Whitehorse City Trust ⁽¹⁾	100	—
Whitehorse City Sub Trust ⁽¹⁾	100	—
Whitehorse Plaza Trust ⁽¹⁾	100	—
Whitehorse Plaza Sub Trust ⁽¹⁾	100	—
US ENTITIES CONTROLLED BY CENTRO (CPT) TRUST		
Centro Watt America III, L.P. ⁽²⁾	100	—
Centro Watt America III OP, LLC ⁽²⁾	100	—
550 West Germantown Pike LLC ⁽²⁾	100	—
550 West Germantown Pike Manager LLC ⁽²⁾	100	—
555 Scott Street Associates, L.P. ⁽²⁾	100	—
555 Scott Street LLC ⁽²⁾	100	—
Campus Village Shopping Center Joint Venture ⁽²⁾	100	—
Cedar Crest Associates, L.P. ⁽²⁾	100	—
Cedar Crest GP LLC ⁽²⁾	100	—
Century Plaza Associates, L.P. ⁽²⁾	100	—
Cherry Square MCV Associates, L.P. ⁽²⁾	100	—
Cherry Square MCV Associates, LLC ⁽²⁾	100	—
Chesterbrook Village Center Associates, L.P. ⁽²⁾	100	—
Chesterbrook Village Center LLC ⁽²⁾	100	—
Collegeville Plaza Associates, L.P. ⁽²⁾	100	—
Collegeville Plaza LLC ⁽²⁾	100	—
County Line Plaza Realty Associates, L.P. ⁽²⁾	100	—
County Line Plaza Realty LLC ⁽²⁾	100	—
CP General Partner LLC ⁽²⁾	100	—
Culpeper Shopping Center Joint Venture ⁽²⁾	100	—
CV GP LLC ⁽²⁾	100	—
CV GP LP ⁽²⁾	100	—
CV OP Holdings, LLC ⁽²⁾	100	—
CV Partner Holdings, L.P. ⁽²⁾	100	—
CV Warehouse 75 L.P. ⁽²⁾	100	—
CV Warehouse 75 LLC ⁽²⁾	100	—
CV Warehouse 76 L.P. ⁽²⁾	100	—
CV Warehouse 76 LLC ⁽²⁾	100	—
CV Warehouse 78 L.P. ⁽²⁾	100	—
CV Warehouse 78 LLC ⁽²⁾	100	—

Centro Properties Group (formerly Prime Retail Group)
Notes to and forming part of the Financial Statements
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9. INVESTMENTS (continued)		
	Issued Capital Group Entity Interest	
	30.6.05 %	30.6.04 %
Danville Plaza Associates, L.P. ⁽²⁾	100	—
Danville Plaza LLC ⁽²⁾	100	—
Dickson City Center Associates, L.P. ⁽²⁾	100	—
Dickson City Center LLC ⁽²⁾	100	—
Drexel Realty, Inc. ⁽²⁾	100	—
DX Property L.P. ⁽²⁾	100	—
DX Property LLC ⁽²⁾	100	—
Fox Run, Limited Partnership ⁽²⁾	100	—
Gilbertsville Plaza Associates L.P. ⁽²⁾	100	—
Gilbertsville Plaza LLC ⁽²⁾	100	—
Glenmont Associates L.P. ⁽²⁾	100	—
Glenmont LLC ⁽²⁾	100	—
GRX Realty LLC ⁽²⁾	100	—
GRX Realty, L.P. ⁽²⁾	100	—
Hillcrest Plaza GP LLC ⁽²⁾	100	—
Hillcrest Plaza Limited Partnership ⁽²⁾	100	—
Hillcrest Plaza II LLC ⁽²⁾	100	—
Hillcrest Plaza II Manager, LLC ⁽²⁾	100	—
Killingly Plaza LLC ⁽²⁾	100	—
Killingly Plaza Manager LLC ⁽²⁾	100	—
KOP Burr Corners LLC ⁽²⁾	100	—
KOP Burr Corners Manager LLC ⁽²⁾	100	—
KOP Burr Corners Office I LLC ⁽²⁾	100	—
KOP Burr Corners Office I Manager LLC ⁽²⁾	100	—
KOP Burr Corners Officer II LLC ⁽²⁾	100	—
KOP Burr Corners Office II Manager LLC ⁽²⁾	100	—
KOP Kline Plaza LLC ⁽²⁾	100	—
KOP Kline Plaza Manager LLC ⁽²⁾	100	—
KOP Perkins Farm Marketplace LLC ⁽²⁾	100	—
KOP Perkins Farm Marketplace Manager LLC ⁽²⁾	100	—
KOP Summerhill Marketplace LLC ⁽²⁾	100	—
KOP Summerhill Marketplace Manager LLC ⁽²⁾	100	—
KOP Vestal Venture LLC ⁽²⁾	100	—
KR 69th Street GP LLC ⁽²⁾	100	—
KR 69th Street, L.P. ⁽²⁾	100	—
KR Bainbridge LLC ⁽²⁾	100	—
KR Bainbridge Manager LLC ⁽²⁾	100	—
KR Barn GP LLC ⁽²⁾	100	—
KR Barn, L.P. ⁽²⁾	100	—
KR Best Associates GP LLC ⁽²⁾	100	—
KR Best Associates, L.P. ⁽²⁾	100	—
KR Bradford Mall GP LLC ⁽²⁾	100	—
KR Bradford Mall, L.P. ⁽²⁾	100	—
KR Brookhaven LLC ⁽²⁾	100	—
KR Campus GP LLC ⁽²⁾	100	—
KR Campus II GP LLC ⁽²⁾	100	—
KR Cary LLC ⁽²⁾	100	—
KR Circleville LLC ⁽²⁾	100	—
KR Collegetown LLC ⁽²⁾	100	—
KR Columbia LLC ⁽²⁾	100	—
KR Columbia Manager LLC ⁽²⁾	100	—
KR Columbia II LLC ⁽²⁾	100	—
KR Columbia II Manager LLC ⁽²⁾	100	—

Centro Properties Group (formerly Prime Retail Group)
Notes to and forming part of the Financial Statements
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9. INVESTMENTS (continued)		
	Issued Capital Group Entity Interest	
	30.6.05 %	30.6.04 %
KR Columbus LLC ⁽²⁾	100	—
KR Culpeper GP LLC ⁽²⁾	100	—
KR Culpeper II GP LLC ⁽²⁾	100	—
KR Development GP LLC ⁽²⁾	100	—
KR Development, L.P. ⁽²⁾	100	—
KR Douglasville LLC ⁽²⁾	100	—
KR Fox Run GP LLC ⁽²⁾	100	—
KR Harrodsburg LLC ⁽²⁾	100	—
KR Harrodsburg Manager LLC ⁽²⁾	100	—
KR Hillcrest Mall, LLC ⁽²⁾	100	—
KR Holcomb LLC ⁽²⁾	100	—
KR Jefferson City LP LLC ⁽²⁾	100	—
KR Jefferson City GP LLC ⁽²⁾	100	—
KR Jefferson City, L.P. ⁽²⁾	100	—
KR Livonia LLC ⁽²⁾	100	—
KR Mableton LLC ⁽²⁾	100	—
KR MacArthur Associates GP LLC ⁽²⁾	100	—
KR MacArthur Associates, L.P. ⁽²⁾	100	—
KR Manchester LLC ⁽²⁾	100	—
KR Marumsco GP LLC ⁽²⁾	100	—
KR Marumsco II GP LLC ⁽²⁾	100	—
KR Morganton LLC ⁽²⁾	100	—
KR Morganton Manager LLC ⁽²⁾	100	—
KR Northpark Associates GP LLC ⁽²⁾	100	—
KR Orange LLC ⁽²⁾	100	—
KR Park Plaza LLC ⁽²⁾	100	—
KR Park Plaza Manager LLC ⁽²⁾	100	—
KR Parkway Plaza LLC ⁽²⁾	100	—
KR Pensacola II LLC ⁽²⁾	100	—
KR Pensacola LLC ⁽²⁾	100	—
KR Pilgrim GP LLC ⁽²⁾	100	—
KR Pilgrim, L.P. ⁽²⁾	100	—
KR Snellville LLC ⁽²⁾	100	—
KR Spartanburg LLC ⁽²⁾	100	—
KR Spartanburg Manager LLC ⁽²⁾	100	—
KR Staunton LLC ⁽²⁾	100	—
KR Street Associates GP LLC ⁽²⁾	100	—
KR Street Associates, L.P. ⁽²⁾	100	—
KR Suburban GP LLC ⁽²⁾	100	—
KR Suburban, L.P. ⁽²⁾	100	—
KR Summerville LLC ⁽²⁾	100	—
KR Tifton LLC ⁽²⁾	100	—
KR Tower Plaza LLC ⁽²⁾	100	—
KR Tower Plaza Manager LLC ⁽²⁾	100	—
KR Trust One LLC ⁽²⁾	100	—
KR Trust One Manager, LLC ⁽²⁾	100	—
KR Valley Forge GP LLC ⁽²⁾	100	—
KR Valley Forge, L.P. ⁽²⁾	100	—
KR Vidalia LLC ⁽²⁾	100	—
KR Wampanoag LLC ⁽²⁾	100	—
KR Wampanoag Manager LLC ⁽²⁾	100	—

Centro Properties Group (formerly Prime Retail Group)
Notes to and forming part of the Financial Statements
for the year ended 30 June 2005

9. INVESTMENTS (continued)		
	Issued Capital	
	Group Entity Interest	
	30.6.05	30.6.04
	%	%
Kramont Enterprises, Inc. ⁽²⁾	100	—
Kramont Operating Partnership L.P. ⁽²⁾	100	—
Kramont Vestal Management LLC ⁽²⁾	100	—
KRT Property Holdings LLC ⁽²⁾	100	—
KRT Union LLC ⁽²⁾	100	—
KRT Union Manager LLC ⁽²⁾	100	—
Lakewood Plaza 9 Associates, L.P. ⁽²⁾	100	—
Lilac DE LLC ⁽²⁾	100	—
Lilac DE Manager LLC ⁽²⁾	100	—
MGA Payroll Company, Inc. ⁽²⁾	100	—
Montgomery CV Realty L.P. ⁽²⁾	100	—
Marlton Plaza Associates II, L.P. ⁽²⁾	100	—
Marlton Plaza Associates II, L.P. ⁽²⁾	100	—
Marlton Plaza Associates, L.P. ⁽²⁾	100	—
Marlton Plaza II LLC ⁽²⁾	100	—
Marlton Plaza LLC ⁽²⁾	100	—
Marumsco Jefferson Joint Venture ⁽²⁾	100	—
Mount Carmel Plaza Associates, L.P. ⁽²⁾	100	—
Mount Carmel Plaza LLC ⁽²⁾	100	—
New Holland Plaza Associates, L.P. ⁽²⁾	100	—
New Holland Plaza LLC ⁽²⁾	100	—
Newtown Village Plaza L.P. ⁽²⁾	100	—
Newtown Village Plaza LLC ⁽²⁾	100	—
North Penn Marketplace Associates, L.P. ⁽²⁾	100	—
North Penn Marketplace LLC ⁽²⁾	100	—
Northpark Associates, L.P. ⁽²⁾	100	—
Orange Plaza LLC ⁽²⁾	100	—
Orange Plaza Manager LLC ⁽²⁾	100	—
Parkway Plaza II LLC ⁽²⁾	100	—
Plymouth Plaza Associates, L.P. ⁽²⁾	100	—
Plymouth Plaza LLC ⁽²⁾	100	—
Recreation Mortgages, L.P. ⁽²⁾	100	—
Recreation Mortgages, LLC ⁽²⁾	100	—
Rio Grande Associates, L.P. ⁽²⁾	100	—
Rio Grande LLC ⁽²⁾	100	—
Royce Realty, Inc. ⁽²⁾	100	—
Springfield Office LLC ⁽²⁾	100	—
Springfield Office Manager LLC ⁽²⁾	100	—
Springfield Supermarket LLC ⁽²⁾	100	—
Springfield Supermarket Manager LLC ⁽²⁾	100	—
Village Plaza LLC ⁽²⁾	100	—
Village Plaza Manager LLC ⁽²⁾	100	—
Wellington Ridge LLC ⁽²⁾	100	—
Wellington Ridge One, L.P. ⁽²⁾	100	—
Woodbourne Square LLC ⁽²⁾	100	—
Woodbourne Square, L.P. ⁽²⁾	100	—
WX Realty, L.P. ⁽²⁾	100	—
WX Realty, LLC ⁽²⁾	100	—
(1) These entities were acquired or formed as part of the Centro-Prime merger (refer to Note 10 for an overview). All these entities have been formed or incorporated in Australia or New Zealand.		
(2) These US entities were acquired or formed as part of the Kramont Realty Trust acquisition (refer to Note 10 for an overview). All these entities are incorporated in the United States of America, and have a 31 December financial year unless stipulated in the table above.		

Centro Properties Group (formerly Prime Retail Group)
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10. ACQUISITION OF CONTROLLED ENTITIES				
Name of Entity	Country of Incorporation	Class of Shares	Equity Holding	
			2005 %	2004 %
Centro Properties Group*	Australia	Ordinary	100	—
Kramont Realty Trust*	USA	Ordinary	100	—
<p>* The corresponding controlled entities that fall under each acquisition are contained and labelled accordingly in Note 9(c).</p> <p>Merger of Centro Properties Group and Prime Retail Group On 8 October 2004, Centro Properties Group (“CEP”) successfully merged with the Prime Retail Group (“PRX”). The legal form of the merger was such that PRX technically acquired CEP. PRX was then renamed “Centro Properties Group”.</p> <p>The effective ratio for the merger was five Prime securities per one Centro security. As a result, Prime issued 625,681,955 units to Centro security holders at \$4.55 per security.</p> <p>Details of the acquisition are as follows:</p>				
			\$'000	
Fair value of identifiable net assets of controlled entity acquired:				
Property investments			3,266,004	
Receivables			141,065	
Plant and equipment			6,084	
Other			38,223	
Cash on hand and at bank			11,098	
Interest bearing liabilities			(1,097,513)	
Payables			(68,475)	
Provisions			(10,780)	
Less: Outside equity interests			2,285,706	
			53,884	
Goodwill on consolidation			2,231,822	
			615,031	
Consideration			2,846,853	
<p>Acquisition of Kramont Realty Trust On 18 April 2005 the Group successfully completed the acquisition of the Kramont Realty Trust (“Kramont”). This acquisition increased the Group’s total funds under management to \$8.6 billion. The results of Kramont have been consolidated into the results of the Group for the period ended 30 June 2005.</p> <p>Details of the acquisition are as follows:</p>				
			\$'000	
Fair value of identifiable net assets of controlled entity acquired:				
Property investments			1,596,016	
Receivables			17,082	
Other			28,901	
Cash on hand and at bank			2,293	
Interest bearing liabilities			(691,027)	
Payables			(40,817)	
Provisions			(44,236)	
Goodwill on consolidation			868,212	
			84,486	
Consideration			952,698	

Centro Properties Group (formerly Prime Retail Group)
Notes to and forming part of the Financial Statements
for the year ended 30 June 2005

Centro Properties Group (formerly Prime Retail Group)		
	30.6.05 \$'000	30.6.04 \$'000
11. PLANT AND EQUIPMENT		
Plant and equipment at cost	7,462	—
Less: Accumulated depreciation	(1,639)	—
	5,823	—
Reconciliation:		
Carrying amount at 1 July 2004	—	—
Additions	7,462	—
Disposals	—	—
Depreciation expense	(1,639)	—
Carrying amount at 30 June 2005	5,823	—
12. INTANGIBLE ASSETS		
Goodwill	699,517	—
Less: Accumulated amortisation	(23,812)	—
	675,705	—
13. OTHER (NON-CURRENT)		
FX receivable	37,157	—
Mortgage note receivables	28,617	—
Other	12,607	127,681
	78,381	127,681
14. PAYABLES		
Current		
Trade creditors	33,128	—
Accrued interest	10,296	—
Deferred income	32,443	—
Other creditors	63,992	8,497
	139,859	8,497
Non-Current		
Deferred purchase consideration	20,555	—
15. NON-INTEREST BEARING LIABILITIES (CURRENT)		
Other creditors	52,847	—
Converting preference securities	—	7,307
	52,847	7,307

Centro Properties Group (formerly Prime Retail Group)
Notes to and forming part of the Financial Statements
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		Centro Properties Group (formerly Prime Retail Group)	
		30.6.05 \$'000	30.6.04 \$'000
	Note		
16. PROVISIONS (CURRENT)			
Distributions	5	137,244	8,745
Employee entitlements	25	3,346	–
		140,590	8,745
Movements in provisions for distributions			
Carrying amount at start of year		8,745	4,346
Total distributions for year		259,987	30,627
Total cash distributions paid during year		(122,643)	(24,107)
Less: Distribution reinvestment plan		(8,845)	(2,121)
Carrying amount at year end		137,244	8,745
17. INTEREST BEARING LIABILITIES (NON-CURRENT)			
Bank loans – secured		253,036	101,127
Bank loans – unsecured		1,582,099	–
Commercial mortgage backed securities		815,600	–
Total non-current interest bearing liabilities		2,650,735	101,127
Financing Arrangements			
The consolidated entity has access to the following lines of credit:			
Total facilities available:			
Bank overdrafts		2,000	–
Bank loans		2,923,635	107,250
		2,925,635	107,250
Facilities utilised at reporting date:			
Bank overdrafts		–	–
Bank loans		2,650,735	101,127
		2,650,735	101,127
Facilities not utilised at reporting date:			
Bank overdrafts		2,000	–
Bank loans		272,900	6,123
		274,900	6,123
Security: Included in the total loan facilities of \$2,926.0 million are commercial mortgage-backed securities (“CMBS”) issues totalling \$815.6 million, which are secured by mortgages over a number of selected investment properties. CMBS issues totalling \$288.0 million are secured by the following investment properties: Springwood, Southport Park, Morningson Central, The Glen, Warwick Centre, Warwick Grove, Lavington Square and Tweed Mall. CMBS issues totalling \$212.0 million are secured by the following investment properties: Cranbourne Park, Karingal Hub, Mandurah and Warriewood. CMBS issues totalling \$315.6 million are secured over a number of investment properties from the ex-Kramont property portfolio.			

Centro Properties Group (formerly Prime Retail Group)
Notes to and forming part of the Financial Statements
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17. INTEREST BEARING LIABILITIES (continued)

Facilities

(a) Term Funding Facilities

The Trust borrows under the following loan facility agreements (in Australian dollars). The balance reduces at several intervals until expiry in December 2009:

Centro Properties Group
(formerly Prime Retail Group)

30.6.05
\$'000

30.6.04
\$'000

Australian banks	1,650,000	107,250
Australian CMBS	500,000	—
US banks	458,000	—
US CMBS	315,635	—
	2,925,635	107,250

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 of \$2.0 million 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 9.35%.

Interest rate management

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

AUD Equivalent
Face Value
\$'000

Financial Year Ending

2006	377,388
2007	20,000
2008	646,762
2009	135,000
2010	575,824
2011	—
2012	—
2013+	100,000

The average effective interest rate (excluding margin) is 4.47% for Australian borrowings, 4.18% for US borrowings, and 6.56% for NZ borrowings.

Centro Properties Group
(formerly Prime Retail Group)

Note 30.6.05
\$'000

30.6.04
\$'000

18. PROVISIONS (NON-CURRENT)

Employee entitlements	25	2,376	—
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Centro Properties Group (formerly Prime Retail Group)
Notes to and forming part of the Financial Statements
for the year ended 30 June 2005

19. CONTRIBUTED EQUITY					
		Note	No. '000		No. '000
Capital					
Number of securities issued:					
– Ordinary		(a)	779,795		465,170
			\$'000		\$'000
Paid up capital					
– Ordinary			3,392,046		336,551
Date	Details	Note	Number of Shares '000	Issue Price \$	\$'000
1 July 2004	Opening Balance		465,170	–	336,551
8 October 2004	Conversion of Securities upon Merger	(b)	(401,663)	–	–
8 October 2004	Placement of Securities upon Merger	(c)	655,208	–	2,846,853
11 October 2004	Employee Share Plan	(d)	4,702	4.664	21,940
21 October 2004	Unconditional Placement	(e)	43,104	4.64	200,000
15 February 2005	Employee Share Plan	(f)	505	5.387	2,723
25 February 2005	Dividend Reinvestment Plan	(g)	12,769	5.4754	69,914
	Capital Raising Costs			–	(3,165)
	Transfer to Retained Profits			–	(82,770)
			779,795		3,392,046
(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 apportioned between the Company and 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) Conversion of Securities upon Merger					
On implementation of the Centro-Prime merger on 8 October 2004, Prime ordinary stapled securities were converted on a 5:1 ratio into ordinary stapled securities in the merged entity. In addition, 29,526,665 converted Prime ordinary stapled securities were transferred to Centro security holders reflecting Centro's investment in Prime at the time of the merger.					
(c) Placement of Securities upon Merger					
On implementation of the Centro-Prime merger on 8 October 2004, Prime issued 655,208,620 ordinary stapled securities (including the 29,526,665 securities noted above) in consideration for all stapled securities of Centro.					
(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.					
4,701,554 ordinary securities were issued at \$4.664 on 11 October 2004 under the Centro Employee Share Plan.					
(e) Unconditional Placement					
43,103,450 stapled securities were issued at \$4.64 on 21 October 2004.					
(f) Employee Share Plan					
505,500 securities were issued at \$5.387 on 15 February 2005 under the Centro Employee Share Plan.					
(g) 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.					
12,768,745 securities were issued at \$5.4754 on 25 February 2005 under the Centro Distribution Reinvestment Plan.					

Centro Properties Group (formerly Prime Retail Group)
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for the year ended 30 June 2005

		Centro Properties Group (formerly Prime Retail Group)	
	Note	30.6.05 \$'000	30.6.04 \$'000
20. RESERVES AND RETAINED PROFITS			
Asset revaluation reserve	(a)	141,317	15,753
FX translation reserve	(b)	16,473	7,027
Retained profits	(c)	2,485	–
(a) Asset revaluation reserve			
Balance at the beginning of the financial year		15,753	–
Add/(deduct):			
– Revaluation of permanent property investments		125,564	15,753
Balance at the end of the financial year		141,317	15,753
(b) FX translation reserve			
Balance at the beginning of the financial year		7,027	–
Add/(deduct):			
– Net exchange differences on translation of foreign associates		9,446	7,027
Balance at the end of the financial year		16,473	7,027
(c) Retained profits			
Balance at the beginning of the financial year		–	–
Net profit attributable to members of Centro Properties Group		179,602	33,480
Transfer from/(to) contributed equity		82,770	(2,853)
Dividends/distributions provided for or paid	5	(259,887)	(30,627)
Balance at the end of the financial year		2,485	–
(d) Nature and purpose of reserves			
<p>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 securities to security holders and is only available for the payment of cash distributions in limited circumstances as permitted by law.</p>			

Centro Properties Group (formerly Prime Retail Group)
Notes to and forming part of the Financial Statements
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21. CASH FLOW INFORMATION			
		Centro Properties Group (formerly Prime Retail Group)	
	Note	30.6.05 \$'000	30.6.04 \$'000
(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	67,372	1,360
(b) Reconciliation of operating profit after income tax to net cash inflow from operating activities			
Profit after tax		186,053	33,886
Debt restructure costs		2,106	1,560
Net profit on sale of non-current assets		(16,438)	(2,593)
Exclude non-cash items:			
– Depreciation and amortisation		30,410	–
– Provision for doubtful debts		992	–
– Revaluation (increments) decrements		–	(3,706)
Change in operating assets and liabilities, net of the effects of purchase and disposal of controlled entities:			
– (Increase)/Decrease in trade debtors		26,800	(6,302)
– (Increase)/Decrease in other operating assets		(34,407)	(577)
– (Decrease)/Increase in other operating liabilities		56,594	1,689
– (Decrease)/Increase in other provisions		(5,058)	–
Net cash inflow from operating activities		247,052	23,957
(c) Non-cash financing activities			
Distribution satisfied by the issue of securities under the Distribution Reinvestment Plan		69,914	2,121
Centro Properties Group (formerly Prime Retail Group)			
		30.6.05 Cents	30.6.04 Cents
22. EARNINGS PER SECURITY			
Basic earnings per security		26.15	42.2*
Diluted earnings per security		26.15	37.3*
		No.	No.
Weighted average number of stapled securities outstanding during the year used in the calculation of basic earnings per security ('000)		686,944	79,360*
Weighted average number of stapled securities outstanding during the year and potential ordinary securities used in the calculation of diluted earnings per security ('000)		686,944	89,759*
Options			
Options granted to employees under the Centro Employee Option Plan are considered to be potential ordinary securities. There were no options outstanding as at 30 June 2005.			
Comparative Information			
The basic diluted earnings per security and the weighted average number of stapled securities amounts disclosed for the year ended 30 June 2004 have been adjusted for bonus elements in ordinary securities issued during the year ended 30 June 2005 in accordance with Australian Accounting Standard AASB: 1027 Earnings per Share.			
The comparability of certain statistics included in this financial report (marked with *) has been affected by the 5:1 consolidation of securities following the merger. These statistics have been restated to reflect the 5:1 consolidation.			

Centro Properties Group (formerly Prime Retail Group)
Notes to and forming part of the Financial Statements
for the year ended 30 June 2005

	\$	\$
23. NET TANGIBLE ASSET BACKING		
Net tangible asset backing per security		
– Basic	3.70	3.90*
Diluted net tangible asset backing per security is not materially different from basic net tangible asset backing.		
	No.	No.
Number of securities outstanding at the end of the year used in the calculation of net tangible asset backing per security ('000)	779,795	93,034*
24. FINANCIAL INSTRUMENTS		
<i>(a) Off Balance Sheet Derivative Instruments</i>		
<i>Interest rate swap contracts</i>		
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).		
At 30 June 2005, the notional principal amount and the periods of expiry of the interest rate swap contracts which commenced prior to balance date are as follows:		
	Centro Properties Group (formerly Prime Retail Group)	
	30.6.05	30.6.04
	\$'000	\$'000
Less than one year	377,388	22,000
One to two years	20,000	–
Two to three years	646,762	–
Three to four years	135,000	14,000
Four to 10 years	675,824	25,000
	1,854,974	61,000
In addition, there are a number of interest rate swap contracts entered into before balance date but with a commencement date after 30 June 2005. The face value of these contracts is \$160 million. They have commencement dates ranging from December 2005 to October 2009 and maturity dates ranging from June 2008 to March 2013.		
<i>Foreign exchange contracts</i>		
During the year, the Group held US investments. In order to protect against exchange rate movements, the Group has entered into foreign exchange contracts to sell US dollars. The contracts are timed to mature when distributions are expected to be received.		
	Australian Dollar Hedged Value	
	30.6.05	30.6.04
	\$'000	\$'000
	Average Exchange Rate	
	30.6.05	30.6.04
	\$'000	\$'000
Less than one year	29,268	14,946
One to two years	29,088	15,755
Two to three years	28,808	69,250
Three to four years	27,487	68,879
Four to five years	26,133	67,558
Five plus years	36,956	32,084
	177,740	268,472
As these contracts are hedging anticipated future distributions, any unrealised gains and losses on the contracts, together with the cost of the contracts, are deferred and will be recognised in the measurement of the underlying transaction provided the underlying transaction is still expected to occur as originally designated. Amounts receivable on open contracts are included in other assets.		

Centro Properties Group (formerly Prime Retail Group)
Notes to and forming part of the Financial Statements
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24. FINANCIAL INSTRUMENTS (continued)

The following gains, losses and costs have been deferred at 30 June 2005:

	Centro Properties Group (formerly Prime Retail Group)	
	30.6.05 \$'000	30.6.04 \$'000
Realised gains	–	–
Unrealised gains	16,473	14,252
Total gains	16,473	14,252
Unrealised losses	–	–
Costs of contracts	–	–
Total Gain	16,473	14,252
Net Gain	16,473	14,252

(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.

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:

		Centro Properties Group (formerly Prime Retail Group)	
	Note	30.6.05 \$'000	30.6.04 \$'000
Financial assets			
Cash assets	6	67,372	1,360
Other receivables	7	130,733	113,429
		198,105	114,789
Financial liabilities			
Interest bearing liabilities (non-current)	17	2,650,735	101,127
Net financial assets (liabilities)		(2,452,630)	13,662

All other assets and liabilities are non-interest bearing.

The interest rate applicable at balance date to cash balances is 5.35% (2004: 5.10%). The interest rate applicable to other receivables at balance date is 9.35% (2004: 8.75%). 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 (excluding margin) on AUD borrowings is 4.47% (2004: 6.06%). The average effective interest rate (excluding margin) on USD borrowings is 4.18%. The average effective interest rate (excluding margin) on NZD borrowings is 6.56%.

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

Centro Properties Group (formerly Prime Retail Group)
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24. FINANCIAL INSTRUMENTS (continued)

(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.

Centro Properties Group
(formerly Prime Retail Group)

30.6.05 30.6.04
\$'000 \$'000

25. EMPLOYEE BENEFITS

Employee benefit and related on-costs liabilities

Provision for employee benefits – current (Note 16)

Provision for employee benefits – non-current (Note 18)

3,346 —
2,376 —

5,722 —

Number Number

Employee numbers

Number of employees at the reporting date

720 —

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

Centro Properties Employee Security Plan

Employees are eligible to participate in the Centro Properties Employee Security Plan at the discretion of the Board. The terms of the Centro Properties Employee Security 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.

During the year, the Board approved a variation to the Plan to allow participants to receive dividends or distributions in full once the loan for a grant of securities reaches 75% or less of the market price of the securities, on the condition that the loan subsequently remains below 85% of the market price. In the event that the 85% threshold is exceeded, a portion of the dividend or distribution is once again applied towards repayment of the loan. This variation to the Plan is not available to participants holding conditional vesting securities, in which case both the 75% rule and the vesting condition must be met.

Centro Properties Group
(formerly Prime Retail Group)

30.6.05 30.6.04
Number Number

Securities issued under the plan to participating employees

21,940,364 Nil[#]

[#] Due to the Centro-Prime merger the opening balance was nil.

Centro Properties Group (formerly Prime Retail Group)
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for the year ended 30 June 2005

Centro Properties Group (formerly Prime Retail Group)		
	30.6.05 \$	30.6.04 \$
26. AUDITOR REMUNERATION		
During the year, the following fees were paid or payable for services provided by the auditor of the parent entity and its related practices.		
Assurance Services		
1. Audit Services		
PricewaterhouseCoopers Australian firm:		
Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>	895,000	80,300
Related practices of PricewaterhouseCoopers Australian firm	292,000	—
Total remuneration for audit services	1,187,000	80,300
2. Other Assurance Services		
PricewaterhouseCoopers Australian firm:		
Compliance audit services	90,000	—
Audit of regulatory returns	255,500	20,500
IFRS accounting services	115,000	—
Due diligence services	340,000	—
Related practices of PricewaterhouseCoopers Australian firm:		
Due diligence services	39,473	—
Total remuneration for other assurance services	839,973	20,500
Total remuneration for assurance services	2,026,973	100,800
Taxation Services		
PricewaterhouseCoopers Australian firm:		
Taxation compliance services, including review of Company income tax returns	325,723	13,500
Related practices of PricewaterhouseCoopers Australian firm:		
Due diligence services	526,315	—
	852,038	13,500
Advisory Services		
No advisory services were provided by PricewaterhouseCoopers or its related practices during the year.		
27. CONTINGENT LIABILITIES		
Bank guarantees of \$5 million each have been arranged by the Group in the name of CPT Manager Limited and Centro MCS Manager Limited to guarantee obligations under Australian Financial Services Licence and responsible entity requirements.		

Centro Properties Group (formerly Prime Retail Group)

Notes to and forming part of the Financial Statements

for the year ended 30 June 2005

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 Directors

A.T. Scott, Chief Executive Officer

Non-Executive Directors

P.G. Goldie

D.D.H. Graham

L.A. Wilson

S. Kavourakis

L.P. Wilkinson

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
T. Torney	General Manager Unlisted Funds Management	Centro Properties Limited
M. Wilson	National Property Manager	Centro Properties Limited
S. Schilling	Chief Information Officer	Centro Properties Limited

Information relating to the remuneration of Directors and Executives are provided in the remuneration report at pages 3 to 11. Information relating to loans provided to Executives, security holdings of Directors and Executives and the operation of the Executive Option Plan are provided below. Information relating to the operation of the Centro Properties Employee Security Plan is provided at Note 25. The remuneration information and other information included in the remuneration report and this note relates to remuneration provided to the Directors and Executives of the Group for the 12 month period to 30 June 2005.

Equity Instrument Disclosures Relating to Directors and Executives

Centro Properties Executive Option Plan

No options were granted to Directors or Executives during the 2005 financial year. No options remain outstanding as at 30 June 2005. 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 predetermined financial benchmarks over a three year, which were satisfied. Vesting of the issued options is also dependent upon the continuation of employment throughout 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 or voting rights.

Grant Date	Exercise Date	Exercise Price	Balance at Start of the Year No.	Issued during the Year No.	Exercised during the Year No.	Lapsed during the Year No.	Balance at the End of the Year No.
15 February 2002	15 February 2005	3.43	1,600,000	—	1,600,000	—	—
			1,600,000	—	1,600,000	—	—

Centro Properties Group (formerly Prime Retail Group)
Notes to and forming part of the Financial Statements
for the year ended 30 June 2005

28. DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

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 security price at grant date and expected price volatility of the underlying security, the expected distribution yield and the risk-free interest rate for the term of the option.

Securities provided on exercise of remuneration options

The predetermined financial benchmarks for the options granted on 15 February 2002 were satisfied and the options were exercised on 28 September 2004 at an issue price of \$3.43. The options were due to be exercised on 15 February 2005. However, the rules of the EOP provide for early vesting of options in certain circumstances. Refer to further discussion of the early exercise of the options in the remuneration report at page 4.

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 (Executive)	650,000	—	650,000	—	—	—
P.G. Goldie	—	—	—	—	—	—
D.D.H. Graham	—	—	—	—	—	—
L.A. Wilson	—	—	—	—	—	—
S. Kavourakis	—	—	—	—	—	—
L.P. Wilkinson	—	—	—	—	—	—
Specified executives of the Group						
G. Terry	450,000	—	450,000	—	—	—
M. Wilson	250,000	—	250,000	—	—	—
T. Torney	—	—	—	—	—	—
S. Schilling	—	—	—	—	—	—
R. Nenna	250,000	—	250,000	—	—	—
J. Hutchinson	—	—	—	—	—	—

Centro Properties Group (formerly Prime Retail Group)
Notes to and forming part of the Financial Statements
for the year ended 30 June 2005

28. DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

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	—	22,316	103,869
A.T. Scott	2,689,725	650,000	49,805	3,389,530
P.G. Goldie	30,936	—	2,168	33,104
D.D.H. Graham	151,000	—	15,000	166,000
L.A. Wilson	41,107	—	—	41,107
S. Kavourakis	15,000	—	11,050	26,050
L.P. Wilkinson	5,000	—	5,000	10,000
Specified executives of the Group				
Ordinary securities				
G. Terry	1,300,000	450,000	—	1,750,000
M. Wilson	690,000	250,000	100,000	1,040,000
T. Torney	400,000	—	200,000	600,000
S. Schilling	519,000	—	321,000	840,000
R. Nenna	940,000	250,000	—	1,190,000
J. Hutchinson	890,000	—	300,000	1,190,000

(1) For executive Directors and specified executives, this primarily represents issues under the Centro Properties Employee Security Plan.

Loans to Directors and Executives

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

Group	Balance at 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	4,431,000	—	408,508	9,523,857
Specified Executives of the Group				
G. Terry	2,030,875	—	281,276	5,203,789
M. Wilson	738,500	—	125,234	3,149,562
T. Torney	1,477,000	—	125,847	2,768,472
S. Schilling	664,650	—	130,836	2,846,560
R. Nenna	1,861,600	—	201,302	3,653,141
J. Hutchinson	1,861,600	—	182,160	4,272,069
Total	8,634,225	—	1,046,655	21,893,593

These loans are provided to Executives to fund the acquisition of securities under the Employee Security Plan and Executive Option Plan.

Centro Properties Group (formerly Prime Retail Group)

Notes to and forming part of the Financial Statements

for the year ended 30 June 2005

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

Louis Peter Wilkinson

- (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 2005 are disclosed in Note 28.
- (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. All entities are incorporated in either Australia, New Zealand or the United States of America, as disclosed in Note 9.
- (vi) The Trust is the principal borrower for the 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 2005 totals \$427,167,348.

Interest paid by the Company to the Trust during the year amounted to \$46,226,009 (2004: \$nil).

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 holds \$40,751,573 of equity notes in Centro MCS Syndicate 32 as at 30 June 2005. The equity notes have been designed to share common characteristics with ordinary equity held by investors. Total income of \$2,113,186 was derived from the equity notes during the year. The outstanding balance of \$40,751,573 is included in Note 9.
- (ix) During the year the Group had a loan receivable of \$9,960,000 from Victoria Gardens Retail Trust. This loan has been repaid in full as at 30 June 2005. Total interest income derived from the funds advanced to Victoria Gardens Retail Trust was \$470,778.
- (x) During the year the Group had a loan receivable of \$1,753,209 from Centro MCS Syndicate 33 which was used to finance the assets of the syndicate pending receipt of proceeds from the issue of new units and external borrowings. This loan has been repaid in full as at 30 June 2005. \$737,344 was derived from the loan during the financial year.

Centro Properties Group (formerly Prime Retail Group)

Notes to and forming part of the Financial Statements

for the year ended 30 June 2005

29. RELATED PARTY DISCLOSURES (continued)

- (xi) The Group advanced \$111,937,000 to Centro MCS Syndicate 34 to finance the assets of the syndicate pending receipt of proceeds from the issue of new units and external borrowings. The outstanding balance is included in Note 7. Total income of \$1,440,918 was derived from the advanced funds and the equity notes during the financial year.
- (xii) The Group advanced \$61,234,000 to Centro MCS Syndicate 35 to finance the assets of the syndicate pending receipt of proceeds from the issue of new units of this advanced amount. The Group continues to hold \$28,727,000 equity notes in Centro MCS 35 as at 30 June 2005. The equity notes have been designed to share common characteristics with ordinary equity held by investors. Total income of \$729,831 was derived from the advanced funds and the equity notes. The outstanding balance of \$28,727,000 is included in Note 9.
- (xiii) The Group has earned fees from other associates as detailed below:

	Property Management	Development and Leasing	Funds Management	Total	Amount Included in Receivables as at 30.6.05
Bankstown Partnership	1,361	600	—	1,961	151
Roselands Investment Trust	1,214	—	—	1,214	135
Centro Arndale Property Trust	474	—	—	474	53
Bain Unit Trust No. 3	385	30	—	415	43
Victoria Gardens Retail Trust No. 1	539	—	—	539	60
Centro Lutwyche Sub Trust	258	165	—	423	29
Centro MCS Syndicate No. 25 (25% until 30/06/2005)	618	—	406	1,024	221
Centro MCS Syndicate No. 26 (25% until 30/06/2005)	708	—	331	1,039	254
Centro MCS Syndicate No. 32	—	—	842	842	40,928
Centro MCS Syndicate No. 33	—	—	101	101	1,830
Centro MCS Syndicate No. 34 (from 01/01/05 to 30/06/05)	—	—	3,835	3,835	60
Centro MCS Syndicate No. 35 (from 01/05/05)	—	—	5,539	5,539	—
Centro Watt America REIT I	—	—	—	—	—
Centro Direct Property Fund (DPF) (from 1/06/2005)	—	—	4,963	4,963	4,732
Centro Direct Property Fund No. 2	—	—	399	399	386
Emerald Village Holding Trust (sold 31/12/04)	78	—	—	78	9
Retail Co-Investment Trust (from 11/05/05)	—	—	—	—	—
Centro Watt Management Joint Ventures I and II (CWMJV)	—	—	—	—	—

- (xiv) The Group currently has a \$104,820,000 loan receivable from Centro Watt America REIT I (CWARI) as at 30 June 2005. Total distributions receivable from CWARI as at 30 June 2005 are \$4,346,000.

Ownership Interests in Related Parties

Interests held in the following classes of related parties are set out in the following notes:

- (a) Controlled Entities – Note 9
- (b) Associates – Note 30

Centro Properties Group (formerly Prime Retail Group)

Notes to and forming part of the Financial Statements

for the year ended 30 June 2005

30. INVESTMENTS IN ASSOCIATES

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

Name of Entity	Ownership Interest		Carrying Amount		Share of Net Profit	
	2005 %	2004 %	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Bankstown Partnership	50.0	—	218,486	—	11,063	—
Roselands Investment Trust	50.0	—	146,014	—	6,992	—
Centro Arndale Property Trust	50.0	—	69,637	—	3,467	—
Bain Unit Trust No. 3	50.0	—	26,967	—	1,244	—
Victoria Gardens Retail Trust No. 1	50.0	—	36,515	—	3,396	—
Centro Lutwyche Sub Trust	50.0	—	24,902	—	1,276	—
Centro MCS Syndicate No. 25 (25% until 30/06/2005)	10.5	25.0	— ⁽²⁾	8,278	804	868
Centro MCS Syndicate No. 26 (25% until 30/06/2005)	18.0	25.0	— ⁽²⁾	10,759	1,003	1,073
Centro MCS Syndicate No. 32	23.0	—	40,751	—	2,113	—
Centro MCS Syndicate No. 33	—	—	— ⁽³⁾	—	735	—
Centro MCS Syndicate No. 34 (from 01/01/05 to 30/06/05)	—	—	— ⁽³⁾	—	1,440	—
Centro MCS Syndicate No. 35 (from 01/05/05)	47.5	—	28,727	—	730	—
Centro Watt America REIT I	48.5	48.5	55,566	55,566	17,947	10,643
Centro Direct Property Fund (DPF) (from 1/06/2005)	51.6 ⁽¹⁾	—	177,366	—	1,165	—
Centro Direct Property Fund No. 2	16.8	22.92	60,320	22,496	5,499	2,450
Emerald Village Holding Trust (sold 31/12/04)	—	50.0	—	8,790	401	756
Retail Co-Investment Trust (from 11/05/05)	50	—	30,474	—	544	—
Centro Watt Management Joint Venture I and II (CWMJV)	50	—	—	—	—	—
Total			915,725	105,889	59,819	15,790

(1) Voting interest in the DPF is 41.6% therefore the Group does not control the DPF.

(2) The carrying value of the investments in Centro MCS Syndicate 25 and 26 are classified as “other financial assets – current” as at 30 June 2005 given that the Group did not have significant influence over these entities as at 30 June 2005. The carrying values of these investments as at 30 June 2005 are \$3.3 million and \$7.7 million respectively. The share of profits from these investments up until the date the Group ceased to have significant influence are included in the above table.

(3) Entities ceased being associates during the 2005 financial year.

Centro Bankstown

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

Centro Roselands

Roselands Investment Trust is the owner of Centro Roselands shopping centre. Income from Centro 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 Centro Roselands. 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.

Centro Arndale

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

Centro Properties Group (formerly Prime Retail Group)

Notes to and forming part of the Financial Statements

for the year ended 30 June 2005

30. INVESTMENTS IN ASSOCIATES (continued)

Centro Karratha

Centro has a 50% interest in Centro Karratha shopping centre, through its investment in Bain Unit Trust No. 3. Income from Centro Karratha is recognised by Centro when it is earned. The carrying amount of the investment reflects 50% of the value of Centro Karratha. 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

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. 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 Lutwyche

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

Centro MCS Syndicate No. 32

Centro has a 23% interest in Centro MCS Syndicate No. 32 and a 48.5% interest in Centro Watt America REIT I. Through these investments 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 and Centro Watt America REIT I, which are attributable to Centro, are recognised in the carrying amount of its investment.

Centro MCS Syndicate No. 35

Centro has a 47.5% interest in Centro MCS Syndicate No. 35. Through this investment Centro has an interest in three power centres in Atlanta, Georgia, USA, namely Mansell Crossing, Barrett Place and Venture Pointe. All retained earnings and reserves in the financial statements of Centro MCS Syndicate No. 35, which are attributable to Centro, are recognised in the carrying amount of its investment.

Centro Direct Property Fund No. 2

Centro owns 16.8% of Centro Direct Property Fund No. 2, formerly CT Retail Investment Trust. Through this investment, Centro has a 100% interest in Centro Goulburn and Centro Buranda. Income from these properties is recognised by Centro when it is earned. The carrying amount of the investment reflects 100% 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.

Centro Direct Property Fund

Centro has a 41% voting interest in Centro Direct Property Fund. Through this investment, Centro has an interest in 31 syndicates with an underlying interest in over 140 properties. Income from this investment is recognised by Centro when it is earned. All retained earnings and reserves in the financial statements of Centro Direct Property Fund, which are attributable to Centro, are recognised in the carrying amount of its investment.

Retail Co-Investment Trust

Centro owns 50% of Retail Co-Investment Trust. Through this investment, Centro has an 8.1% economic interest (nil voting interest) in Centro Direct Property Fund. Income from this investment is recognised by Centro when it is earned. All retained earnings and reserves in the financial statements of Retail Co-Investment Trust, which are attributable to Centro, are recognised in the carrying amount of its investment.

Centro Watt Management Joint Venture I and II (CWMJV)

Centro has a 50% interest in CWMJV through its US controlled entities Centro WCJV GP Inc. and Centro WCJV LP Inc. Income from this investment is recognised by Centro when it is earned. All retained earnings and reserves in the financial statements of CWMJV, which are attributable to Centro, are recognised in the carrying amount of its investment.

Centro Properties Group (formerly Prime Retail Group)
Notes to and forming part of the Financial Statements
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30. INVESTMENTS IN ASSOCIATES (continued)		
	Centro Properties Group (formerly Prime Retail Group)	
	30.6.05 \$'000	30.6.04 \$'000
Movements in Carrying Amount of Investments in Associates		
Carrying amount at the beginning of the financial year	105,889	56,423
Share of net income	59,819	15,790
Distribution of net income	(59,819)	(15,790)
Additional investment during the year/(reduction of investment during the year)	784,155	37,748
Share of increment on revaluation of properties	25,681	11,718
Carrying amount at the end of the financial year	915,725	105,889
Share of Associates' Contingent Liabilities	–	–
Share of Associates' Expenditure Commitments	–	–
Summary of the Performance and Financial Position of Associates		
Aggregate net profits after income tax	124,587	31,580
Assets	1,906,990	1,158,680
Liabilities	190,471	834,017
Share of Reserves Attributable to Associates		
Asset Revaluation Reserve		
Balance at the beginning of the financial year	9,771	–
Additions during the year	25,681	9,771
Balance at the end of the financial year	35,452	9,771
Retained Earnings		
Balance at the beginning of the financial year	–	–
Share of associated entity's operating profit after tax	59,819	15,790
Distributions received	(59,819)	(15,790)
Balance at the end of the financial year	–	–
31. COMMITMENTS		
(a) Capital Commitments		
Capital Expenditure		
Capital Expenditure Commitments contracted for:		
Capital Expenditure Projects	341,514	38,412
Payable:		
– No later than one year	260,043	38,412
– Later than one year but no later than two years	81,471	–
(b) Superannuation Commitments		
Employees are entitled to benefits on retirement, disability or death from the Company sponsored superannuation plan. The Company 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. Company 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 Company 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 Company in accordance with legally enforceable agreements.		

Centro Properties Group (formerly Prime Retail Group)

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31. COMMITMENTS (continued)

(c) Syndicate Exit Mechanisms

Centro has provided to investors in certain Centro MCS Syndicates the opportunity to exit from the syndicates by selling their investments to Centro. The value of the investments 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 investments in cash or Centro stapled securities (at a 0.5% discount to the market price). If any investments are sold by investors to Centro, at the same date Centro may require that all investors sell their entire investment on the same basis.

The table below sets out the relevant syndicates, expected rollover/exit dates and the non-Centro owned investment in the syndicates covered by the exit mechanism:

Syndicate	Expected Rollover/Exit Date	Non-Centro Owned Investment \$'000
Centro MCS 5	October 2008	62,486
Centro MCS 6	August 2011	63,570
Centro MCS 21	September 2009	67,711
Centro MCS 22	March 2010	45,000
Centro MCS 23	April 2010	24,133
Centro MCS 25	July 2007	45,323
Centro MCS 26	February 2008	45,244
Centro MCS 28	July 2009	106,359
Centro MCS 32	October 2008	146,662
Centro MCS 33	May 2011	89,403
Centro MCS 34	December 2011	38,596
Centro MCS 35	April 2010	58,172

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.

Centro Properties Group
(formerly Prime Retail Group)

30.6.05	30.6.04
\$'000	\$'000

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	384,720	38,859
– Later than one year and not later than five years	957,669	111,151
– Later than five years	756,556	52,412

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

Centro Properties Group (formerly Prime Retail Group)

Notes to and forming part of the Financial Statements

for the year ended 30 June 2005

33. EVENTS OCCURRING AFTER REPORTING DATE

Centro Retail Trust IPO

On 20 June 2005, Centro Properties Group announced plans to list a new stapled security (comprising a share in the Centro Retail Limited and a unit in Centro Retail Trust) on the ASX in August 2005. The Group has subsequently entered into agreements to sell approximately \$2.0 billion of Australian and US property investments to Centro Retail Trust. The Group retained an initial 50% interest in Centro Retail Trust with the remaining 50% being distributed to the Group's investors. A product disclosure statement was lodged with ASIC on 4 July 2005 and Centro Retail Trust was listed on the ASX on 17 August 2005.

Acquisition of West End Plaza, Albury, NSW

On 8 July 2005, the Group acquired West End Plaza, Albury, NSW (an existing 15,816 m² sub-regional shopping centre) for \$56.0 million.

Launch of Centro MCS 36

On 4 August 2005, the Group announced the launch of Centro MCS 36 comprising approximately \$410 million of US property investments. The Group intends to retain an interest of up to 50% in Centro MCS 36.

The impact on the Centro Properties Group Statement of Financial Position as at 30 June 2005 of the above transactions is set out in the table below:

	Centro Properties Group Consolidated Statement of Financial Position as at 30 June 2005 \$'000	Consolidated Statement of Financial Position Adjusted for Post Balance Date Events \$'000
Total assets	6,564,642	4,880,571
Financed by:		
– Interest bearing liabilities	2,650,735	1,356,664
– Other liabilities	356,227	356,227
– Equity	3,557,680	3,167,680
	6,564,642	4,880,571
Gearing	39.8%	26.8%

Corporate Restructure

Subsequent to year end, the Group announced plans to undertake an internal restructure involving the transfer of the Company's property investments to the Trust and the effective transfer of excess equity from the Company to the Trust. The proposed restructure will result in a reduction in the net assets of the Company and commensurate increase in the net assets of the Trust with no net financial impact for the Group.

Centro Properties Group (formerly Prime Retail Group)
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34. IMPACTS OF ADOPTING AUSTRALIAN EQUIVALENTS TO IFRS

This note illustrates the requirements of AASB 1047 Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards in respect of financial reports for annual or interim reporting periods on or after 30 June 2005:

Impact on the statements of financial performance:

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2005

	Note	Existing GAAP \$'000	Effect of Change \$'000	AIFRS \$'000
Revenue from operating activities (excluding shares of equity-accounted net profits of associates and joint ventures)	(ii), (vii)	317,827	65,324	383,151
Revenue from outside the operating activities	(i), (vii), (xi)	209,736	295,370	505,106
REVENUE FROM ORDINARY ACTIVITIES				
Borrowing costs expense	(vii)	(65,761)	(13,704)	(79,465)
Repairs, maintenance, cleaning and security	(vii)	(24,417)	(6,083)	(30,500)
Employee benefits expense	(vii), (viii)	(26,591)	(12,296)	(38,887)
Rent, rates, taxes and insurance	(vii)	(23,786)	(5,183)	(28,969)
Management fees	(vii)	(11,740)	(1,336)	(13,076)
Light and power	(vii)	(7,774)	(2,009)	(9,783)
Marketing	(vii)	(2,006)	(1,048)	(3,054)
Depreciation and amortisation expense	(iii), (iv)	(30,410)	24,371	(6,039)
Bad and doubtful debts	(vii)	(992)	(175)	(1,167)
Other shopping centre costs	(vii)	(2,786)	(286)	(3,072)
Other expenses from ordinary activities	(vii)	(19,923)	(823)	(20,746)
Carrying amount of non-current assets sold	(xi)	(185,143)	185,143	–
Shares of net profits of associates and joint ventures accounted for using the equity method	(vii)	59,819	24,439	84,258
PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		186,053	551,704	737,757
Income tax expense	(vii), (x)	–	36,150	36,150
NET PROFIT		186,053	587,854	773,907
Net profit attributable to outside equity interest		(6,451)	112	(6,339)
NET PROFIT ATTRIBUTABLE TO MEMBERS OF CENTRO PROPERTIES GROUP		179,602	587,966	767,568
Net increase in asset revaluation reserve	(i)	125,564	(125,564)	–
Net exchange differences on translation of financial report of foreign associates		9,446	–	9,446
Total revenues, expenses and valuation adjustments attributable to members of Centro Properties Group recognised directly in equity		135,010	(125,564)	9,446
Total changes in equity attributable to members of Centro Properties Group other than those resulting from transactions with owners as owners		314,612	462,402	777,014
Basic earnings per security (cents)		26.15	89.79	115.94
Diluted earnings per security (cents)		26.15	89.79	115.94

Centro Properties Group (formerly Prime Retail Group)
Notes to and forming part of the Financial Statements
for (the year ended 30 June 2005)

34. IMPACTS OF ADOPTING AUSTRALIAN EQUIVALENTS TO IFRS (continued)

Impact on the statements of financial position:

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2005

	Note	Existing GAAP \$'000	Effect of Change \$'000	AIFRS \$'000
CURRENT ASSETS				
Cash assets		67,372	–	67,372
Receivables		165,837	–	165,837
Other financial assets/non-current asset classified as held for sale	(ii)	2,293,320	11,744	2,305,064
Total current assets		2,526,529	11,744	2,538,273
NON-CURRENT ASSETS				
Receivables		49,789	–	49,789
Investments accounted for using the equity method		860,159	–	860,159
Other financial assets	(iii)	2,368,256	25,735	2,393,991
Plant and equipment	(vii)	5,823	5,600	11,423
Intangible assets	(iv), (vii)	675,705	(368,922)	306,783
Other	(vii), (viii)	78,381	(34,610)	43,771
Total non-current assets		4,038,113	(372,197)	3,665,916
TOTAL ASSETS		6,564,642	(360,453)	6,204,189
CURRENT LIABILITIES				
Payables	(viii)	139,859	1,800	141,659
Non-interest bearing liabilities		52,847	–	52,847
Provisions	(viii)	140,590	(1,800)	138,790
Total current liabilities		333,296	–	333,296
NON-CURRENT LIABILITIES				
Payables	(viii), (x)	20,555	24,748	45,303
Interest bearing liabilities		2,650,735	–	2,650,735
Provisions		2,376	–	2,376
Total non-current liabilities		2,673,666	24,748	2,698,414
TOTAL LIABILITIES		3,006,962	24,748	3,031,710
NET ASSETS		3,557,680	(385,201)	3,172,479
EQUITY				
Contributed equity	(vii), (viii)	3,392,046	(957,185)	2,434,861
Reserves	(i), (iii), (vii)	157,790	(148,344)	9,446
Retained profits		2,485	720,328	722,813
Total entity interest		3,552,321	(385,201)	3,167,120
Outside equity interest in controlled entities (contributed equity)		5,359	–	5,359
TOTAL EQUITY		3,557,680	(385,201)	3,172,479

Centro Properties Group (formerly Prime Retail Group)

Notes to and forming part of the Financial Statements

for (the year ended 30 June 2005)

34. IMPACTS OF ADOPTING AUSTRALIAN EQUIVALENTS TO IFRS (continued)

Notes Explaining the Impacts on the Statements of Financial Performance and Statements of Financial Position

(i) Investment Properties

Under AGAAP, revaluation increments are credited directly to the asset revaluation reserve, with no provision for tax unless it is expected that a liability for tax will crystallise, 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 AIFRS, investment properties are measured at fair value, with gains or losses arising from changes in fair value recognised in the statement of financial performance in the period in which they arise. On transition to AIFRS the balance of the asset revaluation reserve will be transferred to retained earnings.

If the policy required by AIFRS had been applied during the year ended 30 June 2005, consolidated retained profits at 30 June 2005 would have been \$465.2 million higher, consolidated other income for the year ended 30 June 2005 would have been \$465.2 million higher and the consolidated asset revaluation reserve at 30 June 2005 would have been nil.

(ii) Leases – Rental Income

Under AIFRS, rental income arising on investment properties is accounted for on a straight line basis over the lease term. Contingent rental income will continue to be recognised as income in the periods in which it is earned. All rental income under current AGAAP policy is recognised on an accruals basis as earned.

The initial impact on transition of straight-lining rental income will be made retrospectively against opening retained profits as at 1 July 2004 in accordance with AASB 1. Based upon the factors noted above, the initial impact of adopting the proposed policy will be to recognise a receivable of \$9.4 million and increase opening retained profits at 1 July 2004 by \$9.4 million.

The ongoing annual impact of straight-lining rental income is not expected to be material. In any given year, it would be expected that, on average, the combined stage of lease term of all leases would be such that it approximates a midpoint of lease terms and as such, the impact of straight-lining is negligible. The impact for the year ended 30 June 2005 was an increase in the statement of financial performance of \$2.3 million and an increase in rent receivable of \$2.3 million.

(iii) Leases – Incentives

Under AIFRS, all lease incentives, other than lessor owned fit-outs, for the agreement of a new or renewed operating lease will be recognised as an integral part of the net consideration agreed for the use of the leased asset. The aggregate cost of these incentives will be recognised as a reduction of rental income on a straight line basis over the period of the lease term.

This will result in a change to the current accounting policy. Under AGAAP, all upfront payments and fit-outs provided at the inception or renewal of a lease are capitalised to the value of the property.

The initial impact on transition of amortising lease incentives will be made retrospectively against opening retained profits as at 1 July 2004 in accordance with AASB 1. Based upon the factors noted above, the initial impact of adopting the proposed policy will be to recognise a separate asset of \$25.7 million representing fit-out incentives previously capitalised against the carrying value of investment property, and reallocation of \$11.1 million of fit-out incentives for the 2005 financial year. For disclosure purposes, these assets are classed as “other financial assets”. Amortisation of \$4.4 million has been included in the statement of financial performance.

(iv) 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. Under AIFRS, 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.

If the policy required by AIFRS had been applied during the year ended 30 June 2005, goodwill at 30 June 2005 would have been \$23.8 million higher and amortisation expense for the year ended 30 June 2005 would have been \$23.8 million lower. The initial impact of the treatment of goodwill under AIFRS will result in goodwill previously amortised being written back to the goodwill balance.

(v) Financial Instruments: Disclosure and Presentation

Under AIFRS, the current classification of financial instruments issued by entities in the Group is not expected to change.

Centro Properties Group (formerly Prime Retail Group)

Notes to and forming part of the Financial Statements for (the year ended 30 June 2005)

34. IMPACTS OF ADOPTING AUSTRALIAN EQUIVALENTS TO IFRS (continued)

(vi) Financial Instruments: Recognition and Measurement

The Group will be taking advantage of the exemption available to apply AIFRS requirements only from 1 July 2005. This allows the Group to apply previous AGAAP to the comparative information of financial instruments within the 30 June 2006 financial report.

Concerns have been raised that the “perpetuity clause” in trust deeds and other scheme constitutions of listed property trusts, as well as other registered schemes, meant that members’ funds should be treated as a liability rather than equity in financial statements prepared under AIFRS. Under AIFRS, members’ funds may be regarded as liabilities if there is no unconditional right to avoid settling a contractual obligation to pay out the schemes’ equity to members at the end of the life of the scheme.

The Australian Securities and Investments Commission (“ASIC”) has announced that it will give relief to facilitate changes to the scheme constitutions of listed registered schemes, and certain unlisted schemes, to remove their limited lives without requiring a special resolution of members. The ASIC relief will apply to listed schemes and unlisted schemes that are not subject to a mandatory redemption requirement. The relief is intended to facilitate schemes to comply with AIFRS in relation to the accounting classification of unitholder capital.

The trust deed of Centro Property Trust has been amended to remove the finite life of the Trust, resulting in no change to the Group’s current classification of equity and distributions under AIFRS.

AIFRS is likely to have the following impacts.

(a) Classification and measurement of financial assets and liabilities

Under AASB 139, financial assets held by entities in the consolidated entity will be classified as either at fair value through profit or loss, held to maturity, available for sale or loans and receivables and, depending upon classification, measured at fair value or amortised cost.

Under AIFRS, investments in:

- Non-traded equity securities and debentures will be classified as available for sale and measured at fair value, with changes in fair value recognised directly in equity until the underlying asset is derecognised;
- Traded equity securities will be classified as held for trading and measured at fair value, with changes in fair value recognised in profit or loss; and
- Loans and receivables and financial liabilities classifications will remain unchanged. Measurement of these instruments will initially be at fair value with subsequent measurement at amortised cost, using the effective interest rate method.

This will result in a change to the current accounting policy, under which financial assets are carried at the lower of cost and recoverable amount, with changes recognised in profit or loss.

(b) Interest rate risk management

Interest rate risk management derivatives currently are not recorded in the financial statements until the underlying transactions occur. Under AIFRS, 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.

As a result of the application of the exemption referred to above, there are no adjustments to the classification or measurement of financial assets or liabilities from the application of AIFRS during the year ended 30 June 2005. Changes in the classification and measurement under AIFRS will be first recognised from 1 July 2005 as a result of the exemption.

Centro Properties Group (formerly Prime Retail Group)

Notes to and forming part of the Financial Statements

for (the year ended 30 June 2005)

34. IMPACTS OF ADOPTING AUSTRALIAN EQUIVALENTS TO IFRS (continued)

(c) Cash flow hedges

Under AIFRS, foreign exchange contracts held for hedging purposes will be accounted for as cash flow hedges. Changes in the fair value of those contracts will be recognised directly in equity until the hedge transaction occurs, in which case the amounts recognised in equity will be included in the initial cost of the assets acquired.

This will result in a change to the current accounting policy, under which the costs or gains arising under contracts together with any realised or unrealised gains from remeasurement are included in assets or liabilities as deferred losses or deferred gains.

As a result of the application of the exemption referred to above, there are no adjustments to the classification or measurement of cash flow hedges from the application of AIFRS during the year ended 30 June 2005. Changes in classification and measurement under AIFRS will be first recognised from 1 July 2005 as a result of the exemption.

(vii) Business Combinations

Under AIFRS, 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 AIFRS. Business combinations occurring before transition date (1 July 2004) may be grandfathered. The merger during the year of Centro Properties Group and Prime Retail Group will not be grandfathered and the business combination accounting will be restated under AIFRS, as discussed below.

On 8 October 2004, Centro Properties Group ("CEP") successfully merged with the Prime Retail Group ("PRX"). The legal form of the merger was such that PRX technically acquired CEP. PRX was then renamed "Centro Properties Group".

Under AIFRS, the acquirer is deemed to be CEP. This results in the acquisition accounting being restated under AIFRS. The impact of this as at the date of the merger is a reduction in contributed equity of \$918 million reduction in goodwill of \$392 million, increase in asset revaluation reserve of \$523 million, and decrease in other assets of \$3 million. In addition, net profit for the year is increased by \$51.4 million as, under AIFRS, the result will incorporate 12 months of CEP's results and nine months of PRX's results as compared to 12 months of PRX's results and nine months of CEP's results under existing AGAAP.

(viii) Equity-based Compensation Benefits

Under AIFRS, equity-based compensation to employees will be recognised as an expense in respect of the services received.

Under the Centro Properties Employee Security Plan ("ESP"), employees are eligible to participate in the plan at the discretion of the Board. The securities issued to eligible employees are financed by an interest free loan from Centro, the value of which currently forms part of each employee's remuneration, along with the value of the options issued to the employee. The price per security is the prevailing market price, as at the date 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. Subject to certain loan to security value criteria, which are discussed in the 2005 remuneration report contained in the Directors' Report, any dividends or distributions paid are applied as employee security loan repayments less an amount equal to the income tax payable by the employee on the dividend/distribution paid.

Under AIFRS, for accounting purposes the securities issued under the ESP will be considered options and the securities and related employee security loan are considered not to be on issue as the securities issued to employees under the ESP are funded by a non-recourse loan from Centro. As a result, from 1 July 2004, Centro is required to recognise an expense for the "option value" of securities issued to employees under the ESP after 7 November 2002 that had not vested by 1 January 2005. The "option value" of all securities issued under the ESP after 1 January 2005 is also required to be expensed. Distributions paid to employees in cash will also be required to be expensed on the basis that the employee securities are deemed not to have been issued.

If the policy required by AIFRS had been applied during the year ended 30 June 2005, the Group's employee benefits expense would have been \$3.9 million higher, retained profits at 30 June 2005 would have been \$3.9 million lower and the number of securities on issue for accounting purposes would have been \$21.9 million lower. The ESP loan of \$39 million has been offset against contributed equity. This will have negligible overall impact on earnings per security. The provision for distribution balance would also decrease by \$1.8 million and payables would increase by \$1.8 million.

Centro Properties Group (formerly Prime Retail Group)

Notes to and forming part of the Financial Statements

for (the year ended 30 June 2005)

34. IMPACTS OF ADOPTING AUSTRALIAN EQUIVALENTS TO IFRS (continued)

(ix) 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 AIFRS, 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 AIFRS, 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.

Under AIFRS, the assets, liabilities and operations are required to be measured using the functional currency of that entity. The functional currency can be Australian dollars or another currency. Further, under AIFRS, an entity may present its financial statements in a currency other than its functional currency. Translation adjustments arising from the remeasurement of an entity's financial statements from functional currency to presentation currency are recorded in the foreign currency translation reserve.

This will result in a change to the current accounting policy. Under AGAAP, where operations classified as self-sustaining have a functional currency that differs from the Australian parent, the statement of financial position of the foreign operations must be translated to Australian dollars at year end rates and the statement of financial performance at average rate with translation movements being recognised in the foreign currency translation reserve. Further, AGAAP requires the financial statements of Australian entities to be presented in Australian dollars.

On the initial application of AIFRS, the Group will elect to apply the exemption relating to the balance of the foreign currency translation reserve. The cumulative translation differences for all foreign operations represented in the foreign currency translation reserve will be deemed to be zero at the date of transition to AIFRS.

As a result of this exemption, the balance of the foreign currency translation reserve of the Group at 30 June 2005 will decrease by \$7 million. Retained earnings will increase by this amount.

(x) Income Tax

Under AIFRS, 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. If the policy under AIFRS had been applied, this would have resulted in the recognition of a deferred tax liability of \$53.1 million and a reduction in retained profits \$53.1 million on transition.

If the policy required by AIFRS had been applied during the year ended 30 June 2005 this would have resulted in a reduction of the deferred tax liability of \$36.2 million and a credit to income tax expense of \$36.2 million.

In addition, the tax effect of transaction costs on security issues will be recognised directly in equity. The impact of this adjustment would have been immaterial to the Group.

(xi) Revenue Disclosures in Relation to the Sale of Non-current Assets

Under AIFRS, the revenue recognised in relation to the sale of non-current assets is the net gain on the sale. This is in contrast to the current AGAAP treatment under which the gross proceeds from the sale are recognised as revenue and the carrying amount of the assets sold is recognised as an expense. The net impact on the profit or loss of this difference is nil.

If the policy required under AIFRS had been applied during the year ended 30 June 2005, the revenue from outside the ordinary activities would have been \$185.1 million lower and the carrying amount of non-current assets sold disclosed as an expense in the statement of financial performance would have been \$185.1 million lower.

(xii) Non-current Assets Held for Sale

Under AIFRS, a non-current asset will be classified as held for sale if its carrying amount is to be recovered principally through a sale transaction rather than through continued use. The asset will be measured at the lower of carrying amount and fair value, less costs to sell.

Centro Properties Group (formerly Prime Retail Group)

Notes to and forming part of the Financial Statements

for (the year ended 30 June 2005)

34. IMPACTS OF ADOPTING AUSTRALIAN EQUIVALENTS TO IFRS (continued)

This will result in a change to the current accounting policy. Under AGAAP, properties held for sale were classified as “Current Assets – Other financial assets”, and measured at fair value, not taking into consideration costs to sell.

If the policy required by AIFRS had been applied during the year ended 30 June 2005, Group “Current Assets – Other financial assets” of \$2,293.3 million would have been reclassified to “Current assets – Non-current assets classified as held for sale”.

(xiii) Consolidated Financial Reports in relation to Pre-Date-of-Transition Stapling Agreements

Urgent Issues Group Interpretation 1013 requires that a stapling arrangement effected prior to the date of transition to AIFRS is a business combination for the purpose of applying AASB 1. At the date of transition, one of the combining entities shall be identified as the parent for the purpose of preparing consolidated financial reports. For the purpose of applying AASB 1 at the date of transition, the consolidated financial report of the parent under the stapling arrangement shall be the combined financial report of the entities whose securities are stapled, prepared on the same basis as the combined financial report for those entities immediately before adopting AIFRS, with assets and liabilities adjusted if required in accordance with AASB 1. For the purpose of applying AASB 127 subsequently, the consolidated financial report of the parent under the stapling arrangement shall be the combined financial report of the entities whose securities are stapled. Based upon the criteria outlined in UIG 1013 and AASB 3, Centro Property Trust will be deemed to be the parent entity for statutory reporting purposes under AIFRS. This change has no impact on the Centro Properties Group consolidated financial statements.

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 2005 have been prepared by the Directors of Centro Properties Limited and the Responsible Entity of the Trust, CPT Manager Limited.

Directors' Declaration

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 16 to 67 and remuneration disclosures on pages 3 to 11 are in accordance with the *Corporations Act 2001*, including:
- (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Group's financial position as at 30 June 2005 and of its performance, as represented by the results of its operations and cash flows, for the financial year ended on the date. As discussed in the Directors' Report (page 2), the Group's results for the year ended 30 June 2005 have been significantly affected by the merger of the Prime Retail Group ("PRX") and the Centro Properties Group ("CEP"). In accordance with Accounting Standards, the financial performance of the Group for the year ended 30 June 2005 incorporates twelve months of PRX and nine months of CEP results; 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.

The Directors have been given the declaration by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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, 19 August 2005.



B. Healey
Director



A.T. Scott
Director

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

Signed at Melbourne, 19 August 2005.



B. Healey
Director



A.T. Scott
Director

Centro Properties Group (formerly Prime Retail Group) Independent Audit Report



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Independent audit report to the Stapled Securityholders of Centro Properties Group

Matters relating to the electronic presentation of the audited financial report

This audit report relates to the financial report of Centro Properties Group (defined below) for the financial year ended 30 June 2005 included on the Centro Properties Group web site. The Group's directors are responsible for the integrity of the Centro Properties Group web site. We have not been engaged to report on the integrity of this web site. The audit report refers only to the financial report identified below. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

Audit opinion

In our opinion, the financial report on pages 16 to 68 and remuneration disclosures, on pages 3 to 1 of Centro Properties Group:

- give 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 2005, and of their performance for the year ended on that date, and
- are presented in accordance with the *Corporations Act 2001*, AASB 1046 *Director and Executive Disclosures by Disclosing Entities* (AASB 1046) and other Accounting Standards and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*.

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

Scope

The financial report, remuneration disclosures 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 2005. 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 2005. The financial report has been prepared as if Centro Properties Group is a disclosing entity required to comply with the *Corporations Act 2001*.

The Group has disclosed information about the remuneration of directors and executives ("remuneration disclosures") as required by AASB 1046, under the heading "remuneration report" on pages 3 to 11 of the directors' report, as permitted by the *Corporations Regulations 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. The directors are also responsible for the remuneration disclosures contained in the directors' 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 and the remuneration disclosures comply with AASB 1046 and the *Corporations Regulations 2001*. 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. For further explanation of an audit, visit our website <http://www.pwc.com/au/financialstatementaudit>.

Centro Properties Group (formerly Prime Retail Group)

Independent Audit Report (continued)

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 their performance as represented by the results of their 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.

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*.



PricewaterhouseCoopers



Stephen Cogle
Partner

Melbourne
19 August 2005

Liability is limited by the Accountant's Scheme under the Professional Standards Act 1994 (NSW)



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Lenard's

fresh life

fresh life

Corporate Directory

Responsible Entity

CPT Manager Limited
ABN 37 054 494 307

Board of Directors

Brian Healey (Chairman)
Andrew Scott (Chief Executive Officer)
Graham Goldie
David Graham
Laurie Wilson
Sam Kavourakis
Peter Wilkinson

Company Secretary

Danielle Rowe

Registered Office

Corporate Offices
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Auditor

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Southbank Victoria 3006

GPO Box 1331L
Melbourne Victoria 3001

Corporate Solicitors

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