CENTRO PROPERTIES LIMITED
ACN 078 590 682

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 2006

Directors of Centro Properties Limited
Brian Healey (Chairman)
Andrew Scott (Chief Executive Officer)
Graham Goldie
Sam Kavourakis
Peter Wilkinson
Jim Hall
Paul Cooper

Secretary of Centro Properties Limited
Elizabeth Hourigan

Auditor
PricewaterhouseCoopers
Freshwater Place
2 Southbank Boulevard
Southbank, Vic 3006

Security Registrar
Link Market Services Limited
Level 4, 333 Collins Street
Melbourne, Vic 3000

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 2006.

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
Sam Kavourakis
Louis Peter Wilkinson
Jim Hall

Paul Cooper was appointed as a Director on 1 October 2006 and continues in office at the date of this report.

David Douglas Heydon Graham was a Director from the beginning of the financial year until his retirement on 20 October 2006.

Elizabeth Hourigan continues as the Company Secretary at the date of this report.

Review of Operations

The Directors are pleased to report a consolidated profit of $157.6 million for the half year ended 31 December 2006, an increase of 18.4% over the $133.1 million last year.

Operating profit attributable to Group unitholders (net of minority interest) was $157.3 million, an increase of 20% compared to last year.

During the half year the Group sold a 50% interest in 28 Australian properties to Centro Australia Wholesale Fund.

On 5 October 2006 the Group successfully completed the acquisition of the Heritage Property Investment Trust, a US listed retail property real estate investment trust.

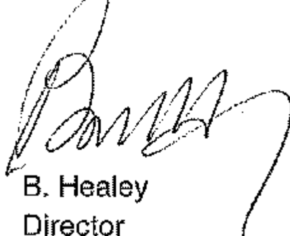
Rounding of amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that class order.

Auditor'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 3.

Signed at Melbourne this 27 day of February 2007 in accordance with a resolution of the Directors.



B. Healey
Director

A.T. Scott
Director

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
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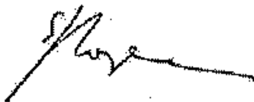
Auditor's Independence Declaration

As lead auditor for the review of Centro Properties Limited for the half year ended 31 December 2006, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the 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 Cougle
Partner
PricewaterhouseCoopers

Melbourne
27 February 2007

Consolidated Income Statement for the half-year ended 31 December 2006

Centro Properties Group

	31.12.06 $'000	31.12.05 $'000
REVENUE AND INCOME		
Property ownership revenue	**64,806**	102,001
Property services revenue	**72,945**	52,632
Total Revenue	**137,751**	154,633
Managed vehicle income	**25,596**	5,613
Property revaluations	**-**	1,342
Share of net profits of associates & joint venture partnerships accounted for using the equity method	**160,263**	77,307
Other income	**16**	849
Total Income	**185,875**	85,111
TOTAL REVENUE AND INCOME	**323,626**	239,744
Financing costs	**(111,088)**	(49,075)
Repairs, maintenance, cleaning and security	**(4,356)**	(7,893)
Employee benefits expense	**(28,789)**	(21,045)
Rent, rates, taxes and insurance	**(5,461)**	(11,811)
Light and power	**(2,476)**	(4,663)
Depreciation and amortisation expense	**(1,429)**	(2,573)
Marketing	**(1,603)**	(1,368)
Bad and doubtful debts	**(72)**	(29)
Other shopping centre management costs	**(453)**	(1,173)
Other expenses from ordinary activities	**(10,315)**	(7,036)
PROFIT BEFORE INCOME TAX EXPENSE	**157,584**	133,078
Income tax expense	**-**	-
NET PROFIT	**157,584**	133,078
Net profit attributable to minority interest	**(308)**	(2,152)
NET PROFIT ATTRIBUTABLE TO MEMBERS OF CENTRO PROPERTIES GROUP	**157,276**	130,926
Basic earnings per security (cents)	**19.80**	17.13
Diluted earnings per security (cents)	**19.19**	16.61

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

Consolidated Balance Sheet
for the half-year ended 31 December 2006

Centro Properties Group

	31.12.06 $'000	30.06.06 $'000
CURRENT ASSETS		
Cash assets and cash equivalents	**104,590**	249,656
Derivative financial instruments	**-**	20,273
Receivables	**308,024**	270,842
Other financial assets	**152,544**	100,168
Investment property	**406,036**	73,295
Total current assets	**971,194**	714,234
NON-CURRENT ASSETS		
Investments accounted for using the equity method	**2,320,816**	2,860,430
Other financial assets	**1,752,615**	42,938
Investment property	**396,817**	1,202,165
Plant and equipment	**15,767**	11,586
Intangible assets	**407,199**	306,783
Receivables	**20,806**	24,231
Total non-current assets	**4,914,020**	4,448,133
TOTAL ASSETS	**5,885,214**	5,162,367
CURRENT LIABILITIES		
Payables	**264,046**	61,803
Derivative financial instruments	**105,955**	-
Provisions	**162,443**	162,084
Total current liabilities	**532,444**	223,887
NON-CURRENT LIABILITIES		
Interest bearing liabilities	**2,426,195**	1,537,159
Non-interest bearing liabilities	**336,223**	109,915
Provisions	**2,547**	2,427
Total non-current liabilities	**2,764,965**	1,649,501
TOTAL LIABILITIES	**3,297,409**	1,873,388
NET ASSETS	**2,587,805**	3,288,979
EQUITY		
Parent entity interest		
Contributed equity	**1,521,112**	2,199,486
Reserves	**134**	19,869
Retained profits	**1,058,200**	1,059,108
Total parent entity interest	**2,579,446**	3,278,463
Minority interests	**8,359**	10,516
TOTAL EQUITY	**2,587,805**	3,288,979

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

Consolidated Cash Flow Statement
for the half-year ended 31 December 2006

Centro Properties Group

	31.12.06 $'000	31.12.05 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers (inclusive of Goods and Services Tax)	**125,296**	155,471
Payments to suppliers and employees (inclusive of Goods and Services Tax)	**(58,390)**	(78,973)
	66,906	76,498
Distributions received from associates	**131,111**	63,927
Interest paid	**(54,523)**	(49,182)
Net cash inflow from operating activities	**143,494**	91,243
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for purchase of controlled entity net of cash acquired	**(1,013,455)**	-
Loans (to) / from other related parties	**112,760**	(191,088)
Payments for plant & equipment	**(2,860)**	(2,956)
Proceeds from available-for-sale financial assets	**-**	7,830
Proceeds from sale of / (payment for) other investments	**(728,972)**	(65,637)
Payments for acquisition and development of property investments	**(81,972)**	(178,843)
Interest paid on property held for development	**-**	(3,039)
Net cash (outflow) from investing activities	**(1,714,499)**	(433,733)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from / (repayment of) borrowings	**2,213,914**	332,108
Proceeds from issues of securities	**-**	128,918
Payments for purchase of securities / capital return	**(634,034)**	-
Distributions paid	**(151,476)**	(137,244)
Distributions paid to minority interest	**(2,465)**	-
Net cash inflow from financing activities	**1,425,939**	323,782
Net increase / (decrease) in cash and cash equivalents	**(145,066)**	(18,708)
Cash and cash equivalents at the beginning of the reporting period	**249,656**	67,372
Effects of exchange rate changes on cash and cash equivalents	**-**	-
Cash and cash equivalents at the end of the reporting period	**104,590**	48,664

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

Consolidated Statement of Changes in Equity for the half-year ended 31 December 2006 — **Centro Properties Group**

	Note	**31.12.06 $'000**	31.12.05 $'000
Changes in equity attributable to members of Centro Properties Group			
Opening balance at the beginning of the half year		**3,278,463**	3,112,800
Contributed equity			
Contributions of equity, net of transaction costs	5	**5,514**	128,741
Return of equity, net of transaction costs		**(614,704)**	(416,458)
Employee security plan	5	**(69,184)**	2,940
Investment revaluation reserve			
Net movement in investment revaluation reserve		**(17,520)**	-
Share based payments reserve			
Net movement in share based payments reserve		**10,294**	-
Foreign currency translation reserve			
Net exchange differences on translation of foreign operations		**(12,509)**	10,629
Retained profits			
Application of AASB 132 and 139 effective 1 July 2005		**-**	7,249
Distributions provided for or paid		**(158,184)**	(144,118)
Net adjustments recognised directly in equity		**(856,293)**	(411,017)
Net profit attributable to members of Centro Properties Group		**157,276**	130,926
Closing balance of equity attributable to members of Centro Properties Group (i)		**2,579,446**	2,832,709
Changes in equity attributable to external minority interests			
Opening balance at the beginning of the period		**10,516**	5,359
Application of AASB 132 and 139 effective 1 July 2005		**-**	281
Profit after tax expense for the period		**308**	2,152
Distributions provided for or paid		**(2,465)**	-
Closing balance of equity attributable to external minority interests (ii)		**8,359**	7,792
Total equity at the end of the half-year		**2,587,805**	2,840,501

(i) Total income and expenses for the period attributable to members of Centro Properties Group, including amounts recognised directly in equity, is $137.6m (31 December 2005: $141.6m), being profit after tax expense for the period of $157.3m (31 December 2005: $130.9m) and net movements in reserves of ($19.7m) (31 December 2005: $10.6m).
(ii) Total income and expenses for the period attributable to minority interest, including amounts recognised directly in equity, is $0.3m (31 December 2005: $2.2m), being profit after tax expense for the period of $0.3m (31 December 2005: $2.2m).

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

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.

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

This general purpose financial report for the interim half-year reporting period ended 31 December 2006 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 2006 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.

(e) Historical Cost Convention

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

(f) Principles of Consolidation

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

Note 1 continues on following page

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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:

(i) Property ownership revenue

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

(ii) Services revenue

- Property Management Revenue

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

Note 1 continues on following page

Note 1 continued from previous page

- 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 on an accruals basis as earned.

- Funds Management

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

(i) Income Tax

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

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

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

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

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

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

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

(j) Cash and Cash Equivalents

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

Note 1 continues on following page

Note 1 continued from previous page

(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.

Note 1 continues on following page

Note 1 continued from previous page

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 Payment

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

(o) Depreciation of Plant and Equipment

Depreciation is calculated on a straight line basis to write off the net cost or revalued amount of each item of plant and equipment (excluding investment properties) over its expected useful life to the consolidated entity.

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

(p) Goodwill

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

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

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

(q) Investment Properties

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

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

(r) Financial Assets

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.

Note 1 continues on following page

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(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.

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.

Note 1 continues on following page

Note 1 continued from previous page

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) Non-current assets held for sale

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

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

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

(t) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either; (1) hedges of 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. As at reporting date all hedges have been classified as fair value hedges.

(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).

Note 1 continues on following page

Note 1 continued from previous page

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 half year ended 31 December 2006, no derivative financial instruments were designated into a hedging relationship and therefore all movements in fair value have been taken to the income statement.

(u) Fair Value Estimation

The fair value of financial 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.

(v) Revaluation of Investment Properties

For the purpose of the Group accounts, property investments are carried at fair value. Directors assess fair value of property investments at each reporting date and obtain independent valuations on a regular basis to assist in assessing fair value.

Changes in fair values are recorded in the income statement.

(w) Borrowings

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

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

(x) Borrowing Costs

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

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 6.0% (2005 – 5.8%).

(y) Foreign Currency Translation

(i) Functional and presentation currency

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

Note 1 continues on following page

Note 1 continued from previous page

(ii) Transactions and balances

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

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

(iii) Group entities

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

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

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

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

(z) Contributed Equity

Ordinary stapled securities are classified as equity.

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

(aa) Earnings Per Security

(i) Basic earnings per security

Basic earnings per security is determined by dividing the net profit after income tax attributable to members of the Group, excluding any costs of servicing equity other than ordinary securities, 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.

Note 1 continues on following page

Note 1 continued from previous page

(ii) Diluted earnings per security

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

(ab) Distributions

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

(ac) Segment reporting

Refer to note 3 for the accounting policy in relation to segment reporting.

(ad) New accounting standards and UIG interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 31 December 2006 reporting periods. The Group has assessed the impact of these new standards and deemed the impact to be immaterial.

2. RECONCILIATION BETWEEN NET PROFIT AND DISTRIBUTABLE INCOME

	31.12.06 $'000	31.12.05 $'000
Net profit attributable to members of the Centro Properties Group	**157,276**	130,926
Adjusted for:		
Revaluation of investment properties	**-**	(1,342)
Share of net profits of associates accounted for using the equity method	**(49,530)**	(2,806)
Amortisation of tenant allowances	**304**	1,300
Net movement on mark to market of derivatives and foreign exchange (gains)/losses	**45,366**	10,934
Straightlining of rental income	**(934)**	(625)
Employee security plan ("ESP")	**10,294**	2,940
DISTRIBUTABLE INCOME	**162,776**	141,327
Weighted average number of securities on issue for the period ('000)	**819,606[1]**	788,361[1]
Distributable income per ordinary security (cents)	**19.86**	17.93
Distribution declared		
Number of securities on issue ('000)	**819,606[1]**	809,654[1]
Distribution per ordinary security (cents)	**19.30**	17.80

[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*

3. SEGMENT INFORMATION

Business Segments

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

Property Ownership Business

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

Services Business

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

PRIMARY REPORTING – BUSINESS SEGMENT

Half-year 2006	Property Ownership	Property Services	Inter Segment/Other	Group
	$'000	$'000	$'000	$'000
Revenue	64,806	72,945	-	137,751
Total segment revenue	64,806	72,945	-	137,751
Share of net profits of associates and joint venture partnerships	152,566	7,697	-	160,263
Other income	25,596	-	16	25,612
Total segment revenue and income	242,968	80,642	16	323,626
Segment result	229,056	60,821	16	289,893
Unallocated revenue less unallocated expenses				(132,309)
Profit from ordinary activities before income tax				157,584
Income tax benefit				-
Net Profit				157,584

Half-year 2005	Property Ownership	Property Services	Inter Segment/Other	Group
	$'000	$'000	$'000	$'000
Revenue	102,001	52,632	-	154,633
Total segment revenue	102,001	52,632	-	154,633
Share of net profits of associates and joint venture partnerships	75,029	2,278	-	77,307
Property revaluations	1,342	-	-	1,342
Other income	5,613	-	849	6,462
Total segment revenue and income	183,985	54,910	849	239,744
Segment result	137,963	46,027	849	184,839
Unallocated revenue less unallocated expenses				(51,761)
Profit from ordinary activities before income tax				133,078
Income tax benefit				-
Net Profit				133,078

	31.12.06 $'000	31.12.05 $'000
4. DISTRIBUTIONS		
Distributions provided for or paid during the half-year	**158,184**	144,118

Distribution from the Trust – 19.3 cents (2005: 17.8 cents)
Distribution from the Company – nil cents (2005: nil cents)

5. EQUITY SECURITIES ISSUED

	Half-year		**Half-year**	
	2006 Securities	2005 Securities	**2006 $'000**	2005 $'000
Issues of ordinary securities during the half-year[1]				
Unconditional placement	**-**	17,000,000	**-**	102,000
Employee security plan[1]	**(4,794,200)**	4,456,864	**(63,670)**	26,741
	(4,794,200)	21,456,864	**(63,670)**	128,741

[1] – 8,796,200 securities were acquired on market and issued under the Centro Employee Security Plan on 2 October 2006. These securities are deemed to be options under AASB 2 *Share-based Payment* and are therefore treated as no longer being on issue. The securities are considered to have been issued upon the expiration of the option and satisfaction of the vesting criteria pursuant to the Centro Employee Security Plan.

6. BUSINESS COMBINATIONS

Current Period

Heritage Acquisition

On 5 October 2006 the Group successfully completed the acquisition of the Heritage Property Investment Trust ("Heritage"). This acquisition increased the Group's total funds under management to $15.8 billion. The results of Heritage have been incorporated into the results of the Group for the period ended 31 December 2006.

Details of the acquisition are as follows:

	$'000
Fair value of identifiable net assets of controlled entity acquired:	
Short term investments	18,124
Receivables	50,445
Property investments	4,362,812
Plant & equipment	2,936
Other assets	38,098
	4,472,415
Less Payables	75,064
Borrowings	1,885,479
Other liabilities	171,629
	2,132,172
Net Assets	2,340,243
Less Fair value of net assets acquired by:	
- CMCS 39	455,646
- CMCS 40	451,919
- Centro America Fund	527,177
	1,434,742
Residual net assets	905,501
Goodwill	107,954
Consideration	1,013,455

Prior Period

Launch of Centro Retail Trust

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

The net assets attributable to the demerger of Centro Retail Trust from the Group 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 Centro Retail Trust members[2]	832,916

[1] Includes interim loan provided by the Group to Centro Retail Trust.
[2] The Group retained an initial 50% interest in Centro Retail Trust with the remaining 50% being distributed to the Group investors.

7. 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.

8. EVENTS OCCURRING AFTER REPORTING DATE

On 5 February 2007, Centro's managed direct property funds, the Centro Direct Property Fund ("DPF") and the Centro Direct Property Fund International ("DPFI") signed a heads of agreement to acquire Centro's 46.3% interest in Centro Retail Trust ("CER"). The DPF and DPFI will fund the acquisition through the issue of units and equity notes to Centro.

9. CONTINGENT LIQUIDITY MECHANISMS

Centro's is a natural co-investor into its managed funds. In recognition of the potential liquidity requirements of co-investors in its unlisted managed funds, Centro has provided limited exit mechanisms to investors, generally at the then net asset backing of the relevant fund. To support its potential investment opportunities that these liquidity mechanisms represent, Centro maintains unused bank facilities and cash in excess of its commitments. Liquidity mechanisms generally fall into three categories; syndicate liquidity, syndicate rollovers and open ended fund liquidity mechanisms. A summary of these exit mechanisms is detailed below.

Syndicate Liquidity
In response to evolving investor requirements, Centro's more recent CMCS syndicates include limited liquidity mechanisms for investors after the third anniversary of the establishment of the syndicate. Syndicates to which this mechanism applies include CMCS37 and CMCS38. Based on current net asset backing, this arrangement may result in Centro acquiring annually up to 3 million units, in aggregate, in these syndicates at their then net asset backing.

Syndicate Rollovers
For the majority of CMCS syndicates, to provide a liquidity mechanism for investors at rollover date and to cement Centro's funds under management, Centro holds a first right of refusal to acquire at the then net asset backing, syndicate interests that investors may wish to liquefy.

Open Ended Fund Liquidity Mechanisms
By virtue of their open ended nature, Centro provides limited liquidity mechanisms to investors in these funds who wish to liquefy their investment. Funds included in this category are Centro Direct Property Fund, Centro Direct Property Fund International, Centro Australian Wholesale Fund and Centro America Fund. On an annual basis, the extent of this potential commitment does not exceed $400 million, with reduced exposure in future years in the event that these liquidity opportunities are drawn down.

In the directors' opinion:

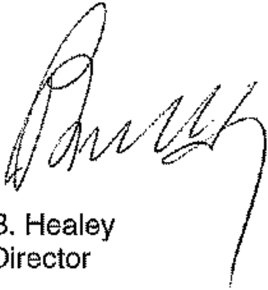
(a) the financial statements and notes set out on pages 4 to 22 are in accordance with the *Corporations Act 2001,* including:

(i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reposting requirements; and

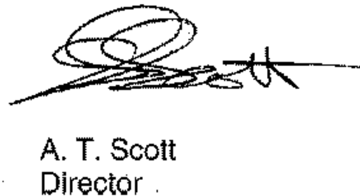
(ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the half-year ended on that date; and

(b) there are reasonable grounds to believe that Centro Properties Limited 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, 27 February 2007

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INDEPENDENT AUDITOR'S REVIEW REPORT
to the members of Centro Properties Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Centro Properties Limited (the "Company"), which comprises the balance sheet as at 31 December 2006, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration for Centro Properties Limited. The consolidated entity comprises both Centro Properties Limited and the entities it controlled during that half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations). This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the financial report is not presented fairly, in all material respects, in accordance with Accounting Standard AASB 134: *Interim Financial Reporting*. As the auditor of the Company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

For further explanation of a review, visit our website http:/www.pwc.com/au/financialstatementaudit.

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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

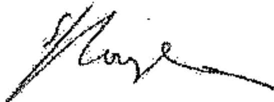
In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Centro Properties Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the Company's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



PricewaterhouseCoopers

Stephen Cougle
Partner

Melbourne
27 February 2007