

Centro Properties Group

Financial Report 2006



CENTRO PROPERTIES LIMITED

**Comprising Centro Properties Limited and its
controlled entities (including Centro Property Trust) which is known
as the ASX listed stapled entity, Centro Properties Group**

**Financial Report
For the Year Ended
30 June 2006**

Directors of Centro Properties Limited

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

Secretary of Centro Properties Limited

Elizabeth Hourigan

Auditor

PricewaterhouseCoopers
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Security Registrar

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The Directors of Centro Properties Limited and CPT Manager Limited, the Responsible Entity of Centro Property Trust, present their report on the financial report of Centro Properties Group for the year ended 30 June 2006.

Centro Properties Group

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

Directors

The following persons were Directors of Centro Properties Limited and CPT Manager Limited during the whole of the financial year and up to the date of this report (unless otherwise stated)

Brian Healey
 Andrew Thomas Scott
 Peter Graham Goldie
 David Douglas Heydon Graham
 Sam Kavourakis
 Louis Peter Wilkinson
 Jim Hall (appointed 1 September 2005)

Lawrence Albert Wilson was a Director from the beginning of the financial year until his retirement on 31 December 2005.

Secretary: Elizabeth Hourigan was appointed Company Secretary on 3 November 2005 and continues in office at the date of this report. Danielle Rowe was Company Secretary until her resignation on 2 November 2005.

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, property management, property development and funds management.

Significant changes in the state of affairs

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

Review of Operations

The review of operations of Centro Properties Group is included in the report to investors on pages 10 to 35 of this report.

Distributions

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

	30.6.06	30.6.05
	\$'000	\$'000
Final distribution from the Trust for the year ended 30 June 2005 of 17.6 cents per stapled security paid on 26 August 2005	137,244	101,518
Interim distribution from the Trust of 17.8 cents per stapled security paid on 24 February 2006	144,118	122,643
	<u>281,362</u>	<u>224,161</u>

In addition to the above distributions, Directors approved the payment of a final Trust distribution of \$155,725,095 (19.00 cents per stapled security) which was paid on 25 August 2006.

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 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 2006 and the date hereof any item, transaction or event of a material nature likely, in the opinion of the Directors, to affect substantially:

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

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

Information on Directors

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

		Number of securities
B. Healey	(held directly and indirectly)	105,535
A. T. Scott	(held directly and indirectly)	4,401,919
D.D.H. Graham	(held directly and via interests in DH Graham Holdings Pty Ltd and Jiggi Investments Pty Ltd)	168,499
P.G. Goldie	(held directly)	34,040
S. Kavourakis	(held in name of Kavourakis Superannuation Fund and Kavourakis Family Trust)	27,502
L.P. Wilkinson	(held in name of PEVE Pty Ltd)	10,000
J. Hall	(held in the name of Bond Street Custodians Ltd)	3,833

Information on Company Secretary

Particulars of the qualifications, experience and special responsibilities of the secretary, as at the date of this report, are set out on page 47 of the Annual Report.

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 or 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 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 and the Responsible Entity covered by the insurance policy include the Directors: B. Healey, A.T. Scott, P.G. Goldie, D.D.H. Graham, J Hall, S. Kavourakis and L. P. Wilkinson and the Secretary: E. Hourigan.

Meeting 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 2006 and the number of meetings attended by each Director.

	Board Meetings	Board Audit & Risk Management Committee Meetings	Compliance Committee Meetings	Remuneration Committee Meetings	Board Sub-Committee Meetings	Nomination Committee Meetings
Centro Properties Limited						
Number of meetings held	11	4	n/a	4	6	1
Number of meetings attended/eligible to attend by:						
B. Healey	11/11	#	n/a	4/4	6/6	1/1
A.T. Scott	11/11	#	n/a	#	6/6	1/1
P. G. Goldie	11/11	#	n/a	4/4	#	1/1
D. D. H. Graham	11/11	4/4	n/a	4/4	#	1/1
L. A. Wilson	7/7	1/1	n/a	1/1	#	1/1
S. Kavourakis	11/11	4/4	n/a	4/4	1/1	1/1
L. P. Wilkinson	11/11	#	n/a	4/4	#	1/1
J. Hall	10/10	3/3	n/a	3/3	#	0/0
CPT Manager Limited						
Number of meetings held	11	4	4	n/a	5	n/a
Number of meetings attended/eligible to attend by:						
B. Healey	11/11	#	#	n/a	5/5	n/a
A.T. Scott	11/11	#	#	n/a	5/5	n/a
P. G. Goldie	11/11	#	4/4	n/a	#	n/a
D. D. H. Graham	11/11	4/4	#	n/a	#	n/a
L. A. Wilson	7/7	1/1	2/2	n/a	#	n/a
S. Kavourakis	11/11	4/4	#	n/a	1/1	n/a
L. P. Wilkinson	11/11	#	4/4	n/a	#	n/a
J. Hall	10/10	3/3	3/3	n/a	#	n/a

Not a member of the Committee.

Remuneration Report

The information in this report includes remuneration disclosures that are required under Accounting Standard AASB 124 *Related Party Disclosure*. These disclosures have been transferred from the financial report and have been audited.

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 2006. 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 48 to 53 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, company secretary 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.

Elements of Remuneration

The total package for the Chief Executive Officer, executive management team, secretary and other senior executives include 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 ("STI"))

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 ("LTI"))

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 and Loan Scheme (see below). 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.

Centro Employee Security Plan

The Centro Employee Security Plan and Loan Scheme ("ESP") enables all eligible 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 ESP is at the discretion of the Board having regard to individual circumstances and performance.

It is the Board's intention for the foreseeable future to seek to purchase securities on market to supply the needs of the plan, rather than to issue new equity.

Generally, any dividends/distributions paid are applied as loan repayments less an amount equal to the income tax payable by the employee on the dividends/distributions paid, subject to certain loan to security value criteria. When the loan to security value ratio falls below 75%, employees can elect to receive the dividend/distribution in cash. Participating employees cannot sell or otherwise deal with the securities unless the loan is fully repaid and they comply with the Employee Trading in Securities Policy. In all other respects the employee securities rank equally with other fully paid ordinary stapled securities.

The benefits of the ESP 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. Details of securities provided to key management personnel under the ESP are provided at Section 3 of this report.

Conditional Vesting Securities

In place of the above issue of securities available to all staff, security-based remuneration may also be delivered to the Chief Executive Officer, the executive key management personnel and other senior executives, in the form of conditional vesting securities which are subject to hurdles linked to Group performance. In the past, all securities provided to the Chief Executive Officer (an Executive Director) was approved at the Annual General Meeting ("AGM") however, as the ASX listing rules no longer require shareholder approval where shares granted to a director are purchased on market and granted at the prevailing market price, no approval will be sought at this year or subsequent years AGMs.

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); and
- 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.

None of Centro's key management personnel has used any derivative financial instruments to hedge any benefits in relation to securities issued under the ESP.

Executive Option Plan

The Executive Option Plan ("EOP") was approved by Centro security holders at the 2001 AGM. Options were granted to a number of executives including key management personnel (as set out in the table below) under the terms of the EOP on 15 February 2002 and no further issues of options have taken place to date. As at 30 June 2006, there are no options that have been granted to key management personnel that are yet to vest.

The terms and conditions of each option grant affecting remuneration of key management personnel in the previous, this or future reporting periods are as follows:

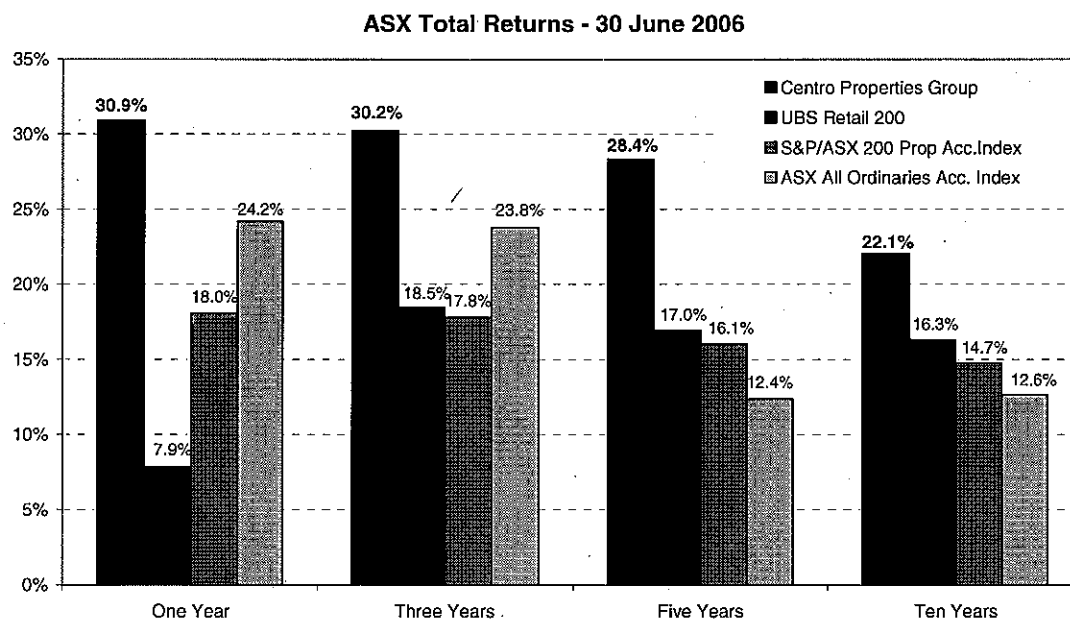
Grant date	Expiry date	Exercise price	Value per option at grant date	Date exercisable
15 February 2002 ⁽¹⁾	15 September 2012	\$3.43	\$0.341	15 February 2005

(1) 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 of the merger. The number of securities acquired by each relevant key management personnel through exercising of the above-mentioned options are shown at Section 3 of this report.

Section 2 - Group Performance

Centro delivered investors a total return (comprising distributions and security price growth) of 30.9% for the year ended 30 June 2006. Centro was also the highest performer in the S&P/ASX 200 Property Accumulation Index over the 10 years ended 30 June 2006, delivering investors an average annual total return of 22.1%. Over a shorter investment horizon, Centro has ranked second, highlighting the ability to consistently deliver investors strong returns in both the short-term and long-term.

The chart below compares Centro's total returns with industry benchmarks over the past year, three years, five years and ten 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.

The Board was satisfied that the performance of the Group warranted the awarding of the maximum bonus payable for the 2006 financial year under the STI.

Section 3 – Remuneration of Chief Executive Officer and Executive Management Team*Amounts of remuneration*

Details of the remuneration of directors and key management personnel (as defined in AASB 124 *Related Party Disclosures*) of Centro Properties Limited and the Centro Properties Limited Group are set out in the following tables.

The key management personnel at Centro Properties Limited include the directors as per page 56 and the following executive officers:

- G. Terry – *Chief Operating Officer*
- R. Nenna – *Chief Financial Officer*
- J. Hutchinson – *General Counsel*
- T. Torney – *General Manager Unlisted Funds and Shared Services*
- M. Wilson – *Chief Operating Officer Centro Watt Joint Venture*
- S. Schilling – *National Development Manager and HR Manager*

The executive key management personnel of the Group are the same as the executive key management personnel of Centro Properties Limited.

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 most highly remunerated executives.

2006	Short-term Employee Benefits			Post-employment	Equity	
Name	Salary	Short-term incentive ⁽¹⁾	Non-Monetary Benefits ⁽²⁾	Superannuation	Long-term Incentive ⁽³⁾	Total
A.T. Scott Chief Executive Officer	\$999,413	\$1,100,000	\$78,255	\$100,587	\$551,361	\$2,829,616
G. Terry Chief Operating Officer	\$510,743	\$385,000	\$22,207	\$39,257	\$244,545	\$1,201,752
R. Nenna Chief Financial Officer	\$407,858	\$260,000	\$61,002	\$70,215	\$182,414	\$981,489
J. Hutchinson General Counsel	\$409,440	\$225,000	\$6,360	\$40,560	\$237,658	\$919,018
T. Torney General Manager Funds Management & Shared Services	\$397,860	\$205,100	-	\$12,140	\$162,329	\$777,429
M Wilson ⁽⁴⁾ Chief Operating Officer Centro Watt JV	\$343,065	\$236,782	\$145,433	-	\$55,017	\$780,297
S. Schilling National Development Manager & HR Manager	\$266,104	\$153,400	\$4,317	\$40,343	\$190,565	\$654,729
TOTAL	\$3,334,483	\$2,565,282	\$317,573	\$303,102	\$1,623,889	\$8,144,329

⁽¹⁾ Short-term incentive accrued for period Jul 05 – Jun 06 paid in July 06.

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

⁽³⁾ The amounts are based on AASB 2 – *Share Based Payments*. The standard requires Centro to treat securities allocated to employees as options and expense the value of the options over the vesting period. This method produces different numbers to the method used last year and in previous years which were based on a commercially accepted method of valuing loans for the acquisition of securities subject to the achievement of performance hurdles. The comparative information has been adjusted to conform with AASB 2.

⁽⁴⁾ Salary, STI and Non-Monetary Benefits include amounts associated with Mr Wilson's secondment terms and conditions whilst he is based in the US.

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

2005	Short-term Employee Benefits			Post-employment	Equity	
Name	Salary	Short-term Incentive ⁽¹⁾	Non-Monetary Benefits ⁽²⁾	Superannuation	Long-term Incentive ⁽³⁾	Total
A.T. Scott Chief Executive Officer	\$825,686	\$720,000	\$88,463	\$74,312	\$279,800	\$1,988,261
G. Terry Chief Operating Officer	\$427,973	\$281,232	\$66,513	\$40,744	\$81,608	\$898,070
R. Nenna Chief Financial Officer	\$362,074	\$174,636	\$42,027	\$32,587	\$46,633	\$657,957
J. Hutchinson General Counsel	\$360,274	\$157,080	\$2,315	\$32,425	\$105,781	\$657,875
T. Torney General Manager Funds Management	\$348,249	\$142,800	-	\$11,585	\$66,349	\$568,983
M. Wilson National Property Manager/Chief Operating Officer Centro Watt JV	\$211,250	\$120,165	\$69,214	\$11,500	\$34,954	\$447,083
S. Schilling Chief Information Officer	\$180,455	\$86,793	-	\$36,526	\$82,464	\$386,238
TOTAL	\$2,715,961	\$1,682,706	\$268,532	\$239,679	\$697,589	\$5,604,467

⁽¹⁾ Bonus accrued for period Jul 04 -- Jun 05 paid in July 05.

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

⁽³⁾ Refer note 3 from the 2006 table.

Additional information on short-term incentives

For each STI included in the table on page 62, the percentage of the available STI that was earned in the financial year, and the percentage that was not achieved because the executive key management personnel did not meet the service or the Group did not meet the performance criteria is set out below. No part of the STI is payable in future years.

The following table sets out the percentage of the STI that was paid and the percentage that was forfeited for the 2006 financial year:

	% STI Paid	% STI Forfeited	\$ Value
A.T. Scott Chief Executive Officer	100%	0%	\$1,100,000
G. Terry Chief Operating Officer	100%	0%	\$385,000
R. Nenna Chief Financial Officer	100%	0%	\$260,000
J. Hutchinson General Counsel	100%	0%	\$225,000
T. Torney General Manager Funds Management and Shared Services	100%	0%	\$205,100
M. Wilson Chief Operating Officer Centro Watt Joint Venture	100%	0%	\$237,744
S. Schilling National Development Manager and HR Manager	100%	0%	\$153,400

STI constitutes a cash bonus linked to delivery of distributions per security targets as described on page 59. The amounts above were provided for in Centro's financial results for the year ended 30 June 2006 and were paid in July 2006.

The number of securities in the Group held during the financial year by each of the above specified key management personnel of the Group, including their personally-related entities as issued via the ESP or EOP 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	100%	30 Jun 2006	0%	-	No
	Ordinary securities issued pursuant to Executive Option Plan	650,000	Feb 2002	100%	28 Sep 2004	0%	-	No
	Ordinary securities issued pursuant to ESP with conditional vesting terms	1,000,000	Sep 2005	-	-	-	2008	No
Total		4,150,000						

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
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	100%	30 Jun 2006	0%	-	Yes
	Ordinary securities issued pursuant to Executive Option Plan	450,000	Feb 2002	100%	28 Sep 2004	0%	-	Yes
	Ordinary securities issued pursuant to ESP with conditional vesting terms	600,000	Sep 2005	-	-	-	2008	Yes
Total		2,350,000						
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	100%	30 Jun 2006	0%	-	No
	Ordinary securities issued pursuant to ESP with conditional vesting terms	300,000	Oct 2004	-	-	-	2007	No
	Ordinary securities issued pursuant to ESP with conditional vesting terms	400,000	Sep 2005	-	-	-	2008	No
Total		1,590,000						

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
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	100%	30 Jun 2006	0%	-	No
	Ordinary securities 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	500,000	Sep 2005	-	-	-	2008	No
	Total	1,690,000						
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
	Ordinary securities issued pursuant to ESP with conditional vesting terms	100,000	Nov 2003	100%	-	0%	-	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
	Ordinary securities issued pursuant to ESP with conditional vesting terms	300,000	Sep 2005	-	-	-	2008	No
	Ordinary securities issued pursuant to ESP with conditional vesting terms	75,000	May 2006	-	-	-	2009	No
	Total	1,215,000						

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
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	100%	30 Jun 2006	0%	-	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	100%	30 Jun 2006	0%	-	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
	Ordinary securities issued pursuant to ESP with conditional vesting terms	300,000	Sep 2005	-	-	-	2008	No
	Ordinary securities issued pursuant to ESP with conditional vesting terms	150,000	May 2006	-	-	-	2009	No
Total		1,050,000						

⁽¹⁾ Total number of securities shown above reflects closing balance at 30 June 2006.

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 executive service agreements or letters of employment. Each of these agreements provide for the provision of performance-related STI and participation, when eligible, in the LTI. 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 6 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.

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 AGM.

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 Group in order to maintain their independence and impartiality. Non-executive directors' fees and payments are reviewed annually by the Nomination 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 very effective, it was supplemented by an exercise completed this year utilising independent business consultants, Korn/Ferry International, to evaluate the governance and performance of the Board. This evaluation process entailed the compilation of a detailed report based on completion of questionnaires and interviews with directors and senior executives. The outcome of this review was extremely positive and specific actions aimed at improving directors' induction and meeting whole of Board development needs are being actioned.

Directors receive a fee of \$110,000 per annum in relation to their services as a director. 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 - \$7,000 per annum
- Compliance Committee - \$6,000 per annum
- Nomination and Remuneration Committees - \$4,000 per annum
- Committee Chairmen for the Audit and Risk Management and Compliance Committees receive a fee of \$14,000 and \$12,000 per annum respectively.
- Directors who sit on other committees of the Board, such as due diligence committees, receive an attendance fee of \$2,500 per full day and \$1,500 per half day. During the year, non-executive directors were paid a total of \$46,000 in ad hoc committee fees.

Due to changes in the composition of Board Committees commencing 1 July 2005, in recognition of the increased Board size the need for all Board members to sit on all Committees no longer exists.

Following the freezing of retirement benefits (refer to table below), effective from 1 January 2005, the Chairman of the Board receives a fee of \$330,000 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 although he chairs the Nomination and Remuneration Committees and attends other Committee meetings.

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 ESP.

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 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. The benefits have been fully provided for.

During the year, an amount of \$273,091 was paid to Lawrence Wilson on his retirement from the Board on 31 December 2005. This payment was equal to the aggregation of retirement benefits accrued and disclosed each year during the period of service.

The Group has during the year partially funded these benefits through contributions to nominated superannuation funds on behalf of some of the relevant non-executive directors. In aggregate, the Group's ultimate liability to make a payment upon retirement from office under the retiring allowances has been reduced during the year by \$178,944 as a result of these contributions. The balance of the benefits, which will be payable directly by the Group upon retirement from office, is indexed each year on 1 December (the first adjustment was on 1 December 2005) by the annual Consumer Price Index ("CPI"), September quarter to September quarter, as published by the Australian Bureau of Statistics. The Group's aggregate liability to pay retiring allowances was \$902,035 as at balance date.

The amounts due to relevant non-executive directors are:

Name	Net benefit as at 30 Jun 2005	Net benefit as at 31 Dec 2005 after CPI adjustment	Paid out on retirement	Net benefit as at 31 Mar 2006 after pro rata CPI adjustment	Benefit paid to Super funds in Jun 06	Net benefit as at 30 Jun 2006
B. Healey	\$570,000	\$587,670	-	\$595,897	-	\$595,897
D. Graham	\$232,000	\$239,192	-	\$242,541	\$89,697	\$152,844
G. Goldie	\$232,000	\$239,192	-	\$242,541	\$89,247	\$153,294
L. Wilson	\$264,880	\$273,091	\$273,091	-	-	-
Total	\$1,298,880	\$1,339,145	\$273,091	\$1,080,979	\$178,944	\$902,035

Details of non-executive director remuneration for the financial year are set out in the following table.

2006	Short-term benefits		Post-employment benefits		
Name	Directors' Fees	Committee fees (including ad hoc committee fees)	Superannuation Contributions	Retirement benefit ⁽³⁾	Total
B. Healey (Chairman)	\$330,000	-	\$29,700	\$25,897	\$385,597
L.A. Wilson ⁽¹⁾	\$55,000	\$8,500	\$5,715	\$8,211	\$77,426
P. G. Goldie	\$110,000	\$16,000	\$11,340	\$10,541	\$147,881
D. D. H. Graham	\$110,000	\$11,000	\$10,890	\$10,541	\$142,431
S. Kavourakis	\$110,000	\$52,000	\$11,520	- ⁽²⁾	\$173,520
L. P. Wilkinson	\$110,000	\$10,000	\$10,800	- ⁽²⁾	\$130,800
J. Hall ⁽⁴⁾	\$91,667	\$26,167	\$9,525	- ⁽²⁾	\$127,359
Total	\$916,667	\$123,667	\$89,490	\$55,190	\$1,185,014

⁽¹⁾ Mr Wilson retired on 31 December 2005.

⁽²⁾ No retirement benefits are due. Mr Kavourakis, Mr Wilkinson and Mr Hall were appointed after 1 July 2003.

⁽³⁾ Retirement benefits represent the amount accrued for the CPI adjustment (refer above). As noted above the accrual of retirement benefits based on fees as service ceased as at 31 December 2004. The amount accrued for this year represents the CPI indexation of that retirement benefit.

⁽⁴⁾ Mr Hall was appointed to the Board on 1 September 2005.

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

⁽¹⁾ No retirement benefits are due. Mr Kavourakis and Mr Wilkinson were appointed after 1 July 2003.

⁽²⁾ The entitlement of non-executive directors appointed prior to 1 July 2003 to a retirement benefit from the Group was frozen as at 31 December 2004. The amount accrued for this year represents the CPI indexation of that retirement benefit.

Section 5 – Centro Employee Security Plan and Loan Scheme

The ESP was approved by security holders on 20 September 1991. The ESP 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 ESP 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 dividends/distributions 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 60.

During the 2005 financial year, the Board approved a variation to the ESP 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 ESP is not available to participants holding conditional vesting securities, in which case both the 75% rule and the vesting condition must be met.

	30.06.06	30.06.05
Number of employees participating in the ESP	458	381
Securities issued under the ESP to participating employees	22,787,154	21,940,364

The number of securities includes the exercised options discussed above but excludes securities associated with loans which have been paid back to Centro through re-financing arrangements.

Loans provided to Executives

The following table represents the balance as at 30 June for loans which were provided to Executives to fund the acquisition of securities under the ESP and EOP:

	June 2006 \$ Value	June 2005 \$ Value
A.T. Scott Chief Executive Officer	5,912,848	9,523,857
G. Terry Chief Operating Officer	3,547,709	5,203,789
R. Nenna Chief Financial Officer	3,813,174	3,653,141
J. Hutchinson General Counsel	3,661,854	4,272,069
T. Torney General Manager Funds Management and Shared Services	3,226,587	2,768,472
M. Wilson Chief Operating Officer Centro Watt JV	2,051,646	3,149,562
S. Schilling National Development Manager and HR Manager	3,772,598	2,846,560

During the year the Group agreed to re-financing arrangements for certain key management personnel whereby loans from Centro were repaid and amounts were re-financed by a third party. No sale of Centro securities occurred as a result of the re-financing. The amounts as at 30 June 2006 exclude the value of those loans which have been repaid to Centro through these arrangements.

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 30 to the Group 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 at Note 30, 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 undermine 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.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 73.

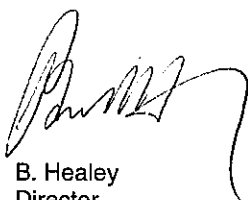
Rounding of amounts to the nearest thousand dollars

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, 6 September, 2006 in accordance with a resolution of the Directors.



B. Healey
Director



A.T. Scott
Director

PricewaterhouseCoopers
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Auditor's Independence Declaration

As lead auditor for the audit of Centro Properties Limited for the year ended 30 June 2006, 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 Limited and its controlled entities during the period.



Stephen Cougle
Partner
PricewaterhouseCoopers

Melbourne
6 September 2006

Income Statements
for the year ended 30 June 2006

Centro Properties Group

Centro Properties Limited			Centro Properties Limited and its controlled entities	
30.06.05 \$'000	30.06.06 \$'000	Note	30.06.06 \$'000	30.06.05 \$'000
REVENUE				
-	-		188,147	336,769
-	-		122,358	81,278
-	-		310,505	418,047
INCOME				
-	-		97,872	377,965
-	-	35	426,245	153,639
-	-	9	-	16,438
-	34	9	62,950	10,161
-	34		587,067	558,203
-	34		897,572	976,250
TOTAL REVENUE AND OTHER INCOME				
-	(45,492)	9	(95,852)	(81,471)
-	-		(18,319)	(30,500)
-	(1,112)		(46,914)	(34,171)
-	(39)		(22,315)	(28,969)
-	-		(9,287)	(13,076)
-	-		(8,783)	(9,783)
-	-		(6,719)	(5,668)
-	-		(7,166)	(3,054)
-	-		(579)	(1,167)
-	-	9	(4,720)	-
-	-		(1,180)	(3,072)
(2,491)	(2,477)		(12,560)	(20,746)
(2,491)	(49,086)		663,178	744,573
-	-	10	5,119	36,150
(2,491)	(49,086)		668,297	780,723
-	-		(4,112)	(6,339)
(2,491)	(49,086)		664,185	774,384
NET PROFIT/(LOSS) ATTRIBUTABLE TO MEMBERS OF CENTRO PROPERTIES GROUP				
(0.32)	(6.32)	26	85.49	105.10
(0.32)	(6.32)	26	84.56	102.67

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

Balance Sheets
as at 30 June 2006

Centro Properties Group

Centro Properties Limited			Centro Properties Limited and its controlled entities	
30.06.05 \$'000	30.06.06 \$'000	Note	30.06.06 \$'000	30.06.05 \$'000
CURRENT ASSETS				
-	-	12	249,656	67,372
-	-	28	20,273	-
1,516	1,694	13	270,842	165,837
-	-	15	100,168	160,386
-	-	15	73,295	2,132,934
1,516	1,694		714,234	2,526,529
NON-CURRENT ASSETS				
-	-	15, 35	2,860,430	860,159
31,233	31,233	15	42,938	10,349
-	-	15	1,202,165	2,357,907
-	-	16	11,586	11,423
-	-	17	306,783	306,783
572,797	704,068	14	24,231	76,719
604,030	735,301		4,448,133	3,623,340
605,546	736,995		5,162,367	6,149,869
TOTAL ASSETS				
CURRENT LIABILITIES				
434	45,566	18	102,405	139,859
-	-	19	162,084	142,966
434	45,566		264,489	282,825
NON-CURRENT LIABILITIES				
-	-	18	60,707	28,355
-	731,289	21	1,537,159	2,650,735
-	-	20	11,033	52,847
-	-	22	-	16,948
-	731,289		1,608,899	2,748,885
434	776,855		1,873,388	3,031,710
605,112	(39,860)		3,288,979	3,118,159
NET ASSETS/(DEFICIENCY)				
EQUITY				
Parent entity interest				
607,603	11,717	23	2,199,486	2,422,379
-	-	24	19,869	10,262
(2,491)	(51,577)	24	1,059,108	680,159
605,112	(39,860)		3,278,463	3,112,800
-	-		10,516	5,359
605,112	(39,860)		3,288,979	3,118,159
TOTAL EQUITY				

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

Cash Flow Statements
for the year ended 30 June 2006

Centro Properties Group

Centro Properties Limited		Centro Properties Limited and its controlled entities		
30.06.05 \$'000	30.06.06 \$'000	Note	30.06.06 \$'000	30.06.05 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
-	-		361,956	313,393
-	-		(169,242)	(73,009)
-	-		192,714	240,384
-	-		167,222	62,891
-	-		6,637	6,688
-	-		(96,726)	(62,911)
-	-	25	269,847	247,052
CASH FLOWS FROM INVESTING ACTIVITIES				
-	-		-	(939,307)
-	-		(100,562)	(1,847)
-	-		156,333	201,581
-	-		(9,971)	(1,476)
-	-		42,809	-
-	-		(80,226)	-
-	-		(374,338)	(392,166)
-	-		(3,104)	(1,334)
-	-		(369,059)	(1,134,549)
CASH FLOWS FROM FINANCING ACTIVITIES				
-	-		365,657	968,868
-	-		198,490	197,064
-	-		(281,362)	(224,161)
-	-		(1,322)	(6,451)
-	-		-	189
-	-		281,463	953,509
-	-		182,251	66,012
-	-		67,372	1,360
-	-		33	-
-	-		249,656	67,372
-	-	23(e)	62,652	69,914

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

Centro Properties Group

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements of Centro Properties Limited as an individual entity and the consolidated entity consisting of Centro Properties Limited and its subsidiaries.

(a) Basis of Preparation of Financial Statements

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS's), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

(b) Statement of Compliance with Australian Equivalents to International Financial Reporting Standards

This general purpose financial report complies with Australian Accounting Standards, which include Australian Equivalents to AIFRS. Compliance with AIFRS ensures that the financial report, comprising the financial statements and the notes thereto, complies with International Financial Reporting Standards. This is the first full year financial report based on AIFRS. Accordingly, the financial information for the prior period comparative has been restated. Financial statements of Centro Properties Group (the "Group") until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles ("AGAAP"). A summary of the significant accounting policies of the Group under AIFRS are disclosed at note 1(b) to 1(ac).

The Group adopted the exemption provided under AASB 1: *First Time Adoption of AIFRS* which permitted the deferral of the adoption of AASB 132 *Financial Instruments: Presentation and Disclosure* and AASB 139 *Financial Instruments: Recognition and Measurement* until 1 July 2005. Therefore, AASB 132 and AASB 139 have not been applied to the comparative period information.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRS on the Group's equity and net income are provided at notes 5 and 7.

Note 5(a) shows a reconciliation of equity reported under previous AGAAP to equity under AIFRS:

- (i) at the date of transition to AIFRS: 1 July 2004;
- (ii) at the end of the last reporting period under previous AGAAP: 30 June 2005.

Note 5(b) shows a reconciliation of profit under AGAAP to profit under AIFRS for the year ended 30 June 2005.

(c) Basis of Preparation of Centro Properties Group Financial Statements

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

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

(d) Accounting for Centro Property Trust's Units

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

The amendment allows unitholders' funds to remain as equity in accordance with AASB 132 *Financial Instruments: Presentation and Disclosure*.

As mentioned at note 1(a) above, the Group elected to defer the adoption of AASB 132 and AASB 139 to 1 July 2005. Accordingly, the Trust's units have been accounted for as equity in the comparative period.

(e) Historical Cost Convention

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

Note 1 continues on following page

Note 1 continued from previous page

(f) Principles of Consolidation

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

Where control of an entity is obtained during a financial year, its results are included in the Group's income statement from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control existed.

Investments in 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 income statement, and its share of post-acquisition movements in reserves is recognised in consolidated reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment. Associates are those entities over which the Group exercises significant influence, but not control.

Investments in joint ventures are accounted for using the equity method. Under this method the share of profits or losses of the entity are recognised in the consolidated income statement, and the share of movements in reserves are recognised in the consolidated balance sheet.

(g) Acquisitions of Assets

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

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

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

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

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

(h) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised for the following activities as follows:

(i) Property ownership revenue

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

(ii) Services revenue

• **Property Management Revenue**

As the manager of its own properties and those of other clients, the Group receives management and performance fee revenue in accordance with generally accepted commercial terms. Property management revenue is recognised on an accruals basis as earned.

• **Development and Leasing Fees**

The Group operates a development management and leasing business and derives project management and leasing fees in respect of new developments and redevelopments of its own properties and those of other clients. The fees are in accordance with generally accepted commercial terms and conditions and are recognised as revenue on a percentage of completion basis.

Note 1 continues on following page

Note 1 continued from previous page

- *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.

(i) Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability.

An exception is made for certain temporary differences arising from the initial recognition of an asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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

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

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

Centro Properties Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

(j) Cash and Cash Equivalents

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

(k) Receivables

All trade and other debtors are recognised at the amounts receivable as they are due for settlement no more than 30 days from the date of recognition.

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 objective evidence of impairment in relation to collection exists on a case by case basis.

(l) Trade and Other Creditors

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

(m) Employee Benefits

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

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other creditors in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long service leave

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

Note 1 continues on following page

Note 1 continued from previous page

Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Bonus plans

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

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

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

(iv) Termination benefits

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

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

(n) Share-Based Payments

Group employees are awarded with Group securities under the Centro Properties Group Employee Security Plan and Loan Scheme ("ESP"). The fair value of the securities granted is determined at the allocation date and recognised as an expense in the income statement with a corresponding increase in the option reserve component of equity. For securities granted before 7 November 2002 and/or vested before 1 January 2005 no expense is recognised in respect of these securities in accordance with AASB 1 *First-time Adoption of Australian Equivalents to IFRS*.

(o) 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.

(p) Goodwill

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

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

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

(q) Investment Properties

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

Subsequent to initial recognition as assets, investment properties are revalued to fair value as described in note 1(u). Investment properties are maintained at a high standard and, in accordance with accounting standards, the properties are not depreciated.

Note 1 continues on following page

Note 1 continued from previous page

(r) Financial Assets

Comparative information

The Group has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 only from 1 July 2005. The Group has applied previous AGAAP to the comparative information on financial instruments within the scope of AASB 132 and AASB 139.

Under previous AGAAP, interests in listed and unlisted securities, other than subsidiaries and associates, are brought to account at cost and dividend income is recognised in the income statement when receivable.

Adjustments on transition date: 1 July 2005

The nature of the main adjustments to make this information comply with AASB 132 and AASB 139 are that, with the exception of held-to-maturity investments and loans and receivables which are measured at amortised cost, fair value is the measurement basis. Changes in fair value are either taken to the income statement or an equity reserve. At the date of transition (1 July 2005) changes to carrying amounts are taken to retained earnings or reserves.

From 1 July 2005

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

(i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss on initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated.

Such designation reflects the possibility that the asset will be sold in the short term or the asset is subject to frequent changes in fair value. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(ii) Loans and receivables

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

(iii) Held-to-maturity investments

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

(iv) Available-for-sale financial assets

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

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

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

Note 1 continued from previous page

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

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

(v) Non-current assets held for sale

Non-current assets are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continued use.

An impairment loss is recognised for an initial or subsequent write down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of non-current asset is recognised at the date of derecognition.

Non-current assets classified as held for sale are presented separately from the other assets in the balance sheet.

(s) Derivatives

Comparative information

The Group has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 from 1 July 2005. The Group has applied previous AGAAP in the comparative information on financial instruments within the scope of AASB 132 and AASB 139.

The following sets out how derivatives are accounted for under previous AGAAP.

(i) Interest rate swaps

The net amount receivable or payable under interest rate swap agreements is progressively brought to account over the period to settlement. The amount recognised is accounted for as an adjustment to interest and finance charges during the period and included in other debtors or other creditors at each reporting date.

Where an interest rate swap is terminated early and the underlying hedged transaction is:

- (a) 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
- (b) no longer expected to occur as designated: the gains or losses arising on the swap upon its early termination are recognised in the income statement at the date of termination.

(ii) Forward foreign exchange contracts

Gains or costs arising from entering into a contract intended to hedge the purchase or sale of goods or services, together with the subsequent exchange gains or losses resulting from remeasurement of those contracts by reference to movements in spot exchange rates are deferred in the balance sheet 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.

Early termination of forward foreign exchange contracts is accounted for on a basis consistent with interest rate swaps (refer above). For both interest rate swaps and foreign exchange contracts, 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.

Adjustments on transition date: 1 July 2005

The nature of the main adjustments to make this information comply with AASB 132 and AASB 139 are that derivatives are measured on a fair value basis. Changes in fair value are either taken to the income statement or an equity reserve. At the date of transition (1 July 2005) changes in the carrying amounts of derivatives are taken to retained earnings or reserves, depending on whether the criteria for hedge accounting are satisfied at the transition date.

Note 1 continues on following page

Note 1 continued from previous page

From 1 July 2005

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either; (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (2) hedges of highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

(i) Fair value hedge

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

(ii) Cash flow hedge

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

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

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

(iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement. For the 2006 financial year, no derivative financial instruments were designated into a hedging relationship and therefore all movements in fair value have been taken to the income statement.

(t) Fair Value Estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

(u) Revaluation of Investment Properties

For the purpose of the Group accounts, property investments are carried at fair value. Directors revalue the property investments 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.

Changes in fair values are recorded in the income statement.

(v) Borrowings

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

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

Note 1 continued from previous page

(w) Borrowing Costs

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

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, in this case 5.11% (2005 - 5.80%).

(x) Foreign Currency Translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

(iii) Group entities

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

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

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

(y) Contributed Equity

Ordinary shares are classified as equity.

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

(z) 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 reporting period, adjusted for bonus elements in securities issued during the period. The weighted average number of stapled securities has been adjusted for the elimination of securities issued under the Employee Securities Plan.

(ii) Diluted earnings per security

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

Note 1 continues on following page

Note 1 continued from previous page

(aa) Distributions

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

(ab) 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.

(ac) Segment reporting

Refer to note 8 for the accounting policy in relation to segment reporting.

(ad) New accounting standards and UIG interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 30 June 2006 reporting periods. The Group has assessed the impact of these new standards and deemed the impact to be immaterial.

2. RECONCILIATION BETWEEN NET PROFIT AND DISTRIBUTABLE INCOME

	Centro Properties Limited and its controlled entities	
	30.06.06	30.06.05
	\$'000	\$'000
NET PROFIT ATTRIBUTABLE TO MEMBERS:	664,185	774,384
Adjusted for:		
Revaluation of investment properties	(97,872)	(377,965)
Share of net profits of associates accounted for using the equity method	(244,671)	(78,553)
Amortisation of tenant allowances	4,165	4,029
Net unrealised gain on mark to market of derivatives that do not qualify for hedge accounting	(37,850)	(5,000)
Deferred tax benefit	(5,119)	(36,150)
Straightlining of rental income	(3,053)	(11,693)
Net loss or (income) on the disposal of investment property and equity accounted investments	4,720	(16,438)
Employee security plan ("ESP")	10,761	816
DISTRIBUTABLE INCOME	295,266	253,430
Weighted average number of securities on issue for the period ('000)	802,355 ⁽¹⁾	754,256 ⁽¹⁾
Distributable income per ordinary security (cents)	36.8	33.6
Distribution paid/declared		
Number of securities on issue as at 30 June 2006 ('000)	819,606 ⁽¹⁾	779,795 ⁽¹⁾
Distribution per ordinary security (cents)	36.8	33.6

⁽¹⁾ – Adjusted to add back securities issued under the ESP that are deemed to be options under AASB 2 *Share-based Payment* (refer to note 7(vii))

3. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks; market risk (including foreign exchange risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain risk exposures.

Risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as mitigating foreign exchange, interest rate and credit risks and use of derivative financial instruments.

Note 3 continues on following page

Note 3 continued from previous page

(a) Market Risk

(i) Foreign Exchange Risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The Group operates internationally and is exposed to foreign exchange risk arising from currency exposures to the US dollar and NZ dollar.

Forward contracts, transacted with Group Treasury, are used to manage foreign exchange risk. Group Treasury is responsible for managing exposures in each foreign currency by using external forward currency contracts.

For segment reporting purposes, each subsidiary designates contracts with Group Treasury as fair value hedges or cash flow hedges, as appropriate. External foreign exchange contracts are designated at Group level as hedges of foreign exchange risk on specific assets, liabilities or future transactions on a gross basis.

(ii) Price Risk

The Group is exposed to equity securities price risk. This arises from investments held by the Group and classified on the balance sheet either as available-for-sale or at fair value through profit or loss. The Group is not exposed to commodity price risk.

(iii) Fair Value Interest Rate Risk

Refer to (d) below.

(b) Credit Risk

The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high credit quality financial institutions. The Group has policies that limit the amount of credit exposure to any one financial institution. All rental income is billed and received in advance.

(c) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close-out market positions. Due to the dynamic nature of the underlying business, Group Treasury aims at maintaining flexibility in funding by keeping committed credit lines available.

(d) Cash Flow and Fair Value Interest Rate Risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are not materially exposed to changes in market interest rates.

The Group's interest-rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk. Group policy is to fix the rates for at least 75% of its borrowings for the subsequent 12 months. This policy had been complied with at the year end.

The Group manages its cash flow interest-rate risk by using floating-to-fixed interest rate swaps. Such interest rates swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. Under the interest-rate swaps, the Group agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. There are no estimates or assumptions that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next financial year.

5. EXPLANATION OF TRANSITION TO A IFRS

(a) Reconciliation of equity reported under previous AGAAP to equity under AIFRS

(i) At the date of transition to AIFRS: 1 July 2004

Centro Properties Limited and its controlled entities	Notes	Previous AGAAP \$'000	Effect of transition to AIFRS \$'000	AIFRS \$'000
CURRENT ASSETS				
Cash assets and cash equivalents		5,333	-	5,333
Receivables		127,531	-	127,531
Derivative financial instruments	(v)	-	-	-
Non-current assets classified as held for sale		85,215	-	85,215
Total current assets		218,079	-	218,079
NON-CURRENT ASSETS				
Receivables	(vii)	25,678	(17,178)	8,500
Investments accounted for using the equity method		763,301	-	763,301
Other financial assets		50,781	-	50,781
Investment property	(i),(ii),(iii)	2,255,068	-	2,255,068
Plant and equipment		5,707	-	5,707
Intangible assets		197,541	-	197,541
Deferred tax assets		325	-	325
Total non-current assets		3,298,401	(17,178)	3,281,223
TOTAL ASSETS		3,516,480	(17,178)	3,499,302
CURRENT LIABILITIES				
Payables		128,940	-	128,940
Derivative financial instruments	(v)	-	-	-
Provisions		104,023	-	104,023
Total current liabilities		232,963	-	232,963
NON-CURRENT LIABILITIES				
Payables	(vii)	-	8,500	8,500
Deferred tax liabilities	(ix)	-	53,100	53,100
Interest bearing liabilities		1,083,348	-	1,083,348
Provisions		2,029	-	2,029
Total non-current liabilities		1,085,377	61,600	1,146,977
TOTAL LIABILITIES		1,318,340	61,600	1,379,940
NET ASSETS		2,198,140	(78,778)	2,119,362
EQUITY				
Parent entity interest				
Contributed equity	(vi),(vii)	1,862,923	(25,678)	1,837,245
Reserves	(i), (xii)	284,602	(284,602)	-
Retained profits	(xiii)	2,485	231,502	233,987
Total parent entity interest		2,150,010	(78,778)	2,071,232
Minority interests		48,130	-	48,130
TOTAL EQUITY		2,198,140	(78,778)	2,119,362

Note 5 continues on following page

Note 5 continued from previous page

Centro Properties Limited	Notes	Previous AGAAP \$'000	Effect of transition to AIFRS \$'000	AIFRS \$'000
CURRENT ASSETS				
Receivables		2,137	-	2,137
Derivative financial instruments	(v)	-	-	-
Total current assets		2,137	-	2,137
NON-CURRENT ASSETS				
Receivables	(vii)	-	-	-
Investments accounted for using the equity method		-	-	-
Other financial assets		-	-	-
Investment property	(i),(ii),(iii)	-	-	-
Plant and equipment		-	-	-
Intangible assets	(iv)	-	-	-
Deferred tax assets		-	-	-
Total non-current assets		-	-	-
TOTAL ASSETS		2,137	-	2,137
CURRENT LIABILITIES				
Payables		33	-	33
Derivative financial instruments	(v)	-	-	-
Provisions		122	-	122
Total current liabilities		155	-	155
NON-CURRENT LIABILITIES				
Payables	(vii)	-	-	-
Deferred tax liabilities	(ix)	-	-	-
Interest bearing liabilities		-	-	-
Provisions		-	-	-
Total non-current liabilities		-	-	-
TOTAL LIABILITIES		155	-	155
NET ASSETS		1,982	-	1,982
EQUITY				
Parent entity interest				
Contributed equity	(vi),(vii)	1,982	-	1,982
Reserves	(i), (xii)	-	-	-
Retained profits	(xiii)	-	-	-
Total parent entity interest		1,982	-	1,982
Minority interests		-	-	-
TOTAL EQUITY		1,982	-	1,982

5. EXPLANATION OF TRANSITION TO A IFRS (continued)

(a) (ii) At the date of the last reporting period under previous AGAAP: 30 June 2005

Centro Properties Limited and its controlled entities	Notes	Previous AGAAP \$'000	Effect of transition to AIFRS \$'000	AIFRS \$'000
CURRENT ASSETS				
Cash assets and cash equivalents		67,372	-	67,372
Receivables		165,837	-	165,837
Derivative financial instruments	(v)	-	-	-
Non-current assets classified as held for sale		160,386	-	160,386
Investment property		2,132,934	-	2,132,934
Total current assets		2,526,529	-	2,526,529
NON-CURRENT ASSETS				
Receivables	(vi),(vii)	128,170	(51,451)	76,719
Investments accounted for using the equity method		860,159	-	860,159
Other financial assets		10,349	-	10,349
Investment property	(i),(ii),(iii)	2,357,907	-	2,357,907
Plant and equipment	(vi)	5,823	5,600	11,423
Intangible assets	(iv),(vi)	675,705	(368,922)	306,783
Total non-current assets		4,038,113	(414,773)	3,623,340
TOTAL ASSETS		6,564,642	(414,773)	6,149,869
CURRENT LIABILITIES				
Payables		139,859	-	139,859
Derivative financial instruments	(v)	-	-	-
Provisions		142,966	-	142,966
Total current liabilities		282,825	-	282,825
NON-CURRENT LIABILITIES				
Payables	(vii)	20,555	7,800	28,355
Interest bearing liabilities		2,650,735	-	2,650,735
Non-interest bearing liabilities		52,847	-	52,847
Deferred tax liabilities	(ix)	-	16,948	16,948
Total non-current liabilities		2,724,137	24,748	2,748,885
TOTAL LIABILITIES		3,006,962	24,748	3,031,710
NET ASSETS		3,557,680	(439,521)	3,118,159
EQUITY				
Parent entity interest				
Contributed equity	(vi),(vii)	3,392,046	(969,667)	2,422,379
Reserves	(i),(vii),(xii)	157,790	(147,528)	10,262
Retained profits	(xiii)	2,485	677,674	680,159
Total parent entity interest		3,552,321	(439,521)	3,112,800
Minority interests		5,359	-	5,359
TOTAL EQUITY		3,557,680	(439,521)	3,118,159

Note 5 continues on following page

Note 5 continued from previous page

Centro Properties Limited	Notes	Previous AGAAP \$'000	Effect of transition to AIFRS \$'000	AIFRS \$'000
CURRENT ASSETS				
Cash assets and cash equivalents		-	-	-
Receivables		1,516	-	1,516
Derivative financial instruments	(v)	-	-	-
Total current assets		1,516	-	1,516
NON-CURRENT ASSETS				
Receivables	(vii)	572,797	-	572,797
Investments accounted for using the equity method		-	-	-
Other financial assets		36,031	(4,798)	31,233
Investment property	(i),(ii),(iii)	-	-	-
Plant and equipment	(vi)	-	-	-
Intangible assets	(iv),(vi)	-	-	-
Other	(vi)	-	-	-
Total non-current assets		608,828	(4,798)	604,030
TOTAL ASSETS		610,344	(4,798)	605,546
CURRENT LIABILITIES				
Payables		434	-	434
Non-interest bearing liabilities		-	-	-
Derivative financial instruments	(v)	-	-	-
Provisions		-	-	-
Total current liabilities		434	-	434
NON-CURRENT LIABILITIES				
Payables	(vii)	-	-	-
Interest bearing liabilities		-	-	-
Non-interest bearing liabilities		-	-	-
Deferred tax liabilities	(ix)	-	-	-
Provisions		-	-	-
Total non-current liabilities		-	-	-
TOTAL LIABILITIES		434	-	434
NET ASSETS		609,910	-	605,112
EQUITY				
Parent entity interest				
Contributed equity	(vi),(vii)	612,401	(4,798)	607,603
Reserves	(i),(vii),(xii)	-	-	-
Retained profits	(xiii)	(2,491)	-	(2,491)
Total parent entity interest		609,910	(4,798)	605,112
Minority interests		-	-	-
TOTAL EQUITY		609,910	(4,798)	605,112

Note 5 continues on following page

5. EXPLANATION OF TRANSITION TO A IFRS (continued)

(b) Reconciliation of profit reported under previous AGAAP to profit under AIFRS for the year ended 30 June 2005

Centro Properties Limited and its controlled entities	Notes	Previous AGAAP \$'000	Effect of transition to AIFRS \$'000	AIFRS \$'000
REVENUE & OTHER INCOME				
Property ownership revenue	(ii),(vi)	260,585	76,184	336,769
Funds management income	(vi)	57,242	24,036	81,278
TOTAL REVENUE		317,827	100,220	418,047
INCOME				
Property revaluations	(i),(ii),(iii)	-	377,965	377,965
Share of net profits of associates and joint venture partnerships accounted for using the equity method	(vi)	59,819	93,820	153,639
Net income on the disposal of investment property and equity accounted investments	(x)	-	16,438	16,438
Other income		10,161	-	10,161
Proceeds from sale of investments	(x)	201,581	(201,581)	-
TOTAL INCOME		271,561	286,642	558,203
TOTAL REVENUE & INCOME		589,388	386,862	976,250
Financing costs	(vi)	(67,767)	(13,704)	(81,471)
Repairs, maintenance, cleaning and security	(vi)	(24,417)	(6,083)	(30,500)
Employee benefits expense	(vi),(vii)	(26,591)	(7,580)	(34,171)
Rent, rates, taxes and insurance	(vi)	(23,786)	(5,183)	(28,969)
Management fees	(vi)	(11,740)	(1,336)	(13,076)
Light and power	(vi)	(7,774)	(2,009)	(9,783)
Depreciation and amortisation expense	(iv),(vi)	(30,410)	24,742	(5,668)
Marketing	(vi)	(2,006)	(1,048)	(3,054)
Bad and doubtful debts		(992)	(175)	(1,167)
Other shopping centre management costs	(vi)	(2,786)	(286)	(3,072)
Other expenses from ordinary activities	(vi)	(19,923)	(823)	(20,746)
Carrying amount of non-current assets sold	(x)	(185,143)	185,143	-
PROFIT BEFORE INCOME TAX EXPENSE		186,053	558,520	744,573
Income tax benefit	(ix)	-	36,150	36,150
NET PROFIT		186,053	594,670	780,723
Net profit attributable to minority interest	(vi)	(6,451)	112	(6,339)
NET PROFIT ATTRIBUTABLE TO MEMBERS OF CENTRO PROPERTIES GROUP		179,602	594,782	774,384

Note 5 continues on following page

Note 5 continued from previous page

Centro Properties Limited	Notes	Previous AGAAP \$'000	Effect of transition to AIFRS \$'000	AIFRS \$'000
REVENUE & OTHER INCOME				
Property ownership revenue	(ii),(vi)	-	-	-
Funds management income	(vi)	-	-	-
Property revaluations	(i),(ii),(iii)	-	-	-
Share of net profits of associates & joint venture partnerships accounted for using the equity method	(vi)	-	-	-
Net income on the disposal of investment property & equity accounted investments	(x)	-	-	-
Other income		-	-	-
Proceeds from sale of investments	(x)	-	-	-
TOTAL REVENUE & OTHER INCOME		-	-	-
Financing costs	(vi)	-	-	-
Repairs, maintenance, cleaning and security	(vi)	-	-	-
Employee benefits expense	(vi),(vii)	-	-	-
Rent, rates, taxes and insurance	(vi)	-	-	-
Management fees	(vi)	-	-	-
Light and power	(vi)	-	-	-
Depreciation and amortisation expense	(iv),(vi)	-	-	-
Marketing	(vi)	-	-	-
Bad and doubtful debts		-	-	-
Other shopping centre management costs	(vi)	-	-	-
Other expenses from ordinary activities	(vi)	(2,491)	-	(2,491)
Carrying amount of non-current assets sold	(x)	-	-	-
PROFIT (LOSS) BEFORE INCOME TAX EXPENSE		(2,491)	-	(2,491)
Income tax benefit	(ix)	-	-	-
NET PROFIT		(2,491)	-	(2,491)
Net profit attributable to minority interest	(vi)	-	-	-
NET PROFIT ATTRIBUTABLE TO MEMBERS OF CENTRO PROPERTIES GROUP		(2,491)	-	(2,491)

6. RECONCILIATION OF CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2005

The adoption of AIFRS has not resulted in any material adjustments to the cash flow statement.

7. NOTES TO THE RECONCILIATIONS

(i) Investment properties

Under previous AGAAP, revaluation increments were credited directly to the asset revaluation reserve, with no provision for tax unless it was expected that a liability for tax would 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 was 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 income statement in the period in which they arise with a deferred tax liability being recognised where a liability for tax would crystallise. On transition to AIFRS the balance of the asset revaluation reserve was transferred to retained earnings.

(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 previous AGAAP policy was recognised on an accruals basis as earned.

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 straightlining is negligible.

(iii) Leases – Incentives

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

Under previous AGAAP, all upfront payments and fit-outs provided at the inception or renewal of a lease were capitalised to the value of the property.

(iv) Goodwill

Under previous AGAAP, goodwill was required to 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 is prohibited, and is replaced by an annual impairment test focusing on the cash flows of the related cash generating unit.

(v) Financial instruments: Recognition and measurement

The Group has taken 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.

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 trust deed of Centro Property Trust has been amended to remove the finite life clause of the Trust in accordance with ASIC Ruling IR05-29. The amendment allows the Group's current classification of equity and distributions to remain under AIFRS.

AIFRS has had the following impacts:

(a) Classification and measurement of financial assets and liabilities

Under AASB 139, financial assets held by entities in the consolidated entity are 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 are 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 are 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 remain unchanged. Measurement of these instruments is initially at fair value with subsequent measurement at amortised cost, using the effective interest rate method.

This has resulted in a change to the previous accounting policy, under which financial assets were carried at the lower of cost and recoverable amount, with changes recognised in profit or loss.

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(b) Interest rate risk management

Under previous AGAAP, interest rate risk management derivatives were not recorded in the financial statements until the underlying transaction occurred. Under AIFRS, all derivatives must be recognised on balance sheet at fair value. All derivatives are revalued to fair value at each balance date with any fair value movements taken either to the income statement 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 are 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 have first been recognised from 1 July 2005.

(c) Cash flow hedges

Under AIFRS, foreign exchange contracts held for hedging purposes are accounted for as cash flow hedges. Changes in the fair value of those contracts are 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 has resulted in a change to the prior accounting policy, under which the costs or gains arising under contracts together with any realised or unrealised gains from re-measurement were 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 have first been recognised from 1 July 2005.

(vi) 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 is required under AIFRS. Business combinations occurring before transition date (1 July 2004) may be grandfathered. The merger during the year ended 30 June 2005 of Centro Properties Group and Prime Retail Group is not grandfathered and the business combination accounting has been restated under AIFRS, as discussed below.

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

Under AIFRS, the acquirer is deemed to be CNP. 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, reduction in goodwill on acquisition due to Centro being deemed the acquirer, increase in asset revaluation reserve, and decrease in other assets. In addition, net profit for the year is increased as, under AIFRS, the result incorporates 12 months of CNP's results and 9 months of PRX's results as compared to 12 months of PRX's results and 9 months of CNP's results under AGAAP.

(vii) Equity Based Compensation Benefits

Under the 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, 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 are 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 recognises 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 expensed. Similarly, as the securities issued under the ESP are not considered to be on issue, the ESP loan receivable and related contributed equity balances have been removed from the balance sheet. Also, under AIFRS, a loan payable is recognised which pertains to Centro's securitisation of ESP loans at 30 June 2003.

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(viii) Foreign currency

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

- For hedges of foreign earnings, gains and losses were reflected in the income statement, as the underlying earnings were recognised; and
- For hedges of net investments in foreign operations, gains and losses were 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 income statement 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 income statement 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 re-measurement of an entity's financial statements from functional currency to presentation currency are recorded in the foreign currency translation reserve.

Under previous AGAAP, where operations classified as self-sustaining had a functional currency that differs from the Australian parent, the balance sheet of the foreign operations must be translated to Australian dollars at year end rates and the income statement at average rates with translation movements being recognised in the foreign currency translation reserve. Further, previous AGAAP required the financial statements of Australian entities to be presented in Australian dollars.

(ix) 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 balance sheet 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 has resulted in a change to the previous AGAAP accounting policy, under which deferred tax balances were determined using the income statement method, items were only tax-effected if they were included in the determination of pre-tax accounting profit or loss and/or taxable income or loss and current and deferred taxes could not be recognised directly in equity.

In addition, the tax effect of transaction costs on security issues are now recognised directly in equity.

(x) Revenue disclosures in relation to the sale of non-current assets

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

(xi) Non-current assets held for sale

Under AIFRS, a non-current asset is 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 is measured at the lower of carrying amount and fair value, less costs to sell.

This has resulted in a change to the previous AGAAP accounting policy under which properties held for sale were classified as "Current Assets – Other financial assets", and measured at fair value, not taking into consideration costs to sell.

(xii) Foreign currency translation reserve: cumulative translation differences

The Group has elected to apply the exemption in AASB 1 *First Time Adoption of Australian Equivalents to International Financial Reporting Standards*. The cumulative translation differences for all foreign operations presented in the foreign currency translation reserve are deemed to be zero at the date of transition to AIFRS.

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(xiii) Retained earnings

The effect on retained earnings of the changes set out at note 5(a) are as follows:

	Note	Centro Properties Limited and its controlled entities	
		01.07.04 \$'000	30.06.05 \$'000
Transfer from reserves	(i),(xii)	(275,158)	(659,675)
Straightlining of rent	(ii)	(9,444)	(11,692)
Lease incentive amortisation	(iii)	-	4,029
Deferred tax liability	(ix)	53,100	16,948
Mark-to-market amortisation	(vi)	-	(5,000)
Goodwill amortisation	(iv)	-	(23,100)
Employee security plan option valuation	(vii)	-	816
Total adjustment		(231,502)	(677,674)
Attributable to:			
Equity holders of the Group		(231,502)	(677,674)
Minority interest		-	-
		(231,502)	(677,674)

There were no effects on retained earnings for the parent, Centro Properties Limited.

8. 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, South Australia and the Australian Capital Territory 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.

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PRIMARY REPORTING – BUSINESS SEGMENT

2006

Centro Properties Limited and its controlled entities	Property Ownership \$'000	Services Business \$'000	Inter Segment/Other \$'000	Group \$'000
Revenue	188,147	122,358	-	310,505
Total segment revenue	188,147	122,358	-	310,505
Shares of net profits of associates and joint ventures	416,053	10,192	-	426,245
Property revaluations	97,872	-	-	97,872
Total segment revenue and income	702,072	132,550	-	834,622
Segment result	592,689	103,391	-	696,080
Unallocated revenue less unallocated expense				(32,902)
Profit from ordinary activities before income tax				663,178
Income tax benefit				5,119
Net Profit				668,297
Segment assets	4,269,726	306,783	-	4,576,509
Unallocated assets				585,858
Total Assets				5,162,367
Segment liabilities	1,682,322	28,982	-	1,711,304
Unallocated liabilities				162,084
Total Liabilities				1,873,388
Acquisitions of plant and equipment, intangibles and other non-current segment assets	389,353	-	-	389,353
Depreciation and amortisation expense	6,719	-	-	6,719

Note 8 continues on following page

Note 8 continued from previous page

2005

Centro Properties Limited and its controlled entities	Property Ownership \$'000	Services Business \$'000	Inter Segment/Other \$'000	Group \$'000
Revenue	336,769	81,278	-	418,047
Total segment revenue	336,769	81,278	-	418,047
Shares of net profits of associates and joint ventures	153,639	-	-	153,639
Property revaluations	377,965	-	-	377,965
Net income on disposal of investment property and equity accounted investments	16,438	-	-	16,438
Total segment revenue and income	884,811	81,278	-	966,089
Segment result	760,393	57,596	-	817,989
Unallocated revenue less unallocated expense				(73,416)
Profit from ordinary activities before income tax				744,573
Income tax expense				36,150
Net Profit				780,723
Segment assets	5,287,785	706,841	-	5,994,626
Unallocated assets				155,243
Total Assets				6,149,869
Segment liabilities	2,841,603	30,193	-	2,871,796
Unallocated liabilities				159,914
Total Liabilities				3,031,710
Acquisitions of plant and equipment, intangibles and other non-current segment assets	7,462			7,462
Depreciation and amortisation expense	5,668	-	-	5,668

SECONDARY REPORTING – GEOGRAPHICAL SEGMENT

Centro Properties Group operates in two major geographical segments, being Australasia and the United States.

2006

Centro Properties Limited and its controlled entities	Australasia \$'000	United States \$'000	Inter Segment/Other \$'000	Group \$'000
Revenue	220,305	90,200	-	310,505
Shares of net profits of associates and joint ventures	414,621	11,624	-	426,245
Income	96,542	1,330	-	97,872
Total segment revenue and income	731,468	103,154	-	834,622
Segment result	625,223	70,857	-	696,080
Unallocated revenue less unallocated expense				(32,902)
Profit from ordinary activities before income tax				663,178
Income tax benefit				5,119
Net Profit				668,297

Note 8 continues on following page

Note 8 continued from previous page

2005

Centro Properties Limited and its controlled entities	Australasia	United States	Inter Segment/Other	Group
	\$'000	\$'000	\$'000	\$'000
Revenue	384,740	33,307	-	418,047
Shares of net profits of associates and joint ventures	135,456	18,183	-	153,639
Income	394,403	-	-	394,403
Total segment revenue and income	914,599	51,490	-	966,089
Segment result	778,721	39,268	-	817,989
Unallocated income less unallocated expense				(73,416)
Profit before income tax				744,573
Income tax benefit				36,150
Net Profit				780,723

Notes to and forming part of the segment information

(a) Accounting policies

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

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

Centro Properties Limited			Centro Properties Limited and its controlled entities	
30.06.05 \$'000	30.06.06 \$'000	Note	30.06.06 \$'000	30.06.05 \$'000
9. PROFIT FROM CONTINUING OPERATIONS				
Other revenue and income				
-	-		25,100	4,337
-	-		37,850	5,000
-	34		-	824
-	34		62,950	10,161
Other revenue / (expenses) included in operating profit:				
-	-		(579)	(1,167)
-	-		(4,034)	(1,639)
-	-		(2,685)	(4,029)
Finance costs:				
-	(45,492)		(98,956)	(84,396)
-	-		3,104	2,925
-	(45,492)		(95,852)	(81,471)
-	-		(4,720)	16,438
10. INCOME TAX EXPENSE				
(a) Income tax expense				
-	-		11,829	-
-	-	22	(16,948)	(36,150)
-	-		(5,119)	(36,150)
Income tax (revenue)/expense is attributable to:				
-	-		(5,119)	(36,150)
-	-		(5,119)	(36,150)
Deferred income tax (revenue)/expense included in income tax expense comprises:				
-	-		-	-
-	-		(16,948)	(36,150)
-	-		(16,948)	(36,150)
Note 10 continues on the following page				
-	-		(16,948)	(36,150)

Centro Properties Limited			Centro Properties Limited and its controlled entities	
30.06.05 \$'000	30.06.06 \$'000	Note	30.06.06 \$'000	30.06.05 \$'000
Note 10 continued from the previous page				
(b) Numerical Reconciliation of income tax expense to prima facie tax payable				
The income tax expense for the financial year differs from the amount calculated on the profit. The differences are reconciled as follows:				
(2,491)	(49,086)		663,178	744,573
Profit (loss) from continuing operations before income tax expense				
(747)	(14,726)		198,953	223,372
-	-		(226,155)	(183,673)
Income tax calculated at 30% (2005 at 30%)				
-	-		-	(134)
Trust income not subject to income tax				
-	-		(3,465)	(1,814)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:				
-	-		-	(354)
Non-Deductible depreciation				
-	-		25,065	(1,263)
Distributions from unlisted trusts and partnerships				
-	-		483	16
Costs capitalised for accounting				
-	-		(5,119)	(36,150)
Book profit on sale of investments				
-	-		-	-
Other				
(747)	(14,726)		-	-
Tax expense / (benefit), not brought to account				
-	-	22	(5,119)	(36,150)
Income tax (benefit) applicable to operating profit				
(c) Tax Losses				
-	-		833	918
The directors estimate that the potential future income tax benefit at 30 June 2006 in respect of tax losses not brought to account is				

This benefit for tax losses will only be obtained if:

- 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; and
- the Group continues to comply with the conditions for deductibility imposed by tax legislation; and
- no changes in tax legislation adversely affect the Group in realising the benefit from the deduction for the losses.

(d) Tax consolidation legislation

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

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.

11. DISTRIBUTIONS

The Directors have declared a final distribution of 19.0 cents on 13 June 2006 which was paid on 25 August 2006 to holders of stapled securities at the close of business on 30 June 2006.

Centro Properties Limited		Centro Properties Limited and its controlled entities	
30.06.05 \$'000	30.06.06 \$'000	30.06.06 \$'000	30.06.05 \$'000
The distribution comprises:			
-	- Distribution from Trust of 19.0 cents (2005: 17.60 cents)	155,725	137,244
-	- Dividend from Company of nil cents (2005: nil cents)	-	-
-	- Distributions provided	155,725	137,244
Interim distribution of 17.8 cents per stapled security comprising:			
-	- Distribution from Trust of 17.8 cents (2005: 16.00 cents)	144,118	122,643
-	- Dividend from Company of nil cents (2005: nil cents)	-	-
-	- Distributions paid	144,118	122,643
Total distributions provided for or paid amount to 36.8 cents per stapled security			
-	- Distribution from Trust of 36.8 cents (2005: 33.60 cents)	299,843	259,887
-	- Dividend from Company of nil cents (2005: nil cents)	-	-
-	- Total distributions provided for or paid	299,843	259,887
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 2006 after servicing the dividends declared at balance date.			
Nil	Nil	Nil	Nil
Tax components of the distributions		Cents	Cents
Interim distribution			
-	- Trust - Tax advantaged	6.44	4.03
-	- - Taxable	11.36	11.97
-	-	17.80	16.00
-	- Company - Franked	Nil	Nil
-	- - Unfranked	Nil	Nil
-	-	Nil	Nil
-	- Total interim distribution	17.80	16.00
Final distribution			
-	- Trust - Tax advantaged	6.88	4.43
-	- - Taxable	12.12	13.17
-	-	19.00	17.60
-	- Company - Franked	Nil	Nil
-	- - Unfranked	Nil	Nil
-	-	Nil	Nil
-	- Total final distribution	19.00	17.60
-	- Total distribution	36.80	33.60
-	- Trust - Tax advantaged	13.32	8.46
-	- - Taxable	23.48	25.14
-	-	36.80	33.60
-	- Company - Franked	Nil	Nil
-	- - Unfranked	Nil	Nil
-	-	Nil	Nil
-	- Total distribution	36.80	33.60
-	- Total tax advantaged	13.32	8.46

Centro Properties Limited		Note	Centro Properties Limited and its controlled entities	
30.06.05	30.06.06		30.06.06	30.06.05
\$'000	\$'000		\$'000	\$'000
12. CASH ASSETS (CURRENT)				
-	-		249,656	67,372
-	-		249,656	67,372
13. RECEIVABLES (CURRENT)				
-	-		96,523	27,610
-	-		(2,833)	(5,514)
-	-		93,690	22,096
1,516	1,694		37,393	67,550
-	-		13,794	11,559
-	-		2,245	1,449
-	-		123,720	63,183
1,516	1,694		270,842	165,837
(a) Bad and doubtful trade receivables				
The Group has recognised a loss of \$579,000 (2005: \$1,167,000) in respect of bad and doubtful trade receivables during the year ended 30 June 2006. The loss has been included in 'bad debt expense' in the income statement.				
14. RECEIVABLES (NON-CURRENT)				
-	-		23,906	28,617
572,797	704,068		325	10,945
-	-		-	37,157
572,797	704,068		24,231	76,719
The carrying value approximates the fair value of the non-current receivables				

Centro Properties Limited				Centro Properties Limited and its controlled entities	
30.06.05	30.06.06		Note	30.06.06	30.06.05
\$'000	\$'000			\$'000	\$'000
15. INVESTMENTS					
-	-	Investments accounted for using the equity method	(a),(b)	2,960,598	1,020,545
-	-	Investment property	(a),(b)	1,275,460	4,490,841
31,233	31,233	Investment in unlisted entities	(b)	42,938	10,349
31,233	31,233			4,278,996	5,521,735
Included in the balance sheet as:					
-	-	Investment property – current		73,295	2,132,934
-	-	Non-current assets held for sale - current		100,168	160,386
-	-	Investments accounted for using the equity method		2,860,430	860,159
31,233	31,233	Other financial assets – non-current		42,938	10,349
-	-	Investment property – non-current		1,202,165	2,357,907
31,233	31,233			4,278,996	5,521,735

(a) Investment property

For the purposes of the combined accounts, the investment properties have been valued by Directors so as to reflect valuations as at 30 June 2006 prepared by registered valuers from CB Richard Ellis, Jones Lang LaSalle, FPD Savills and m3property. Tuggeranong, the Kilcor portfolio, Armidale and Gladstone 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. Newton Gardens, Glenview Apartments and Elizabeth Plaza were disposed during the year.

Centro Properties Limited

30.06.05	30.06.06		Note	Centro Properties Limited and its controlled entities
\$'000	\$'000			30.06.06 30.06.05
				\$'000 \$'000
Property investments are 100% interest unless indicated:				
-	-	Centro Galleria (WA) ⁽²⁾ – 50% interest		265,000 462,000
-	-	Centro The Glen (Vic) ⁽²⁾ – 50% interest		190,500 320,000
-	-	Centro Toombul (QLD) ⁽²⁾ – 50% interest		125,000 233,000
-	-	Centro Bankstown (NSW) – 50% interest		265,000 218,486
-	-	Centro Mandurah (WA)		212,725 185,125
-	-	Karingal Hub (Vic)		208,000 174,500
-	-	Centro Colonnades (SA) ⁽²⁾ – 50% interest		133,500 156,000
-	-	Centro Roselands (NSW) – 50% interest		163,450 146,014
-	-	Centro Cranbourne (Vic) ⁽²⁾ – 50% interest		64,300 125,100
-	-	Centro Warriewood (NSW) ⁽²⁾ – 50% interest		67,500 121,400
-	-	Centro Warwick (WA)		125,000 111,400
-	-	Centro Tweed Mall (NSW) ⁽²⁾ – 50% interest		51,500 90,000
-	-	Centro Box Hill (Vic)		95,400 78,500
-	-	Mildura Plaza (Vic) ⁽²⁾ – 50% interest		52,000 77,160
-	-	Centro Taigum (Qld) ⁽²⁾ – 50% interest		43,600 75,900
-	-	Victoria Gardens Retail Trust (Vic) – 50% interest		50,500 36,515
-	-	Centro Arndale (SA) – 50% interest		73,500 69,637
-	-	Centro Southport (Qld) ⁽²⁾ – 50% interest		35,500 60,000
-	-	Centro Mornington (Vic) ⁽²⁾ – 50% interest		29,750 55,000
-	-	Centro Whitehorse (Vic)		70,500 54,800

Note 15 continues on following page

Centro Properties Limited			Centro Properties Limited and its controlled entities	
30.06.05	30.06.06	Note	30.06.06	30.06.05
\$'000	\$'000		\$'000	\$'000
Note 15 continued from previous page				
-	-	Centro Hervey Bay (Qld) – 50% interest	32,140	53,100
-	-	Centro Springwood (Qld) ⁽²⁾ – 50% interest	27,300	51,500
-	-	Centro Wodonga (Vic) ⁽²⁾ – 50% interest	27,250	50,000
-	-	Lavington Square (NSW)	70,900	49,000
-	-	Centro Goulbourn (NSW) ⁽²⁾ – 50% interest	34,000	41,085
-	-	Centro Westside (NSW) ⁽²⁾ – 50% interest	21,000	37,700
-	-	Centro Lansell (Vic)	41,500	36,200
-	-	Centro Nerang (Qld)	43,800	35,800
-	-	Target Vallejo (USA) (acquired Apr 2005)	33,055	31,943
-	-	Newton Gardens (SA) (sold to CMCS37, May 2006)	-	27,000
-	-	Centro Karratha (WA) - 50% interest	33,260	26,967
-	-	Centro Murray Bridge (SA) ⁽¹⁾	31,250	25,500
-	-	Centro Lutwyche (Qld) - 50% interest	28,500	24,902
-	-	Centro Victoria Park (WA)	24,600	23,750
-	-	Centro Barrington (NZ) (acquired Nov 2004)	27,914	23,085
-	-	Centro Halls Head (WA)	24,600	21,200
-	-	Centro Buranda (Qld) ⁽²⁾ – 50% interest	17,650	19,235
-	-	Centro Northshore (Vic)	16,100	15,700
-	-	Centro Biralee (Vic)	16,000	13,900
-	-	Keilor Land	7,000	-
-	-	Centro Whitsundays (Qld) (acquired Feb 2005)	55,977	12,573
-	-	Centro Meadowlands (NZ) (acquired Jan 2005)	10,366	11,565
-	-	Centro Armidale (NSW) (acquired June 2005)	9,942	6,307
-	-	Gladstone (Qld) (acquired Mar 2006)	3,038	-
-	-	Kilcor Portfolio (Qld) (acquired Nov 2005)	37,202	-
-	-	Tuggeranong	78,288	-
-	-	Kramont Realty Trust (USA) (acquired Apr 2005)	110,591	1,577,303
-	-	Glenview Apartments (Vic)	-	757
-	-	Elizabeth Plaza (Tas)	-	7,073
			3,185,448	5,073,682
-	-	Less equity accounted investments ⁽⁵⁾	35 (1,909,988)	(582,841)
-	-	Less amounts transferred to current:	(73,295)	(2,132,934)
-	-	Non-current investment property	1,202,165	2,357,907

Note 15 continues on following page

Centro Properties Limited			Centro Properties Limited and its controlled entities	
30.06.05	30.06.06	Note	30.06.06	30.06.05
\$'000	\$'000		\$'000	\$'000
Note 15 continued from previous page				
Investment property – current				
-	-		-	757
-	-		33,055	31,943
-	-		-	7,073
-	-		3,038	-
-	-		37,202	-
-	-		-	2,093,161
-	-		73,295	2,132,934
-	-		1,275,460	4,490,841

(1) Centro has a 54.5% interest.

(2) 50% interest was transferred to Centro Retail Trust during August 2005. Therefore Centro have a 50% interest in these properties at year end.

(3) 100% interest in 17 assets held by Kramont Realty Trust was transferred to Centro Retail Trust during August 2005.

(4) Centro disposed of its 100% interest in 30 assets to Centro MCS 36 in August 2005.

(5) Comprises all property investments in which the Group holds a 50% interest.

(6) Properties intended to be disposed of into managed vehicles in the next financial year.

Centro Properties Limited			Centro Properties Limited and its controlled entities	
30.06.05	30.06.06	Note	30.06.06	30.06.05
\$'000	\$'000		\$'000	\$'000

(a) Valuation basis

The basis of the valuation of investment properties is fair value being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition subject to similar leases. The 2006 revaluations were based on independent assessments made by independent valuers who are members of the Australian Property Institute.

(b) Non-current assets pledged as security

Refer to note 21 for information on non-current assets pledged as security by the parent entity or its controlled entities.

Note 15 continues on following page

Note 15 continued from previous page

(c) Contractual obligations

Refer to note 36 for disclosure of any contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

Centro Properties Limited			Centro Properties Limited and its controlled entities	
30.06.05	30.06.06	Note	30.06.06	30.06.05
\$'000	\$'000		\$'000	\$'000
(d) Investment in managed vehicles				
31,233	31,233		-	-
-	-		1,093,548	448,053
-	-	35	(950,442)	(277,318)
-	-	35	(100,168)	(160,386)
			42,938	10,349
31,233	31,233			

Centro exerts significant influence over managed vehicles totalling \$1,050m. These investments have been equity accounted. The remainder of Centro's investments in unlisted entities are recorded at fair value. These investments amount to \$43m.

(1) Refer to note 35 for details of investments in associates.

(e) Investment in controlled entities – Companies, Partnerships and Trusts

	Issued Capital	
	Group Entity Interest 30.06.06	30.06.05
	%	%
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	100
ENTITIES CONTROLLED BY CENTRO (CPL) LTD		
333 Queen Street Pty Ltd	100	100
Centro Asset Management Pty Ltd	100	100
Centro Corporate Services Pty Ltd	100	100
Centro Development Management Pty Ltd	100	100
Centro Development Trust	100	100
Centro Fund Manager (NZ) Ltd (incorporated in NZ)	100	100
Centro Management Services Trust	100	100
Centro MCS Manager Limited	100	100
Centro MCS Property Funds Limited	100	100
Centro MCS Property Services Pty Ltd	100	100
Centro Property Management Trust	100	100
Centro Property Manager (NZ) Ltd (incorporated in NZ)	100	100
Centro Property Management (Vic) Pty Ltd	100	100
Centro Services Group Pty Ltd	100	100
Centro Services Group Trust	100	100
Centro Services Holdings Pty Ltd	100	100
Centro Services Holding Trust	100	100
Centro Services Trust	100	100
Centro WCJV, LP Inc.	100	100
Centro WCJV, GP Inc.	100	100
CPL Tweed Holding Trust	100	100
CPM (ACT) Pty Ltd	100	100
CPM (NSW) Pty Ltd	100	100

Note 15 continues on following page

Note 15 continued from previous page

	Issued Capital	
	Group Entity Interest	
	30.06.06	30.06.05
	%	%
CPM (QLD) Pty Ltd	100	100
CPM (SA) Pty Ltd	100	100
CPM (WA) Pty Ltd	100	100
CPT Custodian Pty Limited	100	100
CPT Manager Limited	100	100
Dunecorp Pty Limited	100	100
Freesia Pty Ltd	100	100
Karingal 2 Holdings Pty Ltd	100	51
Karratha Holdings Pty Ltd	100	100
Karratha Partnership	100	100
Karratha Properties Pty Ltd	100	100
Lavington Square Pty Ltd	100	100
Loyal No. 46 Pty Ltd	100	100
Luzy Pty Ltd	100	100
Mornington Centre Pty Ltd	100	100
Mornington Holding Trust PL	100	-
Mornington Sub Trust PL	100	-
Mulgrave Business Park Partnership	100	100
Mulgrave Business Park Pty Ltd	100	100
Pleach Pty Ltd	100	100
PMC 14 Pty Ltd	100	100
PMC 23 Pty Ltd	100	100
Presmar Finance Pty Ltd	-	100
Presmar Properties Pty Ltd	-	100
Preston Central Pty Ltd	-	100
Tangerine Aura Pty Ltd	100	100
Tinweal Pty Ltd	100	100
Uppsala Partnership	100	100
Uppsala Pty Ltd	100	100
Warriewood Pty Ltd	100	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	74.91	74.91
Broken Hill Trust	50	100
Centro (CPT) Trust	100	100
Centro Albury Holding Trust	100	100
Centro Albury Sub Trust	100	100
Centro Brooks Garden Holding Trust	-	100
Centro Brooks Garden Sub Trust	-	100
Centro Cannonvale Holding Trust	100	100
Centro Cannonvale Sub Trust	100	100
Centro CWAR 10 Sub Trust	100	-
Centro CWAR V Sub Trust	100	-
Centro CWAR V1 Sub Trust 1 (formerly known as Centro MCS 36 Trust 5)	100	100
Centro CWAR V1 Sub Trust 2 (formerly known as Centro MCS 36 Trust 6)	100	100
Centro CWAR V1 Sub Trust 3	100	-
Centro Direct Property Fund International (formerly known as Centro MCS 36 Trust 12)	38.8	100
Centro East Coast (US) Holding Trust	100	-
Centro Gladstone Homemaker Holding Trust (formerly CPT HT 8)	100	100
Centro Gladstone Homemaker Property Trust	100	-
Centro Gladstone Homemaker Sub Trust (formerly CPT ST 8)	100	100
Centro Karratha Holding Trust (formerly CPT HT 10)	100	100
Centro Karratha Sub Trust (formerly CPT ST 10)	100	100

Note 15 continues on following page

Note 15 continued from previous page

	Issued Capital	
	Group Entity Interest	
	30.06.06	30.06.05
	%	%
Centro Katherine Holding Trust	100	-
Centro Katherine Property Trust	100	-
Centro Katherine Sub Trust	100	-
Centro Lavington Holding Trust	100	-
Centro Lavington Sub Trust	100	-
Centro MCS 35 – Holding Trust	100	100
Centro MCS 36 Trust 1	-	100
Centro MCS 36 Trust 2	-	100
Centro MCS 36 Trust 7	100	100
Centro MCS 36 Trust 8	100	100
Centro MCS 36 Trust 9	100	100
Centro MCS 36 Trust 10	100	100
Centro MCS 36 Trust 11	100	100
Centro Meadowlands Holding Trust	100	100
Centro Meadowlands Sub Trust	100	100
Centro Monier Road Village Holding Trust	100	-
Centro Monier Road Village Property Trust	100	-
Centro Monier Road Village Sub Trust	100	-
Centro Mount Hutton Holding Trust (formerly CPT HT 7)	-	100
Centro Mount Hutton Sub Trust (formerly CPT ST 7)	-	100
Centro NZ Shopping Centre Fund Ltd (incorporated in NZ)	100	100
Centro NZ Shopping Centre Fund Sub Trust	100	100
Centro Retail Limited	50	100
Centro Samuel Village Holding Trust	100	-
Centro Samuel Village Property Trust	100	-
Centro Samuel Village Sub Trust	100	-
Centro Tuggeranong Holding Trust	100	-
Centro Tuggeranong Investment Trust	100	-
Centro Tweed Holding Trust (formerly CPT HT 9)	100	100
Centro Tweed Sub Trust (formerly CPT ST 9)	100	100
Centro Warrnambool Holding Trust	100	100
Centro Warrnambool Sub Trust	100	100
Centro West End Holding Trust	100	100
Centro West Sub Trust	100	100
Centro Whites Hill Holding Trust	100	-
Centro Whites Hill Property Trust	100	-
Centro Whites Hill Sub Trust	100	-
CER East Coast (US) Sub Trust 1 (formerly known as Centro MCS 36 Trust 3)	-	100
CER East Coast (US) Sub Trust 2 (formerly known as Centro MCS 36 Trust 4)	-	100
CPT HT 11	100	-
CPT HT 12	100	-
CPT HT 13	100	-
CPT HT 14	100	-
CPT HT 15	100	-
CPT HT 16	100	-
CPT ST 11	100	-
CPT ST 12	100	-
CPT ST 13	100	-
CPT ST 14	100	-
CPT ST 15	100	-
CPT ST 16	100	-
Emerald Village Acquisition Trust	100	100
Maddington Village Holding Trust	100	-
Maddington Village Property Trust	100	-
Maddington Village Sub Trust	100	-
Morwell Trust	100	100
Nerang Trust	100	100

Note 15 continues on following page

Note 15 continued from previous page

	Issued Capital	
	Group Entity Interest	
	30.06.06	30.06.05
	%	%
Newton Trust	-	100
North Shore Holding Trust	100	100
North Shore Sub Trust	100	100
Prime Property Holding Trust No. 2	100	-
Prime Property Sub Trust No. 2	100	-
Prime Property Holding Trust No. 3	100	-
Prime Property Sub Trust No.3	100	-
Sunshine Trust	100	100
Thomco 1098 Pty Ltd	72.75	72.75
Victoria Park Sub Trust	100	100
Warrnambool Trust	100	100
ENTITIES CONTROLLED BY CENTRO (CPT) TRUST		
Box Hill Central Holding Trust	100	100
Box Hill Central Trust	100	100
Centro Arndale Holding Trust No. 1	100	100
Centro Arndale Sub Trust No. 1	100	100
Centro Bankstown Holding Trust No.2	100	100
Centro Bankstown Sub Trust No.2	100	100
Centro Barrington Holding Trust	100	100
Centro Barrington Sub Trust	100	100
Centro Colonnades Head Trust	50	100
Centro Colonnades Sub Trust	50	100
Centro CTT Holding Trust	50	100
Centro Direct Property Fund (New Zealand) Holding Trust	100	100
Centro Galleria Morley Head Trust	50	100
Centro Galleria Morley Sub Trust	50	100
Centro Karingal Sub Trust No. 2 (Starzone)	100	100
Centro Karingal Holding Trust	100	100
Centro Karingal Sub Trust	100	100
Centro MCS 34 (New Zealand) Trust	100	100
Centro Mandurah Holding Trust	50	100
Centro Mandurah Sub Trust	50	100
Centro Pooled Property Fund	100	100
Centro PPF Holding Trust	100	100
Centro PPF Investment Trust	100	100
Centro PPF Sub Trust	100	100
Centro Retail Trust	50	100
Centro Roselands Trust	100	100
Centro Syndicate Trust No. 1 – Sub Trust 1	100	100
Centro Syndicate Trust No. 1 – Sub Trust No. 2	100	100
Centro Syndicate Trust No. 1 – Sub Trust No. 3	100	100
Centro Syndicate Trust No. 2	100	100
Centro Syndicate Trust No. 2 – Holding Trust No. 2	100	100
Centro Syndicate Trust No. 2 – Holding Trust No. 1	100	100
Centro Securitisation Trust	100	100
Centro Services Group Trust	-	82
Centro Services Holding Trust	-	82
Centro Services Trust	-	82
Centro Toombul Head Trust	50	100
Centro Toombul Sub Trust	50	100
Centro Victoria Gardens Holding Trust	100	100
Centro Watt America REIT VI, Inc.	97	97
Centro Watt America REIT V, Inc.	48.75	97
Centro Watt Operating Partnership 5, L.P.	48.75	100
Centro Watt Operating Partnership 6, L.P.	100	100
CMCS 32 Holding Trust	100	100

Note 15 continues on following page

Note 15 continued from previous page

	Issued Capital	
	Group Entity Interest 30.06.06	30.06.05
	%	%
CMCS 33 Holding Trust	100	100
CMCS 34 Holding Trust	100	100
CMCS Syndicates Holding Trust	100	100
CMCS Syndicates Investment Trust	100	100
CPT Tweed Holding Trust	50	100
Cranbourne Holding Trust	50	100
Cranbourne Park Unit Trust	50	100
Cranbourne Sub Trust	50	100
CWAR GP Trust V	48.75	100
CWAR GP Trust VI	97.5	100
CWAR LP Trust V	48.75	100
CWAR LP Trust VI	97.5	100
Glen Centre Development Trust	-	100
Glen Holding Trust	100	100
Glen Property Trust	100	81
Halls Head Trust	50	100
Hervey Bay Holding Trust	50	100
Hervey Bay Sub Trust	50	100
Mildura Centre Plaza Unit Trust	50	100
Mornington Holding Trust	39.55	100
Mornington Shopping Centre Unit Trust	50	83
Mornington Sub Trust	50	100
Southport Holding Trust	50	100
Southport Sub Trust	50	100
Springwood Holding Trust	50	100
Springwood Sub Trust	50	100
Taigum Holding Trust	50	100
Taigum Sub Trust	50	100
The Glen Centre Trust	50	70.14
Warriewood Square Unit Trust	50	100
Warwick Grove Trust	100	100
Whitehorse City Trust	99.99	100
Whitehorse City Sub Trust	99.99	100
Whitehorse Plaza Trust	99.99	100
Whitehorse Plaza Sub Trust	99.99	100
US ENTITIES CONTROLLED BY CENTRO (CPT) TRUST		
Centro Watt America III, L.P.	100	100
Centro Watt America III OP, LLC	48.75	100
550 West Germantown Pike LLC	-	100
550 West Germantown Pike Manager LLC	-	100
555 Scott Street Associates, L.P.	100	100
555 Scott Street LLC	100	100
Campus Village Shopping Center Joint Venture	-	100
Cedar Crest Associates, L.P.	-	100
Cedar Crest GP LLC	-	100
Century Plaza Associates, L.P.	-	100
Cherry Square MCV Associates, L.P.	-	100
Cherry Square MCV Associates, LLC	-	100
Chesterbrook Village Center Associates, L.P.	-	100
Chesterbrook Village Center LLC	-	100
Collegeville Plaza Associates, L.P.	-	100
Collegeville Plaza LLC	-	100
County Line Plaza Realty Associates, L.P.	-	100
County Line Plaza Realty LLC	-	100
CP General Partner LLC	-	100
Culpeper Shopping Center Joint Venture	-	100
Note 15 continues on following page		

Note 15 continued from previous page

	Issued Capital	
	Group Entity Interest 30.06.06	30.06.05
	%	%
CV GP LLC	100	100
CV GP LP	100	100
CV OP Holdings, LLC	100	100
CV Partner Holdings, L.P.	-	100
CV Warehouse 75 L.P.	100	100
CV Warehouse 75 LLC	100	100
CV Warehouse 76 L.P.	100	100
CV Warehouse 76 LLC	100	100
CV Warehouse 78 L.P.	100	100
CV Warehouse 78 LLC	100	100
Danville Plaza Associates, L.P.	100	100
Danville Plaza LLC	100	100
Dickson City Center Associates, L.P.	100	100
Dickson City Center LLC	100	100
Drexel Realty, Inc.	-	100
DX Property L.P.	-	100
DX Property LLC	-	100
Fox Run, Limited Partnership	-	100
Gilbertsville Plaza Associates L.P.	-	100
Gilbertsville Plaza LLC	-	100
Glenmont Associates L.P.	-	100
Glenmont LLC	-	100
GRX Realty LLC	-	100
GRX Realty, L.P.	-	100
Hillcrest Plaza GP LLC	-	100
Hillcrest Plaza Limited Partnership	-	100
Hillcrest Plaza II LLC	-	100
Hillcrest Plaza II Manager, LLC	-	100
Killingly Plaza LLC	-	100
Killingly Plaza Manager LLC	-	100
KOP Burr Corners LLC	100	100
KOP Burr Corners Manager LLC	100	100
KOP Burr Corners Office I LLC	100	100
KOP Burr Corners Office I Manager LLC	100	100
KOP Burr Corners Officer II LLC	100	100
KOP Burr Corners Office II Manager LLC	100	100
KOP Kline Plaza LLC	-	100
KOP Kline Plaza Manager LLC	-	100
KOP Perkins Farm Marketplace LLC	-	100
KOP Perkins Farm Marketplace Manager LLC	-	100
KOP Summerhill Marketplace LLC	-	100
KOP Summerhill Marketplace Manager LLC	-	100
KOP Vestal Venture LLC	-	100
KR 69th Street GP LLC	-	100
KR 69th Street, L.P.	-	100
KR Bainbridge LLC	100	100
KR Bainbridge Manager LLC	100	100
KR Barn GP LLC	-	100
KR Barn, L.P.	-	100
KR Best Associates GP LLC	-	100
KR Best Associates, L.P.	-	100
KR Bradford Mall GP LLC	100	100
KR Bradford Mall, L.P.	100	100
KR Brookhaven LLC	-	100
KR Campus GP LLC	-	100
KR Campus II GP LLC	-	100
KR Cary LLC	100	100

Note 15 continues on following page

Note 15 continued from previous page

	Issued Capital	
	Group Entity Interest	
	30.06.06	30.06.05
	%	%
KR Circleville LLC	100	100
KR Collegetown LLC	100	100
KR Columbia, LLC	100	100
KR Columbia Manager LLC	100	100
KR Columbia II LLC	100	100
KR Columbia II Manager LLC	100	100
KR Columbus LLC	-	100
KR Culpeper GP LLC	-	100
KR Culpeper II GP LLC	-	100
KR Development GP LLC	-	100
KR Development, L.P.	-	100
KR Douglasville LLC	-	100
KR Douglasville Manager LLC a DE LLC	100	100
KR Fox Run GP LLC	-	100
KR Harrodsburg LLC	100	-
KR Harrodsburg Manager LLC	100	100
KR Hillcrest Mall, LLC	-	100
KR Holcomb LLC	-	100
KR Jefferson City LP LLC	-	100
KR Jefferson City GP LLC	100	100
KR Jefferson City, L.P.	100	100
KR Livonia LLC	100	100
KR Livonia Manager LLC a DE LLC	-	100
KR Mableton LLC	-	100
KR MacArthur Associates GP LLC	100	100
KR MacArthur Associates, L.P.	100	100
KR Manchester LLC	100	100
KR Marumsco GP LLC	-	100
KR Marumsco II GP LLC	-	100
KR Morganton LLC	-	100
KR Morganton Manager LLC	-	100
KR Northpark Associates GP LLC	-	100
KR Orange LLC	-	100
KR Park Plaza LLC	-	100
KR Park Plaza Manager LLC	-	100
KR Parkway Plaza LLC	-	100
KR Pensacola II LLC	-	100
KR Pensacola LLC	100	100
KR Pilgrim GP LLC	100	100
KR Pilgrim, L.P.	100	100
KR Snellville LLC	-	100
KR Spartanburg LLC	-	100
KR Spartanburg Manager LLC	-	100
KR Staunton LLC	100	100
KR Street Associates GP LLC	100	100
KR Street Associates, L.P.	100	100
KR Suburban GP LLC	100	100
KR Suburban, L.P.	100	100
KR Summerville LLC	100	100
KR Tifton LLC	100	100
KR Tower Plaza LLC	100	100
KR Tower Plaza Manager LLC	100	100
KR Trust One LLC	-	100
KR Trust One Manager, LLC	-	100
KR Valley Forge GP LLC	-	100
KR Valley Forge, L.P.	-	100
KR Vidalia LLC	100	100

Note 15 continues on following page

Note 15 continued from previous page

	Issued Capital	
	Group Entity Interest	
	30.06.06	30.06.05
	%	%
KR Wampanoag LLC	100	100
KR Wampanoag Manager LLC	100	100
Kramont Enterprises, Inc.	100	100
Kramont Operating Partnership L.P.	99	100
Kramont Vestal Management LLC	100	100
KRT Property Holdings LLC	-	100
KRT Union LLC	-	100
KRT Union Manager LLC	-	100
Lakewood Plaza 9 Associates, L.P.	-	100
Lilac DE LLC	-	100
Lilac DE Manager LLC	-	100
MGA Payroll Company, Inc.	-	100
Montgomery CV Realty L.P.	-	100
Marlton Plaza Associates II, L.P.	-	100
Marlton Plaza Associates II, L.P.	-	100
Marlton Plaza Associates, L.P.	-	100
Marlton Plaza II LLC	-	100
Marlton Plaza LLC	-	100
Marumco Jefferson Joint Venture	-	100
Mount Carmel Plaza Associates, L.P.	-	100
Mount Carmel Plaza LLC	-	100
New Holland Plaza Associates, L.P.	-	100
New Holland Plaza LLC	-	100
Newtown Village Plaza L.P.	-	100
Newtown Village Plaza LLC	-	100
North Penn Marketplace Associates, L.P.	-	100
North Penn Marketplace LLC	-	100
Northpark Associates, L.P.	-	100
Orange Plaza LLC	-	100
Orange Plaza Manager LLC	-	100
Parkway Plaza II LLC	100	100
Parkway Plaza II Manager LLC a DE LLC	100	100
Plymouth Plaza Associates, L.P.	-	100
Plymouth Plaza LLC	-	100
Recreation Mortgages, L.P.	100	100
Recreation Mortgages, LLC	100	100
Rio Grande Associates, L.P.	-	100
Rio Grande LLC	-	100
Royce Realty, Inc.	-	100
Springfield Office LLC	100	100
Springfield Office Manager LLC	100	100
Springfield Supermarket LLC	-	100
Springfield Supermarket Manager LLC	-	100
Village Plaza LLC	-	100
Village Plaza Manager LLC	-	100
Wellington Ridge LLC	-	100
Wellington Ridge One, L.P.	-	100
Woodbourne Square LLC	-	100
Woodbourne Square, L.P.	-	100
WX Realty, L.P.	-	100
WX Realty, LLC	-	100

Centro Properties Limited			Centro Properties Limited and its controlled entities	
30.06.05 \$'000	30.06.06 \$'000	Note	30.06.06 \$'000	30.06.05 \$'000
16. PLANT AND EQUIPMENT				
-	-		23,036	18,839
-	-		(11,450)	(7,416)
-	-		11,586	11,423
Reconciliation:				
-	-		11,423	5,707
-	-		15,015	7,462
-	-		(10,818)	(107)
-	-		(4,034)	(1,639)
-	-		11,586	11,423
17. INTANGIBLE ASSETS				
-	-		306,783	306,783
-	-		-	-
-	-		306,783	306,783
At 1 July				
-	-		306,783	197,541
-	-		-	-
-	-		306,783	197,541
Movement for the year ended 30 June				
-	-		-	109,242
-	-		-	109,242
At 30 June				
-	-		306,783	306,783
-	-		-	-
-	-		306,783	306,783

(a) Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to business segment and country of operation.

A segment-level summary of the goodwill allocation is presented below.

2006	Australia \$'000	US \$'000	Total \$'000
Goodwill	223,011	83,772	306,783
	223,011	83,772	306,783
2005	Australia \$'000	US \$'000	Total \$'000
Goodwill	223,011	83,772	306,783
	223,011	83,772	306,783

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on the 2007 Business Plan approved by the Board at the June 2006 Board Meeting. All impairment testing is conducted on a 5 year cash flow period. The terminal growth rate used of 3% does not exceed the long-term growth rate for the business in which the CGU operates.

Notes to and forming part of the Financial Statements
for the year ended 30 June 2006

Centro Properties Group

Centro Properties Limited		Centro Properties Limited and its controlled entities		
30.06.05	30.06.06	Note	30.06.06	30.06.05
\$'000	\$'000		\$'000	\$'000
18. PAYABLES				
Current				
-	-		12,933	33,128
-	45,566		6,221	10,296
-	-		40,602	32,443
434	-		42,649	63,992
434	45,566		102,405	139,859
Non-Current				
-	-		60,707	7,800
-	-		-	20,555
-	-		60,707	28,355
19. PROVISIONS (CURRENT)				
-	-	11	155,725	137,244
-	-	29	6,359	5,722
-	-		162,084	142,966
Movements in provisions for distributions				
-	-		137,244	17,374
-	-		299,843	259,887
-	-		(218,710)	(70,103)
-	-		(62,652)	(69,914)
-	-		155,725	137,244
Movements in provisions for employee entitlements				
-	-		5,722	-
-	-		637	5,722
-	-		6,359	5,722

Centro Properties Limited			Centro Properties Limited and its controlled entities		
30.06.05 \$'000	30.06.06 \$'000		Note	30.06.06 \$'000	30.06.05 \$'000
20. NON-INTEREST BEARING LIABILITIES (NON-CURRENT)					
-	-	Other creditors		11,033	52,847
-	-			11,033	52,847
21. INTEREST BEARING LIABILITIES (NON-CURRENT)					
-	-	Bank loans – secured		25,916	253,036
-	-	Bank loans – unsecured		1,161,243	1,582,099
-	731,289	Related party loans		-	-
-	-	Commercial mortgage backed securities		350,000	815,600
-	731,289	Total non-current interest bearing liabilities		1,537,159	2,650,735
Financing Arrangements					
The consolidated entity has access to the following lines of credit:					
Total facilities available:					
-	-	Bank overdrafts		2,000	2,000
-	-	Bank loans		2,097,358	2,923,635
-	775,000	Related party loans		-	-
-	775,000			2,099,358	2,925,635
Facilities utilised at reporting date:					
-	-	Bank overdrafts		-	-
-	-	Bank loans		1,537,159	2,650,735
-	731,289	Related party loans		-	-
-	731,289			1,537,159	2,650,735
Facilities not utilised at reporting date:					
-	-	Bank overdrafts		2,000	2,000
-	-	Bank loans		560,199	272,900
-	43,711	Related party loans		-	-
-	43,711			562,199	274,900

Assets pledged as security:

Included in the total loan facilities of \$2,099.4 million are commercial mortgage backed securities (CMBS) issues totalling \$350.0 million, which are secured by mortgages over a number of selected investment properties.

CMBS issues totalling \$200.0 million are secured by the following interests in investment properties: Springwood, Southport Park, Mornington Central, The Glen, Warwick Centre, Warwick Grove, Lavington Square and Tweed Mall.

CMBS issues totalling \$150.0 million are secured by the following investment properties: Cranbourne Park, Karingal Hub, Mandurah and Warriewood.

Note 21 continued from previous page

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 August 2020:

	30.6.06 \$'000	30.6.05 \$'000
Australian banks	1,360,197	1,650,000
Australian CMBS	350,000	500,000
US banks	25,916	458,000
US private placement	363,245	-
US CMBS	-	315,635
	2,099,358	2,925,635

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 per cent 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 9.60% (FY05: 9.35%).

Interest rate management

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

Financial Year Ending	AUD Equivalent Face Value (\$'000)
2007	1,255,843
2008	1,253,027
2009	1,200,004
2010	953,685
2011	529,693
2012	467,573
2013 +	222,999

The average effective interest rate (excluding margin) for the next financial year is 5.91% for Australian borrowings, 4.13% for US borrowings, and 6.56% for NZ borrowings.

Fair value

The carrying amounts and fair values of borrowings at balance date are:

Centro Properties Limited and its controlled entities	2006		2005	
	Carrying amount \$'000	Fair Value \$'000	Carrying amount \$'000	Fair Value \$'000
On-balance-sheet				
<i>Non-traded financial liabilities</i>				
Bank overdrafts	-	-	-	-
Bank loans	1,187,159	1,187,159	1,835,135	1,835,135
CMBS	350,000	350,000	815,600	815,600
Other loans	-	-	-	-
	1,537,159	1,537,159	2,650,735	2,650,735
Off-balance sheet				
Contingencies	-	-	-	-
	-	-	-	-

None of the classes are readily traded on organised markets in standardised form.

**Centro Properties
Limited**

**Centro Properties Limited
and its controlled entities**

-	-	Investment property	(5,119)	(36,150)
-	-		(5,119)	(36,150)
Movements				
-	-	Opening balance at 1 July 2004	16,948	-
-	-	Change on adoption of AASB 132 and 139 (note 7 (ix))	-	53,098
-	-	(Credited) to the income statement (Note 10)	(5,119)	(36,150)
-	-	Disposal of available-for-sale assets (Note 15)	(11,829)	-
-	-	Closing balance at 30 June 2006	-	16,948
-	-	Deferred tax liabilities to be settled within 12 months	-	11,829

Centro Properties Limited		Centro Properties Limited and its controlled entities			
30.06.05 \$'000	30.06.06 \$'000	Note	30.06.06 \$'000	30.06.05 \$'000	
23. CONTRIBUTED EQUITY					
No. '000	No. '000	Capital	No. '000	No. '000	
		Number of securities issued ⁽¹⁾ :			
779,795	819,606	- Ordinary	(a) 819,606	779,795	
\$'000	\$'000		\$'000	\$'000	
		Paid up capital			
607,603	11,717	- Ordinary	2,199,486	2,422,379	
Date	Details	Notes	Number of Shares '000	Issue Price \$	\$'000
1 July 2005	Opening Balance		779,795		2,422,379
12 August 2005	Return of equity	(b)			(416,458)
26 September 2005	Employee Share Plan ⁽¹⁾	(f)	8,402	6.0261	-
16 November 2005	Placement	(c)	17,000	6.0000	102,000
30 December 2005	Security Purchase Plan	(d)	4,457	6.0000	26,741
24 February 2006	DRP Issue	(e)	9,951	6.2960	62,652
	Employee share options	(f)		-	5,945
	Transfer to retained profits				(4,925)
	Other				1,152
30 June 2006	Closing Balance		819,605		2,199,486

⁽¹⁾ – Adjusted to add back securities issued under the ESP that are deemed to be options under AASB 2 *Share-based Payment* (refer to Note 7(vii))

⁽¹⁾ – Adjusted to add back securities issued under the ESP that are deemed to be options under AASB 2 *Share-based Payment* (refer to Note 7(vii))

(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) Return of Equity

On 12 August 2005, existing Centro security holders, received a capital distribution which formed securities in Centro Retail Group ("CER") on the basis of one CER security for every three Centro securities held. CER is an independent pure retail property trust, that began trading on the ASX 17 August 2005.

(c) Placement

17,000,000 stapled securities were issued at \$6.00 on 16 November 2005.

(d) Security Purchase Plan

4,456,864 stapled securities were issued at \$6.00 on 30 December 2006.

(e) 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.

9,951,495 securities were issued at \$6.2960 on 24 February 2006 under the Centro Distribution Reinvestment Plan.

(f) Employee Share Plan

Information relating to the Centro Properties Employee Share Plan, including detail of share issued under the plan, are set out in at note 29.

Centro Properties Limited		Centro Properties Limited and its controlled entities	
30.06.05	30.06.06	30.06.06	30.06.05
\$'000	\$'000	\$'000	\$'000
24. RESERVES AND RETAINED PROFITS			
-	-	(a)	(9,228)
(2,491)	(51,577)	(b)	1,059,108
-	-	(c)	17,520
-	-	(d)	11,577
(2,491)	(51,577)		1,078,977
(a) Foreign currency translation reserve			
-	-		9,446
-	-		-
-	-		(10,324)
-	-	35	(8,350)
-	-		9,446
-	-		(9,228)
-	-		9,446
(b) Retained profits			
-	(2,491)		680,159
-	-		233,987
-	-		9,682
(2,491)	(49,086)		664,185
-	-	23	4,925
-	-	11	(299,843)
(2,491)	(51,577)		1,059,108
-	-		680,159
(c) Share of investment revaluation reserves in associates			
-	-		-
-	-		-
-	-	35	17,520
-	-		17,520
(d) Share based payments reserve			
-	-		816
-	-		-
-	-		10,761
-	-		11,577
-	-		816

(c) Nature and purpose of reserves

(i) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entity are taken to the foreign currency translation reserve as described in note 1(xii). The reserve also includes the Group's share of its associates translation reserve. The reserve is recognised in the income statement when the net investment is disposed of.

(ii) Share of investment revaluation reserves in associates

Changes in the fair value of associate's investments, such as investments in managed vehicles, are taken to the share of investment revaluation reserves in associates.

(iii) Share based payments reserve

The reserve is used to recognise the fair value of options issued but not exercised, under the ESP.

Centro Properties Limited		Centro Properties Limited and its controlled entities		
30.06.05 \$'000	30.06.06 \$'000	Note	30.06.06 \$'000	30.06.05 \$'000
25. CASH FLOW INFORMATION				
(a) Reconciliation of cash				
Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:				
-	-	12	249,656	67,372
(b) Reconciliation of operating profit after income tax to net cash inflow from operating activities				
-	-		668,297	780,723
-	-		-	2,106
Exclude non cash items:				
-	-		4,720	(16,438)
-	-		6,719	5,668
-	-		579	1,167
-	-		(97,872)	(356,272)
-	-		(244,671)	(100,246)
-	-		(3,053)	(11,693)
-	-		(5,119)	(36,150)
-	-		(37,850)	(5,000)
-	-		10,761	816
Change in operating assets and liabilities, net of the effects of purchase and disposal of controlled entities:				
-	-		4,153	(67,517)
-	-		(37,454)	12,974
-	-		637	36,914
-	-		269,847	247,052
(c) Non cash financing activities				
-	-	23(e)	62,652	69,914

Centro Properties Limited			Centro Properties Limited and its controlled entities	
		Note	30.6.06 Cents	30.6.05 Cents
26. EARNINGS PER SECURITY				
(0.32)	(6.32)	(a) Basic earnings per security	85.49	105.10
(0.32)	(6.32)	(b) Diluted earnings per security	84.56	102.67
(c) Reconciliation of earnings used in calculating earnings per share (basic & diluted)			\$'000	\$'000
(2,491)	(49,086)	Net profit	668,297	780,723
-	-	Net profit attributable to minority interest	(4,112)	(6,339)
(2,491)	(49,086)	Net profit attributable to member of Centro Properties Group	664,185	774,384
(d) Weighted average number of shares			No.	No.
736,821	776,871	Weighted average number of securities on issue for the period ('000)	776,871	736,821
-	-	Distributable income per ordinary security (cents)	36.80	33.60

Options

Options granted to employees under the ESP are considered to be potential ordinary securities. Following the acquisition of the Kramont Group, options were granted to 7 US based employees of the Centro Watt Joint Venture in May 2006, which are subject to hurdles linked to Group performance following the same principles as those applying to the Conditional Vesting Securities. Options were granted via a private placement as the appropriate vehicle to meet contractual Long Term Incentive entitlements for a number of employees as this allowed Centro and Centro Watt to comply with US taxation and regulation requirements. In total 314,000 options were granted with an exercise price of A\$ 6.451.

Centro Properties Limited			Centro Properties Limited and its controlled entities	
30.06.05 \$'000	30.06.06 \$'000		30.06.06 \$'000	30.06.05 \$'000
27. NET TANGIBLE ASSET BACKING				
		Net tangible asset backing per security		
0.77	0.90	- Basic	3.63	3.60
		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 ⁽¹⁾	819,606 ⁽¹⁾		819,606 ⁽¹⁾	779,795 ⁽¹⁾

⁽¹⁾ – Adjusted to add back securities issued under the ESP that are deemed to be options under AASB 2 *Share-based Payment* (refer to Note 7(vii))

28. DERIVATIVE FINANCIAL INSTRUMENTS

Centro Properties Limited		Centro Properties Limited and its controlled entities	
30.06.05 \$'000	30.06.06 \$'000	30.06.06 \$'000	30.06.05 \$'000
Current assets			
-	-	20,461	-
-	-	(188)	-
-	-	20,273	-
Interest rate swap contracts – cash flow hedges ((b)(i))			
Forward foreign exchange contracts – cash flow hedges ((b)(ii))			
Total current derivative financial instrument assets			

(a) Transition to AASB 132 and AASB 139

The Group has taken the exemption available under AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* to apply AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* from 1 July 2005. The statement of changes in equity shows the impact upon adoption of AASB 132 and AASB 139. The impact was an increase in net assets of \$9.68 million and an increase in retained profits of \$9.68 million.

(b) Instruments used by the Group

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rate in accordance with the Group's financial risk management policies (refer to note 3)

(i) Interest rate swap contracts

The Group's exposure to fluctuations in interest rates is hedged through the use of interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates. The contracts are settled on a net basis and the net amount payable at the reporting date is included in Payables (Current) (Note 18).

Swaps currently in place cover approximately 81.7% of the loan principal outstanding. The fixed interest rates range between 2.17% and 6.57% and the variable rates are between 5.582% and 6.045%

At 30 June 2006, the notional principal amount and the periods of expiry of the interest rate swap contracts which commenced prior to balance date are as follows:

	30.6.06 \$'000	30.6.05 \$'000
Less than 1 year	134,784	377,388
1-2 years	250,682	20,000
2-3 years	570,180	646,762
3-4 years	261,248	135,000
4-10 years	(44,259)	675,824
	1,172,635	1,854,974

The contracts require settlement of net interest receivable or payable between each 30 and 90 days (depending upon the contract). Where possible the settlement dates coincide with the dates on which interest is payable on the underlying debt. The contracts are settled on a net basis.

Where hedge accounting is adopted, the gain or loss from remeasuring the hedging instruments at fair value is deferred in equity in the hedging reserve to the extent that the hedge is effective, and re-classified into profit and loss when the hedged interest expense is recognised. The ineffective portion is recognised in the income statement immediately. However during the 2006 financial year, hedge accounting was not adopted.

In addition, there are a number of interest rate swap contracts entered into before balance date but with a commencement date after 30 June 2006. The face value of these contracts is \$886.70 million. They have commencement dates ranging from July 2006 to June 2011 and maturity dates ranging from March 2008 to October 2014.

Note 28 continues on the following page

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(ii) Foreign Exchange Contracts – cash flow hedges

During the year, the Group held US and NZ investments. In order to protect against exchange rate movements, the Group has entered into foreign exchange contracts to sell US and NZ dollars. The contracts are timed to mature when distributions are expected to be received.

US foreign exchange contracts

	Australian dollar hedged value		Average exchange rate	
	30.6.06 \$'000	30.6.05 \$'000	30.6.06 \$'000	30.6.05 \$'000
Less than 1 year	-	29,268	-	0.6663
1-2 years	-	29,088	-	0.6635
2-3 years	-	28,808	-	0.6630
3-4 years	-	27,487	-	0.6658
4-5 years	-	26,133	-	0.6697
5 plus years	-	36,956	-	0.6521
	-	177,740		

The comparatives reflect US foreign exchange contracts to cover the Group's exposure to US cashflows from investments in wholly owned US entities. During FY06, the wholly owned US entities to which the foreign exchange contracts were designated were disposed of, hence the Group has no US foreign exchange contracts remaining at year end.

NZ foreign exchange contracts

	Australian dollar hedged value		Average exchange rate	
	30.6.06 \$'000	30.6.05 \$'000	30.6.06 \$'000	30.6.05 \$'000
Less than 1 year	1,181	1,192	1.100	1.099
1-2 years	1,171	1,181	1.110	1.100
2-3 years	1,161	1,171	1.119	1.110
3-4 years	14,531	1,161	1.077	1.119
4-5 years	-	14,531	-	1.077
5 plus years	-	-	-	-
	18,044	19,236		

The cash flows are expected to occur at various dates between 3 months to one year from the balance date. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. However no hedge accounting was adopted. Therefore all movements in fair value of the hedging instrument is recognised in the income statement.

(c) Credit risk exposures

Credit risk arises from the potential failure of counterparties to meet their obligations under the respective contracts at maturity.

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(d) 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 Limited		Note	Centro Properties Limited and its controlled entities	
30.06.05	30.06.06		30.06.06	30.06.05
\$'000	\$'000		\$'000	\$'000
Financial assets				
-		12	249,656	67,372
1,516	1,694	13	99,431	130,733
<u>1,516</u>	<u>1,694</u>		<u>349,087</u>	<u>198,105</u>
Financial liabilities				
-	(731,289)	21	1,537,159	2,650,735
<u>1,516</u>	<u>(729,595)</u>		<u>(1,188,072)</u>	<u>(2,452,630)</u>
Net financial assets (liabilities)				

The interest rate applicable at balance date to cash balances is 5.30% (2005: 5.35%). The interest rate applicable to other receivables at balance date is 6.75% (2005: 9.35%) 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 5.91% (2005: 4.47%). The average effective interest rate (excluding margin) on USD borrowings is 4.13% (2005: 4.18%). The average effective interest rate (excluding margin) on NZD borrowings is 6.56% (2005: 6.56%).

The weighted average interest rates applicable to swap contracts in place at balance date are disclosed in Note 21.

(e) Net fair value of financial assets and liabilities

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

Centro Properties Limited			Centro Properties Limited and its controlled entities	
30.06.05 \$'000	30.06.06 \$'000	Note	30.06.06 \$'000	30.06.05 \$'000
29. EMPLOYEE BENEFITS				
Employee benefit and related on-costs liabilities				
-	-		6,359	5,722
-	-		6,359	5,722
No.	No.		No.	No.
Employee numbers				
-	-		701	720
Number of employees at the reporting date				

Refer to Note 33 for details in regard to the Centro Properties Executive Option Plan.

(a) Centro Properties Employee Security Plan

Employees are eligible to participate in the ESP at the discretion of the Board. The terms of the ESP 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 2005 financial 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.

	30.6.06 No.	30.6.05 No.
Securities issued under the plan to participating employees	22,781,154	21,940,364

(b) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	30.6.06 \$'000	30.6.05 \$'000
Shares issued under employee share plan	10,761	816

Centro Properties Limited		Note	Centro Properties Limited and its controlled entities	
30.06.05	30.06.06		30.06.06	30.06.05
\$	\$		\$	\$
30. 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				
(a) Audit Services				
PricewaterhouseCoopers Australian firm:				
-	-		1,050,000	895,000
		Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>		
-	-		168,000	292,000
		Related practices of PricewaterhouseCoopers Australian firm		
-	-	Total remuneration for audit services	1,218,000	1,187,000
(b) Other Assurance Services				
PricewaterhouseCoopers Australian firm:				
-	-		90,000	90,000
		Compliance audit services		
-	-		296,000	255,500
		Audit of regulatory returns		
-	-		117,000	115,000
		IFRS accounting services		
-	-		145,000	340,000
		Due diligence services		
Related practices of PricewaterhouseCoopers Australian firm:				
-	-		362,844	39,473
		Due diligence services		
-	-	Total remuneration for other assurance services	1,010,844	839,973
-	-	Total remuneration for assurance services	2,228,844	2,026,973
Taxation Services				
PricewaterhouseCoopers Australian firm:				
-	-		400,000	325,723
		Taxation compliance services, including review of company income tax returns and due diligence services		
Related practices of PricewaterhouseCoopers Australian firm:				
-	-		586,858	526,315
		Tax compliance services and due diligence services		
-	-		986,858	852,038
Advisory Services				
No advisory services were provided by PricewaterhouseCoopers or its related practices during the year.				

31. CONTINGENT LIABILITIES

Bank guarantees of \$5 million each (2005: \$5 million) 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.

32. BUSINESS COMBINATIONS

2006

There have been no acquisitions in the year ended 30 June 2006.

2005

Merger of Centro Properties Group and Prime Retail Group

On 8 October 2004, Centro Properties Group successfully merged with Prime Retail Group. The effective ratio for the merger was five Prime Retail Group securities for one Centro security.

Acquisition of Kramont Realty Trust

On 18 April 2005, the Group successfully completed the acquisition of Kramont Realty Trust ("Kramont"). This acquisition increased Centro's funds under management to \$8.6 billion. The results of Kramont were consolidated into the results of Centro for the year ended 30 June 2005.

There was an excess consideration above the fair value of Kramont's identifiable net assets of \$84.48 million, which was recognised as goodwill on consolidation.

33. KEY MANAGEMENT PERSONNEL 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 (retired 31 December 2005)

S. Kavourakis

L. P. Wilkinson

J. Hall (appointed 1 September 2005)

Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, indirectly or directly, 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 and Shared Services	Centro Properties Limited
S. Schilling	National Development Manager and HR Manager	Centro Properties Limited
M. Wilson	Chief Operating Officer Centro Watt Joint Venture	Centro Watt JV

(a) Key management personnel compensation

Centro Properties Limited

30.06.05	30.06.06	
\$	\$	
-	-	Short-term employee benefits
-	-	Post-employment benefits
-	-	Share-based payments
-	-	

Centro Properties Limited and its controlled entities

30.06.06	30.06.05
\$	\$
7,257,672	4,506,469
447,782	239,679
1,623,889	697,589
9,329,343	5,443,737

Note 33 continues on the following page

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The company has taken advantage of the relief provided by ASIC Class Order 06/50 and has transferred the detailed remuneration disclosures to the directors' report. The relevant information can be found on pages 59 to 71 of the remuneration report.

Information relating to loans provided to key management personnel, security holdings of key management personnel 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 29. The remuneration information and other information included in the remuneration report and this note relates to remuneration provided to the Directors and other key management personnel of the Group for year to 30 June 2006.

Equity instrument disclosures relating to key management personnel

Centro Properties Executive Option Plan

No options were granted to key management personnel during the 2006 financial year. No options remain outstanding as at 30 June 2006.

Options provided as remuneration

When issued, the fair value of options granted to key management personnel 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

Options were granted to a number of Key Management Personnel under the terms of the EOP on 15 February 2002. The pre-determined financial benchmarks for these 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. Refer to further discussion of the early exercise of the options in the remuneration report at page 61.

Option holdings

The numbers of options over ordinary securities in the Group held during the financial year by each director of the Group and other key management personnel of the Group, including their personally-related entities, are set out below.

2006

There were no option holdings during the 2006 financial year.

2005	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
Name						
<i>Directors of the Group</i>						
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	-	-	-	-	-	-
<i>Other key management personnel of the Group</i>						
G. Terry	450,000	-	450,000	-	-	-
M. Wilson	250,000	-	250,000	-	-	-
T. Torney	-	-	-	-	-	-
S. Schilling	-	-	-	-	-	-
R. Nenna	250,000	-	250,000	-	-	-
J. Hutchinson	-	-	-	-	-	-

Note 33 continues on the following page

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Security Holdings

The numbers of securities in the Group held during the financial year by each director and other key management personnel of the Group, including their personally-related entities, are set out below.

2006				
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	103,869	-	1,666	105,535
A. T. Scott	3,389,530	-	1,012,389	4,401,919
P. G. Goldie	33,104	-	936	34,040
D. D. H. Graham	166,000	-	2,499	168,499
L. A. Wilson	41,107	-	(41,107)	- ²
S. Kavourakis	26,050	-	1,452	27,502
L. P. Wilkinson	10,000	-	-	10,000
J. W. Hall	-	-	3,833	3,833
Other key management personnel of the Group				
Ordinary securities				
G. Terry	1,763,699	-	600,925	2,364,624
M. Wilson	1,040,000	-	-	1,040,000
T. Torney	600,000	-	450,000	1,050,000
S. Schilling	840,000	-	375,833	1,215,833
R. Nenna	1,190,000	-	500,000	1,690,000
J. Hutchinson	1,195,441	-	401,729	1,597,170

2005				
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
Other key management personnel of the Group				
Ordinary securities				
G. Terry	1,300,000	450,000	13,699	1,763,699
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	-	305,441	1,195,441

⁽¹⁾ For executive directors and other key management personnel, this primarily represents issues under the Centro Properties Employee Share Plan.

⁽²⁾ Movements for the year reflects retirement of Director effective 31 December 2005. Security holding removed from disclosure requirements.

Note 33 continues on the following page

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Loans to key management personnel

Details of loans made to directors of the Group and other key management personnel of the Group, including their personally related entities are set out below:

2006 Group	Balance at Start of the year \$	Interest paid and payable for the year \$	Interest not Charged \$	Balance at the end of the year \$	Highest level of indebtedness during the year \$
<i>Directors of Centro Properties Group</i>					
A. T. Scott	9,523,857	-	432,228	5,912,848	12,282,938
<i>Other key management personnel of the Group</i>					
G. Terry	5,203,789	-	245,042	3,547,709	6,929,440
M. Wilson	3,149,562	-	145,634	2,051,646	3,149,562
T. Torney	2,768,472	-	167,862	3,226,588	5,036,729
S. Schilling	2,846,560	-	185,336	3,772,598	4,289,488
R. Nenna	3,653,141	-	209,057	3,813,174	4,957,244
J. Hutchinson	4,272,069	-	222,150	3,661,854	4,846,276
Total	21,893,593	-	1,175,081	20,073,569	29,208,739

2005 Group	Balance at Start of the year \$	Interest paid and payable for the year \$	Interest not Charged \$	Balance at the end of the year \$	Highest level of indebtedness during the year \$
<i>Directors of Centro Properties Group</i>					
A. T. Scott	4,431,000	-	408,508	9,523,857	9,523,857
<i>Other key management personnel of the Group</i>					
G. Terry	2,030,875	-	281,276	5,203,789	5,203,789
M. Wilson	738,500	-	125,234	3,149,562	3,149,562
T. Torney	1,477,000	-	125,847	2,768,472	2,768,472
S. Schilling	664,650	-	130,836	2,846,560	2,846,560
R. Nenna	1,861,600	-	201,302	3,653,141	3,653,141
J. Hutchinson	1,861,600	-	182,160	4,272,069	4,272,069
Total	8,634,225	-	1,046,655	21,893,593	21,893,593

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

These loans are to be repaid via dividends/distributions received from the underlying security holding, subject to certain loan to security value criteria. The loan term is a period of 10 years.

The amounts shown for interest not charged in the above tables represent the difference between the amounts paid/payable for the year and the amount of interest that would have been charged on an arm's length basis.

No write downs or allowances for doubtful receivables have been recognised in relation to any loans made to Key Management Personnel.

Other transactions with key management personnel

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

34. RELATED PARTY DISCLOSURES

(a) Parent entity

The parent entity within the Group is Centro Properties Limited. For statutory reporting purposes the controlled entities include Centro Properties Trust, however 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.

(b) Subsidiaries

Interest in subsidiaries are set out in Note 15(f).

(c) Key management personnel

Disclosures relation to key management personnel are set out in Note 33.

Information on related parties and transactions

- (i) Income as detailed in Note 9 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 (retired 31 December 2005)
Sam Kavourakis
Louis Peter Wilkinson
Jim Hall (appointed 1 September 2005)
- (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 2006 are disclosed in Note 33.
- (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 15. All entities are incorporated in either Australia, New Zealand or the United States of America as disclosed in Note 15.
- (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 2006 totals \$731,289,000 (2005: Nil).

Interest paid by the Company to the Trust during the year amounted to \$45,492,000 (2005: Nil).

The effects of the above transactions have been eliminated in the combined accounts.
- (vii) Share of profits from Associates is contained in Note 35. Fee income derived from associates of the Group by the Group is shown at item (xi).
- (viii) In September 2006, Centro expects to launch Centro MCS 38 to the public, comprising approximately A\$1.2 billion of US property investments. On 29 June 2006 Centro Retail Trust and Centro Direct Property Fund International (the "DPFI") purchased 19.9% and 49.9% respectively of CMCS38. Centro held the remaining 30.2% as at 30 June 2006 which it intends to sell to the public and retain co-investment via its interest in DPFI and Centro Retail Trust.
- (ix) Loans receivable from / payable to related parties are disclosed in Note 13 and 21 respectively. The interest bearing portion of the loans receivable is \$99.431 million of which \$12.737 million is due from Centro MCS Syndicates and \$86.694 million is due from Centro Retail Group.
- (x) Loans to directors are disclosed in Note 33.

Note 34 continues on the following page

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(xi). 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 June 2006
	\$'000	\$'000	\$'000	\$'000	\$'000
Bankstown Partnership	1,378	2,627	-	4,005	-
Roselands Investment Trust	1,228	(464)	-	764	-
Centro Arndale Property Trust	491	-	-	491	264
Centro Karratha Sub Trust (from 01/05/06)	426	94	-	520	-
Victoria Gardens Retail Trust No. 1	593	-	-	593	-
Centro Lutwyche Sub Trust	274	-	-	274	-
Centro MCS Syndicate No. 38 (from 29/06/05)	-	-	-	-	-
Centro Direct Property Fund (DPF)	-	-	7,354	7,354	9,702
Centro Direct Property Fund International (DPFI) (from 12/09/05)	-	-	3,108	3,108	8,368
Retail Co-Investment Trust	-	-	-	-	559
Centro Retail Trust (from 01/08/05)	-	-	16,557	16,557	9,761
Centro Galleria Morley Head Trust (from 01/08/05)	1,253	-	-	1,253	1,260
Centro Toombul Head Trust (from 01/08/05)	866	1,390	-	2,256	1,766
Southport Holding Trust (from 01/08/05)	244	39	-	283	714
Springwood Holding Trust (from 01/08/05)	210	-	-	210	500
Taigum Holding Trust (from 01/08/05)	328	-	-	328	427
Centro Tweed Sub Trust (from 01/04/06)	368	56	-	424	-
Mildura Centre Plaza Trust (from 01/08/05)	357	1,151	-	1,508	-
Broken Hill Trust (from 01/08/05)	121	117	-	238	269
The Glen Property Trust (from 01/06/06)	1,150	770	-	1,920	-
Centro Colonnades Head Trust (from 01/08/05)	526	3,075	-	3,601	-
Mornington Hldng Trust Dir. (from 01/08/05)	188	-	-	188	191
Centro Wodonga Partnership (from 01/08/05)	198	-	-	198	540
Keilor Downs Tr Consol (from 01/08/05)	550	-	-	550	880

Note 34 continues on the following page

Note 34 continued from previous page

	Property Management	Development and Leasing	Funds Management	Total	Amount included in receivables as at 30 June 2006
Cranbourne Holding Trust (from 01/08/05)	349	173	-	522	-
Hervey Bay Holding Trust (from 05/12/05)	185	-	-	185	-
Tuggeranong Town Centre Trust (from 05/12/05)	595	-	500	1,095	76
Centro Watt Management Joint Venture I & II (CWMJV)	-	-	-	-	8,129

The parent, Centro Properties Limited, did not earn any fees from related parties in 2006 (2005: nil).

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 15

(b) Associates – Note 35

35. 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	
	2006 %	2005 %	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Bankstown Partnership	50.0	50.0	265,000	218,486	21,504	41,123
Roselands Investment Trust	50.0	50.0	163,450	146,014	25,110	30,169
Centro Arndale Property Trust	50.0	50.0	73,500	69,637	7,294	12,676
Bain Unit Trust No. 3 (to 30/04/06)	Nil ⁽⁷⁾	50.0	Nil ⁽⁷⁾	26,967	1,805	6,286
Centro Karratha Sub Trust (from 01/05/06)	50.0	Nil	33,260	Nil	4,236	Nil
Victoria Gardens Retail Trust No. 1	50.0	50.0	50,500	36,515	14,213	8,497
Centro Lutwyche Sub Trust	50.0	50.0	28,500	24,902	4,578	3,661
Centro MCS Syndicate No. 25 (25% until 30 June 2005)	7.4 ⁽²⁾	10.5 ⁽²⁾	Nil ⁽²⁾	Nil ⁽²⁾	325	579
Centro MCS Syndicate No. 26 (25% until 30 June 2005)	17.0 ⁽²⁾	18.0 ⁽²⁾	Nil ⁽²⁾	Nil ⁽²⁾	663	733
Centro MCS Syndicate No. 32	3.4 ⁽⁴⁾	23.0	Nil	40,751	1,366	2,113
Centro MCS Syndicate No. 33	Nil ⁽⁴⁾	22.6	Nil	Nil ⁽³⁾	12	735
Centro MCS Syndicate No. 34 (from 01/01/05 to 30/06/05)	Nil	Nil	Nil	Nil ⁽³⁾	Nil	1,440
Centro MCS Syndicate No. 35 (to 30/11/05)	Nil ⁽⁴⁾	47.5	Nil	28,727	366	730
Centro MCS Syndicate No. 36 (from 02/08/05)	9.3 ⁽⁴⁾	Nil	17,920	Nil	6,625	Nil
Centro MCS Syndicate No. 38 (from 29/06/06)	31.0	Nil	84,844	Nil	584	Nil
Centro Watt America REIT I (to 31/07/05)	Nil ⁽⁵⁾	48.5 ⁽⁵⁾	Nil ⁽⁵⁾	160,386 ⁽⁵⁾	1,433 ⁽⁵⁾	18,183 ⁽⁵⁾
Centro Direct Property Fund (from 01/06/05)	38.8	51.6 ⁽¹⁾	247,430	177,366	32,293	12,908
Centro Direct Property Fund No. 2 (50% until 31 October 2004)	Nil ⁽⁶⁾	16.8	Nil ⁽⁶⁾	60,320	Nil	12,861
Centro Direct Property Fund International (from 12/09/05)	47.9	Nil	207,579	Nil	16,254	Nil
Retail Co-Investment Trust (from 11/05/05)	50.0	50.0	34,849	30,474	2,221	544
Centro Retail Trust (from 01/08/05)	45.9	Nil	458,873	Nil	81,091	Nil
Emerald Village Holding Trust (sold 31/12/04)	Nil	50.0	Nil	Nil	Nil	401
Centro Galleria Morley Head Trust (from 01/08/05)	50.0	100.0	265,000	Nil	47,393	Nil
Centro Toombul Head Trust (from 01/08/05)	50.0	100.0	125,000	Nil	12,206	Nil
Southport Holding Trust (from 01/08/05)	50.0	100.0	35,500	Nil	5,949	Nil
Springwood Holding Trust (from 01/08/05)	50.0	100.0	27,300	Nil	3,205	Nil
Taigum Holding Trust (from 01/08/05)	50.0	100.0	43,600	Nil	7,599	Nil
CPL Tweed Holding Trust (from 01/08/05 to 31/03/06)	Nil ⁽⁷⁾	100.0	Nil ⁽⁷⁾	Nil	2,307	Nil
Centro Tweed Sub Trust (from 01/04/06)	50.0	100.0	51,500	Nil	5,828	Nil
Mildura Centre Plaza Trust (from 01/08/05)	50.0	100.0	52,000	Nil	8,574	Nil

Note 35 continues on the following page

Note 35 continued from previous page

Name of Entity	Ownership Interest		Carrying Amount		Share of Net Profit	
	2006 %	2005 %	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Broken Hill Trust (from 01/08/05)	50.0	100.0	21,000	Nil	2,216	Nil
The Glen Centre Trust (from 01/08/05 to 31/05/06)	Nil ⁽⁷⁾	100.0	Nil ⁽⁷⁾	Nil	8,944	Nil
The Glen Property Trust (from 01/06/06)	50.0	100.0	190,500	Nil	25,693	Nil
Centro Colonnades Head Trust (from 01/08/05)	50.0	100.0	133,500	Nil	29,895	Nil
Mornington Hldng Trust Dir. (from 01/08/05)	32.7	100.0	19,457	Nil	2,486	Nil
Mornington Shopping Centre U/T Direct (from 01/08/05)	17.3	100.0	10,294	Nil	1,148	Nil
Centro Wodonga Partnership (from 01/08/05)	50.0	100.0	27,250	Nil	3,970	Nil
Keilor Downs Tr Consol (from 01/08/05)	50.0	100.0	99,650	Nil	12,111	Nil
Cranbourne Holding Trust (from 01/08/05)	50.0	100.0	32,150	Nil	1,740	Nil
Hervey Bay Holding Trust (from 05/12/05)	50.0	100.0	32,140	Nil	6,507	Nil
Tuggeranong Town Centre Trust (from 05/12/05)	50.0	Nil	78,288	Nil	6,309	Nil
Centro WCJV, LP Inc.	50.0	Nil	Nil	Nil	10,192	Nil
TOTAL			2,909,834⁽⁶⁾	1,020,545	426,245	153,639

(1) Voting interest in the DPF was 41.6% at 30 June 2005 therefore the Group did not control the DPF.

(2) The carrying value of the investments in Centro MCS Syndicate No. 25 and 26 are classified as 'other financial assets – non-current' as at 30 June 2006 given that the Group did not have significant influence over these entities as at 30 June 2006. The carrying values of these investments as at 30 June 2006 are \$2.8 million (2005: \$3.3 million) and \$7.5 million (2005: \$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.

(4) Direct ownership interest only – accounted as an Associated at year end due to indirect ownership interests

(5) Entities ceased being associates during the 2006 financial year.

(6) Total equity accounted investments per note 15 is \$2,960,598. The difference relates to Argyle and Buranda which are held via CDPF2.

(7) Nil ownership interest at 30 June 2006 due to the sale of investment from the Company to the Trust.

Centro has a 50 per cent interest in the following entities:

Bankstown Partnership, Roselands Investment Trust, Centro Arndale Property Trust, Centro Karratha Sub Trust, Victoria Gardens Retail Trust No. 1, Centro Lutwyche Sub Trust, Centro Galleria Morley Head Trust, Centro Toombul Head Trust, Southport Holding Trust, Springwood Holding rust, Taigum Holding Trust, Centro Tweed Sub Trust, Ridgebay Unit Trust, Mildura Centre Plaza Trust, Broken Hill Trust, The Glen Property Trust, Centro Colonnades Head Trust, Centro Wodonga Partnership, Hervey Bay Holding Trust and Tuggeranong Town Centre Trust.

All retained earnings and reserves in the financial statements of these entities, which are attributable to Centro, are recognised by Centro in the carrying amount of its investment. The carrying amount of the units in these entities reflects 50 per cent of the value of the following properties, respectively:

Centro Bankstown, Centro Roselands, Centro Arndale, Centro Karratha, Centro Victoria Gardens, Centro Lutwyche, Centro Galleria, Centro Toombul, Centro Southport, Centro Springwood, Centro Taigum, Centro Tweed, Centro Mildura, Centro Westside, Centro The Glen, Centro Colonnades, Centro Wodonga, Centro Hervey Bay, and Tuggeranong Town Centre.

Income from these properties is recognised by Centro when it is earned.

Centro Mornington

Centro has a 32.7 per cent interest in the Mornington Holding Trust Direct and a 17.3 per cent interest in the Mornington Shopping Centro U/T Direct. These entities jointly hold 100 per cent of Centro Mornington. Income from this investment is recognised by Centro when it is earned. All retained earnings and reserves in the financial statements of Mornington Holding Trust Direct and Mornington Shopping Centro U/T Direct, which are attributable to Centro, are recognised in the carrying amount of its investment.

Note 35 continues on the following page

Note 35 continued from previous page

Centro Warriewood

Centro has a 50 per cent interest in Centro Warriewood, through its investment in the Keilor Downs Trust Consol. Income from this investment is recognised by Centro when it is earned. All retained earnings and reserves in the financial statements of Keilor Downs Trust Consol, which are attributable to Centro, are recognised in the carrying amount of its investment.

Centro Cranbourne

Centro has a 50 per cent interest in Centro Cranbourne, though its investment in the Keilor Downs Trust Consol and the Cranbourne Holding Trust. Income from this investment is recognised by Centro when it is earned. All retained earnings and reserves in the financial statements of the Keilor Downs Trust Consol and the Cranbourne Holding Trust, which are attributable to Centro, are recognised in the carrying amount of its investment.

Centro MCS Syndicate No. 38

Centro has a 31 per cent interest in Centro MCS Syndicate No. 38. All retained earnings and reserves in the financial statements of Centro MCS Syndicate No. 38, which are attributable to Centro, are recognised in the carrying amount of its investment.

Centro Direct Property Fund International

Centro has a 47.9 per cent direct interest in Centro Direct Property Fund International. Through this investment, Centro has an interest in 4 syndicates with an underlying interest in over 40 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 International, which are attributable to Centro, are recognised in the carrying amount of its investment.

Centro Direct Property Fund

Centro has a 38.8 per cent interest in Centro Direct Property Fund. Through this investment, Centro has an interest in 32 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 per cent of Retail Co-Investment Trust. Through this investment, Centro has an 9.9 per cent 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 Retail Trust

Centro has a direct investment of 45.9 per cent in the Centro Retail Trust. Through this investment, Centro has an interest in 16 properties and 2 US REITS, Centro Watt America REIT 1 and Centro Watt America REIT 5. Income from this investment is recognised by Centro when it is earned. All retained earnings and reserves in the financial statements of Centro Retail Trust, which are attributable to Centro, are recognised in the carrying amount of its investment.

Centro Watt Management Joint Venture LP

Centro has a 50 per cent 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.

Note 35 continues on the following page

Centro Properties Limited		Centro Properties Limited and its controlled entities		
30.06.05	30.06.06	Note	30.06.06	30.06.05
\$'000	\$'000		\$'000	\$'000
			30.6.06	30.6.05
			\$'000	\$'000
Note 35 continued from previous page				
Movements in Carrying Amount of Investments in Associates				
-	-		1,020,545	763,301
-	-		426,245	153,639
-	-		(191,127)	(64,659)
-	-		1,695,765	168,264
-	-		17,520	-
-	-		(8,350)	-
-	-		2,960,598	1,020,545
-	-		-	-
-	-		-	-
Summary of the Performance and Financial Position of Associates				
-	-		939,977	276,329
-	-		7,419,760	2,087,307
-	-		2,186,744	284,553
Share of Reserves Attributable to Associates				
<i>Investment Revaluation Reserve</i>				
-	-		-	-
-	-	24	17,520	-
-	-		17,520	-
<i>Foreign Translation Reserve</i>				
			9,446	-
		24	(8,350)	9,446
			1,096	9,446
<i>Retained Earnings</i>				
-	-		88,980	-
-	-		426,545	153,639
-	-		(191,127)	(64,659)
-	-		324,398	88,980

36. COMMITMENTS

(a) Capital commitments

	30.6.06	30.6.05
	\$'000	\$'000
Capital expenditure contracted for at the reporting date but not recognised as liabilities as follows:		
<i>Capital Expenditure:</i>		
Capital Expenditure Projects	156,098	341,514
<i>Payable:</i>		
- With in one year	142,148	260,043
- Later than one year but no later than five years	13,950	81,471
- Later than five years	-	-

Note 36 continues on following page

Note 36 continued from previous page

(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.

(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 below table 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 3	June 2012	59,428
Centro MCS 5	October 2008	66,509
Centro MCS 6	August 2011	72,540
Centro MCS 10	April 2012	49,400
Centro MCS 21	September 2009	75,677
Centro MCS 22	March 2010	22,604
Centro MCS 23	April 2010	16,826
Centro MCS 24	November 2011	23,742
Centro MCS 25	July 2007	53,662
Centro MCS 26	February 2008	56,793
Centro MCS 27	April 2012	32,881
Centro MCS 28	July 2009	116,805
Centro MCS 32	October 2008	194,705
Centro MCS 33	May 2011	96,596
Centro MCS 34	December 2011	44,703
Centro MCS 35	April 2010	29,972
Centro MCS 36	June 2011	112,352
Centro MCS 37	May 2012	13,515

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.

30.6.06 30.6.05
\$'000 \$'000

37. 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	246,729	384,720
- Later than one year and not later than five years	633,056	957,669
- Later than five years	512,267	756,556

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

38. EVENTS OCCURRING AFTER REPORTING DATE

Acquisition of Maddington Village, Maddington, WA

On 3 July 2006, the Group acquired Maddington Village, Maddington, WA (an existing 4,234m² neighbourhood shopping centre) for \$11.3 million. The acquisition was funded by cash at bank.

Acquisition of Katherine Oasis, Katherine, NT

On 3 August 2006, the Group acquired Katherine Oasis Shopping Centre, Katherine, NT (an existing 7,154m² sub-regional shopping centre) for \$29.4 million. The acquisition was funded by cash at bank.

Agreement to Acquire Heritage Property Investment Trust

On 10 July 2006, Centro announced an agreement to acquire Heritage Property Investment Trust ("Heritage"), a US listed, retail property real estate investment trust for US\$36.15 cash per share to be funded by borrowings. Settlement is expected in October 2006, subject to Heritage shareholder approval. Heritage comprises 157 neighbourhood and community shopping centres across 27 states with a value of US\$3.2 billion. Stabilised core assets from Heritage will provide a pipeline for Centro's unlisted funds through the creation of two or more new Centro MCS syndicates and a new Centro International Wholesale Fund. Subject to completion of the Heritage acquisition, Centro will spin off a new Centro Wholesale Fund comprising 28 high quality Australian shopping centre interests. Centro security holders not wishing or able to invest in the Centro Wholesale Fund will be offered 75 cents per Centro security as a capital return in cash. The net financial effect of these transactions on the Group's Balance Sheet as 30 June 2006 cannot be estimated.

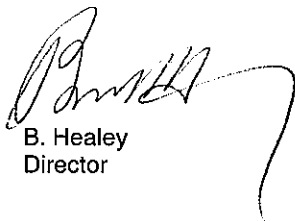
In the directors' opinion

- (a) the financial statements and notes set out on pages 74 to 142 and remuneration disclosures on pages 59 to 71 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2006 and of its performance, as represented by the results of their operations, changes in equity and their cash flows, for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable; and
- (c) the audited remuneration disclosures set out on pages 59 to 71 of the directors' report comply with Accounting Standards AASB 124 *Related Party Disclosures* and Class Order 06/50 issued by the Australian Securities and Investments Commission.


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 Centro Properties 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.



B. Healey
Director



A. T. Scott
Director

Signed at Melbourne,⁶ September 2006

Independent audit report to the members of Centro Properties Limited

Audit opinion

In our opinion:

1. the financial report of Centro Properties Limited:
 - gives a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of Centro Properties Limited and Centro Properties Group (defined below) as at 30 June 2006, and of their performance for the year ended on that date, and
 - is presented in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*
2. the remuneration disclosures that are contained on pages 59 to 71 of the directors' report comply with Accounting Standard AASB 124 *Related Party Disclosures* (AASB 124) 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 balance sheet, income statement, cash flow statement, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for both Centro Properties Limited (the "Company") and Centro Properties Group (the "Consolidated Entity"), for the year ended 30 June 2006. The Consolidated Entity comprises both the company and the entities it controlled during that year.

The Company has disclosed information about the remuneration of directors and executives (remuneration disclosures) as required by AASB 124, under the heading "remuneration report" on pages 59 to 71 of the directors' report, as permitted by the *Corporations Regulations 2001*.

The Directors of the Company 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 members of the Company. 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 124 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>.

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 Company's and the Consolidated Entity's financial position, and of their performance as represented by the results of their operations, changes in equity and cash flows. We also performed procedures to assess whether the remuneration disclosures comply with AASB 124 and the *Corporations Regulations 2001*.

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 remuneration disclosures, 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.

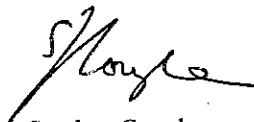
Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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
6 September 2006