

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 Half-Year Ended
31 December 2005**

Directors of Centro Properties Limited

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Andrew Scott (Chief Executive Officer)
Graham Goldie
David Graham
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“Cemented Co-Investment Accelerates Returns”

The half year ended 31 December 2005 was a period of significant activity, providing continuing strong returns for investors in Centro Properties Group (“Centro” or “the Group”). The Directors of Centro Properties Limited (the “Company”) and CPT Manager Limited, the Responsible Entity of Centro Property Trust (the “Trust”) present their report on the results for the half year.

Key Highlights

- **Outperformance with 26.4% Total Return** – Centro investors received a total return of 26.4% for the calendar year ended 31 December 2005, comprising income and capital growth. Centro remained the highest performing Listed Property Trust (“LPT”) over two years and all years from four to ten in the S&P/ASX200 Property Accumulation Index to the end of December. The Group has provided investors with a 21.4% average annual total return over the past ten years (compared to the index average of 12.5%);
- **Sustained and Substantial 11.3% DPS Growth** – Excellent growth in services business earnings (72.1% up on last year) and good results from Centro’s continuing property portfolio (4.8% comparable net income growth) have provided a half year distribution of 17.8 cents per security (up 1.8 cents from last year). This increase of 11.3% highlights the returns to investors from Centro’s cemented co-investment risk managed growth philosophy;
- **61% Growth of Cemented Funds Under Management (“FUM”)** – Centro’s cemented FUM grew from \$4.1 billion at 30 June 2005 to \$6.6 billion at 31 December 2005 (now 67% of total FUM). These funds are secured with a Centro equity commitment of \$0.8 billion, ensuring balance sheet flexibility for future growth. Total funds under management increased by 8.8% to \$9.9 billion since 30 June 2005. This growth was largely contributed by a number of domestic acquisitions, including a 50% ownership interest in Tuggeranong Hyperdome, a large regional shopping centre in Canberra, with Centro obtaining full property management rights;
- **Continuing Co-Investment Philosophy** – Through its well-established and continually growing funds distribution network, Centro raised a total of \$332 million of new funds. These funds are co-invested with Centro via unlisted wholesale funds and syndicates. The Centro Direct Property Fund (“DPF”) received strong inflows of \$125 million, and with the launch of the Centro Direct Property Fund International (“DPFI”), two diversified wholesale property funds are available to investors. Centro MCS 36 has successfully reached its equity raising target of \$195 million and now closed, reflecting ongoing investor demand for Centro’s fourth international property syndicate and largest ever;
- **Flagship Fund – Centro Retail Trust (“CER”)** – Existing Centro securityholders received a capital return by way of a special distribution which formed securities in CER. CER, Centro’s flagship fund, is a separate pure retail property trust that began trading on the ASX in August. It derives its income solely from the ownership of \$2 billion of retail properties in Australia and the US, offering investors a quality and diverse retail property fund;
- **Retail Sales Growth Remains Resilient** – Retail sales within Centro managed shopping centres continue to perform strongly with Moving Annual Turnover (“MAT”) growth of 5.2%; and
- **Upgrade of Full Year Distribution Forecast to 36.6 cents** – Centro is pleased to upgrade the forecast distribution for the year ending 30 June 2006 to 36.6 cents, up 8.9% from last year’s distribution, due to continued strong property performance.

Key Centro Statistics

	31 Dec 05	30 Jun 05	Change
Funds Under Management	\$9.9bn	\$9.1bn	\$0.8bn or 8.8%
Properties Under Management	231	224	7 properties
ASX Market Capitalisation	\$5.1bn	\$4.5bn	\$0.6bn or 13.3%
Australian Managed Centre Sales (MAT)	\$9.0bn	\$8.5bn	\$0.5bn
Operating Distributable Profit	\$141.3m	\$108.1m*	\$33.2m or 30.7%#
Distributions Per Centro Security	17.8 cents	16.0 cents*	1.8 cents or 11.3%
* Half year ended 31 Dec 04			
# 18.2% adjusted for impact of Centro-Prime merger in 2004			

Cemented Co-Investment Accelerates Returns

Centro's business model of cemented co-investment and risk managed growth is encompassed both in its listed and unlisted managed funds. This co-investment aligns Centro's interests with that of its investors and affords balance sheet flexibility for future growth. During the half year, Centro's cemented co-invested FUM increased by 61.0% from \$4.1 billion to \$6.6 billion with the listing of Centro's flagship fund, CER, as well as the establishment of Centro MCS 36. Centro reduced its equity interest in the underlying assets of those ownership funds whilst retaining cemented control of the \$2.5 billion of transferred properties.

Centro's diversified funds are also integral components of this co-investment strategy. The DPF has experienced dramatic growth, having doubled in size to over \$550 million since its re-launch in July 2004, and receiving strong inflows averaging \$20 million monthly during the half year ended 31 December 2005. The recently launched DPF1 has already sourced \$220 million of assets, and will grow in size as future international syndicates are launched.

Ongoing evidence of Centro's ability to acquire quality assets to replenish this co-investment pipeline as well as value adding opportunities from existing domestic development operations will enable Centro to continue to offer attractive investment opportunities, accelerating returns for investors.

Operating Profit Review – Significant Growth Continues

Financial Performance	Dec 05 \$'m	Dec 04 \$'m	Change %
Australian Property Investment Income	87.0	104.7	-16.9%
Offshore Property Investment Income	23.1	5.3	335.8%
Property Securities Investment Income	33.1	13.5	145.2%
Property Investment Overheads	(11.4)	(10.2)	11.8%
Net Property Investment Income	131.8	113.3	16.3%
Property Management Income	15.6	12.7	22.8%
Development Management & Leasing Income	12.5	5.1	145.1%
Funds Management Income - Monthly	20.7	11.9	73.9%
Funds Management Income - Other Recurring	16.9	9.0	87.8%
Property Services Overheads	(18.2)	(11.1)	64.0%
Net Property Services Income	47.5	27.6	72.1%
EBIT	179.3	140.9	27.3%
Interest	38.0	32.8	15.9%
Operating Distributable Profit	141.3	108.1	30.7% ⁽¹⁾
Revaluation Gains	1.3	294.3	
Financial Instruments	(10.9)	0.0	
Other AIFRS Adjustments	(0.8)	71.8	
Net AIFRS Profit	130.9	474.2	
Distribution per Security (cents)	17.8	16.0	11.3%

⁽¹⁾ 18.2% adjusted for impact of Centro/Prime merger in 2004

Financial Results – Operating Distributable Profit Up 18.2%

Centro recorded earnings from operations of \$141.3 million for the half year ended 31 December 2005, an increase of 18.2% from the equivalent in the half year to 31 December 2004. Earnings growth was driven by outstanding services business growth, underpinned by the spin off of \$2 billion of assets into CER and growth in unlisted funds. Continuing property income growth, domestic acquisitions and value adding through redevelopment contributed to the overall growth in Australian property ownership income of 11.4%. This strong result has provided a half year distribution increase of 11.3% compared to 31 December 2004.

Centro is reporting for the first time under Australian Equivalents to International Financial Reporting Standards ("AIFRS"). The adoption of AIFRS will not alter Centro's distributions with operating cash flow and earnings remaining as the basis for determining distributions. There will be no change to the Group's commercial business strategies or operations.

High Distribution Growth Up 11.3% and Upgrade of Full Year Distribution Forecast

The distribution per security for the half year is 17.8 cents, to be paid on 24 February 2006 to investors registered at the close of business on 30 December 2005. Management has upgraded its forecast for full year distributions to 36.6 cents per security (up from 36.5 cents), providing distribution growth for the full year of 8.9%.

Acquisitions and Divestments

During the half year, Centro reaffirmed its ability to identify and secure quality acquisition opportunities in the domestic market. Centro expanded its Australasian portfolio with the purchase of the following centres:

- **Tuggeranong Hyperdome** (Tuggeranong, ACT) – A 50% ownership interest was purchased for \$195.6 million, at a yield of 6.25% (post costs) in a new joint venture with Leda Holdings. The regional centre is over 75,000m² gross lettable area ("GLA") located 20km south of Canberra CBD, anchored by a Myer, Kmart, Target, Woolworths, Coles and Hoyts along with 205 specialty retailers. Centro has taken on responsibility for property management and leasing at the centre in a transaction that forms part of the joint venture with Leda Holdings. As part of the transaction, Centro divested 50% of **Centro Hervey Bay** to Leda at a value of \$29.1 million (\$1.9 million above book value) at a 6.6% yield while retaining full property management rights;
- **South Brisbane Portfolio** (Brisbane, Queensland) – A portfolio of three convenience shopping centres in the growth area of southern Brisbane was acquired in October 2005 for a total cost of \$35.7m at a weighted average capitalisation rate of 7.28%. The properties are all supermarket anchored by retailers with long term leases;
- **Centro Albury** (Albury, NSW) – Acquired for \$56.0 million, at a 7.25% valuation capitalisation rate, a high quality sub regional shopping centre anchored by Coles and Kmart; and
- **Centro Armidale** (Armidale, NSW) – Purchased for an on completion value of \$49.0 million, at a 7.0% valuation capitalisation rate. Centro acquired the Armidale land, and is funding the construction with responsibility for leasing the centre to create another valuable and high quality sub regional shopping centre anchored by pre-commitments from Woolworths and Big W stores.

Centro has also been active in acquiring further US properties for recycling into unlisted funds:

- **Vestal Portfolio** (New York State) – Centro purchasing the remaining 80% joint venture interest (Centro's current ownership interest is 20%) in the portfolio of four shopping centres located in the greater Binghamton, New York area. The two power centres, one community centre and one neighbourhood centre total 51,354m² of GLA. The Binghamton area has a population in excess of 250,000 people and has less GLA per capita than the national average while maintaining higher than average retail sales per capita; and
- **North Dover** (Delaware State) – Centro acquired the \$23.5 million grocery anchored community centre with major retailers Acme Market, Staples, TJ Maxx and Toys R Us. Total GLA is 17,824m². The four majors comprise 84% of GLA with eight specialty retailers filling the remainder of the centre which is 100% occupied.

Healthy Funds Under Management Growth of 8.8%

During the half year ended 31 December 2005, Centro's FUM grew from \$9.1 billion to \$9.9 billion. Domestic acquisitions provided the majority of growth in FUM during the half year, highlighted by the addition of Tuggeranong Hyperdome to the Centro portfolio. FUM growth was also assisted by strong revaluations for Centro MCS Syndicate properties.

Centro's funds management capabilities and co-investment philosophy is a major strength and a point of difference from its competitors. Centro's philosophy is to co-invest between 25% and 50% in each managed vehicle, aligning Centro's interest with those of investors whilst maintaining management of the property assets. Investor appetite for direct property investments continues to grow and Centro's ability to provide new funds and its well-established and increasingly diverse distribution channels have enabled Centro to meet this demand.

Continuing Properties Income Grows by a Solid 4.8%

Centro's Australian net property income showed excellent growth over the half year to 31 December 2005, rising 11.4% compared to the half year ended 31 December 2004. The majority of this growth resulted from the solid performance of Centro's continuing properties up 4.8% and the additional property ownership income generated by acquisitions over the period. Acquisitions included Tuggeranong Hyperdome, Centro Albury, Barrington Mall, Meadowlands Plaza and the Kilcor portfolio.

Centro's diverse portfolio of assets has demonstrated strong net property income performance across all asset types on a continuing basis, with convenience (supermarket based) shopping centres showing the best performance of 8.0% growth, sub regional (discount department store and supermarket based) shopping centres grew by 6.0% and regional centres by 3.3%.

All Centro properties experienced positive income growth for the half, with strongest comparable growth at Victoria Gardens, Centro Karratha, Centro Murray Bridge, Centro Westside, Centro Whitehorse, Centro Karingal and Centro Wodonga, all of which showed double digit increases. Many other assets also returned excellent results including Centro The Glen, Centro Mandurah, Centro Warriewood, Centro Arndale and Centro Lutwyche which are continuing to perform well.

The recently re-opened Centro Mildura which underwent a \$34.5m redevelopment has shown an excellent result, with the centre reporting a 23.2% increase in income. This growth resulted from Centro's staged development strategy which encouraged new retailers to commence trading while the development was being completed. Officially opened in December 2005, Centro Mildura boasts Centro's signature Fresh Life and Diners Life precincts, a brand new Target, revamped and extended Woolworths and the largest fashion offer in the Sunraysia region.

Victoria Gardens and Centro Whitehorse developments are beginning to mature and gain greater popularity within their local market, showing exceptional growth of 38.0% and 12.2% respectively. Further benefiting these centres are the improved performance of grocery anchor Coles and the thriving Fresh Food precincts.

Australian Property Investment Income for half year ended 31 December 2005

Property	Interest	Dec 05 (\$'000)	Dec 04 (\$'000)	Change (adj. for CER Spin-off)
Centro Bankstown (NSW) - development underway	50%	7,276	7,057	3.1%
Centro Galleria (WA) ⁽¹⁾	50%	8,853	14,801	2.6%
Tuggeranong Hyperdome (ACT) - acquired December 2005	50%	829	-	n/a
Centro The Glen (VIC) ⁽¹⁾ - development completed December 2005	50%	6,002	9,662	6.8%
Centro Roselands (NSW)	50%	4,742	4,606	3.0%
Centro Toombul (QLD) ⁽¹⁾ - development underway	50%	4,786	8,118	1.3%
Centro Mandurah (WA)	100%	6,061	5,651	7.3%
Centro Karingal (VIC) - development underway	100%	4,837	4,380	10.4%
Centro Colonnades (SA) ⁽¹⁾ - development underway	50%	2,629	4,428	2.6%
Victoria Gardens (VIC)	50%	2,051	1,486	38.0%
Centro Arndale (SA)	50%	2,329	2,184	6.6%
Centro Cranbourne (VIC) ⁽¹⁾ - development underway	50%	2,386	3,984	2.0%
Centro Warriewood (NSW) ⁽¹⁾	50%	2,309	3,682	7.4%
Centro Warwick (WA)	100%	3,770	3,752	0.5%
Centro Tweed Mall (NSW) ⁽¹⁾	50%	1,738	2,902	2.8%
Centro Box Hill (VIC)	100%	3,263	3,121	4.5%
Centro Mildura (VIC) ⁽¹⁾ - development completed December 2005	50%	1,120	1,626	23.2%
Centro Taigum (QLD) ⁽¹⁾	50%	1,465	2,430	3.7%
Centro Southport (QLD) ⁽¹⁾ - development underway	50%	1,285	2,166	2.3%
Centro Karratha (WA)	50%	1,050	915	14.7%
Centro Albury (NSW) - acquired July 2005	100%	1,770	-	n/a
Centro Mornington (VIC) ⁽¹⁾	50%	974	1,609	6.0%
Centro Whitehorse (VIC)	100%	1,467	1,308	12.2%
Centro Hervey Bay (QLD) - 50% ownership from December 2005	50%	1,579	1,611	6.5%
Centro Lutwyche (QLD)	50%	936	870	7.5%
Centro Springwood (QLD) ⁽¹⁾	50%	1,069	1,808	0.9%
Centro Wodonga (VIC) ⁽¹⁾	50%	964	1,753	10.0%
Centro Lavington (NSW) - development underway	100%	1,320	1,300	1.5%
Centro Goulburn (NSW) ⁽¹⁾⁽²⁾ - development underway	50%	685	908	29.3%
Centro Westside (NSW) ⁽¹⁾	50%	738	1,119	12.9%
Centro Lansell (VIC)	100%	1,311	1,250	4.9%
Centro Nerang (QLD) - development underway	100%	1,321	1,262	4.7%
Centro Newton (SA)	100%	998	992	0.6%
Centro Murray Bridge (SA)	54.5%	560	496	13.0%
Centro Victoria Park (WA) - development completed October 2004	100%	661	250	164.4%
Centro Halls Head (WA)	100%	432	406	6.4%
Centro Buranda (QLD) ⁽¹⁾⁽²⁾ - development underway	50%	312	398	32.2%
Whites Hill Shopping Village (QLD) - acquired October 2005	100%	190	-	n/a
Centro North Shore (QLD)	100%	514	503	2.2%
Centro Birrallee (VIC)	100%	504	465	8.4%
Monier Road Shopping Village (QLD) - acquired October 2005	100%	182	-	n/a
Samuel Village Shopping Centre (QLD) - acquired October 2005	100%	103	-	n/a
Barrington Mall (NZ) - acquired October 2004	100%	1,246	-	n/a
Meadowlands Plaza (NZ) - acquired July 2005	100%	513	-	n/a
Portfolio Total		89,127	105,259	11.4%
Properties divested to Centro MCS 34 ⁽³⁾			3,301	n/a
Other properties sold FY05 ⁽⁴⁾			2,433	n/a
Gross Property Ownership Income		89,127	110,993	n/a

⁽¹⁾ December 2005 reflects 50% ownership from August 2005 following CER spin-off, change ("adj. for CER spin-off") is calculated at 100% of property net income for comparable purposes

⁽²⁾ December 2004 reflects Centro's 100% ownership from October 2004 as a result of the CT Retail restructure

⁽³⁾ Properties divested to CMCS 34 in January 2005: Coles Morwell, Port Pirie Plaza, Emerald Village SC (50%), Emerald Market Plaza (50%), Pinelands Plaza, Lismore SC, Woodcroft Plaza

⁽⁴⁾ Properties sold during FY05: Taree, Westcourt, Target Warrnambool, Cooleman SC (50%), Mulgrave Business Park

Significant Organic Growth from Development Program

A relatively high proportion of all domestic properties are undergoing redevelopment, including several major projects at Centro's larger regional centres. Crucial to successfully managing this large scale development program is Centro's relationships with, and understanding of, retailers' needs and the project control processes that allow a cautious and cost effective redevelopment of Centro's assets over a rolling time frame.

During the December half, Centro finalised developments for a total cost of \$52.0 million and a projected stabilised average yield of 8.9% on completed developments. These developments were situated across a range of assets with Centro Mildura and Centro The Glen in Victoria, Centro Karratha in Western Australia and Centro Tweed in New South Wales. Details of two of these developments are:

Centro Mildura

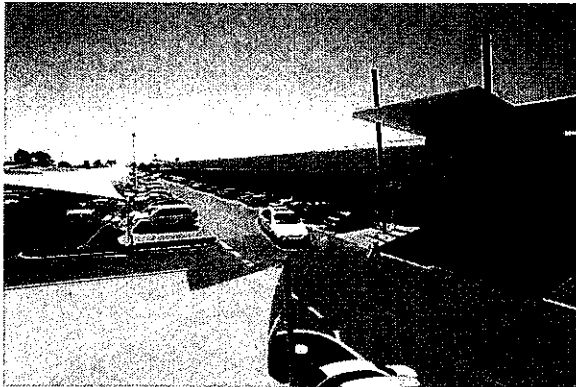
Cost: \$34.5 million, completed December 2005

The new and improved Centro Mildura is now open and trading strongly. The redevelopment included a new, relocated Target, expansion of Woolworths, new mini majors and new specialty retailers (including many national retailers). Centro's branded Diners Life and Fresh Life have also been introduced to the centre, encouraging instant recognition of the well defined food precincts. Importantly for the hot climate, shade coverings have been installed over the car park. The new entrance and car park are shown below; and

Centro The Glen

Cost: \$11.2 million, completed December 2005

An extension to the northern end of the upper level at Centro The Glen created the Lifestyle Life precinct. The project introduced three exciting mini majors to the centre – Macro Wholefoods, Rowe & Jarman and Villa & Hut – as well as specialty retailers complementing the existing centre offer. The new exterior is shown below.



Centro Mildura



Centro The Glen

New Development Pipeline Planned/Underway

Centro has over \$645.8 million of developments underway and Board approved including two regional shopping centre assets, Centro Colonnades and, Centro Bankstown, with combined redevelopment expenditure planned of \$260 million. Details of these developments are:

Centro Colonnades

Cost: \$110 million, expected completion November 2006

The redevelopment is the largest ever undertaken by Centro and its first in South Australia. The new Centro Colonnades will add a Big W, Woolworths, Centro's Fresh Life and Diners' Life precincts, 90 new specialty stores and significant internal refurbishments. 1,000 new car spaces will provide ample parking for a total trade area forecast to reach 148,270 within six years. Leasing and construction are proceeding well. The additional \$16.9 million cost since that reported at June is due to a restructure of the Harris Scarfe area to incorporate new mini major tenancies as well as new floor and ceiling works in the existing centre;

Centro Bankstown

Cost: \$90 million, expected completion mid 2006

Centro Bankstown's development will expand the centre to 81,400m² with six major retail tenancies, including a new Big W and Woolworths Supermarket, 35 new specialty stores and 1,000 additional car spaces. Centro Bankstown will offer a convenient, varied shopping environment to the 291,884 residents in its total trade area and will also include the first Fresh Life precinct in New South Wales; and

Centro's continued success in identifying opportunities and managing development risks through its development management process demonstrates Centro's ability to deliver value by enhancing its retail property portfolio.

Centro Watt JV Update

The Centro Watt Joint Venture ("CWJV") was established in October 2003 at the time of Centro's first investment in the US and is 50/50 owned by Centro Properties Group and Watt Commercial Properties. The CWJV undertakes all property related services, including property management, leasing, development, acquisitions and marketing for the US properties owned by Centro and its co-invested managed funds.

Initially based in California, the CWJV expanded to establish an East Coast base in Philadelphia following the acquisition of the Kramont Realty Trust ("Kramont") in April 2005. The CWJV is a fully functional team utilising local knowledge and experience to actively manage Centro's 110 properties valued at US\$2.7 billion. Employing over 150 staff, including four senior Centro executives who are currently seconded to the US, the expanded national platform has provided greater depth of management and strengthened key national retailer relationships. Seconded Centro executives include Mr Mark Wilson, who is the Managing Director of the East coast operations and is a member of Centro's Executive Committee.

Importantly, CWJV has retained over 95% of Kramont staff post acquisition which has assisted in stabilising the management platform. Key "best of breed" Centro processes have been implemented to ensure synergies between the Australian and United States offices, and further integration of IT and accounting systems is underway.

Resilient 5.2% Australian Retail Sales Growth

Annual retail sales across Centro's Australian owned portfolio recorded an impressive increase of 5.2% on a stable basis over the 12 month period. Total sales for the year ended 31 December 2005 and comparative growth are as follows:

Category	MAT \$'000	Composition	Change per SCCA Standards*
Department Stores	241,272	4.7%	2.1%
DDS	822,649	16.1%	4.4%
Supermarkets	1,843,060	36.1%	3.6%
Total Majors	2,906,981	57.0%	3.7%
Mini Majors	309,044	6.1%	10.3%
Specialties	1,635,583	32.1%	6.5%
Other	248,271	4.9%	6.8%
Total	5,099,880	100.0%	5.2%

* SCCA standards include stable properties. Specialty growth excludes tenants greater than 400m² and travel agency and lotto sales

* Centro is now reporting sales in accordance with the newly recommended Shopping Centre Council of Australia ("SCCA") standards for sales reporting designed to align sales figures reported across the industry. Sales are reported for stable properties only, and exclude those properties currently under development (i.e. where gross lettable area changed by more than 5%) or that have been developed within the previous 24 months. The SCCA practices require reporting of retail sales data without some adjustments that could otherwise have included major retailer reporting period variances (e.g. Coles Myer or Woolworths reporting five weeks in a month (rather than four last year), such as occurred for Coles Myer in July 2005). The mini majors category includes all non-named major retailers that are over 400m², specialties are all retailers under 400m² excluding lotto and travel agency sales which are incorporated in the 'other' category along with cinemas.

Specialties and discount department stores were the strongest major performing categories, with MAT growth of 6.5% and 4.4% respectively. Strong sectors within the specialties category were homewares, pharmacies, apparel and fresh food. Total majors' growth was also higher than previous results, with supermarkets and department stores leading the trend. Department stores reported strong sales over December and in post-Christmas sales. Supermarkets' growth underlines the strength of fresh food sales (non-discretionary expenditure) within Centro centres as specialty fresh food sales growth also remained strong.

Key centre sales performances include:

- Western Australian centres Centro Galleria (+7.4%) and Centro Mandurah (+9.8%) which both had strong growth across all categories;
- Victorian development centres Victoria Gardens (+15.6%) and Centro Whitehorse (+11.1%) have both matured since initial openings and have seen outstanding growth in fresh food and homewares categories;
- Centro Lutwyche (+11.2%) and Centro Hervey Bay (+10.1%) led Queensland, maintaining impressive sales results in areas of population and tourism growth; and
- Several of Centro's larger centres currently under development including Centro Bankstown, Centro Colonnades and Centro Karingal are considered non-stable and are therefore not included in comparable change calculations.

Sustainable Ownership Services Business Growth

Centro continues to maximise growth within the Ownership Services Business which is based on the stable and sustainable income streams of the underlying owned and managed retail properties. Significantly, as a result of Centro's cemented co-investment model and the initiation of new managed funds, CER and Centro MCS 36, the Ownership Services Business now contributes 31.4% of gross income to the Group. The Ownership Services Business generates low risk fee income on a constantly expanding asset base.

Ownership Services Business Contribution	Dec 05 \$'m	Dec 04 \$'m	Change %	Contribution %
Property Management Income	15.6	12.7	22.8%	23.7%
Development Management & Leasing Income	12.5	5.1	145.1%	19.0%
Funds Management Income - Monthly	20.7	11.9	73.9%	31.5%
Funds Management Income - Other Recurring	16.9	9.0	87.8%	25.7%
	65.7	38.7	69.8%	100.0%
Property Services Overheads	(18.2)	(11.1)	64.0%	
Net Property Services Income	47.5	27.6	72.1%	

Over the past six months, the Ownership Services Business has generated gross revenues of \$65.7 million and net property services income of \$47.5 million, contributing approximately 26.5% of Centro's total earnings before interest and tax for the half ended 31 December 2005.

The proportion of Ownership Services Business revenue from funds management activities has increased from 30.1% in the year ended 30 June 2002 and 56.4% in the year ended 30 June 2005 to 57.2% now, or \$37.6 million. Strong growth in unlisted managed funds has also contributed notably to these revenues. Continuing growth in the Centro MCS syndication business, and the rapidly expanding DPF as well as the launch of the DPFI have further increased the significant funds management income from these sources.

Property management comprises 23.7% of Ownership Services Business revenue with Centro's property management team continuing to build strong and profitable relationships with retailers to optimise performance of its managed portfolio of shopping centres. Development and leasing grew strongly over the period to contribute 19.0% of Ownership Services Business income based on the standard 5% fees applicable to all redevelopments. The role of the experienced Centro development and leasing teams is to continually identify and complete value adding projects for the benefit of Centro's customers (both retailers and investors).

Growth in overheads of the Ownership Services Business was again lower than income growth, highlighting the increasing operating efficiencies Centro is achieving.

Conservative Financial Position

Centro's conservative financial position is especially reflected in its book gearing ratio of 35.1% as at 31 December 2005, increased under new AIFRS standards, but well within the preferred range of 30 to 40%. Interestingly, Centro's look through gearing ratio (calculated in accordance with Centro's borrowing agreements) has reduced to a comfortable 37.5%. Post 31 December 2005, the Centro look through gearing ratio has further reduced to 33.1%, leaving Centro well positioned for further growth.

The lower NTA per security reflects the return of capital under the CER spin-off.

Financial Position	Dec 05 \$m	Jun 05 \$m	Change %
Total Assets	5,007	6,150	-18.6%
Financed by:			
Borrowings	1,787	2,651	-32.6%
Other Liabilities	379	381	-0.5%
Equity	2,841	3,118	-8.9%
	5,007	6,150	-18.6%
Book Gearing Ratio	35.1%	42.4%	-17.2%
Look Through Gearing Ratio	37.5%	42.5%	-11.8%
Market Gearing Ratio	25.3%	36.0%	-29.7%
Net Tangible Asset Value per Security (\$)	3.23	3.72	-13.2%

Strong Capital Management Risk Focus

Centro continues to exercise conservative financial risk management policies focusing on key risk areas of liquidity, borrowing margins, interest rates and foreign exchange. Centro is well protected through long range, staggered debt and interest rate maturities.

Centro's average debt maturity is 4.7 years, well in excess of policy of 3.0 years. Interest rate risk is also well placed with the AUD portfolio 90% hedged for an average 5.4 years and USD portfolio 80% hedged for an average 7.7 years compared to policy minimum of 4.0 years for both currencies.

Currency risk on foreign exchange denominated assets and foreign source income is substantially eliminated by way of natural hedges through foreign currency borrowings.

Implementation of a Treasury Risk Management system, delivering Centro a robust, secure and scaleable Treasury Management Platform, reducing transactional and settlement risk, is nearing completion.

Capital Raising

Centro undertook minimal capital raising during the half year ended 31 December 2005, in order to fund acquisitions and capital expenditure through Centro's development pipeline with the majority of expenditure being debt funded. Capital raising activity included:

Institutional Placement – 17 million stapled securities were issued at \$6.00 on 15 November 2005 raising \$102 million. The funds were used to acquire Tuggeranong Hyperdome and were issued at the top end of the bookbuild range and represented a 1.6% discount to the date prior to issue;

Share Purchase Plan ("SPP") – Following the institutional placement, existing investors were offered the chance to purchase up to \$5,000 worth of shares at the same \$6.00 issue price. The very high take-up level of 35.3% meant 5,854 of Centro's securityholders participated and 4.457 million securities were issued;

Distribution Reinvestment Plan ("DRP") – After being suspended for the June 2005 half distribution following the CER announcement, the Board re-activated the DRP for this December 2005 distribution. Investor participation was a pleasing 43.5%, meaning a further 9.967 million securities will be issued; and

Employee Share Ownership Continues – During the half year, approximately 8.4 million securities were issued to employees in accordance with the terms of Centro's Employee Share Plan. The securities are financed by an interest free loan from Centro, the value of which forms part of each employee's remuneration. Employees currently hold approximately 3.2% of Centro's issued capital.

Active Corporate Governance

As announced at the Annual General Meeting of 16 September 2005, the retirement of long serving Board member, Mr Laurie Wilson took effect on 31 December 2005. Mr Wilson was an independent non-executive director of Centro since 1993, and during most of that time was Chairman of Centro's Audit and Risk Management Committee and more recently Chairman of the Compliance Committee.

The twelve years of Mr Wilson's directorship have seen continued strong growth and returns for Centro investors. The Board of Centro recognises and thanks Laurie for his outstanding contribution to the Board and Centro over a long period.

With Centro continuing to actively monitor its current and future Board requirements Mr Jim Hall commenced as a new Board member on 1 September 2005. Mr Hall's extensive Australian and international financial, capital and risk management experience, are valuable additions to the Board.

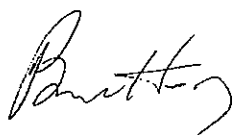
Centro's Board now includes six independent non-executive directors, together with the executive director Mr Andrew Scott. Half of Centro's independent directors have been appointed within the last two years. With Mr Hall's appointment, and those of Mr Sam Kavourakis and Mr Peter Wilkinson, this reflects a considered and planned approach to the succession requirements associated with both current and future demands and challenges.

On 3 November 2005, Ms Elizabeth Hourigan was appointed as Company Secretary. Ms Hourigan is combining this role with her previous position within Centro as Senior Legal Counsel.

Outlook

Centro's strong business model and risk managed growth philosophy has it well positioned for future growth. Centro will to continue seek quality retail assets for acquisition to grow its co-invested funds under management both domestically and internationally, to replenish the capital recycling pipeline. Despite concern about petrol prices and higher household debt, retail sales and leasing remain healthy, particularly with Centro's managed portfolio weighted to convenience and sub-regional shopping centres. Centro is continually working to accelerate higher returns on equity for investors and this is reflected in the increased 36.6 cents distribution forecast for the full 2006 financial year.

For and on behalf of the Board



B Healey
Chairman

Appendix

Centro Sales as at 31 December 2005

Property	Centro Interest	Centre MAT ² (\$'000)	MAT growth	Centre Calc MAT Sales (\$/sqm)	Spec Calc MAT Sales (\$/sqm)	Spec Occ Cost % GST (Excl Mktg)	Vacancy Rate
Centro Bankstown	50%	308,173	-3.7%	4,814	7,189	18.3%	0.0%
Centro Galleria	50%	385,994	7.4%	5,335	7,661	15.5%	0.5%
Tuggeranong Hyperdome	50%	259,165	8.7%	3,871	5,631	13.3%	0.0%
Centro The Glen	50%	304,658	3.6%	5,872	6,514	15.8%	0.3%
Centro Roselands	50%	280,452	2.3%	4,632	7,732	14.6%	0.6%
Centro Toombul	50%	235,162	2.0%	5,421	7,437	13.0%	0.2%
Centro Mandurah	100%	282,980	9.8%	7,310	7,717	11.5%	0.0%
Centro Karingal	100%	176,607	-0.7%	4,467	4,302	17.0%	0.0%
Centro Colonnades	50%	163,547	-1.5%	5,163	6,951	12.6%	0.1%
Victoria Gardens	50%	135,101	15.6%	4,419	5,834	14.5%	0.5%
Centro Arndale	50%	153,388	-4.8%	3,883	6,010	13.8%	0.1%
Centro Cranbourne	50%	175,871	1.1%	5,714	6,673	10.9%	0.1%
Centro Warriewood	50%	149,376	-0.1%	6,888	7,913	13.9%	0.0%
Centro Warwick	100%	153,124	5.4%	6,244	5,685	14.9%	0.3%
Centro Tweed Mall	50%	106,777	8.8%	5,468	5,619	13.7%	0.0%
Centro Box Hill	100%	100,755	2.5%	4,493	6,185	12.8%	0.2%
Centro Mildura ¹	50%	93,501	14.5%	4,787	5,148	12.7%	0.0%
Centro Taigum	50%	117,845	5.3%	6,440	5,264	10.8%	0.5%
Centro Southport	50%	104,347	4.3%	6,127	5,558	11.7%	0.0%
Centro Karratha	50%	145,714	8.2%	6,183	6,077	9.6%	0.0%
Centro Albury	100%	85,206	5.3%	5,435	6,509	9.9%	0.0%
Centro Mornington	50%	89,283	4.6%	6,848	6,187	14.9%	0.0%
Centro Whitehorse	100%	62,237	11.1%	5,603	3,489	18.0%	1.1%
Centro Hervey Bay	50%	78,158	10.1%	6,245	7,654	9.2%	0.3%
Centro Lutwyche	50%	78,907	11.2%	7,120	4,188	13.6%	0.9%
Centro Springwood	50%	76,688	2.2%	5,411	6,115	10.7%	0.0%
Centro Wodonga	50%	88,693	5.0%	5,134	5,916	10.3%	0.2%
Centro Lavington	100%	89,327	-9.2%	3,307	3,869	16.0%	0.5%
Centro Goulburn	50%	61,248	-13.8%	7,121	7,627	10.1%	0.7%
Centro Westside	50%	83,470	6.8%	5,123	4,907	11.0%	1.8%
Centro Lansell	100%	80,315	3.1%	4,664	4,534	10.5%	2.2%
Centro Nerang	100%	58,439	3.6%	7,640	5,210	11.4%	0.3%
Centro Newton	100%	58,668	8.7%	4,512	5,098	7.8%	0.0%
Centro Murray Bridge	55%	51,067	4.1%	7,390	5,000	9.3%	2.0%
Centro Victoria Park	100%	31,338	52.8%	5,882	3,767	15.7%	0.0%
Centro Halls Head	100%	40,378	-0.2%	6,431	n/a	10.7%	0.0%
Centro Buranda ¹	50%	36,251	-6.4%	5,196	7,195	11.2%	0.5%
Centro North Shore	100%	31,622	0.3%	10,151	n/a	10.8%	0.0%
Centro Birrallee	100%	34,522	7.8%	6,410	n/a	9.5%	2.2%
Total		5,099,880 ⁽³⁾	5.2% ⁽³⁾	5,324	6,198	13.9%	0.3%

¹ Calculated Specialty sales shown due to development

² MAT reflects 100% ownership

³ As per SCCA standards, includes recently acquired Monier Road Shopping Village, Samuel Village Shopping Centre and Whites Hill Shopping Village

DIRECTORS' REPORT

The Directors of Centro Properties Limited present their report on the financial report of the Centro Properties Group for the half-year ended 31 December 2005.

Centro Properties Group

The ASX listed entity, Centro Properties Group (the "Group" 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 during the whole of the half-year and up to the date of this report:

Brian Healey
Andrew Thomas Scott
Peter Graham Goldie
David Douglas Heydon Graham
Sam Kavourakis
Louis Peter Wilkinson

Jim Hall was appointed as a Director on 16 September 2005 and continues in office at the date of this report.

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 up until her resignation on 2 November 2005.

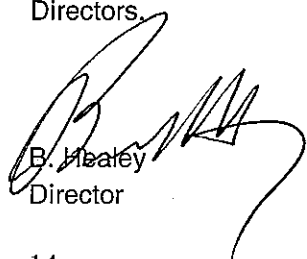
Review of Operations

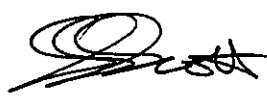
The review of operations of Centro Properties Group is included in the half yearly report to investors on pages 1 to 13 of this financial report.

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 15.

Signed at Melbourne this 2nd day of March 2006 in accordance with a resolution of the Directors.


B. Healey
Director


A.T. Scott
Director

PricewaterhouseCoopers
ABN 52 780 433 757

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Auditor's Independence Declaration

As lead auditor for the review of Centro Properties Limited for the half year ended 31 December 2005, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Centro Properties Limited and the entities it controlled during the period.



Stephen Cogle
Partner
PricewaterhouseCoopers

Melbourne

2 March 2006

Consolidated Income Statement for the
half-year ended 31 December 2005

Centro Properties Group

	Note	31.12.05 \$'000	31.12.04 \$'000
INCOME			
Property ownership revenue		102,001	163,087
Property services revenue		57,198	36,941
Property revaluations		1,342	294,335
Share of net profits of associates & joint venture partnerships accounted for using the equity method		82,920	24,809
Net income on the disposal of investment property & equity accounted investments	6	-	4,268
Other income		849	1,709
TOTAL REVENUE & OTHER INCOME		244,310	525,149
Financing costs		(49,075)	(32,814)
Repairs, maintenance, cleaning and security		(7,893)	(11,354)
Employee benefits expense		(21,045)	(17,776)
Rent, rates, taxes and insurance		(11,811)	(12,521)
Management fees		(4,566)	(5,017)
Light and power		(4,663)	(6,989)
Depreciation and amortisation expense		(2,573)	(2,737)
Marketing		(1,368)	(1,847)
Other shopping centre management costs		(1,173)	(1,356)
Other expenses from ordinary activities		(7,065)	(5,645)
PROFIT BEFORE INCOME TAX EXPENSE		133,078	427,093
Income tax benefit		-	48,508
NET PROFIT		133,078	475,601
Net profit attributable to minority interest		(2,152)	(1,426)
NET PROFIT ATTRIBUTABLE TO MEMBERS OF CENTRO PROPERTIES GROUP		130,926	474,175
Basic earnings per security (cents)		17.13	66.08
Diluted earnings per security (cents)		16.61	64.68

The accompanying notes form part of these financial statements.

Statement of Distributable Income
for the half-year ended 31 December 2005

Centro Properties Group

	31.12.05	31.12.04
	\$'000	\$'000
Net profit attributable to members of the Centro Properties Group	130,926	474,175
Adjusted for:		
Revaluation of investment properties	(1,342)	(294,335)
Share of net profits of associates accounted for using the equity method	(2,806)	(20,239)
Amortisation of tenant allowances	1,300	2,015
Net unrealised loss on mark to market of derivatives that do not qualify for hedge accounting	10,934	-
Deferred tax benefit	-	(48,508)
Straightlining of rental income	(625)	(1,120)
Employee security plan	2,940	459
Net profit from asset sales	-	(4,268)
DISTRIBUTABLE INCOME	141,327	108,179
Weighted average number of securities on issue for the period ('000)	788,361	733,148
Distributable income per ordinary security (cents)	17.93	14.76
Distribution declared¹		
Number of securities on issue as at 31 December 2005 ('000)	809,654	766,521
Distribution per ordinary security (cents)	17.80	16.00

¹ – Adjusted to add back securities issued under the Centro Employee Security Plan that are deemed to be options under AASB 2 *Share-based Payment* (refer to Note 4(vii))

The accompanying notes form part of these financial statements.

Consolidated Balance Sheet
as at 31 December 2005

Centro Properties Group

	31.12.05 \$'000	30.06.05 \$'000
CURRENT ASSETS		
Cash assets and cash equivalents	48,664	67,372
Derivative financial instruments	5,725	-
Receivables	548,426	165,837
Non-current assets classified as held for sale	187,693	2,293,320
Total current assets	<u>790,508</u>	<u>2,526,529</u>
NON-CURRENT ASSETS		
Investments accounted for using the equity method	2,360,746	860,159
Other financial assets	42,712	10,349
Investment property	1,455,755	2,357,907
Plant and equipment	12,309	11,423
Intangible assets	306,072	306,783
Other	38,642	76,719
Total non-current assets	<u>4,216,236</u>	<u>3,623,340</u>
TOTAL ASSETS	<u>5,006,744</u>	<u>6,149,869</u>
CURRENT LIABILITIES		
Payables	145,590	139,859
Provisions	148,087	140,590
Total current liabilities	<u>293,677</u>	<u>280,449</u>
NON-CURRENT LIABILITIES		
Payables	28,355	28,355
Interest bearing liabilities	1,786,753	2,650,735
Non-interest bearing liabilities	37,865	52,847
Deferred tax liabilities	16,948	16,948
Provisions	2,645	2,376
Total non-current liabilities	<u>1,872,566</u>	<u>2,751,261</u>
TOTAL LIABILITIES	<u>2,166,243</u>	<u>3,031,710</u>
NET ASSETS	<u>2,840,501</u>	<u>3,118,159</u>
EQUITY		
Parent entity interest		
Contributed equity	2,131,625	2,422,379
Reserves	20,891	10,262
Retained profits	680,193	680,159
Total parent entity interest	<u>2,832,709</u>	<u>3,112,800</u>
Minority interests	7,792	5,359
TOTAL EQUITY	<u>2,840,501</u>	<u>3,118,159</u>

The accompanying notes form part of these financial statements.

Consolidated Cash Flow Statement
for the half-year ended 31 December 2005

Centro Properties Group

	31.12.05 \$'000	31.12.04 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers (inclusive of Goods and Services Tax)	155,471	217,690
Payments to suppliers and employees (inclusive of Goods and Services Tax)	(78,973)	(139,664)
	76,498	78,026
Distributions received from associates	63,927	44,408
Interest received	8,193	2,284
Interest paid	(57,375)	(25,143)
Net cash inflow from operating activities	91,243	99,575
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for purchase of controlled entity net of cash acquired	-	616
Loans (to) / from other related parties	(191,088)	(2,080)
Proceeds from sale of property investments	-	29,200
Payments for plant & equipment	(2,956)	(1,056)
Proceeds from available-for-sale financial assets	7,830	90,815
Proceeds from sale of / (payment for) other investments	(65,637)	(19,798)
Payments for acquisition and development of property investments	(178,843)	(220,459)
Interest paid on property held for development	(3,039)	(1,334)
Net cash (outflow) from investing activities	(433,733)	(124,096)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from / (repayment of) borrowings	332,108	(45,637)
Proceeds from issues of securities	128,918	200,000
Distributions paid	(137,244)	(102,679)
Restructure and capital raising costs paid	-	(2,936)
Net cash inflow from financing activities	323,782	48,748
Net increase / (decrease) in cash and cash equivalents	(18,708)	24,227
Cash and cash equivalents at the beginning of the reporting period	67,372	5,333
Effects of exchange rate changes on cash and cash equivalents	-	-
Cash and cash equivalents at the end of the reporting period	48,664	29,560

The accompanying notes form part of these financial statements.

Consolidated statement of changes in equity
for the half-year ended 31. December 2005

Centro Properties Group

	Note	31.12.05 \$'000	31.12.04 \$'000
Total equity at the beginning of the half-year		3,118,159	2,119,362
Adjustments on adoption of AASB 132 and AASB 139, net of tax:			
Retained profits		9,682	-
Exchange differences on translation of foreign operations		10,629	9,835
Net income recognised directly in equity		20,311	9,835
Profit for the half-year		133,078	475,601
Total recognised income and expense for the year		153,389	485,436
Transactions with equity holders in their capacity as equity holders:			
Contributions of equity, net of transaction costs	8	128,741	244,112
Equity arising on Centro-Prime merger		-	326,135
Employee share options		2,940	91
Return of equity, net of transaction costs	9	(416,458)	-
Distributions provided for or paid	7	(144,118)	(122,643)
Minority interests share of profits		(2,152)	(1,426)
		(431,047)	446,269
Total equity at the end of the half-year		2,840,501	3,051,067
Total recognised income and expense for the half-year is attributable to:			
Members of Centro Properties Group		151,237	484,010
Minority interest		2,152	1,426
		153,389	485,436

The accompanying notes form part of these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

This interim financial report complies with Australian Accounting Standards, which include Australian Equivalents to International Financial Reporting Standards ("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 financial report based on AIFRS. Accordingly, the financial information for the prior period comparative has been restated. Financial statements of Centro Properties Group until 30 June 2005 had been prepared in accordance with previous AGAAP. A summary of the significant accounting policies of the Centro Properties Group under AIFRS are disclosed at note 1(a) to 1(ab).

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 & Disclosure* and AASB 139 *Financial Instruments: Recognition & 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 note 2.

Note 2(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 half-year reporting period under previous AGAAP: 31 December 2004; and
- (iii) at the end of the last reporting period under previous AGAAP: 30 June 2005.

Note 2(b) shows a reconciliation of profit under AGAAP to profit under AIFRS for:

- (i) the half-year ended 31 December 2004; and
- (ii) the year ended 30 June 2005.

(b) Basis of Preparation of Half-Year Financial Statements

This general purpose financial report for the interim half-year reporting period ended 31 December 2005 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2005 and any public announcements made by Centro Properties Group during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

(c) Basis of Preparation of Centro Properties Group Half-Year Financial Statements

The Centro Properties Group (the "Group") financial statements reflect the aggregation of the consolidated financial statements of Centro Properties Limited (the "Company") and Centro Property Trust (the "Trust"). For statutory reporting purposes, in accordance with Australian equivalents to International Financial Reporting Standards, specifically the requirements of UIG 1013 and AASB 3, Centro Properties Limited 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 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, certain classes of property, plant and equipment and investment property.

(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. Outside equity 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 income

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

(ii) Services income

- *Property Management Income*

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

- *Development and leasing fees*

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

- *Funds Management*

The Group derives revenue from trust management and custodian fees from managing 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 not 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.

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

Centro Properties Group employees are awarded with Group securities under the Centro Properties Group Employee Security Plan and Loan Scheme. 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 3 and 5 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.

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, as permitted by accounting standards, the properties are not depreciated.

(r) Other 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. Fair value is inclusive of transaction costs except where financial assets are accounted for as fair value through profit or loss. 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.

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.

(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.

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 or any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement. For the six month period to 31 December 2005, 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 permanent 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.

Properties that underwent extensive redevelopment during the financial year are recorded at cost including redevelopment cost and operational capital expenditure, as this is the best measure of the investment properties' fair value during a redevelopment.

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.

(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 5.80% (2004 - 5.75%).

(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 functional and 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.

(aa) Distributions

Provision is made for the amount of any distribution declared, determined or publicly recommended by the directors on or before the end of the 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.

2. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRS

(a) Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRSs (AIFRS)

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

	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
Other financial assets		-	-	-
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	(iv)	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

2 EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRS (continued)

(a) (ii) At the date of the last half-year reporting period under previous AGAAP: 31 December 2004

	Notes	Previous AGAAP \$'000	Effect of transition to AIFRS \$'000	AIFRS \$'000
CURRENT ASSETS				
Cash assets and cash equivalents		29,560	-	29,560
Receivables		132,525	-	132,525
Derivative financial instruments	(v)	-	-	-
Non-current assets classified as held for sale		99,512	-	99,512
Other		-	-	-
Total current assets		261,597	-	261,597
NON-CURRENT ASSETS				
Receivables	(vii)	52,400	(33,630)	18,770
Investments accounted for using the equity method		699,452	-	699,452
Other financial assets		30,424	-	30,424
Investment property	(i),(ii),(iii)	3,162,049	-	3,162,049
Plant and equipment	(vi)	6,262	5,600	11,862
Intangible assets	(iv),(vi)	604,623	(381,614)	223,009
Other	(vi)	56,599	(15,611)	40,988
Total non-current assets		4,611,809	(425,255)	4,186,554
TOTAL ASSETS		4,873,406	(425,255)	4,448,151
CURRENT LIABILITIES				
Payables		103,635	-	103,635
Derivative financial instruments	(v)	-	-	-
Provisions		126,779	-	126,779
Total current liabilities		230,414	-	230,414
NON-CURRENT LIABILITIES				
Payables	(vii)	-	8,150	8,150
Interest bearing liabilities		1,151,695	-	1,151,695
Deferred tax liabilities	(ix)	-	4,592	4,592
Provisions		2,233	-	2,233
Total non-current liabilities		1,153,928	12,742	1,166,670
TOTAL LIABILITIES		1,384,342	12,742	1,397,084
NET ASSETS		3,489,064	(437,997)	3,051,067
EQUITY				
Parent entity interest				
Contributed equity	(vi),(vii)	3,336,226	(972,996)	2,363,230
Reserves	(i),(vii),(xii)	76,966	(67,131)	9,835
Retained profits	(xiii)	2,485	602,130	604,615
Total parent entity interest		3,415,677	(437,997)	2,977,680
Minority interests		73,387	-	73,387
TOTAL EQUITY		3,489,064	(437,997)	3,051,067

2 EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRS (continued)

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

	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		2,293,320	-	2,293,320
Other financial assets		-	-	-
Assets of a disposal group held for sale		-	-	-
Total current assets		2,526,529	-	2,526,529
NON-CURRENT ASSETS				
Receivables	(vii)	49,789	(39,169)	10,620
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
Other	(vi)	78,381	(12,282)	66,099
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
Non-interest bearing liabilities		-	-	-
Derivative financial instruments	(v)	-	-	-
Provisions		140,590	-	140,590
Total current liabilities		280,449	-	280,449
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
Provisions		2,376	-	2,376
Total non-current liabilities		2,726,513	24,748	2,751,261
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

2. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRS (continued)

(b) Reconciliation of profit under previous AGAAP to profit under Australian equivalents to IFRSs (AIFRS)

(i) Reconciliation of profit for the half-year ended 31 December 2004

	Notes	Previous AGAAP \$'000	Effect of transition to AIFRS \$'000	AIFRS \$'000
REVENUE & OTHER INCOME				
Property ownership revenue	(ii),(vi)	88,027	75,060	163,087
Funds management income	(vi)	12,905	24,036	36,941
Property revaluations	(i),(ii),(iii)	-	294,335	294,335
Share of net profits of associates & joint venture partnerships accounted for using the equity method	(vi)	19,969	4,840	24,809
Net income on the disposal of investment property & equity accounted investments	(x)	-	4,268	4,268
Other income		1,709	-	1,709
Proceeds from sale of investments	(x)	26,259	(26,259)	-
TOTAL REVENUE & OTHER INCOME		148,869	376,280	525,149
Financing costs	(vi)	(19,110)	(13,704)	(32,814)
Repairs, maintenance, cleaning and security	(vi)	(7,917)	(6,083)	(14,000)
Employee benefits expense	(vi),(vii)	(8,931)	(8,845)	(17,776)
Rent, rates, taxes and insurance	(vi)	(7,338)	(5,183)	(12,521)
Management fees	(vi)	(3,681)	(1,336)	(5,017)
Light and power	(vi)	(2,334)	(2,009)	(4,343)
Depreciation and amortisation expense	(iv),(vi)	(9,975)	7,238	(2,737)
Marketing	(vi)	(799)	(1,048)	(1,847)
Other shopping centre management costs	(vi)	(1,070)	(286)	(1,356)
Other expenses from ordinary activities	(vi)	(4,822)	(823)	(5,645)
Carrying amount of non-current assets sold	(x)	(21,991)	21,991	-
PROFIT BEFORE INCOME TAX EXPENSE		60,901	366,192	427,093
Income tax benefit	(ix)	-	48,508	48,508
NET PROFIT		60,901	414,700	475,601
Net profit attributable to minority interest	(vi)	(1,538)	112	(1,426)
NET PROFIT ATTRIBUTABLE TO MEMBERS OF CENTRO PROPERTIES GROUP		59,363	414,812	474,175

2 EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRS (continued)

(b) (ii) Reconciliation of profit for the year ended 30 June 2005

	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
Property revaluations	(i),(ii),(iii)	-	466,945	466,945
Share of net profits of associates & joint venture partnerships accounted for using the equity method	(vi)	59,819	4,840	64,659
Net income on the disposal of investment property & equity accounted investments	(x)	-	16,438	16,438
Other income		8,155	-	8,155
Proceeds from sale of investments	(x)	201,581	(201,581)	-
TOTAL REVENUE & OTHER INCOME		587,382	386,862	974,244
Financing costs	(vi)	(65,761)	(13,704)	(79,465)
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

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

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

4. 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. 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 straight-lining 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 will be taking advantage of the exemption available to apply AIFRS requirements only from 1 July 2005. This allows the Group to apply previous AGAAP to the comparative information of financial instruments within the 31 December half-year 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.

(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 Centro Properties Employee Security Plan ("ESP"), employees are eligible to participate in the plan at the discretion of the Board. The securities issued to eligible employees are financed by an interest free loan from Centro, the value of which currently forms part of each employee's remuneration, along with the value of the options issued to the employee. The price per security is the prevailing market price, as at the date determined by the Board. The Board also determines the number of securities offered to an eligible employee.

The participating employee cannot sell or otherwise deal with the securities unless the loan is fully repaid. In all other respects the employee securities rank equally with other fully paid ordinary stapled securities. Subject to certain loan to security value criteria, 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 with pertains to Centro's securitisation of ESP loans at 30 June 2003.

(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.

(xiii) Retained earnings

The effect on retained earnings of the changes set out at Note 2(a) are as follows:

	Notes	1 July 2004 \$'000	31 December 2004 \$'000	30 June 2005 \$'000
Transfer from reserves	(i),(xii)	(275,158)	(586,554)	(659,675)
Straight-lining of rent	(ii)	(9,444)	(10,564)	(11,692)
Lease incentive amortisation	(iii)	-	2,015	4,029
Deferred tax liability	(ix)	53,100	4,592	16,948
Mark-to-market amortisation	(vi)	-	(1,670)	(5,000)
Goodwill amortisation	(iv)	-	(10,408)	(23,100)
Employee Share Plan option valuation	(vii)	-	459	816
Total adjustment		(231,502)	(602,130)	(677,674)
Attributable to:				
Equity holders of the Group		(231,502)	(602,130)	(677,674)
Minority interest		-	-	-
		(231,502)	(602,130)	(677,674)

5. SEGMENT INFORMATION

Business Segments

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

Property Ownership Business

The Group derives income from retail property rentals of shopping centre space to retailers in most Australian mainland states including Victoria, New South Wales, Queensland, Western Australia and South Australia as well as New Zealand and the United States. The Group also derives income from its retail property investments in listed and unlisted entities.

Property Services Business

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

PRIMARY REPORTING – BUSINESS SEGMENT

Half-year 2005	Property Ownership \$'000	Property Services \$'000	Inter Segment/Other \$'000	Group \$'000
Total segment revenue	103,343	57,198	849	161,390
Shares of net profits of associates and joint venture partnerships				82,920
Unallocated revenue				-
Revenue from ordinary activities				244,310
Segment result	51,145	47,527	-	98,672
Unallocated revenue less unallocated expenses				34,406
Profit from ordinary activities before income tax				133,078
Half-year 2004	Property Ownership \$'000	Property Services \$'000	Inter Segment/Other \$'000	Group \$'000
Total segment revenue	461,690	36,941	1,709	500,340
Shares of net profits of associates and joint venture partnerships				24,809
Unallocated revenue				-
Revenue from ordinary activities				525,149
Segment result	430,585	27,613	-	458,198
Unallocated revenue less unallocated expenses				(31,105)
Profit from ordinary activities before income tax				427,093

31.12.05 31.12.04
\$'000 \$'000

6. PROFIT BEFORE INCOME TAX

Profit before income tax includes the following items of revenue and expense which, together with other disclosures in these financial statements, are relevant in explaining the financial performance for the half-year:

Individually significant items:

Profit on sale of property investments	-	4,268
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7. DISTRIBUTIONS

Distributions provided for or paid during the half-year	<u>144,118</u>	<u>122,643</u>
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Distribution from the Trust – 17.8 cents (2004: 16 cents)

Distribution from the Company – nil cents (2004: nil cents)

8. EQUITY SECURITIES ISSUED

	Half-year		Half-year	
	2005	2004	2005	2004
	Securities	Securities	\$'000	\$'000
Issues of ordinary shares during the half-year¹				
Distribution reinvestment plan ²	-	11,092,393	-	44,112
Unconditional placement	17,000,000	43,103,450	102,000	200,000
Security purchase plan	4,456,864	-	26,741	-
	<u>21,456,864</u>	<u>54,195,843</u>	<u>128,741</u>	<u>244,112</u>

¹ – 8,402,125 securities were issued under the Centro Employee Security Plan on 26 September 2005. These securities are deemed to be options under AASB 2 *Share-based Payment* and have therefore been excluded from the above reconciliation.

² – The Centro Properties Group distribution reinvestment plan was suspended for the 6 month period to 31 December 2005.

9. BUSINESS COMBINATIONS

Launch of Centro Retail Trust

Centro Retail Trust ("CER") was successfully listed on the ASX on 17 August 2005. The launch involved Centro Properties Group ("CNP") divesting a 50% interest in a portfolio of Australian and US property investments via a demerger.

The net assets attributable to the demerger of CER from CNP are set out in the table below:

	\$'000
Property investments	1,887,121
Derivative financial instruments	40,015
Borrowings ¹	(1,080,432)
Minority interests	(13,788)
Net assets attributable to CER members ²	832,916

¹ Includes interim loan provided by CNP to CER.

² CNP retained an initial 50% interest in CER with the remaining 50% (\$416.4 million) being distributed to CNP's investors. CNP's effective ownership interest in CER is 48.3% as at 31 December 2005.

Launch of Centro MCS Syndicate 36

Centro MCS Syndicate 36 was successfully launched on 4 August 2005. As at 31 December 2005, \$139.6 million had been raised (including \$71.5 million from the Centro Direct Property Fund International). Centro Properties Group's economic interest in Centro MCS 36 as at 31 December 2005 stood at 38.9%.

Value of assets disposed to Centro MCS 36 is set out below:

	\$'000
Property investments	412,142
Borrowings	(91,463)
Minority interest	(9,620)
Net disposal to Centro MCS 36	311,059

10. CONTINGENT LIABILITIES

Bank guarantees of \$5 million each have been arranged by the Group in the name of CPT Manager Limited and Centro MCS Manager Limited to guarantee obligations under Australian Financial Services Licence and responsible entity requirements.

11. EVENTS OCCURRING AFTER REPORTING DATE

Acquisition of North Dover, Delaware, USA

On 5 January 2006, the Group acquired North Dover, Delaware, USA for US\$23.5 million.

CWAR V Refinancing

On 1 February 2006, CWAR V (an US real estate investment trust which is controlled by Centro Retail Group, which Centro has an effective ownership interest of 48.3% as at 31 December 2005) obtained new facilities from JP Morgan, totalling USD\$240 million. This resulted in CWAR V repaying outstanding debt to Centro of USD\$115 million.

Distribution Reinvestment Plan

The Distribution Reinvestment Plan ("DRP") will deliver a further \$62.7 million to issued capital with 45% of participants electing to participate in the DRP for the February 2006 distribution.

Finance Facility Agreement with Centro Retail Group

Centro Properties Group has agreed to extend its finance facility to Centro Retail Group until March 2007.

The financial effects of the above transactions have not been brought to account at 31 December 2005.

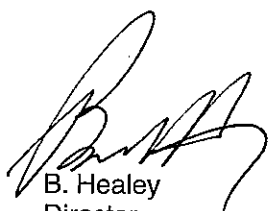
The directors of Centro Properties Limited declare that the financial statements and notes set out on pages 16 to 45:

- (a) comply with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the Group's financial position as at 31 December 2005 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the half-year ended on that date.


In the directors' opinion:

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

This declaration is made in accordance with a resolution of the directors.



B. Healey
Director



A. T. Scott
Director

Signed in Melbourne, 2 March 2006

Independent review report to the members of Centro Properties Limited

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Centro Properties Limited:

- does not give a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of the Centro Properties Limited (defined below) as at 31 December 2005 and of its performance for the half-year ended on that date, and
- is not presented in accordance with the *Corporations Act 2001*, Accounting Standard AASB 134: *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*.

This statement must be read in conjunction with the rest of our review report.

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for Centro Properties Limited (the "Company"), for the half-year ended 31 December 2005. The Company comprises Centro Properties Limited and the entities it controlled during the period ended 31 December 2005.

The directors of Centro Properties Limited 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.

Review approach

We conducted an independent review in order for the Company to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements. For further explanation of a review, visit our website <http://www.pwc.com/au/financialstatementaudit>.

We performed procedures in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report does not present fairly, in accordance with the *Corporations Act 2001*, Accounting Standard AASB 134: *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's financial position, and its performance as represented by the results of its operations and cash flows.

We formed our statement on the basis of the review procedures performed, which included:

- inquiries of company's personnel, and
- analytical procedures applied to financial data.

Our procedures include reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report.

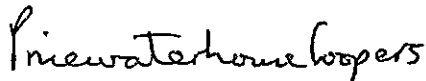
These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.

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

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

Independence

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



PricewaterhouseCoopers



Stephen Cogle
Partner

Melbourne
2 March 2006