



CENTRO PROPERTIES GROUP

Annual Report **2011**

CONTENTS

Contents	Page	Notes	Notes to and forming part of the consolidated financial statements	Page
Chairman's report	2			
CEO report	6	01.	Summary of significant accounting policies	59
Review of operations	8	02.	Impact of adopting the liquidation basis of preparation	68
Executive committee	13	03.	Aggregation of certain expenses	72
Board of directors	15	04.	Significant accounting estimates, judgements and assumptions	72
Corporate governance	18	05.	US assets sold	74
Directors' report	26	06.	Parent entity information	75
Remuneration report (audited)	31	07.	Segment information	76
Auditor's independence declaration	52	08.	Profit/(loss) from operations	79
Income statement	53	09.	Income tax	80
Statement of comprehensive income	54	10.	Trade and other receivables	81
Balance sheet	55	11.	Investments	81
Cash flow statement	57	12.	Intangible assets	83
Statement of changes in equity	58	13.	Trade and other payables	85
Notes to the financial statements	59	14.	Provisions	85
Directors' declaration	114	15.	Derivative financial instruments	86
Independent auditor's report	115	16.	Interest bearing liabilities	88
Summary of securityholders	117	17.	Deferred tax liabilities	89
Glossary	118	18.	Contributed equity	90
Directory	120	19.	Earnings per security	91
		20.	Net tangible asset backing	92
		21.	Cash flow information	93
		22.	Share-based payments	94
		23.	Auditors' remuneration	95
		24.	Business combinations	96
		25.	Contingent liabilities	98
		26.	Key management personnel compensation	99
		27.	Related party disclosures	103
		28.	Commitments	112
		29.	Events occurring after the end of the reporting period	112

CHAIRMAN'S REPORT

THE YEAR IN REVIEW

Centro Properties Group's ("CNP" or "the Group") 2011 Financial Year was dominated by steps taken to seek a resolution of the financial predicament which has afflicted it since late 2007. Notwithstanding this priority, the Board and management have also remained focused on the performance of the underlying business. The highlights of the year were:

- Stable occupancy levels in Australian properties reflecting the quality of the assets and improving Net Operating Income (NOI) growth of 3.6%.
- Economic conditions in the US continued to provide challenges to improving returns from the US assets and business.
- Continued discussion with the Senior Lender Group on potential restructuring and recapitalisation opportunities.
- Significant changes in the composition of the Senior Lender Group as major banks sold down their exposure.
- In November 2010, CNP and its lenders initiated a competitive market process to ascertain the appetite for the sale of all or part of its assets and businesses.
- CNP announced in March 2011 that it would sell its US assets and business and pursue an amalgamation of the CNP managed funds and assets in Australia with a view to achieving a restructure where the Headstock debt would be cancelled in return for substantially all of the assets of CNP.
- Sale of the US assets and businesses to an affiliate of Blackstone Real Estate Partners VI L.P. closed on 29 June 2011, with proceeds used to retire debt.

Material events subsequent to balance date:

On 9 August 2011, CNP announced:

- Senior debt cancellation – CNP has agreed with holders of more than 83% of its senior debt to implement a creditor scheme of arrangement to effect, if all CNP and other approvals are obtained, the cancellation of CNP senior debt in return for substantially all of CNP's Australian assets and interests.
- 5 cents per security for CNP securityholders – If the conditions and approvals relating to the debt cancellation described above are approved, \$100 million will be made available to be shared amongst CNP securityholders and other stakeholders who are junior to the senior lenders. CNP securityholders would receive \$48.9 million of this amount, equivalent to 5 cents per security.
- Funds Aggregation ("Aggregation") – CNP managed funds including Centro Retail Trust (CER), Centro Australia Wholesale Fund (CAWF) and Centro Direct Property Fund (DPF) have agreed under the terms of the Implementation Agreement to aggregate their respective portfolios to create a new listed Australian retail property trust (A-REIT). CNP will contribute its Australian assets (including its funds and property management business (Services Business)) to A-REIT, in exchange for scrip in A-REIT. That scrip, combined with the A-REIT scrip which CNP would hold as a result of its investments in the above funds would result in CNP's ownership of the A-REIT being approximately 68%. On implementation of the Aggregation CNP's scrip in A-REIT will then be distributed to the Senior Lenders, and dispersed amongst the lenders on pro-rata basis to their senior debt holdings, as part of the senior debt cancellation described above.

Financial Result

CNP's net profit was \$2,745 million (2010: net loss of \$653 million). CNP achieved an underlying profit* for the year ended 30 June 2011 of \$15 million (2010: \$174 million), which was in line with the guidance provided on 2 May 2011.

It is critical for investors to understand that the 2011 net profit is not a reflection of sustainable profit and growth for CNP. The profit is attributable to a number of non-cash items including a liquidation value adjustment arising from preparing the accounts on a liquidation basis, property revaluations and the effect of foreign exchange movements. The Review of Operations on Page 8 contains further detailed information of CNP's financial result.

The most critical aspect of CNP's financial results for members of CNP is the net equity position. Prior to the liquidation value adjustment, net equity attributable to members of CNP is negative \$1.3 billion. The 2011 financial report displays the net equity attributable to members as zero after reflecting the liquidation value adjustment for the expected settlement amount of debt under the proposed Headstock debt restructure agreement of \$1.3 billion. The liquidation value adjustment would be affected by the amount actually realised for the assets of CNP, as such could be materially different to the amount estimated. The liquidation value adjustment in the accounts does not affect or reduce CNP's contractual debt obligations.

The need to restructure CNP by 15 December 2011 is essential – this is the maturity date for the \$2.9 billion of senior debt and, as highlighted by CNP's negative net equity position prior to liquidation value adjustments, there will be insufficient assets to repay this debt at maturity. The net profit recorded for 2011 does not alleviate the need to restructure.

This Annual Report sets out the financial results in detail, and I recommend you read it in full.

Restructure Update

In last year's Annual Report I advised that CNP's future depended on our ability to achieve a restructure of the Group and that 2011 would be a critical year for CNP to utilise the time afforded under the debt stabilisation agreement executed in January 2009 to progress this restructuring with the aim of achieving outcomes in the best interests of all securityholders.

A "do nothing" approach was not a viable one for CNP. CNP had to be simplified, restructured and recapitalised prior to the maturity of its senior debt in December 2011.

In November 2010, CNP announced that with the support of its Senior Lenders, it would embark upon a formal competitive market process seeking expressions of interest for the acquisition of all or parts of its assets and businesses. Simultaneously, CNP and its advisers continued to investigate all potential means of restructuring and recapitalising the business.

CNP has made numerous announcements on its restructuring in the past 12 months and the detail of its restructure agreement was announced on 9 August 2011.

Although there were a number of conditional offers to purchase the business and parts thereof, these were not compelling, and the directors, their professional advisers and the senior lenders came to the view that restructure and recapitalisation represents the best option for CNP stakeholders.

It is not possible for CNP to trade on and wait for property valuations to recover. CNP has a significant debt maturity due on 15 December 2011 which, absent the restructure, it has no prospect of refinancing or settling, even if it sold all of its assets. CNP has only remained solvent to date with the support of its lenders.

* The Australian Institute of Company Directors (AICD)/Financial Services Institute of Australasia (FinSIA) defines underlying profit as "the statutory profit figure as adjusted in order to arrive at an amount which reflects the result for ongoing business activities and is a sound basis for the estimation of future operating results of the enterprise." A reconciliation from underlying profit to statutory profit is shown in Note 7 of this Report.

In summary, the options we considered and their implications included:

- await a recovery in property valuations which is not possible as CNP could not refinance its massive debt liabilities;
- a sale of individual assets and trade through is not available as there are insufficient assets to meet our short term debt liabilities;
- a sale of the whole Group does not provide sufficient cash to settle all the debt maturing in December 2011;
- a sale of the Australian business and recapitalisation of the US would have required a large capital injection which was not available;
- a sale of the US assets and business which would reduce the debt associated with the US assets and enable a further considerable reduction in CNP's headstock debt.

On 1 March 2011, we announced the sale of the US Assets and business to an affiliate of Blackstone Real Estate Partners. The US assets and business sale was a critical first milestone in CNP's restructuring process and puts CNP in the best position to now proceed with its Australian restructuring, which, if successful, is the only realistic opportunity for CNP securityholders to retrieve any value from their investment.

Entering into the Implementation Agreement as we announced on 9 August 2011, represents a further major milestone in CNP's restructuring process. If the proposed restructure and debt conversion is implemented, it will resolve the financial predicament which has afflicted CNP since late 2007. CNP securityholders will have the opportunity to approve the proposal, and if all approvals are obtained and conditions satisfied, this will enable the full implementation of the restructure.

CNP's debt burden exceeds the value of its entire assets by \$1.3 billion. Without this restructure, which provides the prospect of a solvent outcome, CNP would be placed in a position where it is likely that external administrators would be appointed. If this occurred, CNP securityholders and other stakeholders who are junior to the Senior Lenders (Hybrid Holders, potential contingent creditors and convertible bond holders), are likely to receive nothing because the assets of CNP are not sufficient to fully satisfy its senior debt obligations let alone the claims of those who are junior to the senior debt.

The restructure proposal is the only feasible option that has emerged from the extensive review of alternatives. Even after a moderate recovery in Australian asset values during the past year, in the absence of the proposed restructure CNP cannot meet its debt obligations and has no prospect of doing so. In the absence of the proposed restructure, CNP's cash flows would not be able to sustain its obligations beyond December 2011.

The Senior Lenders have agreed that a sum of \$100 million will be made available for the junior stakeholders, which the Directors believe is the only prospect of CNP delivering any value to the junior stakeholders.

In considering how to allocate the \$100 million amongst junior stakeholders, the Board faced a difficult decision. No junior stakeholder will receive their allocated share of the \$100 million unless all applicable approvals are obtained. With a finite amount to allocate, the expectations of all junior stakeholders are difficult to satisfy.

Ultimately the allocation to junior stakeholders, including 5 cents per security to CNP securityholders, represents what the CNP Board believes to be a fair allocation based on a consideration of all relevant factors and the need for all stakeholder groups to approve the transaction in order for any of them to receive their portion of the \$100 million made available.

Governance

Over the past 18 months CNP's Board has focused on optimising the underlying value of its assets for all its stakeholders including CNP securityholders. The Board has determined, following in-depth consideration of the available options, that the restructure proposal represents the only realistic alternative CNP is able to provide for CNP securityholders and stakeholders who are junior to the Senior Lenders given CNP's net asset deficiency and impending senior debt maturity.

This strategic review and evaluation process involved a thorough and extensive analysis of restructure alternatives, strategic considerations, execution risk and business risk of each of the options available to CNP. Given the impact of any CNP restructure on CNP's operations and its managed funds this process occurred within a framework of governance protocols in order to properly manage the respective interests of CNP and its managed funds, including separate management teams and independent advisors.

Continuing Focus on Operations

Whilst the restructuring work has been ongoing, the Group has remained focused on the operating side of the businesses.

Continuing to manage our properties, funds and syndicates to achieve the best possible outcome for our securityholders is vital for CNP's future. These everyday realities are happening in parallel with the restructuring work.

Shareholder Class Action

CNP continues to defend class action claims that have been brought against it by Maurice Blackburn and by Slater & Gordon. Cross claims were served by CNP against its former auditor, PricewaterhouseCoopers in respect of the class action proceedings.

Trial has been scheduled for March 2012 however CNP continues to believe it is in the best interests of all involved for these claims to be dealt with as quickly and efficiently as possible.

Looking Ahead

The clear focus and intent of the Board and management team over the coming months relates to our objective of successfully achieving CNP's restructure. The steps we have achieved to date have been significant, but securing the support of investors for the restructure proposal in the coming months is our priority.

You will shortly receive a detailed explanatory memorandum which will cover all of the detail relating to the restructure and include a Notice of Meeting for the securityholder meeting, information including the specific resolutions on which you will be asked to vote, and a proxy voting form. I urge you to read these materials in full and vote either prior to or at the meeting.

We thank you for your continued support during this critical time for the Group.



Paul Cooper
Chairman

CEO'S REPORT

2011 has been a landmark year for CNP. As discussed in the Chairman's Report, we have made significant progress towards our restructuring objectives but there are still a number of challenges ahead of us.

One thing we can all be certain of is that CNP manages quality assets that have performed well despite the difficult operating environment over the past few years.

CNP continues to be a leading retail centre property manager. In Australia, we have maintained a very high stabilised occupancy of 99.5% and improving comparable NOI growth of 3.6% for 2011.

These results have been achieved despite having limited capital available to undertake value adding developments or take advantage of new investment opportunities.

Financial Position

CNP's Stabilisation Agreement completed in January 2009 crucially afforded us time to address the structural challenges facing CNP. It did not resolve these challenges. Essentially under the Stabilisation Agreement, the senior lender group extended maturing Senior Debts to December 2011, in exchange for taking all available security and the option to convert (subject to securityholder approval) the negotiated \$1 billion Hybrid Securities to 90.1% of the diluted capital of CNP (including securities already issued to the senior lender group).

However, the Stabilisation Agreement did not resolve CNP's fundamental issue of over-leverage or other financial risks including interest rate and foreign currency exposures.

CNP's \$2.9 billion of outstanding Senior Debt matures on 15 December 2011. CNP's net equity is negative \$1.3 billion (prior to the liquidation value adjustments as highlighted in Note 2 on Page 68 of this report). In other words, if CNP was successful in selling its assets at book value to repay its debt at maturity, it would be \$1.3 billion short. Although asset values have increased moderately in the most recent six months, there is very little prospect that asset values can improve sufficiently by 15 December 2011 for this equity position to reach zero.

The restructure proposal which was announced on 9 August 2011, effectively curtails CNP's operations and accordingly CNP's financial statements have been prepared on a liquidation basis. This means what was negative net equity is actually reported as zero – and you will see that position in the line of the balance sheet on Page 56 of this report labelled "Total equity attributable to members of Centro Properties Group". To get to this position, an adjustment is made within our Income Statement on Page 53 called "Liquidation value adjustments", causing a substantial profit to be recognised. This is explained in more detail in Note 2 on Page 68. It is critical to note that the liquidation value adjustment is a one-off accounting entry to adjust net assets attributable to members from negative \$1.3 billion to zero. This reflects the fact that there will be insufficient assets upon the liquidation of CNP to settle CNP's liabilities at their face value. It does not suggest that the amount owing to lenders has been forgiven or reduced.

Restructure

As discussed in the Chairman's Report, you will shortly receive detailed information on the proposal CNP is putting to investors for the Group restructure. As part of the detailed review we conducted prior to agreeing this path, we assessed a "do nothing – business as usual" scenario and determined that this was not a viable strategy for maximising value for our stakeholders. CNP must be simplified, made more transparent and it must be recapitalised. The complexity of CNP is also driving the need for a restructure. The way CNP is currently structured, especially with assets owned in multiple co-ownership vehicles, makes it extremely difficult to efficiently raise capital.

An assessment of restructure alternatives for CNP commenced in early 2010 with the objective of identifying the means by which the enterprise value of CNP could be maximised, including recapitalisation options, and to consider and analyse execution risks.

Ultimately, the proposal as discussed in the Chairman's Report which would make available 5 cents per CNP security, if all approvals and conditions are met, is CNP's only prospect of delivering any value to securityholders. The alternative is likely to be external administration in which circumstance CNP securityholders are expected to receive nothing.

The Future

The restructure we announced on 9 August 2011 represents the best way of extracting value for all CNP stakeholders. You will receive detailed information explaining the proposal in the coming weeks and will be asked to vote at an investor meeting to approve the proposal. I urge you to read that information fully and support the Directors' recommendation – it is the only way CNP has been able to facilitate you receiving value for your CNP securities.



Robert Tsenin
Group Chief Executive Officer

REVIEW OF OPERATIONS

Understanding Centro Properties Group

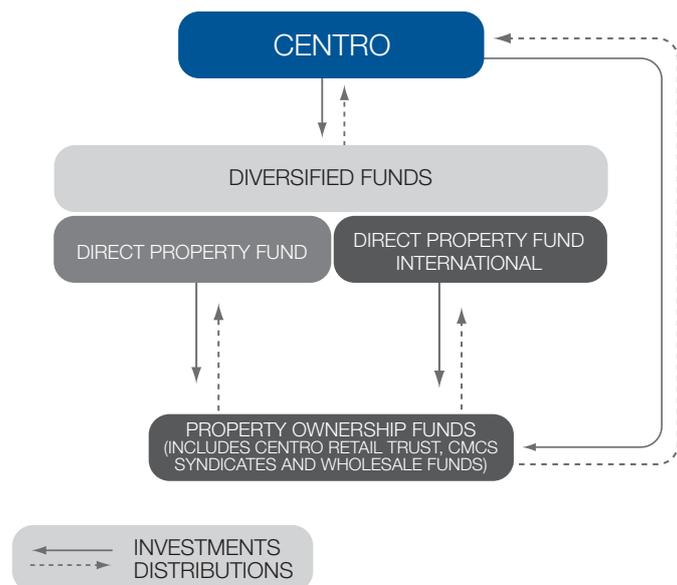
Centro Properties Group is an Australian Real Estate Investment Trust (A-REIT) listed on the Australian Securities Exchange (ASX) under the code CNP. We have funds under management across Australasia totalling \$7.1 billion.

CNP generally does not own real estate directly, but rather invests in shopping centres via listed and unlisted property investment funds.

CNP derives revenue primarily in two ways:

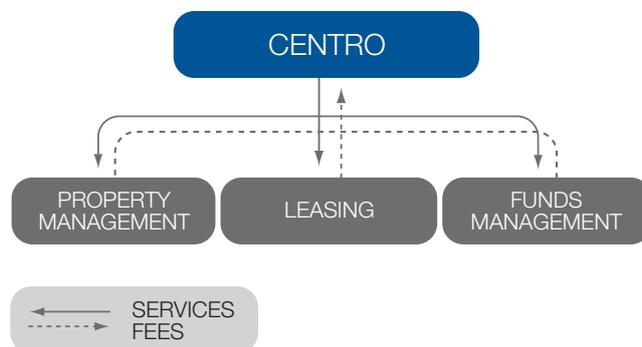
1. Investment Activities

CNP receives distributions from investments in its managed funds. These funds are diversified funds and property ownership funds including syndicates, wholesale funds and the listed Centro Retail Trust.



2. Services Business Activities

CNP's Services Business generates revenue in the form of fees from three main areas – property management, leasing and funds management. Both the property management and leasing functions are managed by the property operations team. CNP provides personnel, systems and facilities to deliver these services to the properties and funds.



Property Management Fees are from activities related to the management and development of shopping centres owned by the property ownership funds.

Leasing Fees are from activities related to renewing retailers' leases and leasing unoccupied and newly built shops.

Funds Management Fees are generated through operating the managed funds for investors. These include recurring fees such as Responsible Entity (RE) fees and one-off fees such as transaction, rollover and performance fees.

Financial Results and Basis of Presentation of Statutory Accounts

CNP's statutory accounts are prepared on a consolidated basis by reference to the ownership levels of its managed funds. The accounts aggregate the performance of many of our managed funds and eliminate the Services Business revenue contributed by these funds. CNP has presented the financial performance (below) reflecting equity accounted, or "ownership share", results to provide greater clarity and comparability to aid this understanding with adjustments shown to reconcile to the Net Profit. These ownership share results are also presented in Note 7 to the financial statements.

Underlying profit for the year ended 30 June 2011 was \$14.6 million (2010: \$173.8 million). CNP's statutory net profit attributable to members for the year ended 30 June 2011 was \$2,744.6 million (2010: \$653.4 million net loss). The profit is primarily attributable to non-cash items including liquidation value adjustments arising from the adoption of the liquidation basis of preparation, property revaluations, foreign exchange gains, net gain on disposal of US assets, and the impairment of intangible assets. The following table is extracted from Note 7 on Page 77 of this report.

Financial Performance (Ownership Share)

Income Statement extract for year ended (\$m)	30 June 2011	30 June 2010	Variance Fav / (Unfav)
Property investment income	134.4	252.6	(118.2)
Services business income	177.4	222.3	(44.9)
Overheads	(111.9)	(139.0)	27.1
EBIT	199.9	335.9	(136.0)
Net interest expense	(185.3)	(162.0)	(23.3)
Underlying profit* attributable to members	14.6	173.9	(159.3)
Adjustments			
Investment property revaluations	276.1	(487.9)	n/a
Impairments of intangible assets	(34.9)	(331.2)	n/a
Foreign exchange gains and losses	286.7	49.8	n/a
Mark-to-market movements on derivatives	74.4	(27.9)	n/a
Liquidation value adjustments	1,329.3	-	
Net gain on disposal of US assets	210.9	-	
Foreign currency translation reserve recycled on sale of US assets	607.8	-	
Restructuring costs & other adjustments	(20.3)	(29.4)	n/a
Net profit/(loss) attributable to members	2,744.6	(652.7)	

* Underlying profit has been determined in accordance with the AICD/Finsia principles for reporting underlying profit.

CNP's underlying profit decreased by \$159.3 million or 91.6% from the prior year. The three most significant reasons for this decrease are:

- FX rates – The average Australian/US dollar exchange rate for the year up to 28 February 2011 when the US assets were disposed was 96 cents, compared to 88 cents in 2010. This reduced the Australian dollar equivalent of US dollar denominated income in both property investment and services business income;
- Interest rates – The cost of debt in CNP's investment funds and its direct interest expense increased due to floating rate increases as well as greater all-up costs following refinancing; and
- US sale – CNP's US assets and services business were considered to have been disposed of at the time the agreement to sell was executed (28 February 2011). Accordingly no income or expenses from the US have been recognised after this date.

In order to reconcile the underlying profit to the net profit attributable to members of CNP, below the underlying profit line are adjustments which mainly comprise non-cash items including the liquidation value adjustment arising from adopting the liquidation basis of preparation, asset revaluations, the impairment of intangible assets, foreign exchange movements and reclassification adjustments. These major items are detailed as follows:

- Liquidation value adjustment – As detailed in the CEO's report and Note 1(b) to the financial statements, CNP has prepared its accounts on a liquidation basis. This means that the carrying amount of assets and liabilities is stated at the expected realisable value less selling costs or settlement amount, and net equity attributable to members of CNP represents the estimated amount available to distribute to securityholders after all assets have been disposed and liabilities settled. The liquidation value adjustment for CNP at 30 June 2011 is a gain of \$1.3 billion, which reduces the negative net equity attributable to members from negative \$1.3 billion to zero. Refer to Note 2 of this Annual Report for more detailed information concerning the adjustment for preparation of accounts on a liquidation basis.
- Investment Property Revaluations – CNP recorded a strong 4.4% increase in comparable property valuations for the year ended 30 June 2011. CNP's share of these revaluations was \$276.1 million.

REVIEW OF OPERATIONS

- Foreign Exchange Movements – The value of the Australian dollar increased significantly since 30 June 2010, beginning the year at 84 US cents, and ending the year at \$1.07 US dollars. As CNP currently has net liabilities of US\$1.7 billion, the Australian dollar appreciation led to a gain for CNP of \$286.7 million.
- Notwithstanding the above described non-cash adjustments and consequent \$2.7 billion net profit attributable to members, CNP has to be restructured prior to the maturing of its senior debt in December 2011. Member's net liability position of approximately \$1.3 billion, prior to liquidation value adjustments, reflects the fact that there will be insufficient assets upon the liquidation of CNP to settle CNP's liabilities.

Cash Flow

CNP's statutory accounts present consolidated Group cash flow information. However, the most relevant information to understand CNP's cash flow is "headstock" cash flow, which represents the cash attributable to members of Centro Properties Group.

Headstock cash flow is a critical component of CNP's financial performance. As illustrated in the table below, for the year ended 30 June 2011, CNP's headstock net cash flow prior to debt repayment was \$1.8 million, and \$40.6 million of Senior Debt was repaid during the year. CNP's cash flow however has shown a declining trend during 2011, after showing initial improvement during 2009 and 2010 upon completion of the stabilisation plan. This declining trend is due to a number of factors including CNP's unsustainable debt burden, the inability of its investments to maintain historical distribution levels, and a reduction in services business cash flow as CNP's funds under management has reduced through Australian asset sales and the US asset sale.

CNP headstock cash flow for financial-year ended (\$m)	30 June 2011	30 June 2010	Variance
Cash flow from operations			
Property Investments	64.9	94.5	(29.6)
Services Business	118.2	125.8	(7.6)
Overheads	(63.5)	(55.9)	(7.6)
Total cash flow from operations	119.6	164.4	(44.8)
Cash flow from Investing			
Capex	(0.5)	(0.9)	0.4
Disposals/capital returns	11.7	3.5	8.2
Put options	(4.3)	-	(4.3)
Total cash flow from investing	6.9	2.6	4.3
Cash flow from financing (including interest)			
Net interest cost	(109.8)	(98.4)	(11.4)
Derivatives	28.6	20.1	8.5
Restructure costs	(42.4)	(7.4)	(35.0)
Related party loan repayments	8.2	6.3	1.9
Other	(9.2)	(8.2)	(1.0)
Total cash flow from financing (including interest)	(124.6)	(87.6)	(37.0)
Net increase /(decrease) in cash held	1.9	79.4	(77.5)
Debt drawdowns / (repayments)	(40.6)	(66.7)	26.1
Cash at start of period	58.5	45.8	12.7
Cash at end of period	19.8	58.5	(38.7)

CNP has one headstock financial covenant – a cash Interest Cover Ratio ("ICR"). For the year ended 30 June 2011 the ICR covenant was met.

Balance Sheet

At 30 June 2011 net equity attributable to members of CNP was nil after the liquidation value adjustment of \$1.3 billion (2010: negative net equity attributable to members of CNP was \$2.1 billion). Net Tangible Assets (NTA) per security attributable to ordinary securityholders of CNP was also nil (2010: negative \$3.12). The following table demonstrates the Balance Sheet movements over the year. The movements are largely a result of the liquidation value adjustment, investment property revaluations, the impairment of intangible assets and foreign exchange rates as discussed in the Financial Performance section above.

	Net Equity (\$'000)	Net Equity per Security (\$)
Net Equity attributable to members of Centro Properties Group at 30 June 2010	(2,141,553)	(2.20)
Movements during 2011:		
Underlying profit	14,580	0.01
Investment property revaluations	276,131	0.28
Foreign exchange and mark-to-market derivative value movements	361,056	0.37
Net gain on disposal of US assets	210,924	0.22
Impairment of intangible assets	(34,863)	(0.04)
Liquidation value adjustments	1,329,328	1.37
Others	(15,603)	(0.02)
Net Equity attributable to members of Centro Properties Group at 30 June 2011 on a liquidation basis	-	-
Back out liquidation value adjustments	(1,329,328)	(1.37)
Net Equity attributable to members of Centro Properties Group at 30 June 2011 prior to liquidation value adjustments	(1,329,328)	(1.37)
Adjustment for convertible bonds (2010: preference units) ⁽¹⁾	(414,102)	(0.42)
Net Equity attributable to ordinary securityholders of Centro Properties Group at 30 June 2011 prior to liquidation value adjustments	(1,743,430)	(1.79)
Adjustment for intangible assets recognised on balance sheet	(199,735)	(0.21)
Net tangible assets attributable to ordinary securityholders of Centro Properties Group at 30 June 2011 prior to liquidation value adjustments	(1,943,165)	(2.00)

(1) Convertible bonds have a principal value of US\$ 444 million. The AUD amount above is calculated using the year-end spot rate of A\$1.00 : US\$1.0722 as this represents the best estimate of the settlement amount at 30 June 2011. The convertible bonds in Note 18 of the financial statements have been calculated at the historical rate in accordance with Australian Accounting Standards.

CNP's headstock debt of \$2.9 billion matures on 15 December 2011. As discussed in the Chairman's and CEO's reports, CNP is proceeding with a restructure proposal which would address this debt maturity.

It is critical to note that the liquidation value adjustment is a one-off accounting entry to adjust net assets attributable to members from negative \$1.3 billion to zero. This reflects the fact that there will be insufficient assets upon the liquidation of CNP to settle CNP's liabilities. It does not suggest that the amount owing to lenders has been forgiven or reduced.

Services Business

As at 30 June 2011, CNP managed a portfolio of 103 shopping centres in Australasia and, as stated above, derives income from the management and leasing of these centres. Our Australian property management team is highly skilled and experienced and achieved solid operating results.

Managed Property Portfolio and Performance

June 2011 Statistics	Australia
Property Portfolio Value	\$7.1bn
Number of Properties	103
Comparable NOI Growth – Stabilised (12 months)	3.6%
Portfolio Occupancy Rate – Stabilised	99.5%

CNP is the second largest manager of retail property in Australia based on the gross lettable area of the centres. CNP operates a national platform supported by state based offices and teams. This structure leverages the benefits of scale, including diversification and relationships with retailers, with important local knowledge and expertise. In Australia, we are the largest provider of floor space to Woolworths and Coles.

The value of CNP's properties under management reported an increase during 2011. On a comparable property basis, the value of assets under management increased by 4.4% or \$0.3 billion.

Sales growth for the Australian portfolio as per Shopping Centre Council of Australia remains solid at 2.9%. Supermarkets have been the primary driver of total retail sales growth in the portfolio aided by their introduction of world-class store re-fits, aggressive marketing and competition.

Rental income growth on renewals has increased to 6.1%, occupancy levels have remained steady at 99.5% with the number of vacant spaces reducing from 88 to 74.

The Australian portfolio has performed well in 2011 despite the tough operating environment. Comparable net operating income (NOI) growth of 3.6% exceeded our expectations 12 months ago of approximately 3%. This in part is due to the achievement of maximising the economies of scale of our national portfolio through consolidated tendering of major services contracts.

EXECUTIVE COMMITTEE

The Boards have delegated responsibility for the day-to-day operation and administration of the Group to the Executive Committee (EC), but maintain responsibility for strategic direction and governance of the Group.

An outline of each of the EC members' skills and experience is outlined below:

ROBERT TSEININ

Group CEO & Managing Director

Mr Robert Tsenin commenced as Centro Properties Group's Group Chief Executive Officer and Managing Director Designate on 1 March 2010. Robert served as a non-executive Director of Centro Properties Group since his appointment to the Board effective October 2009 until becoming Group CEO in March 2010.

Robert has over 30 years experience in investment banking in corporate finance and mergers and acquisitions, and senior roles in real estate in development, construction and funds management in Australia, the US and the UK.

Robert's recent roles include Managing Director of Goldman Sachs (Australia) Limited and Finance Director of Lend Lease Corporation Limited.

Robert has served as a non-executive Director of major Australian and overseas companies and a number of real estate funds.

CHRIS NUNN

Group Chief Financial Officer

Mr Chris Nunn joined Centro Properties Group in September 2009. Chris oversees the finance, treasury, tax and financial and management accounting functions of CNP and its managed funds. Chris also manages the internal audit, risk, IT, information management and business analysis part of the CNP business.

Chris has over 30 years of finance, accounting and audit experience and most recently, Chris served as Chief Financial Officer at Industry Superannuation Property Trust. He has held senior finance and operations roles at MacarthurCook, JP Morgan Investor Services, Merrill Lynch Investment Managers and McIntosh Securities after ten years with Coopers & Lybrand.

MARK WILSON

General Manager – Property Operations Australia

Mr Mark Wilson is responsible for the overall performance of CNP's Australian retail assets. This includes all areas of leasing, property management, development and marketing, as well as valuations and property transactions.

Since joining Centro Properties Group in 1997, Mark has served various roles including Chief Investment Officer and Chief Operating Officer for Centro Watt US.

Mark is a Director of the Shopping Centre Council of Australia and has over 20 years experience in the retail and property industry.

DIMITRI KIRIACOULACOS

Group General Counsel

Mr Dimitri Kiriacoulacos joined Centro Properties Group in October 2009 and oversees the Group's legal, secretariat and compliance teams. Dimitri is a lawyer and accountant with legal and commercial experience across many countries. He has worked in private practice, investment banking and corporate roles principally in the areas of mergers and acquisitions, business development and corporate governance.

Prior to joining Centro Properties Group Dimitri held senior legal roles, most recently as General Counsel, Corporate Advisory with National Australia Bank and General Counsel and Company Secretary with Mayne Pharma.

GERARD CONDON

General Manager – Syndicate Funds Management

Mr Gerard Condon has 20 years experience in the property industry. Gerard oversees the syndicate, retail distribution and investor services teams and bears ultimate responsibility for all 35 Centro MCS Syndicates.

Gerard was previously manager of the Syndicate Funds Management team and commenced with Centro Properties Group following five years at MCS property. Gerard has nine years experience in valuations prior to MCS.

PAUL BELCHER

General Manager – Finance

Mr Paul Belcher is responsible for overseeing the finance, treasury, tax and financial and management accounting functions for Centro Properties Group and its managed funds.

Paul joined Centro Properties Group in 2006, serving as Group Financial Accounting Manager and more recently General Manager – Accounting.

Paul's previous experience includes ten years at PricewaterhouseCoopers where he was a director in the Assurance and Business Advisory practice, specialising in the retail property, retirement village and construction sectors.

MICHAEL BENETT

Deputy CEO and Chief Restructuring Officer – CER

Mr Michael Bennett was appointed Deputy CEO and Chief Restructuring Officer of CER effective 1 December 2010. Michael is responsible for all facets of CER's operations including developing the ongoing strategy for CER, reviewing new investment opportunities and communication with CER's stakeholders, including investors, broking analysts and the institutional market. Michael is also responsible for the Group's corporate marketing and communications.

Michael joined Centro Properties Group in 2004 and has served in various roles including Group Commercial and Business Analysis Manager, Centro Fund Manager and Centro Financial Accounting Manager. Michael's previous experience includes nine years within the Assurance and Business Advisory Services division at PricewaterhouseCoopers where he specialised in the property and construction industry.

SUE SMITH

Group General Manager – Human Resources

Ms Sue Smith joined Centro Properties Group in July 2010 in the newly created role of Group General Manager, Human Resources.

Sue brings to Centro Properties Group extensive human resources experience in multinational and financially focused organisations. She also has significant experience in workforce planning and the management of people across different countries and cultures.

Prior to joining Centro Properties Group, Sue held senior roles both in Australia and the UK with companies such as Foster's Group Limited, GE Capital Australia Limited and Colonial Limited.

Sue is responsible for coordinating the strategic management of staff across Australasia.

BOARD OF DIRECTORS

The Board of Directors of the Company and the Board of Directors of the Responsible Entity (together the Boards) are responsible for the overall Corporate Governance of the Group.

The Group supports the appointment of independent directors who bring a range of business skills and experience relevant to the Group.

The Boards currently consist of six Directors, majority of whom (including the Chair) are independent, non-executive directors. The Chief Executive Officer is the only executive member of the Board.

The Directors currently in office and who were in office for 2011 are Messrs Paul Cooper, Robert Tsenin, Ms Anna Buduls, Mr Jim Hall, Ms Susan Oliver, and Mr Rob Wylie.

An outline of each Director's skills, experience and term of office is set out in the following three pages of this Annual Report.

PAUL COOPER

Chairman

- Appointed October 2006

Background & Experience

Paul Cooper became an independent, non-executive Director of Centro Properties Group and Centro Retail Limited in October 2006. Mr Cooper was appointed as a non-executive director in October 2006 and as Chairman of Centro Properties Group on 1 July 2008.

Mr Cooper practiced law for 19 years at the national law firm, Freehills, in Sydney, Perth and Melbourne, including a secondment to the London law firm, Slaughter and May.

Mr Cooper has extensive experience in listed public company affairs, funds management, managed investment schemes, finance, corporate law, strategic corporate advice, capital raising, acquisitions, divestments, and negotiation and establishment of joint ventures.

Current Directorships

- **Centro Retail Limited** – Non-Executive Director

Past Non-Executive Directorships (last 3 years)

- **AXA Asia Pacific Holdings Limited** – Non-Executive Director

ROBERT TSEININ

Executive Director

- Appointed to the Board October 2009; Group Chief Executive Officer Designate (5 February 2010 until 28 February 2010); Group Chief Executive Officer and Managing Director from 1 March 2010

Background & Experience

Robert Tsenin is also the Group Chief Executive Officer of Centro Properties Group and Centro Retail Trust. Mr Tsenin has over 30 years experience in corporate finance, mergers and acquisitions and real estate in Australia, the US and Europe.

Mr Tsenin has held a number of executive roles including Managing Director of Goldman Sachs (Australia) Limited, Finance Director of Lend Lease Corporation Limited and Senior Adviser on real estate related matters with the Lazard Group in London. Mr Tsenin has served as a non-executive Director on the Boards of Telstra Corporation Limited, AXA Asia Pacific Holdings Limited, Global Properties Fund, International Distressed Debt Fund, Waco International and SAGASCO Holdings.

Current Directorships

- **Australian Infrastructure Fund** – Non-Executive Director
- **Metrix Capital Partners** – Non-Executive Director

Past Non-Executive Directorships (last 3 years)

- **Matrix European Real Estate Investment Trust (Guernsey)** – Non-Executive Director
- **Sistema Hals JSC (Moscow)** – Non-Executive Director

ANNA BUDULS

- Appointed October 2009

Background & Experience

Anna Buduls has a finance and consulting background, including positions with Macquarie Bank and Westpac, and four years as a journalist and investment editor with the Australian Financial Review.

Over the past 16 years Ms Buduls has held a number of non-executive directorships including Macquarie Generation, AWB Limited, Freedom Group Limited, Dairy Australia Limited, Hamilton James and Bruce Group, Mirvac Group Limited and The Smith Family.

Current Directorships and Advisory Roles

- **Centro Retail Limited** – Non-Executive Director
- **SAI Global Limited** – Non-Executive Director
- **Foreign Investment Review Board** – Non-Executive Director
- **Beyond Empathy** – Chairman
- **Tramada Systems** – Owner and Chairman

Past Non-Executive Directorships (last 3 years)

- **Macquarie Generation** – Non-Executive Director

JIM HALL

- Appointed September 2005

Background & Experience

Jim Hall has extensive Australian and international financial experience in manufacturing and resource-based industries. Mr Hall also has expertise in business performance improvement, capital management and risk management including complex accounting and restructuring issues.

Current Directorships and Advisory Roles

- **Paperlinx Limited** – Non-Executive Director
- **Alesco Corporation Limited** – Non-Executive Director
- **ConnectEast Group** – Non-Executive Director
- **JPMorgan Advisory Council (Australia)** – Member

Past Non-Executive Directorship (last 3 years)

- **Centro Retail Limited** – Non-Executive Director

SUSAN OLIVER

- Appointed October 2009

Background & Experience

Susan Oliver has over 30 years experience in construction, project management, strategy and technology. Ms Oliver has held a number of executive roles including senior roles with Andersen Consulting, Invetech P/L, the Australian Commission of the Future Limited and the Government of Victoria in the Ministry of Housing and the Department of Industry, Technology and Resources, where she was General Manager. Currently, Ms Oliver is Executive Director of wwite Pty Limited, a start-up information technology company.

Ms Oliver was a Founding Director of The Big Issue in Australia and has served as Chairman of FHAD Design P/L, non-executive Director of MBF Australia Limited, The Swish Group Limited, The Smith Family, Australian Business Foundation Limited, Methodist Ladies College, Just Group and Transurban Group Limited.

Current Directorships and Advisory Roles

- **Programmed Group** – Non-Executive Director
- **wwite** – Executive Director
- **The Smith Family** – Governor
- **Victorian Advisory Council** – Australian Institute of Company Directors
- **Coffey International limited** – Non-Executive Director
- **VLine** – Non-Executive Director

Past Non-Executive Directorship (last 3 years)

- **Transurban Group** – Non-Executive Director
- **Just Group** – Non-Executive Director

ROB WYLIE

- Appointed October 2008

Background & Experience

Rob Wylie has wide ranging experience in professional service in a variety of management roles with Deloitte. Most recently he held senior positions with Deloitte Touche USA LLP. Prior to this he was Deputy Managing Partner Asia Pacific. This followed a long career with Deloitte Australia, including eight years as national Chairman. Mr Wylie also served on the Global Board of Directors of Deloitte and Deloitte Consulting. Mr Wylie is also a former National President of the Institute of Chartered Accountants in Australia.

Current Directorships and Advisory Roles

- **MaxiTRANS Industries** – Non-Executive Director
- **Elders Limited** – Non-Executive Director

COMPANY SECRETARIES

The Company Secretary is Ms Elizabeth Hourigan, LLB. Elizabeth is also the compliance Officer and Senior Legal Counsel of the Group. Elizabeth joined Centro Properties Group in 2003 and was appointed to the position of Company Secretary in November 2005.

Mr Dimitri Kiriacoulacos was appointed a Company Secretary on 1 April 2010 and Mr Paul Flanigan continues as Assistance Company Secretary.

CORPORATE GOVERNANCE

The Boards of Centro Properties Group operate under a set of well-established corporate governance policies which comply with the principles and requirements of the *Corporations Act 2001 (Cth) (the Act)* and Australian Securities Exchange (ASX). The Boards review and, as necessary, update their corporate governance charters and policies as the corporate governance environment and good practice evolve and believe they satisfy all of the recommendations of the ASX Corporate Governance Council (CGC). Details of these charters and policies are available in the Corporate Governance section of the Centro Properties Group website (centro.com.au).

This statement outlines the main Corporate Governance practices in place throughout 2011 and sets out compliance with the *ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (2nd edition 2007 with 2010 amendments) (Principles)*.

Centro Properties Group

Centro Properties Group ("CNP") is a 'stapled' vehicle that combines a company, Centro Properties Limited (the Company), with a trust, Centro Property Trust (the Trust), collectively known as the Group. The Company is governed by a Board of Directors who are accountable to the securityholders and stand for re-election at least once every three years.

The Trust is a managed investment scheme that is registered under the Act. CPT Manager Limited, a wholly-owned subsidiary of the Company, is the Responsible Entity (RE) of the Trust.

The Responsible Entity is responsible for the overall Corporate Governance of the Trust, including:

- Protection of securityholders' interests;
- Developing strategic direction;
- Establishing goals for management; and
- Monitoring the achievement of these goals.

The Group has also established a framework for its management, including a system of internal controls, a business risk management process and the establishment of appropriate ethical standards.

Primary Duties and Obligations

The primary duties and obligations of the Board include:

- Exercising due diligence and vigilance in carrying out its duties and in protecting the rights and interests of securityholders, and in performing its functions and exercising its powers under the Trust constitution in the best interests of all securityholders;
- Keeping or causing to be kept proper books of account, ensuring the financial report is audited annually by an independent registered auditor and sending a financial report and a copy of the auditors' report to securityholders each year; and
- Ensuring that the affairs of both the Company and the Trust are carried on and conducted in a proper and efficient manner.

Under the Trust constitution, the Responsible Entity is also responsible for the day-to-day operations of the Trust including:

- Ongoing management, research and selection of property investments and disposals; and
- Preparing all notices and reports to be issued to securityholders.

Board Composition and Membership

All Directors of the Company are also Directors of the Responsible Entity. References to the Board, or to the Board of the Group, in the Corporate Governance section of this Annual Report, are references to the Boards of the Company and the Responsible Entity.

Over the reporting period, the Board consisted of six Directors, being:

- Paul Cooper (Chair);
- Robert Tsenin;
- Anna Buduls;
- Jim Hall;
- Susan Oliver; and
- Rob Wylie.

Board composition and the independence of Directors is determined using the principles adopted in the Board Charter and having regard to the Principles. The Board consists of a majority of independent Directors. The Chair of the Boards, Paul Cooper, is an independent non-executive Director.

Since his appointment as Group Chief Executive Officer from 1 March 2010, Robert Tsenin is the only executive Director of the Boards.

The Boards have considered Recommendation 2.1 of the Principles in assessing the independence of each Director, but has not adopted any particular materiality threshold. In light of this assessment, the Board has formed the view that the non-executive Directors are independent.

☑ *Recommendations 2.1, 2.2, 2.3 and 2.6 of the Principles*

In accordance with Recommendation 2.6, information on each Director including their skills, experience and expertise and term of office is disclosed in the Board of Directors section on Page 15.

☑ *Recommendations 2.6 of the Principles*

Board Role and Responsibilities

The Boards are responsible for planning and running the business and affairs of the Group for the benefit of the stapled securityholders. The Boards are accountable to those stapled securityholders for the performance of the Group. Full details of the responsibilities and functions reserved for the Boards are set out in the Board Charter, which can be accessed on CNP's website.

The Boards have delegated responsibility for the day-to-day operation and administration of the Group to the Australian Executive Committee (EC) and, for the period that the Group held US assets, US Management Committee (MC), but maintain responsibility for strategic direction and governance of the Group. The Boards monitor the performance of the Group, EC, MC (while US assets were held) and senior management and ensure that a formal performance review and executive resources review is conducted each year to assess such performance. This process has been undertaken during the past year in accordance with the process disclosed in this statement.

☑ *Recommendation 1.1, 1.2 and 1.3 of the Principles*

Director Education

The Group has adopted a process to educate Directors about the nature of the Group's business, current issues, the corporate strategy and the expectations of the Group concerning the Directors' performance. Directors of the Group also have the opportunity to visit the properties of the Group and meet with management to gain a better understanding of business operations.

☑ *Recommendation 2.6 of the Principles*

Independent Professional Advice

Under the terms of both the Company and Trust constitutions, each Director has the right to seek independent professional advice at the expense of the Group. However, prior approval of the Chair is required, which is not to be unreasonably withheld.

☑ *Recommendation 2.6 of the Principles*

Board Committees

The Group has established a number of committees to assist with the implementation of its Corporate Governance practices. The Board committees are:

- Audit Committee;
- Finance Committee;
- Managed Investments Compliance Committee;
- Nomination Committee;
- Remuneration and HR Committee;
- Risk Committee; and
- Special Matters Committee.

Attendance of Committee members at meetings is included in the Directors Report section set out on Page 30 of this Annual Report.

The activities of these Committees are outlined below. Each has a written charter and operating procedures that are reviewed on a regular basis.

Audit Committee

The Board have adopted an Audit Committee Charter which sets out the objectives, responsibilities and functions of the Committee in relation to audit matters. This Charter can be accessed on CNP's website.

The composition of the Audit Committee is set out in the table below:

Name	Position Held	Status
Jim Hall	Chairman	Independent Director
Anna Buduls	Member	Independent Director
Rob Wylie	Member	Independent Director

The Group Chief Executive Officer, Group Chief Financial Officer, General Manager – Finance, Compliance Officer, Group Risk and Internal Audit Manager and External Auditor also attend Committee meetings by invitation.

The Committee regularly reports to the Board in respect of matters within its responsibilities.

Recommendations 4.1, 4.2, 4.3 and 4.4 of the Principles

In accordance with Recommendation 4.4, details of the members of the Audit Committee are set out in the Board of Directors section at Page 15. Attendance of Committee members at Committee meetings is set out at Page 30 of this Annual Report.

Finance Committee

A Finance Committee Charter has been adopted which sets out the purpose and powers of the Committee. This Charter can be accessed on CNP's website.

The composition of the Finance Committee is set out in the table below:

Name	Position Held	Status
Rob Wylie	Chairman	Independent Director
Jim Hall	Member	Independent Director
Susan Oliver	Member	Independent Director

Details of the members of the Finance Committee are set out in the Board of Directors section at Page 15 and attendance of Committee members at Committee meetings is set out at Page 30 in the Directors' Report section in this Annual Report.

Managed Investments Compliance Committee

The Responsible Entity has adopted a compliance plan, lodged with the Australian Securities and Investments Commission (ASIC), which sets out the procedures and systems used to ensure the Group's compliance with its obligations under the Act and the Company and Trust constitutions. The Group must operate in accordance with the Compliance Plan which is monitored by both a specially constituted Managed Investments Compliance Committee and the Compliance Plan auditor.

A Managed Investments Compliance Committee Charter has been adopted which sets out the purpose and powers of the Committee. This Charter can be accessed on CNP's website. The Committee is responsible for ensuring the Responsible Entity's compliance with the Compliance Plan.

The composition of the Compliance Committee is set out in the table below:

Name	Position Held	Status
Anna Buduls	Chairman	Independent Director
Paul Cooper	Member	Independent Director
Susan Oliver	Member	Independent Director

Through maintaining a separate Committee, Directors acknowledge the importance of the financial services industry's regulatory regime and their responsibilities in protecting the interests of Investors.

The Compliance Committee meets at least quarterly to monitor compliance and review the adequacy of the compliance plan. In addition, the Group's Compliance Officer is required to confirm monthly to the Chair of the Compliance Committee that no material breaches have occurred that could cause financial disadvantage to any investor.

Details of the members of the Managed Investments Compliance Committee are set out in the Board of Directors section at Page 15 and attendance of Committee members at Committee meetings is set out at Page 30 in the Directors Report in this Annual Report.

Nomination Committee

The Nomination Committee is responsible for establishing criteria for Board membership, reviewing Board membership and identifying and nominating Directors.

The composition of the Nomination Committee is set out in the table below:

Name	Position Held	Status
Paul Cooper	Chairman	Independent Director
Susan Oliver	Member	Independent Director
Rob Wylie	Member	Independent Director

A Nomination Committee Charter has been adopted which sets out the purpose and powers of the Committee. This Charter can be accessed on CNP's website.

The Nomination Committee also makes recommendations to the Board for the remuneration of non-executive Directors based on the advice received from independent consultants and market surveys and is always within the level of the aggregate fees limit approved by securityholders in general meeting.

Recommendations 2.4 and 2.6 of the Principles

Details of the members of the Nomination Committee are set out in the Board of Directors section at Page 15 and attendance of Committee members at Committee meetings is set out at Page 30 in the Directors Report in this Annual Report.

Remuneration and HR Committee

The Remuneration Committee's primary role is to determine the remuneration arrangements of senior executives.

A Remuneration and HR Committee Charter has been adopted which sets out the purpose and powers of the Committee. This Charter can be accessed on CNP's website.

The composition of the Remuneration and HR Committee is set out in the table below:

Name	Position Held	Status
Rob Wylie	Chairman	Independent Director
Anna Buduls	Member	Independent Director
Paul Cooper	Member	Independent Director

The Committee meets at least biannually, and more often as required, to review and approve the remuneration arrangements for senior executives including the Chief Executive Officer. In doing so, the Committee has recourse to independent consultants and market surveys. The Group's Remuneration Policy is set out within the Remuneration Report section of the Directors' Report in this Annual Report.

Recommendations 8.1, 8.2, 8.3 and 8.4 of the Principles

Details of the members of the Remuneration and HR Committee are set out in the Board of Directors section at Page 15 and attendance of Committee members at Committee meetings is set out at Page 30 in the Directors Report in this Annual Report.

Risk Committee

The Board has adopted a Risk Committee Charter which sets out the objectives, responsibilities and functions of the Committee in relation to risk management matters, and identifying and managing material business risks. This Charter can be accessed on CNP's website. The Committee oversees the risk management and internal control framework and reviews its effectiveness.

The composition of the Risk Committee is set out in the table below:

Name	Position Held	Status
Susan Oliver	Chairman	Independent Director
Anna Buduls	Member	Independent Director
Jim Hall	Member	Independent Director

The Chief Executive Officer, Group Chief Financial Officer, Group Risk and Internal Audit Manager also attend committee meetings by invitation. The Committee regularly reports to the Board in respect of matters within its responsibilities.

Details of the members of the Risk Committee are set out in the Board of Directors section at Page 15 and attendance of Committee members at Committee meetings is set out at Page 30 in the Directors Report in this Annual Report.

Special Matters Committee

The Board have adopted a Special Matters Committee Charter which sets out the objectives, responsibilities and functions of the Committee in relation to the ASIC proceedings and matters incidental to those proceedings and consists of the four Directors of the Board who are not involved in the ASIC proceedings commenced in October 2009 against current and former Directors.

The composition of the Special Matters Committee is set out in the table below:

Name	Position Held	Status
Rob Wylie	Chairman	Independent Director
Robert Tsenin	Member	Executive Director
Anna Buduls	Member	Independent Director
Susan Oliver	Member	Independent Director

Details of the members of the Committee are set out in the Board of Directors section at Page 15 and attendance of Committee members is set out in the Directors Report section at Page 30 in this Annual Report.

Evaluation of Board Performance

The Board supports the principle of regular reviews of both the whole of Board and individual Director performance and effectiveness.

A formal review of the performance of the Board as a whole was conducted during the reporting period with the assistance of an external consultant. This included a review of individual Director performance, and the contribution that each Director is able and expected to make.

Recommendations 1.3, 2.5 and 2.6 of the Principles

Diversity and Inclusion Policy Statement

As an owner and manager of retail property and retail property funds, CNP recognises that a diverse and inclusive workforce benefits employees, customers and stakeholders. By aiming to mirror the diversity of our employees with the extensive diversity of our customers and stakeholders, CNP can benefit from a range of ideas, opinions and perspectives which contribute to the achievement of corporate goals. CNP strives to create a work environment where individual differences are valued and all employees have an equal opportunity to realise their potential.

Diversity and Inclusion at CNP means:

- an inclusive workplace that embraces individual difference in all its forms;
- valuing the attraction, retention and development of employees with different backgrounds, experience, knowledge and potential;
- a workplace that is free from discriminatory behaviours or practices;
- commitment of meaningful resources to diversity and inclusion initiatives; and
- holding every employee accountable for creating and maintaining a diverse and inclusive culture.

Recommendations 3.2 and 3.5 of the Principles

Board Commitment

The Centro Properties Group Board is supportive of diversity and inclusion and has oversight of key diversity related initiatives. While the Board is committed to a broader diversity agenda within CNP, given current pressing strategic initiatives, the short to medium term focus is on improving gender diversity. In order to achieve this, the Board has established measureable objectives for achieving gender diversity and will annually assess both the measureable objectives and the progress towards achieving them. The Board recognises that in the longer term, CNP's diversity agenda will extend beyond gender.

Statement as to the mix of skills and diversity which the Board of Directors is looking to achieve in membership of the Board

The Centro Board Charter states that it should comprise Directors with a broad range of skills, expertise and experience from a diverse range of backgrounds. At times of Board renewal, external consultants are briefed to source potential Board candidates who demonstrate an appropriate level of diverse skills, background and experience to complement and enhance the existing Board composition. The Board aims to have an appropriate balance of males and females on the Board and at least one female on the Nominations Committee.

Recommendation 2.6 of the Principles

Gender Diversity Objectives

- Establish a Diversity Forum (female & male representatives) to capture views about diversity issues including flexible work options with a view to influencing diversity related change;
- Ensure the Recruitment Policy addresses diversity issues and mandates the consideration of a diverse range of candidates in the recruitment, promotion and selection processes;
- Undertake pay equity analysis and implement strategies and initiatives to address any pay equity gaps;
- Increase the number of women in executive/senior management roles to a level of between 25% to 30% by 2014.

☑ *Recommendations 3.3 of the Principles*

Diversity Statistics as at 30 June 2011

Proportion of women in organisation as a whole ⁽¹⁾	63%
Proportion of women in senior management ⁽²⁾	17%
Proportion of women on the Board	Two of the five non-executive directors are women

(1) Includes all full time and part time employees (572 in total).
 (2) Senior management defined for this purpose as Executive Committee and their direct reports.

☑ *Recommendation 3.4 of the Principles*

Risk Management and Internal Control Framework

The Board and management recognise that effective risk management and internal controls are an integral part of sound management practice and good corporate governance as they improve decision-making and enhance outcomes and accountability. The Board has received assurance from the Group Chief Executive Officer and the Group Chief Financial Officer that the declaration provided in accordance with Section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

☑ *Recommendations 7.3 and 7.4 of the Principles*

The Board is responsible for the overall Risk Management and Internal Control Framework of the Group (i.e. operations in Australia and the United States) which includes the following activities:

• Material Risks Register

The Board and management recognise that Centro Properties Group must have a robust Risk Management Framework in which material risks are proactively identified, communicated and managed. The Material Risk Register is an effective management tool that is used to identify and communicate material risks. It is updated on a quarterly basis and is reported to the Executive Committee and the Board via the Risk Management Committee. It is also used to monitor material risks and risk mitigation strategies. The Material Risk Register covers broad risk categories including business continuity, strategic objectives, financial, people and occupational health and safety, reputation, infrastructure, assets and systems, legal and regulatory. Management has reported to the Board as to the effectiveness of CNP's management of its material business risks.

☑ *Recommendations 7.1, 7.2 and 7.4 of the Principles*

• Internal Audit

The Internal Audit function provides independent objective assurance and makes recommendations to assist the Group in improving its Risk Management and Internal Control Framework. It also tests compliance with internal controls. The Audit Committee and the Risk Committee review and approve the risk-based Strategic Internal Audit Program each financial year. The Committees also review the outcomes of Internal Audits performed to ensure that appropriate actions are taken to mitigate identified risks.

• Managed Investments Compliance Plan

The Managed Investments Compliance Plan applies to all of the registered managed investment schemes in the Group, including Centro Property Trust, and provides a framework to review and monitor the investment risk for investors in those schemes.

The Compliance Officer is responsible for performing periodic reviews of the Group's compliance with the provisions of the compliance plan.

• **Continuous Disclosure**

The Group has a policy that all Securityholders have equal access to the Group's information and has established comprehensive processes and procedures to ensure that all price sensitive information is disclosed to the ASX in accordance with the continuous disclosure requirements of the Act and the ASX Listing Rules. All information provided to the ASX is immediately posted to the Group's website.

The Group has established a Group Disclosure and External Communications Policy. This Policy supports the Group's aim of complying with the ASX Listing Rule requirements such that all investors have equal and timely access to material information concerning the Group.

The Policy reflects the matters listed in Box 5.1 of the Principles. In particular, the Group operates a strict internal decision making regime with respect to its disclosure obligations. This regime includes the operation of a Disclosure Committee, comprised of senior executives, who have the primary responsibility regarding the Group's disclosure obligations. Under the Policy, the Group has developed a guide to assist the Group's officers and employees to understand the Group's continuous disclosure obligations. The Policy also deals with disclosures and communications with the media and disclosures and communications with analysts and investors.

Recommendations 5.1, 5.2 of the Principles

• **Financial Reporting**

There is a comprehensive budgeting system with an annual budget approved by the Directors of the Group. Monthly actual results are reported against budget and revised forecasts for the year are prepared regularly. The Group reports to Securityholders six-monthly.

• **Personnel Quality and Integrity**

The Group's personnel policies are detailed in appropriate policies and procedures. Formal appraisals are conducted at least annually for all employees. In addition, the Group has in place a Code of Conduct which sets out the standards of behaviour expected from all employees. This Code can be accessed on CNP's website.

Recommendations 3.1 and 3.5 of the Principles

• **Investment Appraisal**

The Group has clearly defined guidelines for capital expenditure that are approved by the Board. These include annual budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements where properties and assets are being acquired or divested.

• **Conflicts of Interest**

In accordance with the Corporations Act and the Company and Trust policies, Directors of the Company and the Responsible Entity must keep their respective Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Group. The Group has adopted a Related Party Transactions and Conflicts of Interest Policy to assist directors to disclose potential conflicts of interest. This policy can be accessed on CNP's website.

• **Dealings in Securities**

Group policy prohibits Directors and employees from dealing in securities while in possession of price sensitive information and requires all trading to be in accordance with the procedures set out in the Employee Trading in Securities Policy. In accordance with the provisions of the Act and the ASX Listing Rules, Directors advise the ASX of any transactions conducted by them in the Group's securities. In accordance with the requirements of the Listing Rules, a copy of the Group's Employee Trading in Securities Policy was lodged with the ASX and released to the market on 30 December 2010. This is also available on the CNP website.

The Employee Trading in Securities Policy prohibits CNP officers and employees (including Directors) who hold securities under one of CNP's employee incentive plans that are unvested or otherwise remain "at risk", from entering into a transaction relating to those securities if the transaction operates to limit the economic risk of their holdings in securities allocated to them under the employee incentive plan prior to the vesting and exercising of those securities or, once vested and exercised, while the securities are otherwise held subject to restrictions under the relevant employee incentive plan.

A summary of the policy against hedging is also set out in section 2.1 of the Remuneration Report on Page 33.

Recommendation 8.4 of the Principles

- **Ethical Standards**

All Directors, managers and employees are expected to act with the utmost integrity and objectivity, and to endeavour at all times to enhance the reputation and performance of the Group. The Group's Code of Conduct sets out the standards of behaviour expected from all employees. In addition, the Group has adopted a Whistleblower Policy to ensure that concerns regarding unethical, unlawful or improper conduct may be raised without fear of reprisal. Under the policy, employees are encouraged to report any genuine matter or behaviour that they honestly believe contravenes CNP's Code of Conduct, policies or the law.

Recommendation 3.1 of the Principles

- **Complaints Process**

The Group has implemented a Complaints Handling Policy that has been prepared in accordance with the Australian Standard. In addition, the Group remains a member of an external Complaints Resolution Scheme. The Managed Investments Compliance Committee monitors compliance with the Group's Complaints Handling Policy.

Investor Communications

The Group has adopted an Investor Communications Policy designed to ensure that Investors are fully informed about all major developments in the operations of the Group.

This Policy can be accessed on CNP's website. The Group has a dedicated Investor Services team to manage investor enquiries on a daily basis.

The Annual General Meeting provides an opportunity for investors to ask questions, express views and respond to Board proposals. The Group's external auditor also attends the Annual General Meeting to answer any questions about the conduct of the audit and the content and preparation of the audit report.

The Board encourages investors to access the Annual Report online to assist with the Group's commitment to the environment, as well as being more cost efficient. A printed copy of the Annual Report will only be sent to those investors who have elected to receive it. Otherwise investors will be notified when the Annual Report is available to be accessed online at the centro.com.au corporate website.

The Group works closely with its share register to monitor and review the potential to increase the use of electronic means of communicating with its investors.

Recommendations 6.1 and 6.2 of the Principles

DIRECTORS' REPORT

The Directors of Centro Properties Limited present their report on the financial report of Centro Properties Group for the year ended 30 June 2011.

Centro Properties Group

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

Directors

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

- Paul Cooper (Chairman)
- Robert Tsenin (Group CEO & Managing Director)
- Anna Buduls
- Jim Hall
- Susan Oliver
- Rob Wylie

The Company Secretaries are Elizabeth Hourigan and Dimitri Kiriacoulacos. Paul Flanigan is the Assistant Company Secretary and acts as the Company Secretary as required.

Principal Activities

The principal activities of the Group during the year were property investment, property management, property development and funds management.

Significant Matters

• Disposal of US assets

On 28 February 2011, CNP and its managed funds entered into a binding stock purchase agreement with BRE Retail Holdings, Inc, an affiliate of Blackstone Real Estate Partners VI, L.P. ("Blackstone") to sell substantially all of their US assets and business for an enterprise value of approximately US\$9.4 billion. The transaction closed on 29 June 2011 and CNP recognised a loss on disposal of \$96.0 million after transaction costs.

CNP retained ownership of Centro America REIT 9 Inc and Centro America REIT 10 Inc only.

• Restructure of the Group

On 1 March 2011, CNP announced that it had agreed with holders of approximately 73% of CNP's senior debt to progress a creditor's scheme of arrangement to effect the cancellation of all CNP's senior debt in consideration for substantially all CNP's Australian assets.

On 9 August 2011, CNP announced it had entered into an agreement ("Implementation Agreement") with its Senior Lenders to implement its restructure transaction together with the proposed Aggregation of the Australian assets and interests held by CNP, Centro Retail Trust (CER) and certain CNP managed funds. The Implementation Agreement contains a significant number of regulatory and other conditions.

Key terms of the transaction include:

- (1) Senior debt cancellation – CNP has agreed with holders of more than 83% of its senior debt to implement a creditor scheme of arrangement ("Senior Debt Scheme") to effect, if all CNP and other approvals are obtained, the cancellation of CNP senior debt in return for substantially all of CNP's Australian assets and interests.
- (2) Allocation of \$100 million to junior stakeholders – The Senior Lenders have agreed that, subject to all relevant approvals and conditions, \$100 million will be made available for allocation to CNP securityholders and other stakeholders who are junior to the Senior Lenders. The CNP Board of Directors has determined to allocate the \$100 million as follows:
 - 5 cents per security or \$48,925,082 in total to CNP securityholders;
 - 5 cents² in the dollar or \$21,074,918 in total to convertible bondholders;
 - \$20,000,000 in total to secured hybrid holders of which approximately 49% who also hold senior debt have committed their support for this proposal under the Implementation Agreement; and
 - \$10,000,000 set aside for potential contingent creditors, on the basis that any surplus not used will be returned to the Senior Lenders.

CNP securityholders will not retain any economic benefit in CNP following the receipt of their 5 cents per security. The approvals by convertible bondholders and hybrid holders would also extinguish all outstanding claims by those classes.

2 Rounded to the nearest cent and based on US\$444m of face value in current A\$ terms (A\$427m) based on a FX rate of US\$1:A\$1.04

If any one of the required approvals is not obtained, the Australian funds Aggregation described below does not proceed, or the Senior Debt Scheme is not implemented, none of the \$100 million will be available to be delivered to any junior stakeholder. The \$100 million cannot be delivered to the junior stakeholders unless all the required approvals and conditions are satisfied.

- (3) Australian funds Aggregation – CNP managed funds including CER, Centro Australia Wholesale Fund (CAWF) and Centro Direct Property Fund (DPF) have agreed under the terms of the Implementation Agreement to aggregate their respective portfolios to create a new listed Australian retail property trust (A-REIT). CNP will contribute its Australian assets (including its funds and property management business (Services Business)) to A-REIT, in exchange for scrip in A-REIT. That scrip, combined with the A-REIT scrip which CNP would hold as a result of its investments in the above funds, would result in CNP's ownership of the A-REIT being approximately 68%. On implementation of Aggregation CNP's scrip in A-REIT will then be distributed to the Senior Lenders, and dispersed amongst the lenders on a pro-rata basis to their senior debt holdings, as part of the Senior Debt Scheme described above, in full settlement of CNP's senior debt.
- (4) The required approvals and Aggregation conditions include:
- Approval by CER securityholders (the proposed resolutions are not yet finalised but will include an ordinary resolution approval requirement of more than 50% approval by value of those present and voting at the meeting, on which CNP and DPF cannot vote their respective interests);
 - Approval by CNP Senior Lenders of the Senior Debt Scheme;
 - Satisfaction or waiver of conditions precedent detailed in the Implementation Agreement;
 - Regulatory approvals including approvals or relief as required from the Court, ASIC and ASX; and
 - Other conditions as detailed in the Implementation Agreement.

CNP securityholders will not receive any securities in A-REIT.

• Liquidation basis of preparation

The proposed restructure transaction will result in the material curtailment of the operations of CNP. As a result, financial statements cannot be prepared using the going concern basis of preparation. Consequently, the financial statements are prepared on a liquidation basis as described in note 1(b) of the financial statements. As a result of adopting the liquidation basis of preparation, assets are measured at their net realisable value which approximates fair value less costs to sell. Liabilities are measured at their estimated settlement value. The estimated settlement value of liabilities owed to Senior Lenders is the value of CNP's Australian assets and interests. Adopting the liquidation basis of preparation has resulted in a liquidation value adjustment of \$1,329.3 million being recognised in the Income Statement.

It is critical to note that the liquidation value adjustment is a one-off accounting entry to adjust net assets attributable to members from negative \$1.3 billion to zero. This reflects the fact that there will be insufficient assets upon the liquidation of CNP to settle CNP's liabilities. It does not suggest that the amount owing to Senior Lenders has been forgiven or reduced. In the event of a successful Aggregation, this adjustment will be crystallised.

The liquidation value adjustment will be affected by the amount actually realised for the assets of CNP and as such could be materially different to the amount estimated. It should be noted that given that the total equity attributable to members (both ordinary securities and convertible bonds) of CNP is negative \$1.3 billion (i.e. Group's liabilities attributable to members exceed assets attributable to members by \$1.3 billion), any change to the liquidation value adjustment will result in the value of the residual assets that would be available for distribution to members remaining as zero (unless assets increased by greater than \$1.3 billion, a scenario highly unlikely in the period between 30 June 2011 and 15 December 2011 which is the maturity date of CNP's senior debt). It should also be noted that ordinary security holders rank behind convertible bond holders.

• Refinancing update

During the year the Group successfully refinanced/extended a number of maturing facilities. Highlights during the year included:

Completing financing arrangements for approximately US\$2.7 billion of debt within Super LLC (a joint venture of CNP, Centro Retail Trust (CER) and Centro MCS 40), which was due to expire on or before 31 December 2010. The US\$2.7 billion financing arrangements included an extension of approximately US\$2.3 billion (from 31 December 2010 to 31 December 2011) and a refinancing of over US\$469 million.

Refinancing a facility of US\$424 million within Super LLC by entering into a joint venture with Inland American CP Investment LLC (Inland), a wholly owned subsidiary of Inland American Real Estate Trust Inc, and using the Group's interest in 25 shopping centres to secure new term loans. Proceeds from Inland's contribution into the joint venture and the new term loans were utilised to fully repay the US\$424 million facility which matured on 9 December 2010. The contribution by Inland to the joint venture was accounted for as a borrowing and included within interest bearing liabilities as the Group retained the majority of the risks and benefits in the underlying assets.

The above US facilities were taken over by Blackstone as part of the US asset sale noted previously.

On 29 June 2011, upon receipt of the proceeds from the sale of US assets to Blackstone, the Group repaid \$485.2 million of its Australian interest bearing liabilities.

• Hedge close out

During the year, as a consequence of the strengthening Australian dollar against the US dollar, forward foreign exchange and cross currency interest rate swap contracts with a notional value of \$1,348.7 million and with a mark-to-market value of \$169.5 million (liability) at 30 June 2010 were automatically terminated at zero cost to the Group on reaching a \$nil mark to market position, in line with contractual arrangements. In addition, forward exchange contracts and cross currency interest rate swap contracts with a notional value of \$335.2 million and a mark-to-market of \$64.8 million (liability at 30 June 2010) were terminated for \$11.7 million.

On 29 June 2011, upon receipt of the proceeds from the sale of US assets to Blackstone, CER closed out an interest rate swap contract with a notional value of USD 150.0 million and with a mark to market of \$14.2 million at 30 June 2010, for \$10.2 million.

Review of Operations

The review of operations of the Group is included on Pages 8 to 12 within the Annual Report.

Distributions

The Directors have declared a nil distribution on ordinary securities for the year ended 30 June 2011 (2010: nil).

As previously advised, no distributions to ordinary securityholders are permitted to be paid for the duration of CNP's senior debt facility, and it is unlikely that distributions will be paid prior to any redemption or conversion of the Hybrid Securities.

Likely Developments and Expected Results of Operations

As noted above, CNP is progressing with a creditors scheme of arrangement to effect the cancellation of all CNP's senior debt in consideration for substantially all CNP's Australian assets, following which, if all conditions and approvals are met, \$100 million will be made available for ordinary securityholders and other stakeholders who are junior to the Senior Lenders as noted above.

A detailed explanatory memorandum and formal recommendation from Directors will be provided to CNP securityholders in advance of a securityholder meeting to enable them to make an informed decision on the resolutions to be put to them in relation to the proposed restructure. The Explanatory Memorandum will include an Independent Experts' Report to opine on the transaction for the benefit of CNP securityholders. It is expected that the detailed information will be provided to investors in September 2011.

Environmental Regulations

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

Matters Subsequent to the End of the Financial Year

(a) Restructure update

As discussed under "Significant Matters" above, an Implementation Agreement has been entered into on 9 August 2011 with the Senior Lenders for the implementation of a restructure proposal of Centro Properties Group. The Implementation Agreement contains a significant number of regulatory and other conditions.

For further details readers should refer to the announcement of 9 August 2011 which was lodged with the ASX or can be found at www.centro.com.au. The announcement includes the signed Implementation Agreement.

(b) Repayments of Interest Bearing Liabilities

Since 30 June 2011, the Group repaid \$196.9 million of senior debt and \$11.7 million of other interest bearing liabilities in consolidated funds.

(c) Asset Sales

Since 30 June 2011, the Group sold Centro Birallee (50% held by CSIF A and 50% held by CER) on 25 July 2011 for its 30 June 2011 book value of \$11.7 million.

(d) Acquisition of Minority Interest in CMCS 26

On 4 August 2011, Centro MCS 26 ("CMCS 26") entered into a Unit Sale Agreement with Orchard Diversified Property Trust ("Orchard") for the acquisition of Orchard's units in Metro Maddington Trust ("MMT") for a total consideration of \$19.1 million. MMT's sole investment is in Centro Maddington. Subsequent to this acquisition, which is anticipated to complete prior to 30 September 2011, CMCS 26 will own 100% of Centro Maddington.

Excluding the matters noted above there has not arisen in the interval between 30 June 2011 and the date hereof any matter or circumstance that has significantly affected or may significantly affect:

- (i) The Group's operations in future financial years; or
- (ii) The results of those operations in future financial years; or
- (iii) The Group's state of affairs in future financial years.

Information on Directors

Particulars of the qualifications, experience and special responsibilities of each Director, as at the date of this report, are set out on Pages 15 to 17 of the Annual Report. The interests of each Director in the capital of the Group at the date of this report are set out as follows:

		Number of securities 30.06.11	Number of securities 30.06.10
P. Cooper		-	-
R. Tsenin	(held in name of Tsenin Holdings Pty Ltd <Tsenin Super Fund>)	450	450
A. Buduls		-	-
J. Hall	(held in name of Hall Family Superannuation Fund)	11,833	11,833
S. Oliver		-	-
R. Wylie		-	-

Information on Company Secretaries

Particulars of the qualifications, experience and special responsibilities of the secretaries, as at the date of this report, are set out on Page 17 of the Annual Report.

Indemnification and Insurance of Directors and Officers

The Company must indemnify the Directors, on a full indemnity basis and to the full extent permitted by law, against all losses or liabilities incurred by the Directors as an officer of the Company or of a related body corporate provided that the loss or liability does not arise out of misconduct including lack of good faith.

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

Loans to Directors

No loans have been made to the directors of Centro Properties Limited or CPT Manager Limited, the Responsible Entity of Centro Properties Trust, including their personally related entities by Centro Properties Limited or CPT Manager Limited.

Meetings of Directors

The following table sets out the number of meetings of Directors of Centro Properties Limited and CPT Manager Limited, the Responsible Entity of the Trust (including meetings of committees of Directors), held during the year ended 30 June 2011 and the number of meetings attended by each Director.

	Board	Risk	Audit	Compliance	Remuneration & HR	Sub- Committee	Special Matters	Finance
Centro Properties Limited								
Number of Meetings Held	43	4	13	5	10	1	7	5
Paul Cooper	43	#	#	4	8	1	#	#
Robert Tsenin	41	#	#	#	#	1	7	#
Anna Buduls	43	4	13	5	10	#	7	#
Jim Hall	39	4	12	#	#	#	#	5
Susan Oliver	38	4	#	5	#	#	7	5
Rob Wylie	39	#	13	#	10	1	7	5
CPT Manager Limited								
Number of Meetings Held	44	4	13	5	10	1	7	5
Paul Cooper	44	#	#	4	8	1	#	#
Robert Tsenin	42	#	#	#	#	1	7	#
Anna Buduls	44	4	13	5	10	#	7	#
Jim Hall	40	4	12	#	#	#	#	5
Susan Oliver	39	4	#	5	#	#	7	5
Rob Wylie	40	#	13	#	10	#	7	5

Not a member of the Committee.

REMUNERATION REPORT (AUDITED)

Executive Summary

Overview of CNP's Approach to Remuneration during the Financial Year ended 30 June 2011

The Remuneration Report provides investors with an understanding of the processes and policies underlying determination of remuneration for Key Management Personnel (KMP), that is the Directors and executives who have authority and responsibility for the strategic direction and management of the consolidated entity consisting of Centro Properties Limited (the Company) and its controlled entities ("CNP" or "the Group"). This Report forms part of the Directors' Report and has been prepared in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Remuneration Principles

During a year that has been largely focused on the achievement of a number of restructuring objectives, CNP's remuneration strategy has been underpinned by a number of key principles:

- To recognise the contribution of employees to both the successful operational management of the Group and to the successful restructuring of the Group.
- To ensure the retention of key employees during a period that has been challenging and uncertain, where many have been asked to assume additional roles and responsibilities that might not normally have formed a part of their position.
- To provide competitive levels of fixed remuneration coupled with at risk short term and long term variable pay programs that reinforce the achievement of key financial metrics and restructuring objectives whilst also ensuring the retention of critical people.
- To ensure senior executive remuneration is transparent and performance linked whilst also meeting applicable legislative requirements.

Remuneration Framework for a Challenging Year

During 2011 financial and property market fundamentals improved in Australia. This climate underpinned the continued positive performance of CNP's Australian retail assets. In the US, whilst consumer confidence improved moderately, the unemployment rate remained high and tight credit markets persisted. US property level performance was therefore tempered, leading up to 28 February 2011 when CNP disposed of substantially all of its US assets and business. Notwithstanding the performance of the Australian assets, the overarching reality has been that CNP faces its headstock debt maturity of \$2.9 billion on 15 December 2011 and therefore must effect a restructure prior to that maturity as it does not have the capacity to repay or refinance the maturing debt. The Stabilisation Agreement of January 2009 bought CNP time to consider restructure and recapitalisation alternatives and investors have been provided with a range of updates since that time. The first major step toward a restructure was on 1 March 2011 when CNP announced the sale of its US assets and business. Leading up to and subsequent to this announcement, and in line with restructuring and recapitalisation priorities, each KMP during 2011 has been engaged in a program of activity that has led to the outcomes documented in this Annual Report. CNP recognises that, from a governance perspective, it is traditionally important to have in place remuneration programs that focus key people on achieving performance outcomes that are objectively measured against its competitors. However, given the negative equity position of CNP for 2011, and the significance of CNP's current circumstances, CNP's remuneration and performance management programs have more appropriately focused on objectives related to the successful negotiation of the Group's restructure and recapitalisation, the desire to deliver maximum returns to the Group's various stakeholders, and the need to retain key people during a very challenging period.

The 2011 remuneration framework for executive KMP has incorporated a number of different components each of which have been provided to achieve specific business objectives during the restructuring period.

Further information is provided in the table below:

Remuneration Components – Executive KMP

	Component	Objective	Performance Measures / Other Commentary
1	Total Fixed Remuneration (inclusive of superannuation)	To provide a competitive level of fixed pay that recognises the size and complexity of the role, the job market it operates in and the experience and capability of the incumbent.	Subject to the ongoing satisfactory performance of the executive.
2	Short Term Incentive Plan (STI)	An STI opportunity has been provided to each executive KMP to align a component of their total reward opportunity to specific short term objectives, including company financial objectives.	<p>Performance measures for executive KMP during 2011 have included:</p> <p>Company financial targets</p> <p>Net Operating Income (NOI) from Properties plus Services Income less Corporate Overheads</p> <p>Individual Objectives</p> <p>Strategic goals for which the individual executive KMP has direct oversight and accountability. In 2011 these strategic goals were weighted toward restructuring and recapitalisation.</p> <p>Further detail on the specifics of the individual objectives, which in 2011 focused on leadership, strategic, financial and operational objectives, with a strong focus on restructuring, can be found on Page 34 to 35 for the Group CEO and Managing Director and Pages 35 to 36 for other executive KMP.</p>
3	Long Term Compensation Plan (LTC) (Applicable to all executive KMP other than the Group CEO, who has a separate Long Term Incentive Plan as outlined on Pages 37 to 38.)	<p>No new long term incentives were granted to executive KMP in the financial year ended 30 June 2011.</p> <p>CNP's current cash based long term incentive plan was introduced in July 2009 to align the interest of executive KMP and other nominated employees with the interests of securityholders.</p>	<p>The plan rewards the achievement of key strategic goals, specifically debt extension and recapitalisation targets by providing three tranches of payments expected between January 2011 and July 2012.</p> <p>Further detail on the three key performance measures applicable to the Long Term Compensation Plan are set out on Page 39.</p>
4	Special Bonus Plan	<p>The Special Bonus Plan was implemented by invitation in November 2010, to recognise the contributions of a number of executive KMP and other nominated individuals through a challenging period and to ensure their retention through to December 2011.</p> <p>All executive KMP other than Robert Tsenin and Mark Wilson received an offer to participate in the Special Bonus Plan. Please refer Page 41 for further information.</p>	<p>Release of the special bonus payment, at 31 December 2011 (or such earlier date as determined by the board) is subject to the continuing employment of the participant to that date and other forfeiture conditions which include breach of confidentiality obligations and termination for poor performance or unacceptable conduct.</p> <p>Further information on the Special Bonus Plan is set out on Page 40 to 41.</p>

SECTION 1 – KEY MANAGEMENT PERSONNEL

The Board has determined that the following executive committee members and non-executive directors were the KMP for the Group during 2011. Of the current executive management, no new executive KMP were appointed during 2011. All executive KMP, other than Mr Carroll whose circumstances are described in the footnote below, were executive KMP for the full year.

Current Executive Management

Robert Tsenin – Group Chief Executive Officer and Managing Director

Chris Nunn – Group Chief Financial Officer

Mark Wilson – General Manager, Property Operations Australia

Dimitri Kiriacoulacos – Group General Counsel

Gerard Condon – General Manager, Syndicate Funds Management

Michael Benett – Deputy Chief Executive Officer and Chief Restructuring Officer, Centro Retail Trust (from 1 December 2010); General Manager Institutional Funds Management (1 March 2010 until 30 November 2010)

Former Executive Management

Michael Carroll – Chief Executive Officer – US (to 28 February 2011)⁽¹⁾

Current Non-executive Directors

Paul Cooper – Chairman, non-executive Director

Anna Buduls – non-executive Director

Jim Hall – non-executive Director

Susan Oliver – non-executive Director

Rob Wylie – non-executive Director

SECTION 2 – EXECUTIVE KMP REMUNERATION FRAMEWORK

2.1 Governance

The Board maintains a Remuneration and HR Committee whose role is to advise the Board on matters relating to the remuneration, succession planning and development of the CEO and other senior executives and employees of the Group. The composition and function of this Committee is set out within the Corporate Governance Statement at Page 21 in the Annual Report. Committee charters are available on the CNP website at www.centro.com.au. In addition to the framework set out below, the Board has also committed to undertake pay equity analysis and implement strategies and initiatives to address any pay equity gaps as one of the measurable objectives set under its diversity policy. Further information regarding the Company's diversity policy and initiatives is set out at Page 23 of the Corporate Governance Statement.

Early in 2011 the Remuneration and HR Committee sought advice from Egan Associates (in Australia) and FPL Associates (in the US) to benchmark executive remuneration levels and inform 2011 remuneration review decisions.

The remuneration framework as set out in this report has been reviewed by the Remuneration and HR Committee to ensure that it will support CNP's business objectives, legal requirements and stakeholder expectations. Details of the individual components of executive KMP remuneration are set out in the sections below.

Policy Against Hedging

The Board has determined that executives must not seek to limit their exposure to market risk in relation to holdings under the ESP other than the non recourse nature of the loan. In support of this position and in keeping with generally accepted best practice, the Board resolved to implement a policy that no hedging arrangements be entered into in relation to any securities held under any Employee Security Plan arrangement. Internal controls are in place to ensure compliance with this policy and executive KMP have also confirmed that no hedging arrangements have been entered into. CNP's Code of Conduct provides such that employees who violate this policy may be subject to disciplinary action up to and including dismissal. The nature of the disciplinary action will depend on the seriousness of any violation and other relevant circumstances.

(1) As reported on Page 26 CNP is considered to no longer control the substantial proportion of its US assets and businesses as of 28 February 2011, the date CNP entered into a binding Stock Purchase Agreement with Blackstone. Information provided throughout this report regarding the remuneration of Mr Carroll only covers the period from 1 July 2010 to 28 February 2011 as after this date his employment was effectively transferred to Blackstone.

2.2 Total Fixed Remuneration (TFR)

The aim of this component is to provide a competitive level of base remuneration compared with similar roles within the listed A-REIT sector (for the Australian property management part of the Group), the US listed property trust sector (for the US property management part of the Group) or the financial services sector (for the funds management part of the Group), and roles of similar size and responsibility in other industries. TFR has typically been targeted at around the median of the applicable comparator group though will vary based on individual capability, experience and performance. The TFR component includes base salary plus company superannuation contributions. Employees may salary sacrifice base salary in order to fund additional superannuation contributions or to lease a motor vehicle (subject to CNP's policy on these matters).

In addition to the benchmarking information and advice provided to the Remuneration Committee by its remuneration advisors, comparative fixed remuneration data has been sourced through participation in a range of salary surveys and industry remuneration forums.

2.3 Short Term Incentive (STI) – cash paid to executive KMP for achievement of financial and individual results.

(i) Group CEO and Managing Director

For the Group CEO and Managing Director, Mr Tsenin, the STI linked an annual cash-based payment to performance against a range of key performance indicators (KPIs). Performance targets were set by the Board to take account of the leadership role that Mr Tsenin needed to take to ensure a successful restructure and recapitalisation of the Group. Targets, measures and outcomes for 2011 were as follows:

Performance target	Reason for choosing the target	Measure	Outcome
Leadership (33.3%)			
Lead and manage an effective and engaged management team through the restructure process.	Retention of an effective management team is critical to achieving restructure goals and preserving the value of group assets.	Assessment by the Chairman following discussions with the Board, the Board of Centro Retail Group and the Executive Committee.	Mr Tsenin set a vision, strategy and clear execution steps for the complex restructuring and recapitalisation of the Group. This approach culminated in the successful sale of the US assets and businesses and the Implementation Agreement being signed. All critical employees were retained during this process.
Financial (33.3%)			
Achievement of operating metrics and cash flow targets in accordance with 2011 budget.	To preserve asset values and maintain cash flows in accordance with the company's agreed Stabilisation Plan.	Assessment by the Chairman and the Board based on performance relative to budget in relation to Net Operating Income (NOI) and headstock net cash flow (before debt repayments). Headstock cash represents the cash attributable to members of Centro Properties Group. The Headstock Net Cash Flow measure is critical for the business to measure the solvency of the Group. (An explanation of how NOI is calculated is set out in section 2.3 (ii) below).	NOI results exceeded both the budget target and also the 'maximum' level set by the Board for STI assessment purposes. Further detail on the targets, 'maximum' levels and actual results are set out in the table on Page 36, under the heading of 'Outcomes – Company Performance (NOI) Objective'. Headstock net cash flow (before debt repayments) for 2011 exceeded the budgeted level.
Strategic (33.3%)			
Meaningful engagement with all stakeholders to ensure their positive rather than negative participation in the refinancing and restructuring processes.	To ensure that the group achieves a successful restructure.	Assessment of progress by the Board.	Over 2011, Mr Tsenin successfully managed multiple projects and processes which required him to manage and engage numerous external and internal stakeholders to achieve significant and satisfactory progress towards a successful restructure plan for the Group.

After the end of 2011, the Chairman and the Board measured Mr Tsenin's performance against the above targets, and determined that each of the performance conditions had been met. Consequently, the Board awarded Mr Tsenin a short term cash incentive set at 100% of his maximum opportunity (150% of TFR).

Detail of the STI payment made to Mr Tsenin for the year ended 30 June 2011 is set out in the table on Page 45.

(ii) Other Executive KMP

For executive KMP other than the Group CEO and Managing Director, the STI program in 2011 provided for a scale of payments subject to performance against both company financial and individual performance measures.

STI opportunities during 2011 as a percentage of fixed remuneration were as follows:

Australian Executive KMP		US Executive KMP	
% of TFR payable at 'target'	% of TFR payable at 'maximum'	% of TFR payable at 'target'	% of TFR payable at 'maximum'
50%	75%	Range between 42.5% and 75%	Range between 70% and 130%

The cash based STI payment is linked to two key performance measures:

Company performance objective (50% of the total), based on performance relative to budget in relation to Net Operating Income (NOI); and

Individual performance objectives (50% of the total), based on assessment of the executive's individual performance relative to a pre-agreed scorecard of goals and objectives. In 2011 many of these have cascaded down from the objectives set by the Board for the CEO and are summarised in the table below.

Company performance objective	Reason for using this objective	Measure
<p>Operating metric is achieved as per 2011 budget.</p> <p>The specific measure is based on the sum of Net Operating Income (NOI) from the assets plus services income less corporate overheads (Australian performance for Australian participants and US performance for US participants). In both cases, actual financial performance is adjusted to take into account the timing of asset sales and certain management fees which are largely dependent on asset valuations and are therefore outside of the control of executives. Where these management fees are influenced by management, such as the impact of property income on valuations, this performance is taken into account in the NOI from the properties.</p>	<p>To preserve asset values and maintain cashflows in accordance with the Group's Stabilisation Agreement.</p> <p>The NOI measure is critical for the business. NOI is the major source of cash flow from the day-to-day operation of the business. Growth in NOI is a key measure used when CNP benchmarks its performance against competitors.</p>	<p>To be assessed by the Group CEO – performance relative to the overall Group budget.</p>
Individual performance objectives	Reason for Using this Objective	Measure
<p>Leadership</p> <p>To lead CNP's staff throughout the challenges of restructure and recapitalisation.</p> <p>To maintain strong and constructive relationships with the Boards to ensure all governance requirements of Boards are met.</p> <p>To maintain authoritative and effective relationships with key external stakeholders.</p>	<p>The best way for CNP to extract continuing value from its assets is to retain staff and engage them optimally. Effective leadership is therefore critical.</p> <p>Management have a key role in working with Directors and key external stakeholders to effectively manage change and risk during a difficult period.</p>	<p>To be assessed by the Group CEO, with reference to the outcomes of a feedback assessment process and input as appropriate from non-executive directors, and key internal and external stakeholders.</p>
<p>Strategic Objectives</p> <p>Effective contribution to the development and implementation of restructuring/recapitalisation options.</p>	<p>The implementation of a successful restructure is critical, particularly given the Group's net equity position and 15 December 2011 debt maturities.</p>	<p>To be assessed by the Group CEO taking into account the multiple restructuring projects and tight timeframes.</p>
<p>Achievement of Operational Targets</p> <p>To meet or exceed 2011 Board approved business plan targets.</p> <p>Operational risk management.</p> <p>OHS&E compliance.</p> <p>Effective management of diversity, workplace behaviour and employee engagement.</p>	<p>In line with the commentary above, effective management of the assets and CNP's people is critical in order to achieve business plan objectives.</p>	<p>Performance relative to business plan targets.</p> <p>Assessment by Group CEO.</p>

Outcomes

Company performance (NOI) objective – The calculation of the financial performance was undertaken in July 2011 by comparing actual performance against target performance. The table below provides further detail on the NOI business plan targets set for both the Australian and US businesses, the targets that were agreed at a 'maximum' level for STI purposes, and the actual 2011 NOI result achieved for the Australian business. The actual performance results for the Australian business have been verified by external parties. As CNP sold the substantial proportion of its US assets and business to Blackstone effective 28 February 2011, there is no actual 2011 performance result recorded for the US business.

	'On Target' Objective \$ 000	'Maximum' Objective \$ 000	Actual Performance Result \$ 000
Australia (\$A)	495,813	504,675	506,223
US (\$US)	734,780	741,540	N/A

Performance against company financial (NOI) objectives resulted in 100% (Australia) and 56% (US⁽¹⁾) of the maximum STI pool being awarded for the company financial performance component.

(1) US data relates only to Mr Carroll.

Individual performance objectives – Individual performance was assessed during the annual performance review process by the CEO. Awards for each executive KMP's performance varied relative to individual key performance indicators. The percentage of the maximum available STI that was earned in the financial year, and the percentage that was not achieved for each executive KMP, is set out below. Following payments in August 2011 of amounts awarded as at 30 June 2011, no part of the 2011 STI is payable in future years.

KMP	Minimum Possible Award	Maximum Possible Award (% of TFR)	% of Maximum STI Actually Awarded	% STI Forfeited	\$ Value Accrued
R Tsenin Group Chief Executive Officer & Managing Director	0%	150%	100%	0%	\$2,400,000
M Carroll ⁽²⁾ Former Chief Executive Officer – US	0%	130%	56%	44%	\$300,246
C Nunn Group Chief Financial Officer	0%	75%	88%	12%	\$360,940
M Wilson General Manager – Property Operations Australia	0%	75%	100%	0%	\$431,260
D Kiriacoulacos Group General Counsel	0%	75%	100%	0%	\$337,500
G Condon General Manager – Syndicate Funds Management	0%	75%	94%	6%	\$302,350
M Benett Deputy Chief Executive Officer & Chief Restructuring Officer	0%	75%	94%	6%	\$281,250

(2) Mike Carroll ceased to be a KMP of the Group on 28 February 2011 following the disposal of substantially all of the US assets and business.

2.4 Long Term Compensation (LTC) Plan – cash paid to executive KMP for achievement of longer term goals and retention

(i) Group CEO & Managing Director

No new LTI grants were made to the Group CEO & Managing Director, Mr Tsenin, during the financial year ended 30 June 2011.

Under his Executive Service Agreement, which commenced on 1 March 2010, the Group CEO & Managing Director, Mr Tsenin, is eligible for an LTI award in three tranches over a maximum three year period⁽¹⁾. This LTI award entails the grant of cash-based incentives subject to the achievement of group restructure goals. The Board has determined that a cash-settled LTI grant (rather than an equity grant) tied to the successful achievement of these key strategic imperatives (rather than more common measures such as Total Shareholder Return (TSR) or share price growth) is appropriate for Mr Tsenin given the current circumstances faced by CNP. This is in line with the LTI awards made to the Group's other executive KMP under the Long Term Compensation (LTC) Plan (described below). In the Board's view, securityholder value over this period is best served by providing an LTC Plan to reward achievement of (a) debt extension objectives and/or recapitalisation of the Group and (b) the retention of key people during a difficult and challenging period for the Group.

At the time of grant, the Board set performance hurdles for each tranche of Mr Tsenin's LTI award based on the Group's overarching need to achieve its restructure goals. At the time Mr Tsenin was retained as CEO, the Board considered a range of proposals for establishing performance hurdles and selected hurdles according to what the Board considered, at the time, were the most appropriate benchmarks for ensuring that Mr Tsenin was incentivised to achieve the best possible outcomes for the Group and its securityholders. As the Group's circumstances have developed, the Board has been able to refine its view as to the necessary steps required to achieve the Group's restructure goals. Accordingly, the Board formed the view that it was appropriate to refine the performance hurdles for incentivising the CEO to achieve those outcomes in the best interests of the Group and its securityholders. These amendments were made in December 2010 and are highlighted in italics in the table below. In addition, the Board has made a number of determinations as to what will constitute successful performance against such hurdles. Details of these determinations are set out in the table on the next page.

(1) CNP has publicly acknowledged the possibility that, should a successful restructure of the Group occur prior to the date at which Mr Tsenin's three year fixed term agreement ends, Mr Tsenin may retire at an earlier date. If this were to occur, the terms of Mr Tsenin's Employment Agreement provide such that the Board may determine to make a Long Term Incentive payment to him, subject to the performance conditions being satisfied, at an earlier date.

Tranche	Performance hurdle	Reason for choosing the target	Methods of assessment	Date Payable
1	<p>Up to 25% of the maximum award will become payable* subject to the acceptance by the Board on or before 31 December 2010 that there has been satisfactory progress towards a restructure plan for the Group</p> <p>* Whilst this tranche will 'become payable' where the performance condition is met, actual payment will not be made until the 'Date Payable' (refer 4th Column).</p>		<p>The Board determined in January 2011 that this objective had been met. Related payments have vested and are currently held in escrow until the Date Payable (refer 4th Column).</p> <p>Details of Mr Tsenin's entitlement to payments under this plan for 2011 can be found in the table on Page 40.</p>	
2	<p>Up to 25% of the maximum award will become payable* subject to acceptance by the Board on or before 31 December 2011 that there has been an achievement of a successful extension to the Australian debt facilities, or a successful recapitalisation of the Group, or if in the best interests of the Group there has been satisfactory progress towards a successful restructure plan for the Group as determined by the Board.</p> <p>* Whilst this tranche will 'become payable' where the performance condition is met, actual payment will not be made until the 'Date Payable' (refer 4th Column).</p>	Achievement of these performance hurdles is critical to the Group's future.	<p>The Board determined that this objective would be met if any of the following goals were achieved:</p> <ul style="list-style-type: none"> • announcement of debt extension for Australian debt facilities for at least 12 months; • announcement of a successful recapitalisation of the Group; or • signing of an Implementation Agreement. <p>On 8 August 2011 an Implementation Agreement was signed. Related payments have vested and are currently held in escrow until the Date Payable (refer 4th column).</p> <p>Details of Mr Tsenin's entitlement to payments under this plan for 2011 can be found in the table on Page 40.</p>	<p>Subject to performance conditions being satisfied, payment will be made on the earlier of a date within 30 days of:</p> <p>(a) the completion of a successful restructure as determined by the Board;</p> <p>(b) the release of the half year results for the Group for the half year ended 31 December 2012;</p> <p>or</p> <p>such earlier date as determined by the Board in accordance with Mr Tsenin's Employment Agreement.⁽¹⁾</p>
3	<p>A final award of up to 50% of the maximum award will become payable subject to a successful restructure of the Group taking into consideration such factors as the Board determines including the Group's financial results over the term of the agreement up to and including the half-year ending 31 December 2012.</p>		<p>In July 2011 the Board determined that full implementation of the restructure will be deemed to have occurred if CNP Securityholders' approvals are obtained and all other conditions and approvals are met. The Board determined this would result in 100% of Tranche 3 being awarded to Mr Tsenin.</p> <p>Alternatively the Board has determined that 75% of this tranche will be awarded if Aggregation through an 'Extended Aggregation Period' is achieved.</p> <p>Further details of the proposed restructure are set out on page one of the Chairman's Report.</p>	

(1) CNP has publicly acknowledged the possibility that, should a successful restructure of the Group occur prior to the date at which Mr Tsenin's three year fixed term agreement ends, Mr Tsenin may retire at an earlier date. If this were to occur, the terms of Mr Tsenin's Employment Agreement provide such that the Board may determine to make a Long Term Incentive payment to him, subject to the performance conditions being satisfied, at an earlier date.

(ii) Other Executive KMP

No new LTI grants were made to the Group's executive KMP during the financial year ended 30 June 2011.

The Board continues to be of the view that it is imperative to incentivise and retain key executives through 2011 and beyond. A Long Term Compensation (LTC) Plan, covering the period 1 July 2009 to 30 June 2012, was introduced for a group of approximately 230 executives in Australia and the US on 1 July 2009. At inception, of the current executive KMP, Michael Carroll, Mark Wilson, Gerard Condon and Michael Bennett were participants in the Plan. Chris Nunn and Dimitri Kiriacoulacos joined the Plan upon commencement of their employment with Centro Properties Group on 1 September 2009 and 1 October 2009 respectively. The Plan has continued to apply during 2011.

This LTC Plan entails the grant of cash-based awards subject to the achievement of debt extension and/or recapitalisation goals covering both the US debt and Australian debt, as well as a service requirement until 30 June 2012. The Board has determined that an LTC Plan providing cash payments (rather than equity grants) tied to the successful achievement of these key strategic imperatives (rather than the more common measures such as Total Shareholder Return (TSR) or share price growth) is appropriate for the Group's executive KMP given the current circumstances faced by CNP. In the Board's view, securityholder value over this period is best served by providing an LTC Plan to reward achievement of (a) debt extension objectives and/or recapitalisation of the Group and (b) the retention of key people during a difficult and challenging period for the Group.

In light of recent developments relating to the restructure of the Group the Board has made a number of determinations as to what will constitute successful performance against the hurdles of each tranche under the LTC Plan. Details of these determinations are set out in the table below.

Tranche	Performance hurdle	Reason for choosing the target	Methods of assessment	Date Payable
1	A payment of 25% of the award subject to the achievement of a successful extension of the US debt facilities.	Achievement of these performance hurdles is critical to the Group's future	The Board has determined that this objective has been met and related payments were made in January 2011. Details of actual payments made under this plan, during 2011 can be found in the table on Page 40.	Actual payment was disbursed on 15 January 2011.
2	A payment of 25% of the award subject to the achievement of successful extension of the Australian debt or a successful recapitalisation of the Group.		The Board has determined that this objective was met on the signing of the Implementation Agreement on 8 August 2011, on the basis that the LTC Plan participants have successfully provided the means for a Group recapitalisation proposal to be put to a securityholder vote.	Although the performance condition has been satisfied, this payment will not be made until January 2012, or 30 days after Full Aggregation under the Implementation Agreement, whichever is the earlier. ^{(1) (2)}
3	A final payment of the remaining 50% of the award subject to the participant remaining employed with the Company and not resigning by 30 June 2012.		The employee remains employed by the Group at 30 June 2012.	This payment will be made in July 2012. ⁽¹⁾

(1) Payments for tranches 2 and 3 may also be made in accordance with the Centro Properties Group Redundancy Policy and Procedure or the LTC Plan. These documents provide that where a key employee is terminated due to redundancy, death or disability following satisfaction of the performance hurdle for tranche 2 but prior to award payments for tranche 2 and tranche 3 becoming payable, those key employees are eligible to receive the relevant LTC awards upon termination of their employment.

(2) The LTC Plan originally provided that tranche 2 would be payable on the latter to occur of January 2012 and 30 days after a successful extension of the Australian debt facilities. This formulation did not adequately provide for circumstances where the 'successful recapitalisation' performance hurdle was satisfied. Accordingly, in July 2011 the Board determined to apply this alternative Date Payable.

Long Term Compensation (LTC) Plan – Grants and Actual Payments.

Details of the LTC Plan grants made to executive KMP, components of which became payable in 2011 are set out in the table below:

Name	Date of grant	Type/nature of grant	Years payable	Maximum value of grant	Tranche 1 actual payment (January 2011)
R.Tsenin	1-Mar-10 (on commencement of employment as Group CEO & Managing Director)	Cash grant	2011, 2012	\$5,500,000	\$1,375,000 ⁽²⁾
M.Carroll	1-Jul-09	Cash grant	2011, 2012 and 2013	\$2,131,979	\$472,500
C. Nunn	1-Sep-09 (on commencement of employment).	Cash grant	2011, 2012 and 2013	\$459,710	\$114,928
M. Wilson	1-Jul-09	Cash grant	2011, 2012 and 2013	\$487,000	\$121,750
D. Kiriacoulacos	1-Oct-09 (on commencement of employment).	Cash grant	2011, 2012 and 2013	\$300,160	\$75,040
G.Condon ⁽¹⁾	1-Jul-09	Cash grant	2011, 2012 and 2013	\$357,250	\$71,875
M. Benett ⁽¹⁾	1-Jul-09	Cash grant	2011, 2012 and 2013	\$331,875	\$66,375

(1) Tranche 1 of the LTC Plan payments to Mr Condon and Mr Benett were based on 25% of their fixed remuneration as at the date the LTC Plan was put in place. Subsequently both renegotiated the terms of their employment contracts and, as a result, the value of Tranche 2 and Tranche 3 of their LTC Plan grant are to be calculated on the basis of their revised fixed remuneration. The sum of the three components is reflected in the figures above.

(2) Mr Tsenin became entitled to this amount during 2011. Payment is being held in escrow and will be made in accordance with the detail set out in the 'Date Payable' column in Section 2.4 (j) of this Report.

2.5 Special Bonus Plan

As indicated in the overview table provided at the beginning of this report, a Special Bonus Plan was put in place in November 2010 to reward the commitment, and to ensure the continued engagement and retention of key personnel, during the Group's restructuring period. As noted above, no LTI grants were made to executive KMP in relation to 2011 and, whilst there was a level of certainty regarding the likelihood of the first of the three payments under the 2009 LTC Plan grants being made at the time the Special Bonus was granted, there was much less certainty regarding the vesting of the subsequent tranches of the 2009 LTC Plan grants as at that time CNP was progressing restructuring plans and in discussions with its senior lenders. The Board felt there was a real risk that, if key employees were not retained by the Company throughout the restructuring period, the value of the Group's assets and business could significantly deteriorate and that it was therefore imperative for these people to remain committed and appropriately rewarded for the 12 months throughout an uncertain period that would be highly demanding on their time and commitment. The Special Bonus Plan was introduced to achieve this. The Special Bonus was granted as a cash reward to recognise the exceptional achievements of the nominated key employees in the period of up to 12 months preceding the grant. However, the release of the bonus amount to participants has been deferred and made subject to forfeiture in certain circumstances to encourage retention of the key executives who have been invited to participate.

Those invited to participate were granted a deferred cash bonus payment under the Special Bonus Plan equivalent to six months of the participant's fixed remuneration as at 1 December 2010. The bonus was offered in addition to their participation in the STI program and the LTC Plan.

The terms of the offers to participants under Special Bonus Plan provide that:

- the bonus will be paid by periodic instalments into a trust account and held on behalf of the participant for a further period, subject to the forfeiture conditions (see below).
- the bonus amount will be released to the participant on 31 December 2011 or such earlier date as determined by the Board in its absolute discretion.
- the full amount of the Bonus will be forfeited by the participant on the occurrence of any of the following on or before the date on which the Bonus is due to be released to the participant:
 - The participant being in breach of the confidentiality obligations under the offer;
 - The resignation or retirement of the participant;
 - The termination of the participant for poor performance or unacceptable conduct; or
 - The summary dismissal of the participant.

All executive KMP other than Mr Tsenin ⁽¹⁾ and Mr Wilson ⁽²⁾ received and accepted an offer to participate in the Special Bonus Plan in 2011.

- (1) Mr Tsenin was not provided with an offer as the Board was satisfied that his mix of remuneration components was appropriate to incentivise him to complete the restructuring and recapitalisation activities he was engaged to lead.
- (2) Mr Wilson was not provided with an offer as this would have represented a significant and material variation to his contract of employment dated 29 April 2009. As set out on Page 47 of this report, Mr Wilson's employment contract provides for the payment of an amount greater than 12 months fixed remuneration in the event that CNP were to end his employment. This contract was executed prior to amendments to the Corporations Act which now effectively limit the value of termination payments for senior executives to 12 months fixed remuneration. Consistent with current legislation these provisions have been grandfathered for Mr Wilson.

The maximum value of payments to be made under the Special Bonus Plan for participating executive KMP as at 31 December 2011 and subject to all conditions being fulfilled is as follows:

KMP	Maximum Payment
Robert Tsenin	N/A
Mike Carroll ⁽¹⁾	N/A
Chris Nunn	\$275,000
Mark Wilson	N/A
Dimitri Kiriacoulacos	\$225,000
Gerard Condon	\$215,000
Michael Benett	\$200,000

(1) As a result of the disposal of the significant proportion of the US assets and business on 28 February 2011 and Mr Carroll ceasing to be a KMP of the Group at that time, Mr Carroll is not eligible to receive a payment under this Plan.

2.6 Equity Based Long Term Incentive Plans – Historic.

The following information regarding CNP's historical equity based Long Term Incentive plans is published because of a compliance obligation to provide these disclosures. Whilst each of the plans described have technically remained in existence during 2011, existing holdings under these plans have no remaining benefit to ESP participants given the current market price of CNP securities. Other than the equity grants for Mr Carroll, who ceased to be an employee of the Group when the US platform was disposed of on 28 February 2011, all other equity based long term incentive plans have no impact on the remuneration of executive KMP for 2011.

Employee Security Plan and Loan Scheme (ESP)

Historically, CNP employees were provided with the opportunity to acquire CNP securities under the Centro Employee Security Plan and Loan Scheme (ESP), through an interest free loan with loan repayments made through distributions. This Plan was approved by unit holders in 1991. The last offer to acquire securities under this Plan occurred in September 2007.

For executives who participated at the time, retention of the ESP securities was subject to performance of CNP securities as measured by the TSR over three years, relative to the TSR of companies in the ASX Property (A-REIT) 200 Accumulation Index (comparator group) over the same period. As the last testing date for the ESP was 30 June 2010, no TSR measurements applied for the three year period ended 30 June 2011.

Given CNP's failure to meet the required relative TSR performance, all securities acquired under this Plan with a performance measurement date after December 2007 have been forfeited. On forfeiture, under the terms of the Plan, CNP accepted the net proceeds on sale of the securities in full settlement of the loan.

In the case of other employees who were given the opportunity to acquire ESP securities with no performance hurdles, or for senior employees who retained securities as a result of a successful TSR performance prior to December 2007, the loan associated with the acquisition of the securities remains in place for a term of 10 years from acquisition. At that point, the employee can elect to have the loan settled in full from the net proceeds on sale of the securities.

Of the KMP included in this report, the following table represents the balance as at 30 June 2011 for loans which were provided to executive KMP to fund the acquisition of securities under the ESP prior to December 2007. At the expiry of the loan term, the proceeds from the disposal of the securities will be used to satisfy the loan and thus no benefit is realised by the executive KMP.

	No. of Securities Held	Market Value of Loan 30 June 2011 ⁽¹⁾	Interest Paid & Payable 30 June 2011	Interest NOT Charged during the Year 30 June 2011 ⁽²⁾	Loan Face Value 30 June 2011	Highest Level of Indebtedness
M Wilson ⁽³⁾	450,000	16,558	-	\$118,327	\$1,536,718	\$1,536,718
M Bennett ⁽⁴⁾	47,841	1,760	-	\$18,192	\$236,261	\$236,261
G Condon ⁽⁵⁾	101,000	3,716	-	\$18,229	\$236,734	\$236,734

(1) Market value of loan is calculated using the security price as at 30 June 2011.

(2) The loans provided to employees under the ESP are treated as options under AASB 2 *Share-based Payment*. The expense included within each employees remuneration is based on the expense calculated in accordance with the requirements of AASB 2. No expense has been registered in 2011 as the securities vested in previous periods. 'Interest not charged' is provided for information purposes only.

(3) Total loan balances for Mr Wilson relate to two different grants, the first issued on 1 November 2003 and the second issued on 1 October 2004.

(4) Total loan balances for Mr Bennett relate to two different grants, the first issued on 1 October 2004 and the second issued on 3 October 2007.

(5) Total loan balances for Mr Condon relate to two different grants, the first issued on 1 June 2003 and the second issued on 1 October 2004.

In addition to the aforementioned ESP arrangements the following equity based LTI arrangements have historically been provided to US executives of CNP.

Executive Option Plan (EOP) – Granted to US executives

US executives were granted options under the terms of the Executive Option Plan (EOP) which was approved by CNP securityholders at the 2001 AGM and subsequently revised by the Board in February 2006 for the purpose of granting options to US Executives. The most recent grant occurred in April 2008.

The EOP enabled employees to receive options over CNP securities with an exercise price set at the prevailing market price and with an exercise period (subject to continued employment, and in some cases, forfeiture based on the same performance measures as applied to the Australian ESP [TSR over three years, relative to the TSR of companies in the ASX Property (A-REIT) 200 Accumulation Index comparator group over the same period]) of seven years from the vesting date. All options remain well below the exercise prices and continue to hold no value for EOP Plan participants.

In the case of those options granted subject to continued employment but with no performance hurdles, the Board considered that this practice was consistent with US market practice.

Under the rules of the Plan, in the event of termination by the employer without cause, or by the executive for a defined 'good reason', options which remained within the performance test period may be retained subject to meeting certain conditions. However, as has been reported, CNP is deemed to have lost control of substantially all of its US assets on the 28 February 2011. In this scenario, the rules of the Plan provide that the vesting condition will be deemed to have been met in full. The exercise period would begin on the date of the disposal and would end at a date to be determined by the Board. At the end of the takeover period any unexercised options shall expire and terminate on that date. As the takeover period has now ended (with the acquisition transaction complete) all unexercised options have therefore been terminated.

Executive KMP holdings under this Plan are disclosed below.

M. Carroll												
Type of Equity Grant	Number of Securities/ Options held as at 30 June 2011	Fair Value at Grant Date	Fair Value per security at Grant Date	Number of Securities/ Options held as at 1 July 2010 but disposed of or ceased to be held under ESP before 30 June 2011	Date of Grant	% vested	Number Options vested	Date vested	% forfeited	Future financial year that securities will vest	Exercise Price	Expiry date
Options over Centro Properties Group securities issued pursuant to EOP with three year time vesting terms	175,700	\$258,806	\$1.47	0	31 July 2007	100%	175,700	31 July 2010	0%	N/A	\$8.15	31 July 2017
Options over Centro Properties Group securities issued pursuant to EOP with three year time vesting and performance vesting terms ⁽¹⁾	87,850	\$129,139	\$1.47	87,850	31 July 2007	50%	87,850	31 July 2010	50%	N/A	\$8.15	31 July 2017
Ordinary securities issued pursuant to RSU with three year time and performance conditional vesting terms	0	\$422,676	\$7.96	53,100	31 July 2007	N/A	N/A	31 July 2010	100%	N/A	N/A	N/A
Total	263,550											

(1) Of the total number of Options held over stapled securities, 50% were subject to a time vesting condition and 50% were subject to a TSR performance vesting condition. The 50% forfeited were those where the TSR performance condition was not satisfied at the vesting date of 31 July 2010. The 50% that vested were the options which met the time based condition and could be exercised at the vesting date of 31 July 2010.

Employee Security Plan – Grant of Restricted Stock Units (RSU) to US executives

Under the terms of the RSU, the Board granted stock at zero cost to senior US executives in July 2007. These grants were made at the time a number of senior executives from the former New Plan organisation joined CNP. The grants were made subject to forfeiture based on the same performance hurdles applicable to the EOP (as set out immediately above). The vesting date for the July 2007 grant was 31 July 2010. At this time, as the grants had not met the applicable performance hurdles, they were fully forfeited as per the rules of the Plan.

Any remaining holdings under historical equity plans will continue to be administered under the terms of the original offers. Where applicable a value has been ascribed to the ESP, EOP and RSU under the share based payment rules of the Australian Accounting Standards and has been included in the Remuneration Table for relevant executives.

SECTION 3 – EXECUTIVE KMP REMUNERATION IN DETAIL

3.1 Company Performance Data – Historical

As noted in the Executive Summary at the beginning of this Remuneration Report, while the Company recognises that, from a governance perspective it is traditionally important to have in place remuneration programs that focus key people on achieving performance outcomes that are objectively measured against its competitors, given the negative equity position of the Company for 2011, and the significance of the Company's current circumstances, the Group's remuneration and performance management programs have more appropriately focused on objectives related to the successful negotiation of the restructure and recapitalisation, the desire to deliver maximum returns to the Group's various stakeholders, and the need to retain key people during a very challenging period.

Notwithstanding the fact that the Company's remuneration policy has not been focussed on a direct correlation with Company performance, the following historical performance data covering 2011 and the four years prior is provided to comply with the Company's disclosure obligations under the *Corporations Act 2001* (Cth).

Distributions Paid in Respect of the Following Years

The Company has not paid any dividends or other distributions since 2007. In 2007, a dividend of 39.8 cents per security was paid to securityholders.

Historical CNP security prices ⁽¹⁾

	Start	Finish
Year ended 30 June 2011	\$0.135	\$0.037
Year ended 30 June 2010	\$0.093	\$0.135
Year ended 30 June 2009	\$0.245	\$0.093
Year ended 30 June 2008	\$8.500	\$0.245
Year ended 30 June 2007	\$6.088	\$8.500

(1) The start price for the new financial year is the closing price on the final day of trading in the year prior.

Returns on Capital

The Company confirms that at no stage between 2011 and 2007 have securityholders been provided with any return of capital by cancellation of shares or payment at prices above the then current trading price.

3.2 Remuneration

Details of the remuneration and key employment terms of executive KMP who are executives of the Group are set out in the following tables. The tables also include historical details for one other executive (Mr S Siegel) whose remuneration placed him within the five highest paid executives in the Group in 2010. However he was not considered an executive KMP at that time.

Senior Executive Remuneration

Name	Year	Short Term Employee Benefits			Long Term Employee Benefits			Termination		Post Employment	Equity based on Remuneration ⁽⁹⁾		
		Fixed Salary	Short Term Incentive	Non-Monetary Benefits ⁽¹⁾	Long Term Compensation Plan ⁽²⁾	Special Bonus ⁽¹¹⁾	Long Service Leave Accrued	Payments on Termination	Super-annuation/401K match		Shares	Options	Total
R. Tsenin ⁽⁶⁾	2010	\$484,665	\$585,000	\$36,664	\$611,111	\$0	\$0	\$0	-	\$6,026	\$0	\$0	\$1,723,466
Group Chief Executive Officer	2011	\$1,359,800	\$2,400,000	\$98,030	\$3,513,889	\$0	\$0	\$0	-	\$25,200	\$0	\$0	\$7,396,919
M. Carroll ⁽¹²⁾	2010	\$673,348	\$622,414	\$21,541	\$710,660	\$0	\$0	\$0	-	\$3,905	\$140,892	\$172,537	\$2,345,297
Chief Executive Officer – US (until 28 February 2011)	2011	\$428,263	\$300,246	\$13,498	\$437,252	\$209,787	\$0	\$0	-	\$7,652	\$11,741	\$14,378	\$1,422,817
C. Nunn ⁽⁷⁾	2010	\$394,658	\$221,220	\$14,182	\$127,697	\$0	\$0	\$0	-	\$40,000	\$0	\$0	\$797,757
Group Chief Financial Officer	2011	\$481,077	\$360,940	\$19,703	\$166,006	\$144,849	\$0	\$0	-	\$46,617	\$0	\$0	\$1,219,192
M. Wilson ⁽⁸⁾	2010	\$176,075	\$128,753	\$1,508	\$54,232	\$0	\$2,957	\$60,210	-	\$7,258	\$0	\$0	\$430,993
General Manager – Property Operations Australia	2011	\$555,499	\$431,260	\$6,914	\$162,333	\$0	\$14,585	\$0	-	\$19,501	\$0	\$0	\$1,190,092
D. Kiracoulacos ⁽⁹⁾	2010	\$118,513	\$87,013	\$548	\$33,351	\$0	\$0	\$0	-	\$4,820	\$0	\$0	\$244,245
Group General Counsel	2011	\$434,800	\$337,500	\$1,640	\$112,560	\$118,513	\$0	\$0	-	\$15,200	\$0	\$0	\$1,020,213
G. Condon ⁽⁹⁾	2010	\$85,585	\$72,293	\$9,808	\$32,046	\$0	\$1,715	\$27,589	-	\$12,693	\$0	\$0	\$241,729
General Manager – Syndicate Funds Management	2011	\$359,634	\$302,350	\$30,031	\$130,708	\$113,245	\$28,568	\$0	-	\$15,200	\$0	\$0	\$979,736
M. Bennett ⁽⁹⁾	2010	\$95,179	\$64,166	\$822	\$29,581	\$0	\$1,577	\$34,708	-	\$4,820	\$0	\$0	\$230,853
Deputy Chief Executive Officer & Chief Restructuring Officer	2011	\$376,800	\$281,250	\$3,280	\$121,688	\$105,345	\$16,761	\$0	-	\$15,200	\$0	\$0	\$920,324
S. Siegel ⁽¹⁰⁾	2010	\$439,932	\$353,639	\$19,122	\$310,209	\$0	\$0	\$110,909	-	\$6,599	\$135,909	\$0	\$1,376,319
Executive Vice President & General Counsel – US	2011	\$0	\$0	\$0	\$0	\$0	\$0	\$0	-	\$0	\$0	\$0	\$0
G. Ruffano ⁽⁴⁾	2010	\$928,552	\$1,989,604	\$35,614	\$0	\$0	\$0	\$6,283	\$147,633	\$6,283	(\$584,697)	\$0	\$2,168,990
Former Group Chief Executive Officer	2011	\$0	\$0	\$0	\$0	\$0	\$0	\$0	-	\$0	\$0	\$0	\$0
A. Clarke ⁽⁵⁾	2010	\$657,026	\$200,000	\$1,092	\$0	\$800,000	\$0	\$74,435	-	\$48,772	\$0	\$0	\$1,781,325
Former Chief Executive Officer – Australia	2011	\$0	\$0	\$0	\$0	\$0	\$0	\$0	-	\$0	\$0	\$0	\$0
Total	2010	\$4,053,533	\$4,324,102	\$140,901	\$1,908,887	\$800,000	\$6,249	\$222,068	\$141,176	\$20,309	(\$276,251)	\$0	\$11,340,974
	2011	\$3,995,873	\$4,413,546	\$173,096	\$4,644,436	\$691,739	\$59,914	\$0	\$144,570	\$11,741	\$14,378	\$0	\$14,149,293

Footnotes contained on next page.

- (1) Includes motor vehicle and other non cash fringe benefits. In the case of Mr Tsenin, it also includes the value of his Living Away From Home Allowance. In the case of Mr Rufrano it also includes the value of accommodation and other expatriate benefits provided to him during his time in Australia.
- (2) Represents the expense accrued for the LTC Plan in accordance with Australian Accounting Standards. Actual payments made in 2011 are recorded in the table on Page 40. In the case of the LTC Plan expense for Mr Tsenin, as a consequence of the Board's determinations as to what will constitute successful performance against the LTC hurdles, the accounting expense is a mix of amounts relating to Tranches 1, 2 and 3.
- (3) This column provides a prescribed value for equity-based remuneration as required by Australian Accounting standards (AASB 2 *Share Based Payment*) and not the realisable value of those holdings or the value of interest not charged. The calculations depend on whether the equity holdings are loan based securities – in the form of securities acquired with a loan, or restricted stock – securities granted at no cost, or options:
 - Loan based securities: the calculation treats each security as an option and then calculates for awards (granted in the three prior years) the value attributable to 2011.
 - Restricted stock: the calculation uses the market value of the security at acquisition and then calculates for awards (granted in the three prior years) the value attributable to 2011.
 - Options: the calculation establishes for the EOP awards (granted in the three prior years) the value attributable to 2011.
- (4) The equity based remuneration figure for Mr Rufrano includes a negative amount for securities forfeited during 2010 (following resignation) resulting in the reversal of the amount expensed since issue.
- (5) The special bonus payment of \$800,000 for Mr Clarke refers to a retention payment covering the period from March 2009 to February 2010, as per Mr Clarke's contract.
- (6) Mr Tsenin was appointed as Group Chief Executive Officer and Managing Director on 1 March 2010 following his appointment as CEO designate on 5 February 2010. Mr Tsenin's remuneration as a non-executive director during 2010 is provided in the table at Section 4.3.
- (7) Mr Nunn was appointed as Group Chief Financial Officer on 1 September 2009.
- (8) Mr Wilson became a KMP in 2010 from 1 March 2010 following an Executive Committee restructure. Amounts under all relevant headings for 2010 detail Mr Wilson's remuneration for the period 1 March 2010 to 30 June 2010 (4 months) as required by the Corporations Act.
- (9) Messrs Kiriacoulacos, Condon and Benett became KMP in 2010 from 1 March 2010 following an Executive Committee restructure. Amounts under all relevant headings for 2010 detail their remuneration for the period 1 March 2010 to 30 June 2010, as required by the Corporations Act.
- (10) Mr Siegel was included in the 2010 Remuneration table as he was one of the five highest remunerated officers at the time.
- (11) As the Special Bonus Plan has an overall duration of 13 months it is considered, under Australian Accounting Standards, to be a long term employee benefit.
- (12) Mr M Carroll ceased to be a KMP of the Group on 28 February 2011 when CNP disposed of substantially all of its US assets and businesses to Blackstone. Remuneration presented is for the period up to 28 February 2011. No termination payments were made to Mr Carroll during 2011 as his employment continued with Blackstone following the disposal.

Remuneration Mix for Executive KMP Performance in 2011

The following table provides details of the relative proportions of actual remuneration to total remuneration for KMP.

	Fixed Remuneration	Short Term Incentive (Calculated with reference to actual 2011 payment)	Long Term Incentives	% of Remuneration Consisting of Options
R. Tsenin Group Chief Executive Officer/ Managing Director	19%	33%	48%	0%
M. Carroll Former Chief Executive Officer – US	36%	25%	37%	2%
C. Nunn Group Chief Financial Officer	50%	34%	16%	0%
M. Wilson General Manager – Property Operations Australia	49%	37%	14%	0%
D. Kiriacoulacos Group General Counsel	50%	37%	13%	0%
G. Condon General Manager – Syndicate Funds Management	46%	38%	16%	0%
M. Benett Deputy Chief Executive Officer & Chief Restructuring Officer	49%	36%	15%	0%

3.3 Key Employment Terms of executive KMP during 2011

Remuneration and other terms of employment are formalised in Executive Service Agreements. Each of these Agreements provide for the participation in the performance-related STI Plan and eligibility to participate in the LTC Plan. Other major provisions of the Agreements relating to the employment of executive KMP are set out below:

Name	Contract duration ⁽¹⁾	Payments on termination ⁽²⁾	Notice required to terminate (months)	
			Employee	Company
R. Tsenin Group Chief Executive Officer/Managing Director (from 1 March 2010)	Fixed Term to 28 February 2013	One times Fixed Salary plus Company Super plus Living Away from Home Allowance in lieu of notice	6	12
C. Nunn Group Chief Financial Officer	On-going contract	One times Fixed Salary plus Company Super in lieu of notice	6	12
M. Wilson General Manager – Property Operations Australia	On-going contract	One and a half times the sum of Fixed Salary plus Company Super plus the average of the last two years' STI bonus payments plus the value attributed to the current LTI grant in lieu of notice	6	18
D. Kiriacoulacos Group General Counsel	On-going contract	One times Fixed Salary plus Company Super in lieu of notice	6	12
G. Condon ⁽³⁾ General Manager – Syndicate Funds Management	On-going contract	One times Fixed Salary plus Company Super in lieu of notice	6	12
M. Benett ⁽⁴⁾ Deputy CEO and Chief Restructuring Officer	On-going contract	One times Fixed Salary plus Company Super in lieu of notice	6	12
M. Carroll ⁽⁵⁾ Former Chief Executive Officer – US	12 months automatically extended for unlimited number of additional one year periods subject to notice.	One times Fixed Salary plus average of the last two years' Bonus payments	6	6

- (1) All of the contracts described above, with the exception of those between Mr Tsenin, Mr Condon and Mr Benett, and CNP, were entered into prior to 24 November 2009.
- (2) Termination payments are payable if the Company terminates the senior executive's employment without cause or if the senior executive terminates his employment for a fundamental change or with good reason and is paid in lieu of notice and any relevant entitlements under National Employment Standards. Entitlement to the LTC awards is forfeited unless the Board has determined that the relevant measure has been achieved and the termination is not through resignation or with cause.
- (3) Mr Condon signed a new employment agreement effective 3 March 2011 that provided for an increase in his fixed remuneration, and a revision to his notice and termination provisions such that the payment in lieu of notice by the employer will be a separation payment equal to annual base remuneration as at termination, subject to Part 2D.2 of the Corporations Act. The provision for Mr Condon to provide 6 months notice if he wishes to terminate his employment did not change.
- (4) Mr Benett was previously the General Manager – Institutional Funds Management. Mr Benett signed an amendment to his employment agreement on 24 January 2011, as a result of his appointment to the position of Deputy CEO and Chief Restructuring Officer, Centro Retail Trust, that provided for an increase in his remuneration. The provision for Mr Bennett to provide 6 months notice if he wishes to terminate his employment and for CNP to provide 12 months notice if the Company wishes to end the employment did not change.
- (5) As advised elsewhere, Mr Carroll's employment was effectively transferred to Blackstone effective 28 February 2011, due to the sale of substantially all of the US assets and business.

SECTION 4 – NON-EXECUTIVE DIRECTOR REMUNERATION

4.1 Governance

The Board maintains a Nomination Committee whose role is to advise the Board on matters relating to the appointment and remuneration of non-executive Directors. The composition and function of this Committee is set out within the Corporate Governance section of this Annual Report. Committee charters are available on the CNP website at www.centro.com.au.

4.2 Board and Committee Fees

Non-executive Directors' fees, including committee fees and ad hoc fees, are determined by the Board based on recommendations from the Nomination Committee. Fees are set within an aggregate Directors' fee pool limit, which is periodically recommended for approval by securityholders. The current maximum of \$2,250,000 was approved at the 2007 AGM. This did not change in 2011.

Non-executive Directors receive a Director's fee of \$125,350 per annum inclusive of Company superannuation contributions. This amount has remained unchanged since the 2010 financial year.

Non-executive Directors are also permitted to be paid additional fees for attendance at committee meetings of which they are a member. Such fees are included in the aggregate remuneration cap approved by securityholders. Committee Fees remain unchanged from arrangements in 2010.

Committee membership fees, inclusive of Company superannuation contributions, are as follows:

Audit Committee – \$8,720 per annum

Risk Committee – \$7,630 per annum

Compliance Committee – \$7,630 per annum

Finance Committee – \$7,630 per annum

Remuneration and HR Committee – \$4,905 per annum

Nomination Committee – \$4,905 per annum

Committee Chairmen receive a fee equal to twice the relevant Committee members' fees.

Non-executive Directors who sit on other committees of the Board, such as due diligence committees receive a meeting fee of \$3,300 per full day and \$2,000 per half day. During the year non-executive Directors were entitled to receive ad hoc committee fees of \$8,000 (2010: \$16,000).

The Chairman of the Board receives a fee equal to three times the non-executive Director's fee (consistent with 2010). This level of remuneration reflects the greater time commitment and responsibility required and is commensurate with similar roles in the external market. The Chairman receives no further remuneration for Committee membership although he chairs the Nomination Committee, is a member of the Remuneration and HR Committee and attends other Committee meetings.

Company superannuation contributions are included in the fee pool limit. Non-executive Directors are also entitled to be reimbursed for all business related expenses, including travel on company business, as may be incurred in the discharge of their duties.

4.3 Current Non-executive Director Remuneration in Detail

Name	Year	Short Term Benefits			Post-employment benefits		Total
		Directors' fees	Committee fees (including ad hoc committee fees)	Non-monetary benefits	Superannuation contributions	Retirement benefit	
P. Cooper (Chairman)	2010	\$355,820	\$0	\$0	\$20,230	\$0	\$376,050
	2011	\$360,850	\$0	\$0	\$15,200	\$0	\$376,050
R. Tsenin ⁽²⁾ Former Non Executive Director	2010	\$40,103	\$10,113	\$0	\$4,320	\$0	\$54,536
	2011	\$0	\$0	\$0	\$0	\$0	\$0
A. Buduls ⁽¹⁾	2010	\$86,250	\$22,285	\$0	\$9,768	\$0	\$118,303
	2011	\$115,000	\$33,500	\$0	\$13,365	\$0	\$161,865
J. Hall	2010	\$115,000	\$29,375	\$0	\$12,994	\$0	\$157,369
	2011	\$115,000	\$30,000	\$0	\$11,492	\$0	\$156,492
S. Oliver ⁽¹⁾	2010	\$86,250	\$20,875	\$0	\$9,641	\$0	\$116,766
	2011	\$115,000	\$32,500	\$0	\$13,275	\$0	\$160,775
R. Wylie	2010	\$101,147	\$28,000	\$0	\$26,723	\$0	\$155,870
	2011	\$115,000	\$37,500	\$0	\$13,545	\$0	\$166,045
P. G. Goldie Former Non Executive Director ⁽³⁾	2010	\$28,897	\$6,659	\$0	\$3,200	\$504	\$39,260
	2011	\$0	\$0	\$0	\$0	\$0	\$0
S. Kavourakis Former Non Executive Director ⁽³⁾	2010	\$28,897	\$19,141	\$0	\$2,883	\$0	\$50,921
	2011	\$0	\$0	\$0	\$0	\$0	\$0
L. P. Wilkinson Former Non Executive Director ⁽³⁾	2010	\$28,897	\$2,890	\$2,800	\$34,648	\$0	\$69,235
	2011	\$0	\$0	\$0	\$0	\$0	\$0
Total	2010	\$871,261	\$139,338	\$2,800	\$124,407	\$504	\$1,138,310
	2011	\$820,850	\$133,500	\$0	\$66,877	\$0	\$1,021,227

(1) Ms Buduls and Ms Oliver were appointed to the Board effective 1 October 2009.

(2) Mr Tsenin was appointed to the Board effective 1 October 2009 and to the position of Group Chief Executive Officer and Managing Director effective 1 March 2010. Mr Tsenin's remuneration as CEO designate, Group CEO and Managing Director is provided in the table at Section 3.2.

(3) Messrs, Goldie, Kavourakis and Wilkinson retired from the Board effective 30 September 2009.

Remuneration Received by CNP Directors who were also Directors of Centro Retail Limited (CER) During 2011

During 2011 Messrs Cooper and Hall, and Ms Buduls were also remunerated in their capacity as directors of Centro Retail Limited, a controlled entity of the Group. Mr Hall resigned as a Director of Centro Retail Limited on the 15 November 2010 so his fees as a Director of this entity reflect the part year only. Ms Buduls was appointed as a Director of Centro Retail Limited on the 15 November 2010, so her fees similarly reflect the part year only. Centro Retail Limited and Centro Retail Trust are stapled entities trading on the ASX as Centro Retail Group (CER). The table below discloses the fees paid during 2011 to Messrs Cooper and Hall and Ms Buduls and the total fees they received, including the fees earned in their capacity as Directors of Centro Properties Limited.

Name	Year	Short-term benefits			Post-employment benefits		Total
		Directors' fees	Committee fees (including ad hoc committee fees)	Non-monetary benefits	Superannuation contributions	Retirement benefit	
P. Cooper (CER only)	2010	\$86,250	\$8,625	\$0	\$8,539	\$0	\$103,414
	2011	\$115,000	\$11,500	\$0	\$11,385	\$0	\$137,885
CNP & CER Total	2010	\$442,070	\$8,625	\$0	\$28,769	\$0	\$479,464
	2011	\$475,850	\$11,500	\$0	\$26,585	\$0	\$513,935
J. Hall (CER only)	2010	\$86,250	\$25,750	\$0	\$9,720	\$0	\$121,720
	2011	\$43,199	\$10,894	\$0	\$6,426	\$0	\$60,519
CNP & CER Total	2010	\$201,250	\$55,125	\$0	\$22,714	\$0	\$279,089
	2011	\$158,199	\$40,894	\$0	\$17,918	\$0	\$217,011
A. Buduls (CER only)	2010	\$0	\$0	\$0	\$0	\$0	\$0
	2011	\$72,391	\$22,805	\$0	\$8,038	\$0	\$103,234
CNP & CER Total	2010	\$86,250	\$22,285	\$0	\$9,768	\$0	\$118,303
	2011	\$187,391	\$56,305	\$0	\$21,403	\$0	\$265,099

4.4 No Security Plan for Non-executive Directors

The Group does not have a non-executive Director security plan. Non-executive Directors do not receive securities as part of their remuneration. Non-executive Directors do not have any loans from the Company under the ESP.

Non-audit Services

CNP may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are essential and will not compromise their independence.

Details of the amounts paid or payable to the auditor Ernst & Young for audit and non-audit services provided during the year are set out in Note 23 to the financial statements.

The Board has considered the non-audit services provided during the year and is satisfied these services are compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 10 Code of Ethics for Professional Accountants.

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 52.

Rounding of Amounts to the Nearest Thousand Dollars

CNP 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, in accordance with that class order, to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Signed at Melbourne on 28 August, 2011 in accordance with a resolution of the Directors.



Paul Cooper
Chairman

AUDITOR'S INDEPENDENCE DECLARATION



Ernst & Young Building
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001
Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
www.ey.com/au

Auditor's independence declaration to the directors of Centro Properties Limited

In relation to our review of the financial report of the Centro Properties Group for the year ended 30 June 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'B R Meehan'.

B R Meehan
Partner
Melbourne
28 August 2011

Liability limited by a scheme approved
under Professional Standards Legislation

INCOME STATEMENT

for the year ended 30 June 2011

		Centro Properties Limited and its Controlled Entities	
	Notes	30.06.11 \$'000	30.06.10 \$'000
REVENUE			
Property ownership revenue		1,222,587	1,707,709
Property services revenue		81,937	66,933
Distribution revenue		12,174	15,511
Interest revenue		16,475	16,469
Total Revenue		1,333,173	1,806,622
Liquidation value adjustments	2	1,329,328	-
Foreign currency translation reserve recycled on sale of US assets		607,792	-
Revaluation increment/(decrement) for directly owned investment properties	11(d)	349,649	(645,508)
Foreign exchange gains		272,686	45,326
Net gain on mark to market of derivatives and financial liabilities		239,204	33,068
Share of net profits of associates and joint venture partnerships accounted for using the equity method	11(b)	93,537	32,125
Fair value gain/(loss) on financial assets at fair value through profit or loss	11(c)	43,643	(22,820)
Other income		25,285	116,878
Discount on acquisition		-	4,384
Net loss on disposal of US assets	5(b)	(96,024)	-
Financing costs	8	(726,123)	(817,665)
Direct property expenses	3	(337,453)	(471,451)
Employee benefit expenses	8	(118,445)	(145,338)
Advisor fees		(82,259)	(31,990)
(Increase)/decrease in net assets attributable to puttable interests in consolidated finite life trusts		(36,555)	24,011
Impairment of intangible assets	12	(34,863)	(331,168)
Withholding and franchise taxes		(16,754)	(21,137)
Depreciation and amortisation expense	8	(16,899)	(17,044)
Bad and doubtful debt expenses		(14,814)	(29,304)
Net loss on the disposal of investment property and equity accounted investments		(6,148)	(1,552)
Other expenses from ordinary activities		(31,038)	(37,363)
PROFIT/(LOSS) BEFORE INCOME TAX		2,776,922	(509,926)
Income tax benefit/(expense)	9(a)	23,220	(13,252)
NET PROFIT/(LOSS)		2,800,142	(523,178)
Net profit/(loss) attributable to non-controlling interests:			
Centro Property Trust members		2,270,053	(328,018)
External		55,569	129,522
NET PROFIT/(LOSS) ATTRIBUTABLE TO MEMBERS OF CENTRO PROPERTIES LIMITED		474,520	(324,682)
Basic profit/(loss) per share in Centro Properties Limited (cents)	19	49.20	(33.81)
Diluted profit/(loss) per share in Centro Properties Limited (cents)	19	49.20	(33.81)
Net profit/(loss) attributable to members of Centro Properties Group analysed by amounts attributable to:			
Centro Property Trust members		2,270,053	(328,018)
Centro Properties Limited members		474,520	(324,682)
NET PROFIT/(LOSS) ATTRIBUTABLE TO MEMBERS OF CENTRO PROPERTIES GROUP		2,744,573	(652,700)
Basic profit/(loss) per stapled security in Centro Properties Group (cents)	19	284.54	(67.96)
Diluted profit/(loss) per stapled security in Centro Properties Group (cents)	19	284.54	(67.96)

The above Consolidated Income Statement has been prepared on a liquidation basis and should be read in conjunction with the accompanying notes.

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2011

	Centro Properties Limited and its Controlled Entities	
	30.06.11 \$'000	30.06.10 \$'000
NET PROFIT/(LOSS)	2,800,142	(523,178)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Net exchange (loss)/gain arising on translation of foreign operations	(137,876)	89,816
Reclassification adjustments: - Foreign currency translation reserve on US assets sold	(607,792)	-
TOTAL COMPREHENSIVE INCOME/(LOSS)	2,054,474	(433,362)
Total comprehensive income/(loss) for the year attributable to non-controlling interests:		
Centro Property Trust members	1,574,302	(299,839)
External	(85,540)	163,228
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO MEMBERS OF CENTRO PROPERTIES LIMITED	565,712	(296,751)
Total comprehensive income/(loss) attributable to members of Centro Properties Group analysed by amounts attributable to:		
Centro Properties Trust members	1,574,302	(299,839)
Centro Properties Limited members	565,712	(296,751)
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO MEMBERS OF CENTRO PROPERTIES GROUP	2,140,014	(596,590)

The above Consolidated Statement of Comprehensive Income has been prepared on a liquidation basis and should be read in conjunction with the accompanying notes.

Total comprehensive income/ (loss) attributable to members of Centro Properties Group of \$2,140.0 million (2010: \$596.6 million loss) is equal to the net profit of \$2,744.6 million (2010: \$652.7 million loss) plus the gain in the foreign currency translation reserve of \$3.2 million (2010: \$56.1 million gain) less foreign currency translation reserve on US assets disposed of \$607.8 million (2010: nil). This comprises total comprehensive income attributable to members of Centro Properties Limited of \$565.7 million (2010: \$296.7 million loss) and total comprehensive income attributable to members of Centro Property Trust of \$1,574.3 million (2010: \$299.8 million loss). Total comprehensive income attributable to non-controlling interests, which includes Centro Property Trust and external non-controlling interests, is \$1,488.8 million (2010: \$136.6 million loss) which comprises net profit of \$2,325.6 million (2010: \$198.5 million loss) and net loss on exchange differences arising on translation of foreign operations of \$270.7 million (2010: \$61.9 million loss) and reclassification of foreign currency translation reserve on US assets disposed of \$566.2 million loss (2010: \$nil).

BALANCE SHEET

as at 30 June 2011

		Centro Properties Limited and its Controlled Entities	
	Notes	30.06.11 \$'000	30.06.10 \$'000
CURRENT ASSETS			
Cash assets and cash equivalents		887,715	465,106
Restricted cash		4,052	91,061
Derivative financial instruments	15	4,730	3,563
Trade and other receivables	10	189,216	325,249
Non-current assets classified as held for sale	11(a)	11,700	69,232
Investments accounted for using the equity method	11(b)	658,048	-
Financial assets at fair value through profit or loss	11(c)	313,017	-
Investment property	11(d)	4,443,811	-
Plant and equipment		2,971	-
Intangible assets	12	199,735	-
Total current assets		6,714,995	954,211
NON-CURRENT ASSETS			
Investments accounted for using the equity method	11(b)	-	703,007
Financial assets carried at fair value through profit or loss	11(c)	-	297,141
Investment property	11(d)	-	14,452,250
Derivative financial instruments	15	-	21,957
Plant and equipment		-	22,362
Intangible assets	12	-	364,598
Trade and other receivables	10	-	18,174
Total non-current assets		-	15,879,489
TOTAL ASSETS		6,714,995	16,833,700
CURRENT LIABILITIES			
Trade and other payables	13	237,280	461,011
Interest bearing liabilities	16	4,975,858	4,925,567
Derivative financial instruments	15	232,396	13,869
Provisions	14	77,866	10,843
Puttable interests in consolidated finite life trusts		112,784	-
Total current liabilities		5,636,184	5,411,290
NON-CURRENT LIABILITIES			
Trade and other payables	13	-	37,009
Interest bearing liabilities	16	-	11,635,795
Derivative financial instruments	15	-	503,041
Deferred tax liabilities	17	-	33,060
Provisions	14	-	4,923
Puttable interests in consolidated finite life trusts		-	183,938
Total non-current liabilities		-	12,397,766
TOTAL LIABILITIES		5,636,184	17,809,056
NET ASSETS/(LIABILITIES)		1,078,811	(975,356)

The above Consolidated Balance Sheet has been prepared on a liquidation basis and should be read in conjunction with the accompanying notes.

BALANCE SHEET (CONTINUED)

	Centro Properties Limited and its Controlled Entities	
	30.06.11 \$'000	30.06.10 \$'000
EQUITY		
Equity attributable to members of Centro Properties Limited		
Contributed equity	284,505	284,505
Other equity ⁽¹⁾	(489,517)	(489,517)
Reserves	55,375	(36,721)
Accumulated losses	(544,770)	(1,019,290)
Total equity attributable to members of Centro Properties Limited	(694,407)	(1,261,023)
Equity attributable to non-controlling interests		
Centro Property Trust		
Contributed equity	2,957,638	2,957,003
Other equity ⁽¹⁾	(480,150)	(480,150)
Reserves	-	695,751
Accumulated losses	(1,783,081)	(4,053,134)
Total equity attributable to members of Centro Property Trust	694,407	(880,530)
External	1,078,811	1,166,197
Total equity attributable to non-controlling interests	1,773,218	285,667
TOTAL EQUITY	1,078,811	(975,356)
Equity attributable to members of Centro Properties Group:		
Centro Properties Limited members	(694,407)	(1,261,023)
Centro Property Trust members	694,407	(880,530)
TOTAL EQUITY ATTRIBUTABLE TO MEMBERS OF CENTRO PROPERTIES GROUP	-	(2,141,553)

(1) Other equity, totalling negative \$969.7 million results from the deemed reverse acquisition arising from the Centro/Prime merger which occurred in October 2004. Prior to the application of revised AASB 3 and AASB 127, CPL and CPT contributed equity were aggregated and shown as total contributed equity for the stapled entities. Other equity was included within the Group's contributed equity balance. However, current versions of Australian Accounting Standards (AASB 3 and AASB 127) require individual disclosure of equity attributable to Centro Properties Limited and Centro Property Trust. To avoid Centro Properties Limited showing a negative contributed equity balance, this negative other equity amount is shown separately from contributed equity.

The above Consolidated Balance Sheet has been prepared on a liquidation basis and should be read in conjunction with the accompanying notes.

CASH FLOW STATEMENT

for the year ended 30 June 2011

Centro Properties Limited and its Controlled Entities			
	Notes	30.06.11 \$'000	30.06.10 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of Goods and Services Tax)		1,252,935	1,788,037
Payments to suppliers and employees (inclusive of Goods and Services Tax)		(552,639)	(698,282)
Distributions received from associates and managed investments		63,928	75,720
Interest and other income received		31,824	45,736
Interest paid/derivative settlements		(709,413)	(743,891)
Net cash inflow from operating activities	21	86,635	467,320
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of other investments		48,268	-
Payments for other investments		(15,327)	(12,259)
Payments for plant and equipment		(2,196)	(1,286)
Proceeds from disposal of property investments		144,036	260,489
Payments for development of property investments		(108,099)	(79,090)
Net cash acquired on purchase of controlled entities	24(b)	23,257	362
Proceeds from US assets sold	5(b)	1,137,435	-
Payment of tax on disposal of US assets	17	(9,618)	-
Net cash inflow from investing activities		1,217,756	168,216
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from interest bearing liabilities		1,911,945	397,199
Repayments of interest bearing liabilities		(2,664,298)	(768,045)
Proceeds from issue of securities		635	512
Payments for financial restructuring costs		(42,757)	(17,947)
Distributions paid to non-controlling interests and puttable interests		(35,884)	(42,130)
Net cash outflow from financing activities		(830,359)	(430,411)
Net increase in cash and cash equivalents		474,032	205,125
Cash and cash equivalents at 1 July		465,106	266,064
Effects of exchange rate changes on cash and cash equivalents		(51,423)	(6,083)
Cash and cash equivalents at 30 June		887,715	465,106

The above Consolidated Cash Flow Statement has been prepared on a liquidation basis and should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2011

	Centro Properties Limited and its Controlled Entities	
	30.06.11 \$'000	30.06.10 \$'000
CHANGES IN EQUITY ATTRIBUTABLE TO MEMBERS OF CENTRO PROPERTIES GROUP		
Opening balance of contributed equity	3,241,508	3,240,996
Employee loan repayments classified as options	635	512
Closing balance of contributed equity	3,242,143	3,241,508
Opening balance of other equity	(969,667)	(969,667)
Movements in other equity	-	-
Closing balance of other equity	(969,667)	(969,667)
Opening balance of reserves	659,030	591,818
Opening balance of share-based payment reserve	54,470	43,368
Movement in share-based payment reserve	905	11,102
Closing share-based payment reserve	55,375	54,470
Opening balance of foreign currency translation reserve	604,560	548,450
Translation of foreign operations	3,232	56,110
Reclassification adjustments: Foreign currency translation reserve on US assets sold	(607,792)	-
Closing balance of foreign currency translation reserve	-	604,560
Closing balance of reserves	55,375	659,030
Opening balance of accumulated losses	(5,072,424)	(4,419,724)
Net profit/(loss) for the year	2,744,573	(652,700)
Closing balance of accumulated losses	(2,327,851)	(5,072,424)
CLOSING BALANCE OF EQUITY ATTRIBUTABLE TO MEMBERS OF CENTRO PROPERTIES GROUP	-	(2,141,553)
CHANGES IN EQUITY ATTRIBUTABLE TO EXTERNAL NON-CONTROLLING INTERESTS		
Opening balance	1,166,197	943,203
Total comprehensive income	(85,540)	163,228
Addition of contributed equity	1,088	61,804
Distributions provided for or paid	(2,934)	(2,038)
CLOSING BALANCE OF EQUITY ATTRIBUTABLE TO EXTERNAL NON-CONTROLLING INTERESTS	1,078,811	1,166,197
TOTAL EQUITY	1,078,811	(975,356)

The above Consolidated Statement of Changes in Equity has been prepared on a liquidation basis and should be read in conjunction with the accompanying notes.

Total comprehensive income/ (loss) attributable to members of Centro Properties Group of \$2,140.0 million (2010: \$596.6 million loss) is equal to the net profit of \$2,744.6 million (2010: \$652.7 million loss) plus the gain in the foreign currency translation reserve of \$3.2 million (2010: \$56.1 million gain) less foreign currency translation reserve on US assets disposed of \$607.8 million (2010: nil). This comprises total comprehensive income attributable to members of Centro Properties Limited of \$565.7 million (2010: \$296.7 million loss) and total comprehensive income attributable to members of Centro Property Trust of \$1,574.3 million (2010: \$299.8 million loss). Total comprehensive income attributable to non-controlling interests, which includes Centro Property Trust and external non-controlling interests, is \$1,488.8 million (2010: \$136.6 million loss) which comprises net profit of \$2,325.6 million (2010: \$198.5 million loss) and net loss on exchange differences arising on translation of foreign operations of \$270.7 million (2010: \$61.9 million loss) and reclassification of foreign currency translation reserve on US assets disposed of \$566.2 million loss (2010: \$nil).

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. The financial report includes the financial statements of the consolidated entity ("CNP" or "the Group") consisting of Centro Properties Limited (the Company) and its controlled entities. Parent entity disclosures are provided in Note 6.

(a) Statement of Compliance with International Financial Reporting Standards

This general purpose financial report complies with Australian Accounting Standards as applied under the liquidation basis of preparation. Compliance with Australian Accounting Standards ensures that the financial report, comprising the financial statements and the notes thereto, complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(b) Basis of Preparation of Financial Statements

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2011* as they apply on a liquidation basis.

The Group financial report reflects the consolidation of all entities controlled by Centro Properties Limited (the Company), including Centro Property Trust (the Trust).

For statutory reporting purposes, in accordance with AASB 3 *Business Combinations* and AASB 127 *Consolidated and Separate Financial Statements*, Centro Properties Limited is deemed to be the parent entity of the Centro Properties Group and therefore presents the consolidated financial statements of the Group.

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 Securities Exchange together, effectively as a "stapled security", for so long as the two entities remain jointly quoted.

(i) Liquidation basis of preparation

Financial statements are normally prepared on a going concern basis where there is neither the intention nor the need to materially curtail the scale of the entity's operations. If such an intention or need exists, the financial statements cannot be prepared on a going concern basis.

On 1 March 2011, CNP announced that it had agreed with holders of approximately 73% of CNP's senior debt to progress a creditor's scheme of arrangement to effect the cancellation of all CNP's senior debt in consideration for substantially all CNP's Australian assets.

On 9 August 2011, CNP announced that it had entered into an agreement (Implementation Agreement) with its senior lenders to implement its restructure transaction together with the proposed Aggregation of the Australian assets and interests held by CNP, Centro Retail Trust (CER) and certain CNP managed funds.

Under the Implementation Agreement, CNP has agreed with holders of more than 83% of its senior debt (senior lenders) to implement a creditor's scheme of arrangement (Senior Debt Scheme) to effect, if all CNP and other approvals are obtained, the cancellation of CNP senior debt in return for substantially all of CNP's Australian assets and interests.

The Directors have reasonable grounds to believe that the Group will be able to successfully complete the restructure transaction on the basis that:

- An Implementation Agreement has been entered into with holders of its senior debt and other CNP managed funds;
- More than 83% of its Senior Lenders have agreed on the Senior Debt Scheme; and
- Subject to a satisfactory report from the Independent Expert and no superior offer being received, the Directors of the Group unanimously recommend the restructure as the best option that could be achieved for CNP securityholders

In the event a restructure does not occur, CNP will be placed in a position where it is likely that external administrators will be appointed. If this occurred, CNP securityholders and other stakeholders who are junior to the Senior Lenders, as well as contingent creditors, are likely to receive nothing because the assets of CNP are not sufficient to fully satisfy its senior debt obligations let alone the claims of those who are junior to the senior debt.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of Preparation of Financial Statements (continued)

Given the above circumstances existing at 30 June 2011, the Directors have concluded that the going concern assumption is no longer appropriate as the proposed transaction will result in a material curtailment of the scale of the operations of the Group. The Directors have applied the requirements of paragraph 25 of AASB 101 *Presentation of Financial Statements* which states that "When the financial report is not prepared on a going concern basis, that fact shall be disclosed, together with the basis on which the financial report is prepared and the reason why the entity is not regarded as a going concern."

Accordingly the financial statements have not been prepared on a going concern basis; rather these accounts have been prepared on a liquidation basis. Comparative information remains on a going concern basis and has not been adjusted.

Impact of adopting the liquidation basis of preparation on measurement, classification of assets and liabilities, and disclosures in the financial report

Under the liquidation basis of preparation, assets and liabilities are measured at their liquidation value. The liquidation value of assets is their net realisable value. Net realisable value is based on the proceeds receivable on disposal less selling costs as detailed in the accounting policies noted below. The liquidation value of liabilities is their expected settlement amount as detailed in the accounting policies noted below. Any gains or losses resulting from measuring assets and liabilities at liquidation value are recognised in the Income Statement as liquidation value adjustments.

Under the liquidation basis of accounting, all assets and liabilities previously classified as non-current are classified as current.

The impact of adopting the liquidation basis of preparation and measuring assets and liabilities at liquidation value is disclosed in Note 2.

In adopting the liquidation basis, the Directors have continued to apply the disclosure requirements of Australian Accounting Standards to the extent they are relevant to the liquidation basis, and modified them where considered appropriate. In particular, the financial report does not include all of the disclosures required by the following standards on the basis that the disclosures are not considered relevant for decision making by users as described below:

• *AASB2 Share-based payments*

There have been no changes from the previous years in share based payment arrangements. The disclosure

on number of options and description of the plans has been provided on a summarised basis. Substantive explanations and other information of the share based payment plans have been provided in the Remuneration Report, therefore, only the information that was previously duplicated in this note has been summarized.

• *AASB 5 Non-current Assets Held for Sale and Discontinued Operations*

Given that CNP is considered a discontinued operation as it proposes to distribute all its assets to the senior lenders in exchange for the cancellation of all debt, the disclosures under AASB 5 that separate between continuing and discontinuing operations on the Income Statement are not considered relevant to users. Summary cashflow information of entities sold has not been provided.

• *AASB 7 Financial Instruments: Disclosures*

The information on exposures to financial risks are not considered relevant to users given that the financial risk exposures are not representative of the risks that will exist going forward.

• *AASB 101 Presentation of Financial Statements*

Information on capital management is not considered relevant for users to understand what is managed as capital given the disclosures on scheme of arrangement and the basis of preparation change from "going concern" to "liquidation". The net result of the US asset sale has not been presented as a single line item in the Income Statement.

• *AASB 112 Income Taxes*

Information on unused tax losses is not provided as these will not be available in the future. A statement to this effect has been made in Note 9.

• *AASB 117 Leases*

Financial lease and operating lease payments disclosures have not been provided as it is not considered that users would need this information given that operating leases and finance leases relate to investment property that is already at fair value or sold entities.

The accounting policies adopted are consistent with those of the previous financial year except for changes specified related to the adoption of the liquidation basis of preparation. The Group has not adopted any new Australian Accounting Standards.

(ii) *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, when combined with the discretion judged to be available to the responsible entity regarding the payment of distributions, allows unitholders' funds to remain as equity in accordance with AASB 132 *Financial Instruments: Presentation*.

(iii) Significant accounting estimates, judgments and assumptions

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

(c) Principles of Consolidation

These Group financial statements comprise the consolidated accounts of Centro Properties Limited and its controlled entities as defined by AASB 127 *Consolidated and Separate Financial Statements*, which include Centro Property Trust.

Controlled entities are those entities over which the Group has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. 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.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to Note 1(e)).

The effects of all transactions between entities in the Group are eliminated in full. Non-controlling interests in the results and equity of controlled entities are shown separately in the consolidated Income Statement and Balance Sheet respectively.

(d) Investments in Associates

2011 – Investments in associates are accounted for in the Group's financial statements and are measured at their net realisable value. No adjustment has been recognised on the change to liquidation basis as the net realisable value approximates the carrying amount using the equity method or fair value.

2010 – Investments in associates are accounted for in the Group's financial statements using the equity method or at fair value through profit or loss in accordance with the Group's election under the exemption in AASB 128 *Investments in Associates*. Under the equity 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 in the consolidated financial statements.

(e) Business Combinations

The purchase method is used to account for all 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 combination.

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 non-controlling 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 controlled entity 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.

(f) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that the future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the revenue have been resolved.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Revenue Recognition (continued)

(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, leasing and development management

Property management and leasing fees are generated from existing properties and development fees are derived in respect of new developments and redevelopments. Fees are in accordance with generally accepted commercial terms and conditions. Fee revenue is 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.

(iii) Distribution revenue

Distribution revenue is recognised as revenue when the right to receive payment is established.

(iv) Interest revenue

Interest revenue is recognised on a time proportion basis using the effective interest method.

(g) 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 applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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 Company 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

(i) Tax consolidation legislation

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

Centro Properties Limited, as the head entity in the tax consolidated group, accounts for its own current and deferred tax amounts.

In addition to its own current and deferred tax amounts, Centro Properties Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right.

The allocation of taxes to the head entity is recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(h) 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 interest bearing liabilities in current liabilities.

(i) Restricted Cash

Restricted cash is carried at cost and includes escrow deposits held by lenders related to borrowing arrangements of certain properties and deposits used to secure bonds related to mortgage licensing in various jurisdictions of the USA.

(j) Trade and Other Receivables

2011 – Trade and other receivables are measured at their net realisable value. No adjustment has been recognised on the change to liquidation basis as the net realisable value approximates the amortised cost using the effective interest method.

2010 – Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Collectability of trade and other receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off when identified. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

(k) Trade and Other Payables

2011 – Trade and other payables are measured at their anticipated settlement amount. No adjustment has been recognised on the change to liquidation basis as the anticipated settlement amount approximates the undiscounted amortised cost.

2010 – These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are carried at amortised cost and due to their short term nature they are not discounted.

(l) Employee Benefits

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

Liabilities for wages and salaries, including non-monetary benefits 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 annual leave are recognised as a provision for employee benefits and are measured based on the amounts expected to be paid when the liabilities are settled. Amounts due to be settled within twelve months of the reporting date are classified as current liabilities. Non accumulating sick leave is expensed as the leave is taken and measured at the rates paid or payable.

(ii) Long service leave

2011 – The liability for long service leave is recognised in the provision for employee benefits (as current) and measured at the settlement amount. No adjustment has been recognised on the change to liquidation basis as the settlement amount approximates 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.

2010 – 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 (current) 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 (non-current) 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 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.

2011 – Liabilities for bonus plans are measured at the amounts expected to be paid when they are settled.

2010 – Liabilities for bonus plans that are expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when they are settled.

Liabilities for bonus plans that are expected to be settled greater than 12 months of the reporting date are measured at the present value of amounts expected to be paid. Amounts are recognised as an expense over the period in which employees render the related service under the plan.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Employee Benefits (continued)

(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 payables unless the amount or timing of the payments is uncertain, in which case they are recognised as provisions.

2011 – Liabilities for termination benefits are measured at the amounts expected to be paid when they are settled, and classified as current.

2010 – Liabilities for termination benefits expected to be settled within 12 months from the reporting date 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.

(m) Share-based Payments

Group employees were awarded with Group securities under the Centro Properties Group Employee Securities Plan and Loan Scheme (the Employee Securities Plan or ESP). The fair value of the securities granted is determined at the grant date and recognised as an expense in the Income Statement with a corresponding increase in the share based payment reserve component of equity, over the vesting period.

The fair value at grant date is determined using a recognised option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

(n) Plant and Equipment

2011 – Plant and equipment is measured at their net realisable value. No adjustment has been recognised on the change to liquidation basis as the net realisable value approximates historical cost less accumulated depreciation and accumulated impairment losses.

2010 – Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. 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 Group.

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.

(o) Intangible Assets

2011 – Goodwill is measured at cost less accumulated impairment losses, which is equivalent to its net realisable value. No adjustment has been recognised on the change to liquidation basis as the net realisable value approximates cost less accumulated impairment losses.

2010 – 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 controlled entity/associate at the date of acquisition. Goodwill on acquisitions of controlled entities 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.

(p) Investment Properties

2011 – Investment properties are measured at their net realisable value which equals fair value less estimated selling costs. Estimated selling costs comprise professional fees paid or payable to lawyers and advisors to effect the scheme of arrangement. The impact of adopting the liquidation basis on investment property has been disclosed in Note 2.

2010 – 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. 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.

(q) Financial Assets

The Group classifies its investments in financial assets 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.

(i) Classification

Financial assets at fair value through profit or loss

These include financial assets that are not held for trading purposes which may be sold. These are investments in unlisted equity instruments.

Financial assets designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Group's documented investment strategy. The Group's policy is for the Responsible Entity of its controlled entities to evaluate the information about these financial assets on a fair value basis together with other related financial information.

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.

In 2010 those loans and receivables with maturities greater than 12 months after the balance sheet date were classified as non-current assets and discounted to present value. Loans and receivables are included in receivables in the Balance Sheet.

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.

Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable securities, are non-derivatives that are either designated in this category or not classified in any of the other categories.

(ii) Recognition and derecognition

Purchases and sales of investments are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Financial assets 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.

(iii) Subsequent measurement

2011 – All investments are measured at their fair value which is equivalent to their net realisable value. No adjustment has been recognised on the change to liquidation basis as the net realisable value approximates fair value.

All other financial assets other than investments are measured at their net realisable value which equals fair value less estimated selling cost. No adjustment has been recognised on the change to liquidation basis as the net realisable value approximates amortised cost.

2010 – Available-for-sale financial assets and financial assets at fair value through profit or 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 deferred in equity are recycled to the Income Statement.

If the market for a financial asset (and for unlisted securities) is not active, 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 fair value of units or interests in unlisted property managed investment schemes is determined by reference to the fair value of the scheme's net assets, as advised by the relevant responsible entity at each reporting period.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Financial Assets (continued)

(iv) Impairment

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 or 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.

(r) Non-current Assets Classified as Held for Sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Assets held for sale that are investment properties are stated at fair value. All other assets held for sale are stated at the lower of carrying value and fair value less costs to sell. Non-current assets classified as held for sale are presented separately from the other assets in the Balance Sheet.

(s) Derivatives

2011 – Derivatives are measured at their fair value which is equivalent to their net realisable value. No adjustment has been recognised on the change to liquidation basis as the net realisable value approximates fair value.

2010 – Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. Changes in the fair value of derivative contracts held by the Group are recognised in profit or loss.

(t) Fair Value Estimation

The fair value of financial instruments is based on their quoted market prices at the balance sheet date without any deduction for estimated future selling costs. Financial assets measured at fair value are valued at bid prices, while financial liabilities measured at fair value are valued at asking prices.

If a quoted market price is not available on a recognised stock exchange or from a broker / dealer for non-exchange-traded financial instruments, the fair value of the instrument is estimated using valuation techniques, including use of recent arm's length market transactions, reference to the current fair value of another instrument that is substantially

the same, discounted cash flow techniques, or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the balance sheet date applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on market data at the balance sheet date.

The fair value of derivatives that are not exchange traded is estimated at the amount that the entity would receive or pay to terminate the contract at the balance sheet date taking into account current market conditions (e.g. appropriate yield curve) and the current credit worthiness of the counterparties. Specifically, the fair value of a forward exchange contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates on the valuation date. The fair value of interest rate swaps and cross currency interest rate swaps is the estimated amount that the entity would receive or pay to terminate the swap at balance sheet date taking into account current interest rates, foreign exchange rates and the current credit worthiness of swap counterparties.

Investments in other unlisted funds are recorded at the exit price as reported by the managers of the funds.

(u) Interest Bearing Liabilities

2011 – Interest bearing liabilities are measured at their estimated settlement amount based on the contractual arrangements of the planned scheme of arrangement. Any difference between the amortised cost and the liquidation value is recognised in the Income Statement as a liquidation value adjustment. Non-current interest bearing liabilities are classified as current liabilities. The impact of adopting the liquidation basis has been disclosed in Note 2.

2010 – Interest bearing liabilities are initially recognised at fair value, net of transaction costs incurred. Interest bearing liabilities 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 interest bearing liabilities using the effective interest method.

Interest bearing liabilities 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 end of the reporting period.

(v) 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. All other borrowing costs are expensed as incurred.

(w) Provisions

2011 – Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date, which is the estimated settlement amount. No adjustment has been recognised on the change to liquidation basis as the settlement amount approximates the present value of expected future payments.

2010 – Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date using a discounted cash flow methodology. The risks specific to the provision are factored into the cash flows and as such a risk-free government bond rate relative to the expected life of the provision is used as a discount rate.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

(x) Deferred Revenue

Revenue that is received in advance of rendering the related services is recognised as a liability and amortised as earned. The Group continually reassesses the balance of deferred revenue and related revenue to be recognised, in each period.

(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.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. 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 available-for-sale 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 interest bearing liabilities and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in the foreign currency translation reserve in equity. When a foreign

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

operation is sold, a proportionate share of such exchange differences are recognised in other comprehensive income as a reclassification adjustment.

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 and preference units are classified as equity.

Incremental costs directly attributable to the issue of new stapled securities, preference units 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, preference units 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 stapled securities or preference units, 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 stapled securities and the weighted average number of stapled securities assumed to have been issued for no consideration in relation to dilutive potential ordinary stapled securities.

(ab) Distributions

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

(ac) Financial Guarantee Contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued.

The liability is initially measured at fair value and subsequently at the higher of the amount determined in

accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of controlled entities or associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

(ad) Puttable Interests in Consolidated Finite Life Trusts

Puttable interests in consolidated finite life trusts represent those instruments which can be redeemed by the holder at the cessation of the trust and are essentially non-controlling interests in managed investment schemes consolidated by the Group.

(ae) Australian Accounting Standards Issued but not yet Effective

The Group financial report is prepared on a liquidation basis for the reasons outlined in Note 1(b) above. As a result, Australian Accounting Standards currently on issue but not yet effective are not expected to have any impact on the Group.

(af) 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 financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars (\$'000), or in certain cases, the nearest dollar.

2. IMPACT OF ADOPTING THE LIQUIDATION BASIS OF PREPARATION

As discussed in Note 1(b) above, the financial statements have been prepared on a liquidation basis for the year ended 30 June 2011. This is a change in basis of preparation from 30 June 2010. In preparing the financial statements on a liquidation basis assets and liabilities are measured in accordance with Note 1 and presented as current. In adopting the liquidation basis of preparation, interest bearing liabilities are measured at their settlement amount calculated based on the contractual arrangements of the planned scheme of arrangement contemplated as part of a successful Aggregation.

The table illustrates the impact of adopting the liquidation basis of preparation on the Income Statement and Balance Sheet of the Group.

Centro Properties Limited and its Controlled Entities			
(a) INCOME STATEMENT	30 June 2011 Before Adjustments to Liquidation value	Adjustment to Liquidation Value⁽¹⁾	30 June 2011 Liquidation Basis
	\$'000	\$'000	\$'000
REVENUE			
Property ownership revenue	1,222,587	-	1,222,587
Property services revenue	81,937	-	81,937
Distribution revenue	12,174	-	12,174
Interest revenue	16,475	-	16,475
Total Revenue	1,333,173	-	1,333,173
Liquidation value adjustments	-	1,329,328	1,329,328
Foreign currency translation reserve recycled on sale of US assets	607,792	-	607,792
Revaluation increment for directly owned investment properties	349,649	-	349,649
Foreign exchange gains	272,686	-	272,686
Net gain on mark to market of derivatives and financial liabilities	239,204	-	239,204
Share of net profits of associates and joint venture partnerships accounted for using the equity method	93,537	-	93,537
Fair value gain on financial assets at fair value through profit or loss	43,643	-	43,643
Other income	25,285	-	25,285
Financing costs	(726,123)	-	(726,123)
Direct property expenses	(337,453)	-	(337,453)
Employee benefits expenses	(118,445)	-	(118,445)
Net loss on disposal of US assets	(96,024)	-	(96,024)
Advisor fees	(82,259)	-	(82,259)
Increase in net assets attributable to puttable interests in consolidated finite life trusts	(36,555)	-	(36,555)
Impairment of intangible assets	(34,863)	-	(34,863)
Withholding and franchise taxes	(16,754)	-	(16,754)
Depreciation and amortisation expense	(16,899)	-	(16,899)
Bad and doubtful debts expenses	(14,814)	-	(14,814)
Net loss on the disposal of investment property and equity accounted investments	(6,148)	-	(6,148)
Other expenses from ordinary activities	(31,038)	-	(31,038)
PROFIT BEFORE INCOME TAX	1,447,594	1,329,328	2,776,922
Income tax benefit	23,220	-	23,220
NET PROFIT	1,470,814	1,329,328	2,800,142
Net profit attributable to non-controlling interests:			
Centro Property Trust members	940,725	1,329,328	2,270,053
External	55,569	-	55,569
NET PROFIT ATTRIBUTABLE TO MEMBERS OF CENTRO PROPERTIES LIMITED	474,520	-	474,520
Net profit attributable to members of Centro Properties Group analysed by amounts attributable to:			
Centro Property Trust members	940,725	1,329,328	2,270,053
Centro Properties Limited members	474,520	-	474,520
NET PROFIT ATTRIBUTABLE TO MEMBERS OF CENTRO PROPERTIES GROUP	1,415,245	1,329,328	2,744,573
Basic profit per stapled security in Centro Properties Group (cents)	146.7	137.8	284.5
Diluted profit per stapled security in Centro Properties Group (cents)	146.7	137.8	284.5

(1) The total adjustment of \$1,329.3 million comprises the measurement of interest bearing liabilities of \$6,341.9 million to their liquidation value being the estimated settlement amount of \$4,975.9 million, resulting in a gain of \$1,366.0 million; and the measurement of investment properties of \$4,480.5 million to their liquidation value of \$4,443.8 million being their estimated realisable value less cost to sell, resulting in an adjustment of \$36.7 million.

2. IMPACT OF ADOPTING THE LIQUIDATION BASIS OF PREPARATION (continued)

Centro Properties Limited and its Controlled Entities				
(b) BALANCE SHEET	30 June 2011 Before Adjustments to Liquidation value	Reclassification to Current ⁽¹⁾	Adjustment to Liquidation Value ⁽²⁾	30 June 2011 Liquidation Basis
	\$'000	\$'000	\$'000	\$'000
CURRENT ASSETS				
Cash assets and cash equivalents	887,715	-	-	887,715
Restricted cash	4,052	-	-	4,052
Derivative financial instruments	3,643	1,087	-	4,730
Trade and other receivables	182,202	7,014	-	189,216
Non-current assets classified as held for sale	11,700	-	-	11,700
Investments accounted for using the equity method	-	658,048	-	658,048
Financial assets at fair value through profit or loss	-	313,017	-	313,017
Investment property	-	4,480,531	(36,720)	4,443,811
Plant and equipment	-	2,971	-	2,971
Intangible assets	-	199,735	-	199,735
Total current assets	1,089,312	5,662,403	(36,720)	6,714,995
NON-CURRENT ASSETS				
Investments accounted for using the equity method	658,048	(658,048)	-	-
Financial assets carried at fair value through profit or loss	313,017	(313,017)	-	-
Investment property	4,480,531	(4,480,531)	-	-
Derivative financial instruments	1,087	(1,087)	-	-
Plant and equipment	2,971	(2,971)	-	-
Intangible assets	199,735	(199,735)	-	-
Trade and other receivables	7,014	(7,014)	-	-
Total non-current assets	5,662,403	(5,662,403)	-	-
TOTAL ASSETS	6,751,715	-	(36,720)	6,714,995
CURRENT LIABILITIES				
Trade and other payables	236,953	327	-	237,280
Interest bearing liabilities	4,570,368	1,771,538	(1,366,048)	4,975,858
Derivative financial instruments	120,363	112,033	-	232,396
Provisions	72,267	5,599	-	77,866
Puttable interests in consolidated finite life trusts	-	112,784	-	112,784
Total current liabilities	4,999,951	2,002,281	(1,366,048)	5,636,184
NON-CURRENT LIABILITIES				
Trade and other payables	327	(327)	-	-
Interest bearing liabilities	1,771,538	(1,771,538)	-	-
Derivative financial instruments	112,033	(112,033)	-	-
Provisions	5,599	(5,599)	-	-
Puttable interests in consolidated finite life trusts	112,784	(112,784)	-	-
Total non-current liabilities	2,002,281	(2,002,281)	-	-
TOTAL LIABILITIES	7,002,232	-	(1,366,048)	5,636,184
NET (LIABILITIES)/ASSETS	(250,517)	-	1,329,328	1,078,811

Centro Properties Limited and its Controlled Entities

(b) BALANCE SHEET (continued)	30 June 2011 Before Adjustments to Liquidation value	Reclassification to Current⁽¹⁾	Adjustment to Liquidation Value⁽²⁾	30 June 2011 Liquidation Basis
	\$'000	\$'000	\$'000	\$'000
EQUITY				
Equity attributable to members of Centro Properties Limited				
Contributed equity	284,505	-	-	284,505
Other equity	(489,517)	-	-	(489,517)
Reserves	55,375	-	-	55,375
Accumulated losses	(544,770)	-	-	(544,770)
Total equity attributable to members of Centro Properties Limited	(694,407)	-	-	(694,407)
Equity attributable to non-controlling interests:				
Centro Property Trust				
Contributed equity	2,957,638	-	-	2,957,638
Other equity	(480,150)	-	-	(480,150)
Reserves	-	-	-	-
Accumulated losses	(3,112,409)	-	1,329,328	(1,783,081)
Total equity attributable to members of Centro Property Trust	(634,921)	-	1,329,328	694,407
External	1,078,811	-	-	1,078,811
Total equity attributable to non-controlling interests	443,890	-	1,329,328	1,773,218
TOTAL EQUITY	(250,517)	-	1,329,328	1,078,811
Equity attributable to members of Centro Properties Group:				
Centro Properties Limited members	(694,407)	-	-	(694,407)
Centro Property Trust members	(634,921)	-	1,329,328	694,407
TOTAL EQUITY ATTRIBUTABLE TO MEMBERS OF CENTRO PROPERTIES GROUP	(1,329,328)	-	1,329,328	-

(1) As a result of adopting the liquidation basis of preparation, all non-current assets and non-current liabilities have been reclassified as current assets and liabilities. This is on the basis that CNP will realise its assets and settle its liabilities within 12 months from the end of the reporting period as described in Note 1(b).

(2) The total adjustment of \$1,329.3 million comprises the measurement of interest bearing liabilities of \$6,341.9 million to their liquidation value being the estimated settlement amount of \$4,975.9 million, resulting in a gain of \$1,366.0 million; and the measurement of investment properties of \$4,480.5 million to their liquidation value of \$4,443.8 million being their estimated realisable value less cost to sell, resulting in an adjustment of \$36.7 million.

3. AGGREGATION OF CERTAIN EXPENSES

The line items for repairs, maintenance, cleaning and security; rent, rates, taxes and insurance; light and power; and other shopping centre management costs have been grouped together into "Direct property expenses" in the Income Statement for the year ended 30 June 2011. This change aligns the presentation of these items with industry peers, thereby improving comparability and overall presentation of the Group's Income Statement. Comparatives have been updated to reflect the new presentation of these items. There is no impact on net profit or loss. The amounts aggregated as "Direct property expenses" are as follows:

	Centro Properties Limited and its Controlled Entities	
	30.06.11 \$'000	30.06.10 \$'000
Repairs, maintenance, cleaning and security expenses	(98,846)	(128,464)
Other shopping centre management costs	(27,028)	(44,495)
Rent, rates, taxes and insurance expenses	(162,924)	(244,036)
Light and power expenses	(48,655)	(54,456)
Direct property expenses	(337,453)	(471,451)

4. SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

The preparation of financial statements requires estimates and assumptions concerning the application of accounting policies to be made by the Group. Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

(i) Liquidation Value of Assets and Liabilities

As noted in the Note 1(b), the accounts have been prepared on a liquidation basis.

Under the liquidation basis of accounting, assets and liabilities are measured at liquidation value. The liquidation value of assets is their net realisable value. The liquidation value of liabilities is their estimated settlement amount based

on the contractual arrangements of the planned scheme of arrangement. For assets, net realisable value approximates the carrying amount of assets under accounting standards, except for investment properties, where the net realisable value is the carrying amount under accounting standards less estimated selling costs. Estimated selling costs comprise professional fees for lawyers and advisors.

Adopting the liquidation basis of preparation has resulted in a liquidation value adjustment of \$1,329.3 million being recognised in the Income Statement. This comprises an adjustment of \$1,366.0 million to interest bearing liabilities to reflect the settlement amount in interest bearing liabilities under the terms of the proposed senior debt cancellation, and an adjustment of \$36.7 million representing estimated selling costs.

The liquidation value adjustment will be affected by the amount actually realised for the assets of CNP and as such could be materially different to the amount estimated. It should be noted that given that the total equity attributable to members (both ordinary securities and convertible bonds) of CNP is negative \$1.3 billion (i.e. Group's liabilities attributable to members exceed assets attributable to members by \$1.3 billion), any change to the liquidation value adjustment will result in the value of the residual assets that would be available for distribution to members remaining as zero (unless assets increased by greater than \$1.3 billion, a scenario highly unlikely in the period between 30 June 2011 and 15 December 2011 which is the maturity date of CNP's senior debt). It should also be noted that ordinary security holders rank behind convertible bond holders.

In the event a restructure does not occur, CNP would be placed in a position where it is likely that external administrators would be appointed. If this occurred, CNP securityholders and other stakeholders who are junior to the Senior Lenders, as well as contingent creditors, are likely to receive nothing because the assets of CNP are not sufficient to fully satisfy its senior debt obligations let alone the claims of those who are junior to the senior debt.

Further in the event a restructure does not occur, additional costs would be incurred in winding down CNP for which no provision has been made at 30 June 2011.

(ii) Investment Property Values

Investment properties are carried at their fair value. Valuations are based on either an independent valuation or a Directors' valuation which is supported by the extrapolation of independent valuations on similar properties. Valuations are determined based on assessments and estimates of uncertain future events, including upturns and downturns in property markets and availability of similar properties, vacancy rates,

market rents and capitalisation and discount rates. Refer to Note 11 for further information regarding investment property valuations.

At 30 June 2011, the carrying value of investment properties held by the Group is \$4,444 million (30 June 2010: \$14,452 million) after recognising liquidation value adjustments of \$36.7 million (30 June 2010: \$nil).

(iii) Fair Value of Mark to Market Derivatives and other Financial Instruments

Management uses its judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For mark to market derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. Other financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates.

(iv) Equity Accounted Investments and Investment at Fair Value through Profit and Loss

In adopting the liquidation basis, equity accounted investments and financial instruments at fair value through profit or loss have been measured at fair value which is equivalent to their net realisable value.

(v) Intangible Assets

At 30 June 2011, the Group has goodwill of \$199.7 million. In testing goodwill for impairment, the recoverable amount of the goodwill has been determined based on the expected selling price of the Group's Services Business of \$199.7 million, as agreed in the Implementation Agreement executed as part of the Group restructure described in Note 1(b). The Directors believe that the value of the goodwill under the Implementation Agreement is the best estimation of fair value less costs to sell. In the event that the Implementation Agreement is not consummated, due to failure to obtain the requisite approvals, the value of the goodwill could be as low as zero.

At 30 June 2010, the Group recognised intangible assets of \$364.6 million on its Balance Sheet. In order to review the carrying amount of the intangible asset balance, the recoverable amounts of cash-generating units were determined based on value in use calculations. The value in use method for assessing intangible assets involves using cash flow projections based on detailed budgets for the period 1 January 2011 to 30 June 2011, forecasts from 1 July 2011 to 30 June 2013 and an extrapolation to 31 December 2020.

The valuation included in the 30 June 2010 financial report was based on what Directors have described as a 'limited capital available' scenario. Refer to Note 12 for details of these assumptions.

(vi) Control and Loss of Control

Management uses their judgement when determining whether an entity is controlled, and therefore consolidated by the Group. In making this decision, management considers the requirements of AASB 127 *Consolidated and Separate Financial Statements* and AASB Interpretation 112 *Consolidation – Special Purpose Entities*, having particular regard to the Group's ability to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

During the year, CNP disposed of its US assets and business. The Stock Purchase Agreement (SPA) was executed on 28 February 2011 and settlement of the transaction was on 29 June 2011. The Directors have determined that CNP lost control of the US assets and business on 28 February 2011 because (a) the significant risks and rewards were transferred to Blackstone on 28 February 2011, (b) CNP assumed a manager role from 28 February 2011 up to the date of settlement, and (c) the conditions to closing under the SPA were not considered substantive. Refer to Note 5 for details of US assets sold.

(vii) Collectability of Trade Receivables

Collectability of trade receivables is reviewed on an ongoing basis. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

The Group estimates the amount to be provided for based on knowledge of individual retailers circumstances, customer credit-worthiness, and current economic trends. The amount of the allowance is continually reassessed following any changes in individual retailer circumstances, such as bankruptcy, with a complete review undertaken every six months.

4. SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS (continued)

(viii) Litigation

The Group is subject to ongoing litigation involving holders of CNP stapled securities as disclosed in Note 25(a). The proceedings are being vigorously defended and no amount has been provided for in the Financial Report. Centro Properties Limited and CPT Manager Limited have also filed cross claims against their former auditor, PricewaterhouseCoopers.

5. US ASSETS SOLD

(a) Details of US Assets Sold

On 28 February 2011, the Group entered into a binding stock purchase agreement, subject to conditions customary for a transaction of this nature, to sell its entire US assets and business ('US assets') except for Centro America REIT 9 Inc and Centro America REIT 10 Inc, to BRE Retail Holdings, Inc, an affiliate of Blackstone Real Estate Partners VI, L.P. (Blackstone). Settlement of the transaction was on 29 June 2011. The date of disposal was 28 February 2011, being the date control and substantially all the risks and rewards were transferred to Blackstone.

(b) Assets and Liabilities of US Assets Sold

The assets and liabilities of the US assets sold, and the gain or loss on disposal are as follows:

	Centro Properties Limited and its Controlled Entities
	Notes 28.02.11 \$'000
ASSETS	
Cash	127,737
Receivables	241,392
Investment property	8,528,359
Other assets	173,306
TOTAL ASSETS	9,070,794
LIABILITIES	
Interest bearing liabilities	7,441,148
Other liabilities	224,436
TOTAL LIABILITIES	7,665,584
NET ASSETS SOLD	1,405,210
Cash proceeds receivable	1,345,285
Net assets sold (as above)	(1,405,210)
Loss before transaction costs	(59,925)
Transaction costs paid and payable	(36,099)
NET LOSS ON DISPOSAL OF US ASSETS⁽¹⁾	21 (96,024)
Reconciliation to the cash flow statement	
Cash proceeds receivable	1,345,285
Realised foreign exchange loss on cash receivable	(45,307)
Transaction costs paid	(34,806)
Less: cash and cash equivalents in US assets sold	(127,737)
CASH PROCEEDS ON DISPOSAL OF US ASSETS	1,137,435

(1) Not included in the net loss on disposal of US assets is an amount of \$607.8 million representing the accumulated foreign currency translation reserve that has been separately recycled to the Income Statement on disposal of the US assets.

(c) Financial Performance of US Assets

The contribution to the net results of the Group by the US assets up to the date of disposal was as follows:

	Centro Properties Limited and its Controlled Entities	
	8 months to 28.02.11 \$'000	12 months to 30.06.10 \$'000
Revenue	728,694	1,221,813
Revaluation increment /(decrement) for directly owned investment property	191,013	(549,691)
Other income	11,346	19,198
Expenses from ordinary activities	(573,054)	(898,720)
Impairment of goodwill	-	(278,453)
Other expenses	(13,228)	(18,273)
Net profit/(loss)	344,771	(504,126)

6. PARENT ENTITY INFORMATION

(a) Parent Entity

The parent entity of the Group is Centro Properties Limited.

(b) Financial Information

The financial information presented below represents that of the legal parent entity only and is not comparable to the consolidated results of Centro Properties Limited, as presented in the Income Statement. The financial statements of the parent have been prepared on a liquidation basis as described under Note 1(b). In adopting the liquidation basis of preparation, interest bearing liabilities in the parent with a carrying amount \$1,095.4 million have been adjusted to their liquidation value of \$nil, resulting in a liquidation value adjustment of \$1,095.4 million.

	Centro Properties Limited	
	30.06.11 \$'000	30.06.10 \$'000
Income Statement information		
Net profit/(loss) attributable to members of the parent entity	1,167,106	(911,368)
Comprehensive income information		
Total comprehensive income/(loss) attributable to members of the parent entity	1,167,106	(911,368)
Balance Sheet information		
Current assets	412	49
Total assets	412	53,541
Current liabilities	2,094	2,136
Total liabilities	2,094	1,222,329
Equity attributable to members of the parent entity		
Contributed equity	239,312	239,312
Accumulated losses	(240,994)	(1,408,100)
	(1,682)	(1,168,788)

6. PARENT ENTITY INFORMATION (continued)**(c) Related Party Transactions**

The above results and Balance Sheet position are primarily the result of related party transactions. The effects of the below transactions have been eliminated in the consolidated accounts of the Group.

Centro Properties Limited has a net amount payable to Centro Property Trust and its controlled entities on an unsecured basis. The balance outstanding at 30 June 2011 is \$295.6 million (2010: \$1,220.1 million) after recognising an interest expense of \$158.2 million (2010: \$126.2 million) and a liquidation adjustment of \$1,082.8 million (2010: \$nil) arising from the adoption of the liquidation basis of preparation by the Company for the reasons outlined in Note 1(b).

Centro Properties Limited has an amount receivable of \$295.6 million (2010: \$nil) from the Centro Property Trust for which it has obtained the right to offset against the amount payable outlined above in the current year.

Centro Properties Limited has recognised a receivable from Centro (CPL) Limited in the amount of \$nil (2010: \$55.4 million). An impairment of \$55.4 million (2010: \$433.7 million) has been recognised for the receivable from Centro (CPL) Limited.

(d) Guarantees

Centro Properties Limited has not entered into any guarantees in relation to its subsidiaries debt during the year ended 30 June 2011 (2010: none). The Stabilisation Agreement entered into in January 2009 included the cross guarantee over debt held by Centro Property Trust to the senior lenders, for which Centro Properties Limited is party to this guarantee.

(e) Contingent Liabilities

With the exception of the matters disclosed in Note 25(a) and (c), Centro Properties Limited does not have any contingent liabilities as at 30 June 2011 (2010: none).

(f) Contractual Capital Commitments

Centro Properties Limited does not have any contractual capital commitments as at 30 June 2011 (2010: none).

7. SEGMENT INFORMATION

AASB 8 *Operating Segments* requires a 'management approach' to identifying and presenting segment information, that is, segment information is presented on the same basis as that used for internal reporting purposes. The Group has identified its operating segments based on the internal

reports that are reviewed and used by the Chief Executive Officer (CEO) (the "chief operating decision maker") in assessing performance and in determining the allocation of resources.

Operating Segments

Operating segments have been identified under the banners of the Groups' investment activities and services business activities as follows:

Property investment activities

CNP has investments in listed and unlisted funds as well as direct ownership of properties in Australia and the US.

Services business activities

The Group's services business generates revenues in the form of fees from two main areas – 1) property management, leasing and development; and 2) funds management – in Australia and the US. The Group provides personnel, systems and facilities to deliver these services to shopping centres and managed funds.

Operating segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Corporate office transactions such as overhead costs incurred and interest income and expense are not allocated to individual segments but are included in order to facilitate reconciliation to the Group's net profit/ (loss).

Accounting Policies

The accounting policies used by the Group in reporting segment information are the same as those detailed in Note 1, except as detailed below:

Segment income

For the preparation of financial statements, results are consolidated and certain income streams eliminated where the Group has control of an entity. However, operating results used for internal reporting represent equity accounted or 'ownership share' results. Information relating to property investment income represents CNP's ownership share of the underlying profits from its investments and services business income represents revenue generated from services provided, prior to eliminating certain income streams as discussed above. This format of reporting is regularly used by the CEO to make operational decisions about allocating resources to operating segments.

**Centro Properties Limited
and its Controlled Entities**

	30.06.11 \$'000	30.06.10 \$'000
Segment income		
Property investment income		
Managed funds ⁽¹⁾	121,527	215,356
Australian direct property	3,123	3,657
US direct property ⁽¹⁾	9,732	33,579
	134,382	252,592
Services business income		
Australian funds management	65,560	74,718
Australian property, leasing and development	35,212	36,045
US funds management ⁽¹⁾	24,798	29,552
US property, leasing and development ⁽¹⁾	51,851	81,952
	177,421	222,267
Total segment income	311,803	474,859
Overhead expenses	(111,942)	(139,046)
Earnings before interest and tax expenses	199,861	335,813
Interest income	26,150	28,096
Interest expense	(211,431)	(190,116)
Underlying profit	14,580	173,793
Non-distributable adjustments attributable to members:		
Liquidation value adjustments	1,329,328	-
Net gain on disposal of US assets ⁽²⁾	210,924	-
Foreign currency translation reserve recycled on sale of US assets	607,792	
Investment property revaluations	276,131	(487,892)
Foreign exchange gains and losses	286,696	49,844
Mark-to-market movements on derivatives	74,360	(27,920)
Restructure costs and bank extension fees	(50,924)	(12,219)
Impairment of intangible assets	(34,863)	(331,168)
Other net adjustments	30,549	(17,138)
Net profit/(loss) attributable to members of Centro Properties Group	2,744,573	(652,700)
Net profit attributable to external non-controlling interests	55,569	129,522
Net profit/(loss) after tax	2,800,142	(523,178)
Reconciliation to revenue:		
Total segment income	311,803	474,859
Less: elimination of segment income from consolidated investments	(201,217)	(375,946)
Add: revenue from consolidated investments	1,222,587	1,707,709
Total revenue	1,333,173	1,806,622

(1) These segment line items have been impacted by the sale of the US assets and business effective on 28 February 2011.

(2) While the consolidated Group recognised a loss of \$96.0 million on disposal of US assets, Centro members realised a gain on disposal of \$210.9 million. The gain to Centro members is due to the benefit they receive from the positive equity held by external investors in Super LLC being used to satisfy the member's negative equity. This is a result of cross collateralisation arrangements between the joint owners of Super LLC.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

7. SEGMENT INFORMATION (continued)

Revenue from external customers by geographic locations (on a consolidated basis) is detailed below. Revenue is attributed to geographic locations based on the location of the customer.

	Centro Properties Limited and its Controlled Entities	
	30.06.11 \$'000	30.06.10 \$'000
Australia	564,423	531,405
United States ⁽¹⁾	768,750	1,275,217
Total revenue	1,333,173	1,806,622

(1) Comprises revenue for the period 1 July 2010 to 28 February 2011 for US assets sold on 28 February 2011, and revenue from Centro America REIT 9 Inc and Centro America REIT 10 Inc which were not sold as part of the US asset disposal for the period 1 July 2010 to 30 June 2011.

The geographic location of non-current⁽²⁾ assets other than financial instruments (on a consolidated basis) is as follows:

	Centro Properties Limited and its Controlled Entities	
	30.06.11 \$'000	30.06.10 \$'000
Australia	4,987,726	4,799,167
United States ⁽¹⁾⁽²⁾	316,839	10,743,050
Total assets other than financial instruments⁽²⁾	5,304,565	15,542,217

(1) Comprises assets other than financial instruments of Centro America REIT 9 Inc and Centro America REIT 10 Inc.

(2) As a result of adopting the liquidation basis of preparation in 2011, the above non-current assets other than financial instruments have been reclassified as current in the balance sheet. Refer to Note 2(b) for additional information.

8. PROFIT/(LOSS) FROM OPERATIONS

Centro Properties Limited and its Controlled Entities			
	Notes	30.06.11 \$'000	30.06.10 \$'000
Other expenses included in net profit:			
Depreciation – plant and equipment		(4,235)	(6,226)
Amortisation – tenant allowances	11(d)	(9,664)	(7,818)
Amortisation – other intangible assets	12	(3,000)	(3,000)
Total depreciation and amortisation	21	(16,899)	(17,044)
Financing costs:			
Interest expense		(692,055)	(779,486)
Amount capitalised		489	1,392
Distributions provided for puttable interests in consolidated finite life trusts		(34,557)	(39,571)
		(726,123)	(817,665)
Employee benefits expense			
Wages and salaries		(112,464)	(130,146)
Defined contribution superannuation expense		(5,076)	(4,090)
Share-based payments expense	21	(905)	(11,102)
		(118,445)	(145,338)
Advisor and selling costs ⁽¹⁾ :			
Advisor costs		(82,259)	(31,990)
Liquidation value adjustment on investment property ⁽²⁾	2(b)	(36,720)	-
Transaction costs paid and payable on sale of US assets	5(b)	(36,099)	-
		(155,078)	(31,990)

(1) Advisor and selling costs incurred by the Group in the current year are in relation to, but not limited to, the sale of the Group's US Assets, restructure initiatives, lender advisor costs, and litigation.

(2) Represents estimated advisor costs to complete the restructure.

9. INCOME TAX

	Centro Properties Limited and its Controlled Entities	
Notes	30.06.11 \$'000	30.06.10 \$'000
(a) Income tax (expense)/benefit		
Current income tax expense	(222)	(4,779)
Deferred income tax benefit/(expense)	23,442	(8,473)
21	23,220	(13,252)
(b) Numerical reconciliation of income tax to prima facie tax payable		
The income tax expense for the financial year differs from the amount calculated on profit. The differences are reconciled as follows:		
Profit /(loss) before tax	2,776,922	(509,926)
Income tax (expense)/benefit calculated at 30% (2010: 30%)	(833,077)	152,978
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Effect of trust profit/(loss) not subject to income tax	657,796	(144,478)
Effect of accounting gain on disposal of investment in US Services business	178,462	-
Utilisation of previously unrecognised tax losses	739	1,230
Other	19,300	(22,982)
Income tax (expense)/benefit applicable to operating profit	23,220	(13,252)
(c) Amounts recognised directly in equity		
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity		
Net deferred tax – debited/(credited) directly to equity	-	-
(d) Summary of deferred income tax benefit/(expense)		
The following is a summary of deferred income tax recognised:		
Deferred tax assets	-	4,056
Deferred tax liabilities	17	(12,529)
	23,442	(8,473)

The Group has utilised previously unrecognised tax losses of \$2.5 million (2010: \$4.1 million) to offset current income tax expense.

No disclosure pertaining to unrecognised deferred tax assets has been presented, as it is not probable that the Group will derive future assessable income of a nature and amount sufficient to enable a benefit to be realised given the Group's plans for a restructure.

(e) Tax Consolidation Legislation

Centro Properties Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. Centro Properties Limited, as the head entity in the tax consolidated group, accounts for its own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Centro Properties Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

10. TRADE AND OTHER RECEIVABLES

Centro Properties Limited and its Controlled Entities			
	Notes	30.06.11 \$'000	30.06.10 \$'000
Current			
Trade receivables		8,951	101,623
Less: impairment of receivables		(3,983)	(23,728)
		4,968	77,895
Other receivables		38,883	96,301
Prepayments		11,067	33,805
GST receivable		2,663	897
Short-term loans to and receivable from related parties	27(e)	147,422	132,264
Less: Provision for receivable from related parties		(15,787)	(15,913)
Total current trade and other receivables		189,216	325,249
Non-current			
Other receivables		-	18,174
Total non-current trade and other receivables⁽¹⁾		-	18,174
Total trade and other receivables		189,216	343,423

(1) As a result of adopting liquidation basis of preparation non-current assets have been reclassified to current assets for the year ended 30 June 2011. Refer to Note 2(b) for further information.

11. INVESTMENTS

Centro Properties Limited and its Controlled Entities		
	30.06.11 \$'000	30.06.10 \$'000
Included in the balance sheet as:		
Non-current assets classified as held for sale (a)	11,700	69,232
Investments accounted for using the equity method (b)	658,048	703,007
Financial assets carried at fair value through profit or loss (c)	313,017	297,141
Investment property (d)	4,443,811	14,452,250
	5,426,576	15,521,630

11. INVESTMENTS (continued)

The reconciliation below details the movements in each of the above classes for the year:

		Centro Properties Limited and its Controlled Entities	
	Notes	30.06.11 \$'000	30.06.10 \$'000
(a) Non-current assets classified as held for sale			
Movements:			
Opening balance at beginning of the year		69,232	114,304
Transfer from investment property		11,700	69,232
Disposal		(69,232)	(114,304)
Closing balance at 30 June		11,700	69,232
(b) Investments accounted for using the equity method			
Movements:			
Carrying amount at the beginning of the year		703,007	723,934
Share of net profits		93,537	32,125
Distributions of net income		(54,000)	(57,347)
Additional investment during the year		7,818	7,142
Disposals		(79,892)	-
Share of decrement in foreign currency translation reserve of associates		(12,422)	(2,847)
Closing balance at 30 June		658,048	703,007
(c) Financial assets carried at fair value through profit or loss			
Movements:			
Carrying amount at the beginning of the year		297,141	333,381
Fair value gains/(losses)	21	43,643	(22,820)
Net (disposals)/additions		(19,235)	4,599
Foreign currency translation movements		(3,638)	(591)
Obtained control during year and now consolidated		(4,894)	(17,428)
Closing balance at 30 June		313,017	297,141
(d) Investment property			
Movements:			
Opening balance at beginning of year		14,452,250	15,527,339
Capitalised expenditure		108,099	79,089
Transfer to non-current assets classified as held for sale		(11,700)	(69,232)
Disposals		(8,607,784)	(147,638)
Net gain/(loss) from fair value adjustment	21	349,649	(645,508)
Foreign currency translation movements		(1,864,319)	(426,415)
Straight-lining of rent adjustment	21	3,500	7,583
Tenant allowance amortisation	8	(9,664)	(7,818)
Obtained control during year and now consolidated		60,500	134,850
		4,480,531	14,452,250
Liquidation value adjustment	2(b)	(36,720)	-
Closing balance at 30 June		4,443,811	14,452,250

Investment Property

In 2011, investment properties are recognised at fair value less estimated selling costs which represents their liquidation value. In 2010, investment properties were carried at fair value. In arriving at fair value, consideration is given to the discounted cash flows of the investment property based on estimates of future cash flows, other contracts and recent prices for similar properties and capitalised income projections based on the property's net market income.

At 30 June 2011, 97.1% by number CNP's Australian consolidated properties were independently valued by members of the Australian Property Institute. The remaining properties have been subjected to Directors' valuations supported by the extrapolation of independent valuations on similar properties. During the period, the weighted average capitalisation rate of consolidated properties of comparable Australian properties moved from 7.70% at 30 June 2010 to 7.59% at 30 June 2011.

(i) Sensitivity to property valuations

An increase in the adopted property capitalisation rates of 25 bps (30 June 2010: 25 bps) across the entire Australian and US property portfolio would impact net assets before liquidation adjustments by approximately \$137.2 million (30 June 2010: \$412.8 million) and impact net tangible assets attributable to members of Centro Properties Group before liquidation adjustments by 8 cents per unit (30 June 2010: 25 cents per unit).

12. INTANGIBLE ASSETS

	Notes	Centro Properties Limited and its Controlled Entities	
		30.06.11 \$'000	30.06.10 \$'000
Goodwill		279,063	878,346
Accumulated impairment		(79,328)	(524,998)
		199,735	353,348
Other intangible assets		15,000	15,000
Accumulated amortisation and impairment		(15,000)	(3,750)
		-	11,250
Total intangible assets		199,735	364,598
Movements:			
Opening balance at 1 July		364,598	713,204
Amortisation of other intangible assets	8	(3,000)	(3,000)
Impairment		(34,863)	(331,168)
Foreign currency translation movements		(22,168)	(14,438)
Disposals		(104,832)	-
Closing balance at 30 June		199,735	364,598

12. INTANGIBLE ASSETS (continued)

(a) Impairment Tests for Intangible Assets

Goodwill and other intangible assets and impairment losses recognised on intangible assets are allocated to the Group's cash-generating units (CGUs), as presented below.

	Centro Properties Limited and its Controlled Entities	
	30.06.11 \$'000	30.06.10 \$'000
Australia		
Funds management	97,470	97,470
Accumulated amortisation and impairment loss	(14,947)	(1,243)
	82,523	96,227
Property, leasing and development	196,593	196,593
Accumulated amortisation and impairment loss	(79,381)	(55,222)
	117,212	141,371
United States		
Funds management	-	376,126
Accumulated impairment loss	-	(314,232)
	-	61,894
Property, leasing and development	-	223,157
Accumulated impairment loss	-	(158,051)
	-	65,106
TOTAL	199,735	364,598

2011

The recoverable amount of a CGU is determined as the higher of the value in use and fair value less cost to sell. CNP has determined the recoverable amount of a CGU based on fair value less costs to sell.

As at 30 June 2011, the fair value less cost to sell of goodwill has been calculated based on the amount specified in the Implementation Agreement dated 8 August 2011 for the sale of the Australian services business of \$199.7 million. As a result, an impairment of \$26.6 million has been recognised in the Income Statement for the year ended 30 June 2011. The Implementation Agreement is subject to various conditions and approvals. In the event that the Implementation Agreement is not consummated, due to failure to obtain the requisite approvals, the value of the goodwill could be as low as zero.

Other intangible assets comprises a non-compete agreement. As a condition of the agreement, the non-compete agreement is nullified when the Group commences a restructure transaction. Therefore, other intangible assets have been fully impaired as at 30 June 2011.

2010

The recoverable amount of a CGU is determined as the higher of the value in use and fair value less cost to sell. CNP has determined the recoverable amount of a CGU based on value in use calculations.

As at June 2010, the Directors adopted a 'limited capital available' scenario, characterised by continuing constraints on the Group's sources of capital, for the purpose of assessing the recoverable amount of each CGU. The limited capital available scenario resulted in higher risk premiums applied to cash flows, lower transaction and fund-rollover fees and development related fees.

The adoption of these assumptions at 30 June 2010 resulted in an impairment loss of \$331.2 million being recognised as the carrying amount of the CGU's were determined to be higher than their value in use.

Value in use was determined by discounting the best estimate of future cash flows generated from the continuing use of the CGU's. Where goodwill and other intangible assets arose in the same CGU, impairment testing was performed on the combined intangible asset.

13. TRADE AND OTHER PAYABLES

Centro Properties Limited and its Controlled Entities		
	30.06.11 \$'000	30.06.10 \$'000
Current		
Trade payables	4,300	16,516
Accrued interest	44,192	107,883
Other payables – payable to related parties	996	221
Other payables	16,434	73,495
Other liabilities	171,358	262,896
Total current trade and other payables	237,280	461,011
Non-current		
Other	-	37,009
Total non-current trade and other payables⁽¹⁾	-	37,009
Total trade and other payables	237,280	498,020

(1) As a result of adopting liquidation basis of preparation non-current liabilities have been reclassified to current liabilities for the year ended 30 June 2011. Refer to Note 2(b).

14. PROVISIONS

Centro Properties Limited and its Controlled Entities		
	30.06.11 \$'000	30.06.10 \$'000
Current		
Distributions (a)	68,354	4,502
Employee benefits	9,165	6,341
Other	347	-
Total current provisions	77,866	10,843
Non-current		
Employee benefits	-	3,573
Other	-	1,350
Total non-current provision⁽¹⁾	-	4,923
Total provisions	77,866	15,766

(1) As a result of adopting liquidation basis of preparation non-current liabilities have been reclassified to current liabilities for the year ended 30 June 2011. Refer to Note 2(b).

14. PROVISIONS (continued)

(a) Provision for Distributions to Non-controlling and Puttable Interests of Subsidiaries

Provision is made for distributions declared by controlled entities, but not paid prior to reporting date. The movement for the current year is as follows:

	\$'000
Opening balance at 1 July 2010	4,502
Total distributions provided for non-controlling and puttable interests of subsidiaries ⁽¹⁾	99,736
Total cash distributions paid during the year to non-controlling and puttable interests of subsidiaries	(35,884)
Closing balance at 30 June 2011	68,354

(1) Primarily represents capital return declared by controlled entities out of US disposal proceeds.

15. DERIVATIVE FINANCIAL INSTRUMENTS

	Centro Properties Limited and its Controlled Entities	
	30.06.11 \$'000	30.06.10 \$'000
Derivative assets		
Current assets		
Interest rate swap contracts	4,730	3,563
Total current derivative financial instrument assets	4,730	3,563
Non-current assets		
Interest rate swap contracts	-	21,957
Total non-current derivative financial instrument assets ⁽¹⁾	-	21,957
Total derivative financial instrument assets	4,730	25,520
Derivative liabilities		
Current liabilities		
Interest rate swap contracts	97,348	13,558
Forward foreign exchange contracts	-	254
Other derivatives	135,048	57
Total current derivative financial instrument liabilities	232,396	13,869
Non-current liabilities		
Interest rate swap contracts	-	128,623
Cross currency interest rate swap contracts	-	39,576
Forward foreign exchange contracts	-	196,886
Other derivatives	-	137,956
Total non-current derivative financial instrument liabilities ⁽¹⁾	-	503,041
Total derivative financial instrument liabilities	232,396	516,910
Net derivative financial instrument liabilities	227,666	491,390

(1) As a result of adopting liquidation basis of preparation non-current assets and non-current liabilities have been reclassified to current assets and current liabilities for the year ended 30 June 2011. Refer to Note 2(b).

The net movement on mark to market of derivatives for the year ended 30 June 2011 of \$263.7 million (2010: \$74.5 million) is primarily due to the strengthening in the value of the Australian dollar against the US dollar and the impact of settlements and close outs which occurred during the year.

The Group is party to derivative financial instruments in the normal course of business in order to manage exposure to fluctuations in interest and foreign exchange rates in accordance with the Group's financial risk management policies.

The Group's ability to adhere to these policies is subject to facilities being available. In the current circumstances, the Group does not have access to sufficient facilities to meet its policies.

Certain derivatives are subject to the right to break prior to maturity. These derivatives will be automatically settled when their mark to market value reaches nil. During 2011, derivatives with a market-to-market value of \$169.5 million at 30 June 2010 were automatically settled upon reaching a nil market-to-market.

(i) Interest rate swap contracts

The Group's exposure to fluctuations in interest rates is managed to the extent possible through the use of interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates. Each contract is settled on a net basis and the fair value of each contract is disclosed in the balance sheet as either an asset or liability.

The contracts require settlement of net interest receivable or payable between 30 and 180 days (depending upon the contract). Where possible, the settlement dates coincide with the dates on which interest is payable on the underlying debt.

(ii) Cross currency interest rate swap contracts

During the prior year consolidated entities within the Group held cross currency interest rate swap contracts. Each contract is settled on a gross basis and the fair value is disclosed in the balance sheet as either an asset or liability.

Under the terms of a cross currency interest rate swap the Group has entered into an agreement with another party to exchange a specified cash flow denominated in one currency, for a cash flow denominated in a different currency, on an agreed future date.

(iii) Forward foreign exchange contracts

During 2011, the Group had forward foreign exchange contracts to sell US dollars and buy Australian dollars. These were terminated on reaching a \$nil value during the year or paid out for their mark-to-market value.

(iv) Other derivatives

The Group's other derivatives include put options on units held by third parties in consolidated funds and income swaps under which the Group exchanges a variable distribution yield in return for paying a fixed yield, which both have been entered into with counterparties of the debt stabilisation agreement.

Included within other derivatives is an amount of \$11.7 million representing cash held in escrow for the settlement of any potential liabilities arising from other derivatives. As CNP has the legal right of offset upon settlement of other derivatives, this cash amount has been offset with the other derivative liability.

16. INTEREST BEARING LIABILITIES

	Centro Properties Limited and its Controlled Entities	
Notes	30.06.11 \$'000	30.06.10 \$'000
Current		
Secured interest bearing liabilities ⁽¹⁾	6,330,615	4,716,036
Unsecured interest bearing liabilities	-	206,363
Investor loan notes held by puttable interest holders	7,913	-
Finance leases	3,378	3,168
Total current interest bearing liabilities	6,341,906	4,925,567
Non-current		
Secured interest bearing liabilities ^{(1) (2)}	-	10,896,455
Unsecured interest bearing liabilities ⁽²⁾	-	617,055
Investor loan notes held by puttable interest holders ⁽²⁾	-	8,611
Finance leases ⁽²⁾	-	113,674
Total non-current interest bearing liabilities⁽¹⁾	-	11,635,795
Liquidation value adjustment ⁽³⁾	2(b) (1,366,048)	-
Total interest bearing liabilities	4,975,858	16,561,362
Financing arrangements		
The Group has access to the following lines of credit:		
Interest bearing liabilities	6,406,571	16,612,862
Total facilities available at end of period	6,406,571	16,612,862
Facilities utilised at end of period:		
Interest bearing liabilities	6,341,906	16,561,362
Total facilities utilised at end of period	6,341,906	16,561,362
Facilities not utilised at end of period		
Interest bearing liabilities	64,665	51,500
Total facilities not utilised at end of period	64,665	51,500

(1) Includes Hybrid Securities of \$1.0 billion (30 June 2010: \$1.0 billion) issued as part of the refinancing and debt stabilisation agreement.

(2) As a result of adopting liquidation basis of preparation non-current liabilities have been reclassified to current liabilities for the year ended 30 June 2011. Refer to Note 2(b).

(3) As a result of adopting the liquidation basis of preparation, a liquidation value adjustment of \$1,366.0* million has been recognised to measure interest bearing liabilities to their settlement amount. The settlement amount has been estimated based on the proposed Senior Debt Scheme announced on 9 August 2011. Refer to Note 1(b) for additional information.

The decrease in interest bearing liabilities during the year ended 30 June 2011 is due to:

- (i) The disposal of the US subsidiaries,
- (ii) The strengthening in the value of the Australian dollar against the US dollar, and
- (iii) Adoption of liquidation basis of preparation

In adopting the liquidation basis of preparation, interest bearing liabilities are measured at their settlement amount calculated based on the contractual arrangements of the planned scheme of arrangement contemplated as part of a successful Aggregation. Consequently, interest bearing liabilities with a carrying amount of \$6,341.9 million have been adjusted to their settlement amount of approximately \$4,975.9 million. The difference between the carrying amount of the assets and the headstock debt of \$1,366.0* million is recognised as a liquidation value adjustment in the Income Statement.

(a) Defaults on Debt Obligations

At 30 June 2011, the Group had no defaults on debt obligations (30 June 2010: no defaults).

(b) Breaches of Lending Covenants

At 30 June 2011, the Group had no breaches of lending covenants (30 June 2010: no breaches).

17. DEFERRED TAX LIABILITIES

		Centro Properties Limited and its Controlled Entities	
	Notes	30.06.11 \$'000	30.06.10 \$'000
The deferred tax liability balance comprises temporary differences attributable to:			
US investment property		-	33,060
		-	33,060
Movements:			
Opening balance at 1 July		33,060	21,468
Deferred tax (benefit)/expense	9(d)	(23,442)	12,529
Tax paid on disposal		(9,618)	-
Foreign currency translation reserve movements		-	(937)
Closing balance at 30 June		-	33,060

* The amount of \$1,329.3 million recognised in the Income Statement comprises the liquidation value adjustments on interest bearing liabilities of \$1,366.0 million offset by the liquidation value adjustment on investment property of \$36.7 million. Refer to Note 2(b).

18. CONTRIBUTED EQUITY

Centro Properties Limited and its Controlled Entities		
	30.06.11 Number '000	30.06.10 Number '000
Number of securities issued:		
Ordinary	972,415	972,415
Convertible bonds (2010: Preference Units)	45,559	45,559
	1,017,974	1,017,974
	\$'000	\$'000
Paid up capital:		
Ordinary ⁽¹⁾⁽²⁾	1,774,527	1,773,892
Convertible bonds (2010: Preference Units)	497,949	497,949
	2,272,476	2,271,841

(1) Adjusted for securities issued under the ESP that are deemed to be options under AASB 2 Share-based Payment to reflect the number of securities listed on the Australian Stock Exchange.

(2) Ordinary paid up capital includes other equity of negative \$969.7 million (2010: negative \$969.7 million). Other equity arose as a result of the deemed reverse acquisition arising from the Centro Properties Group/Prime merger which occurred in October 2004. Current versions of Australian Accounting Standards require individual disclosure of equity attributable to Centro Properties Limited and Centro Property Trust. Prior to the application of revised AASB 3 and AASB 127, other equity was included within the Group's contributed equity balance.

(a) Ordinary Stapled Securities

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

(b) Convertible Bonds

The Group has US\$444 million (2010: US\$444 million) of Convertible Bonds (formerly known as preference units) on issue, measured at their historical rate by virtue of their equity classification. Preference unitholders rank ahead of ordinary securityholders for both capital and income distributions. At CNP's discretion, preference units bear a fixed interest coupon of 3.50% per annum and a yield to maturity of 5.55% per annum.

The preference units matured on 30 June 2010. Under the terms and conditions of the preference units, CNP elected not to redeem the units. The effect of this is that the preference units which were held indirectly by investors through a special purpose vehicle are now known as Convertible Bonds and held directly by investors from 1 July 2010. There is no impact on the Group from this change and the units retain their previous ranking and entitlements. Any future settlement of the units remains at CNP's discretion.

CNP continues to be prohibited from paying income or capital distributions to ordinary securityholders due to not making payment of the 3.5% coupon at 30 June 2008, 31 December 2008, 30 June 2009, 31 December 2009, 30 June 2010, 31 December 2010 and 30 June 2011, due to its election not to redeem its Convertible Bonds (Preference units).

(c) Employee Securities Plan (ESP)

Information relating to the Centro Employee Securities Plan, including details of securities issued under the plan are set out in Note 22.

19. EARNINGS PER SECURITY

	Centro Properties Limited and its Controlled Entities	
	30.06.11	30.06.10
Centro Properties Limited		
Basic profit/(loss) per share – cents	49.20	(33.81)
Diluted profit/(loss) per share – cents	49.20	(33.81)
	30.06.11 \$'000	30.06.10 \$'000
Reconciliation of profit/(loss) used in calculating loss per security (basic and diluted)		
Net profit/(loss) after tax	2,800,142	(523,178)
Less net profit attributable to external non-controlling interests	55,569	129,522
Less net profit/(loss) attributable to members of Centro Property Trust	2,270,053	(328,018)
Net profit/(loss) attributable to members of Centro Properties Limited	474,520	(324,682)
	30.06.11 Number '000	30.06.10 Number '000
Weighted average number of securities		
Basic weighted average number of securities on issue for the period ⁽¹⁾	964,558	960,439
Diluted weighted average number of securities on issue for the period ⁽¹⁾	964,558	960,439
Centro Properties Group		
Basic profit/(loss) per stapled security – cents	284.54	(67.96)
Diluted profit/(loss) per stapled security – cents	284.54	(67.96)
Reconciliation of profit/(loss) used in calculating loss per security (basic and diluted)		
Net profit/(loss) after tax	2,800,142	(523,178)
Net profit attributable to external non-controlling interests	55,569	129,522
Net profit/(loss) attributable to members of Centro Properties Group	2,744,573	(652,700)

(1) Weighted average number of securities on issue excludes securities issued under the Employee Securities Plan and Loan Scheme. These securities are not considered issued unless exercised.

20. NET TANGIBLE ASSET BACKING

	Centro Properties Limited and its Controlled Entities	
	30.06.11	30.06.10
(a) Basic net tangible asset backing per ordinary security		
Net tangible liabilities attributable to members of Centro Properties Group (\$'000)	(199,735)	(2,506,151)
Convertible Bonds (2010: Preference Units) (\$'000) ⁽¹⁾	(414,102)	(528,069)
Adjusted net tangible liabilities attributable to members of Centro Properties Group (\$'000)	(613,837)	(3,034,220)
Number of securities outstanding at the end of the period used in the calculation of net tangible asset backing per security ('000)	972,415	972,415
Net tangible liabilities backing per security – basic	(\$0.63)	(\$3.12)
(b) Adjusted net tangible asset backing per ordinary security		
Net tangible liabilities attributable to members of Centro Properties Group (\$'000)	(613,837)	(2,506,151)
Adjusted number of securities outstanding at the end of the period used in the calculation of net tangible asset backing per security ('000) ⁽²⁾	972,415	1,017,974
Net tangible liabilities backing per security – adjusted	(\$0.63)	(\$2.46)
(c) Basic net tangible asset backing per ordinary security before liquidation value adjustments		
Adjusted net tangible liabilities attributable to members of Centro Properties Group (\$'000)	(613,837)	(3,034,220)
Deduct: Liquidation value adjustment	(1,329,328)	-
Net tangible liabilities attributable to members of Centro Properties Group before liquidation value adjustments(\$'000)	(1,943,165)	(3,034,220)
Adjusted number of securities outstanding at the end of the period used in the calculation of net tangible asset backing per security ('000) ⁽²⁾	972,415	972,415
Net tangible liabilities backing per security – basic	(\$2.00)	(\$3.12)

(1) Value of Convertible Bonds (formerly Preference Units) denominated in US dollars has been translated at the spot rate at balance date to reflect the impact on ordinary securityholders in the event that they are redeemed for cash rather than at the historical rate as recognised in equity.

(2) The Preference Units converted into Convertible Bonds on 1 July 2010. Upon conversion, the option to redeem through the issue of ordinary securities expired. Any future settlement of the Convertible Bonds continues to remain entirely at CNP's discretion. As a result, the Convertible Bonds have no effect in calculating the adjusted net tangible asset backing per ordinary security as at 30 June 2011.

21. CASH FLOW INFORMATION

	Notes	Centro Properties Limited and its Controlled Entities	
		30.06.11 \$'000	30.06.10 \$'000
Reconciliation of profit/(loss) after tax to net cash inflow from operating activities			
Net profit/(loss) after tax		2,800,142	(523,178)
Exclude non-cash items:			
Liquidation value adjustments		(1,329,328)	-
Net movements on mark to market of derivatives and foreign exchange transactions		(552,740)	(88,795)
Foreign currency translation reserve recycled on sale of US assets		(607,792)	-
Loss on disposal of US assets	5(b)	96,024	-
Revaluation (increment)/decrement for directly owned investment properties	11(d)	(349,649)	645,508
Fair value adjustment on financial assets at fair value through profit or loss	11(c)	(43,643)	22,820
Share of net (profit)/losses of associates, net of distributions received		(39,537)	25,222
Net tax (benefit)/expenses	9(a)	(23,220)	13,252
Straight lining of rents	11(d)	(3,500)	(7,583)
Capitalised interest on Hybrid Securities		75,294	57,414
Impairment of intangible assets	12	34,863	331,168
Movement in net assets attributable to puttable interests in consolidated finite life trusts		36,555	(24,011)
Depreciation and amortisation	8	16,899	17,044
Provision for bad and doubtful debts		14,814	29,304
Net loss on disposal of investment property, equity accounted investments and held for sale investments		6,148	1,552
Discount on acquisition		-	(4,384)
Share-based payment expense	8	905	11,102
Other non cash items		(3,979)	8,232
Advisor fees included under cash flow from financing activities		47,999	15,417
Change in operating assets and liabilities, net of the effects of purchase and disposal of controlled entities:			
(Increase)/Decrease in trade and other receivables		(27,917)	24,143
Decrease in provisions		(2,100)	(19,394)
Decrease in trade and other payables		(59,603)	(67,513)
Net cash inflow from operating activities		86,635	467,320

22. SHARE-BASED PAYMENTS

There were no new share based payment arrangements made or issues of securities or options under existing arrangements in the current year. The following provides a summary of the total holdings which remain in place for share-based Long Term Incentive (LTI) Plans previously used by the Group to provide the long term incentive component of performance based remuneration. There have been no changes in the terms of the plans since the previous year.

(a) Summary of plan holdings

Plan description	2011 Number	2011 Weighted average exercise price	2010 Number	2010 Weighted average exercise price
Employee Securities Plan and Loan Scheme (ESP) ⁽¹⁾	8,177,977	\$5.00	11,993,777	\$5.74
Executive option plan (EOP) ⁽²⁾	-	n/a	1,755,700	\$8.20
Restricted Stock Units (RSU) ⁽³⁾	-	n/a	196,800	n/a

(1) Under the ESP, eligible employees were issued with securities at the prevailing market price on date of issue, which were financed by an interest free non-recourse loan from CNP. The securities vest based on achievement of continuous service of three years as well as market based criteria (Total Shareholder Return (TSR)) in certain circumstances. Under AASB 2 Share based payments, the arrangement is treated as share option grants.

(2) Under the EOP, US executives were granted options which vested upon achievement of continuous service of three years as well as market based performance criteria (TSR).

(3) Under the RSU, restricted stock units were issued to certain US employees. The units vest on achievement of continuous service of three years as well as market based performance criteria.

The movement in the number of options or units held from prior year is due to expiry and termination of options during the year.

(b) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions (classified as options under AASB 2 Share-based Payment) recognised during the period as part of employee benefit expense were as follows:

	Centro Properties Limited and its Controlled Entities	
	2011 \$'000	2010 \$'000
Employee Security Plan and Loan Scheme (ESP)	879	6,651
Executive Option Plan (EOP)	26	3,994
Restricted Stock Units (RSU)	-	457
Total share-based payment expense	905	11,102

23. AUDITORS' REMUNERATION

Centro Properties Limited and its Controlled Entities		
	30.06.11	30.06.10
	\$	\$
During the year, the following fees were paid or payable for services provided by the auditor of the Company or its related practices.		
Assurance services		
(a) Audit services		
Ernst & Young Australian firm:		
Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>	4,606,165	3,132,187
Related practices of Ernst & Young Australian firm (US Audit)	3,288,727	4,455,563
Moore Stephens Australian firm:		
Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>	332,783	372,586
Total remuneration for audit services	8,227,675	7,960,336
(b) Other assurance services		
Ernst & Young Australian firm:		
Independent Accountant Report	603,752	-
Due diligence reviews	41,200	-
Related practices of Ernst & Young Australian firm:		
Advice on disposal of US assets	131,193	-
Total remuneration for other assurance services	776,145	-
(c) Taxation services		
Ernst & Young Australian firm:		
Taxation compliance services, including review of income tax returns	430,555	289,409
Ernst & Young US firm:		
Taxation compliance services, including review of income tax returns	27,096	-
Total remuneration for taxation services	457,651	289,409

24. BUSINESS COMBINATIONS

2011

Centro MCS 12

(a) Summary of acquisition

On 30 June 2011 certain investors in Centro MCS 12 Unit Trust (CMCS 12 UT) and Centro MCS 12 Direct Property Investment (CMCS 12 DPI) took advantage of a limited exit opportunity that was provided to investors under the CMCS 12 product disclosure statement ("PDS") before the syndicate was rolled over for a further 5 years. To assist in the syndicate rollover on 30 June 2011, CNP acquired 2,571,778 units in CMCS 12 UT and 62 units in CMCS 12 DPI. The combination of the redemption and acquisition of units resulted in CNP's voting interest increasing in CMCS 12 UT from 5% to 50% and voting interest in CMCS 12 DPI from 11% to 58%. As a result, CNP gained control over CMCS 12 UT and CMCS 12 DPI as at 30 June 2011.

Prior to the acquisition, CNP accounted for its interest in CMCS 12 UT and CMCS 12 DPI at fair value through profit or loss. CMCS 12 UT or CMCS 12 DPI did not contribute any revenues during the year and contributed \$1.3 million to net profit for the year arising from fair value through profit or loss. If the acquisition had taken place at the beginning of the year, contribution to consolidated revenue for the year by CMCS 12 UT and CMCS 12 DPI would have been \$20 million and contribution to net profit would have been \$10 million.

Details of the fair value of assets and liabilities acquired as at 30 June 2011 are as follows:

	\$'000
Cash paid	3,750
Fair value through profit or loss balance given up	14,168
Total purchase consideration	17,918
Fair value of net identifiable assets acquired attributable to securityholders of CNP (refer (c) below)	17,918
Goodwill / (discount) on acquisition	-

(b) Purchase consideration

	\$'000
The cash inflow on acquisition is as follows:	
Cash consideration paid	(3,750)
Cash balance acquired	27,007
Net cash inflow	23,257

(c) Assets and liabilities acquired

The assets and liabilities arising from the acquisition of CMCS 12 are as follows:

	Centro Properties Limited and its Controlled Entities	
	Fair value on acquisition \$'000	Carrying value \$'000
Current assets		
Cash and cash equivalents	27,007	27,007
Receivables	1,038	1,038
Total current assets	28,045	28,045
Non-current assets		
Investment property	60,500	60,500
Total non-current assets	60,500	60,500
Total assets	88,545	88,545
Current liabilities		
Payables	22,017	22,017
Provisions	1,039	1,039
Interest bearing liabilities	29,826	29,826
Total current liabilities	52,882	52,882
Net assets	35,663	35,663
Less fair value of net assets attributable to external non-controlling interests acquired:	(17,745)	
Net assets related to members of Centro Properties Group acquired:	17,918	

2010

Centro MCS 37

On 26 October 2009 CNP acquired 1 million units in CMCS 37, increasing CNP's voting interest in CMCS 37 from 49.7% at 30 June 2009 to 51.2%, giving CNP control over CMCS 37. There were no adjustments recognised in the current year on the acquisition of CMCS 37.

25. CONTINGENT LIABILITIES

The following disclosures are relevant in relation to contingent liabilities of the Group as at 30 June 2011:

(a) Litigation – CNP

In May 2008 two separate representative proceedings were commenced in the Federal Court against Centro Properties Limited and CPT Manager Limited (as the responsible entity of Centro Property Trust) (together, CNP). One proceeding is being conducted by Maurice Blackburn and the other by Slater & Gordon. The statements of claim in each proceeding allege that CNP engaged in misleading or deceptive conduct and/or breached continuous disclosure obligations in relation to:

- the classification of certain liabilities as non-current liabilities in CNP's consolidated financial reports, which were published in CNP's Preliminary Financial Report and Annual Report for the year ended 30 June 2007;
- CNP's operating distributable profit per security (DPS) forecasts for the 2008 financial year;
- the refinancing of Australian and United States debt; and
- the treatment of Super LLC's debts in CNP's Preliminary Financial Report and Annual Report for the year ended 30 June 2007.

Similar proceedings were commenced against Centro Retail Limited and Centro MCS Manager Limited.

The claims have been made on behalf of persons or entities who acquired CNP stapled securities, in the instance of the Maurice Blackburn conducted proceeding, between 9 August 2007 to 15 February 2008 and, in the instance of the Slater & Gordon conducted proceeding, between 17 July 2007 to 28 February 2008.

In late 2010 PricewaterhouseCoopers (PwC), CNP's former auditor, was added as a respondent to the proceeding conducted by Maurice Blackburn. The claimant group represented by Slater & Gordon also commenced a new representative proceeding against PwC.

In November 2010 a further representative proceeding was commenced by Maurice Blackburn on behalf of Centro Shopping America Trust (CSF) security holders against PricewaterhouseCoopers Securities Limited (PwCS). This proceeding relates to alleged misleading and deceptive statements in an 'Investigating Accountants Report on Financial Forecasts' prepared by PwCS in connection with the proposed merger between CSF and Centro Retail Trust. CNP has been joined by PwC to this further proceeding.

In all claims the applicants seek unspecified damages, declarations, interests and costs.

In each of the representative proceedings to which it is a party CNP has cross claimed against PwC and PwC has cross claimed against CNP and also against certain persons who were directors and/or officers of CNP at the relevant time. These directors and/or officers have sought indemnity from CNP pursuant to deeds of indemnity that had been entered into with them, as is common practice for publicly listed companies.

The proceedings are being vigorously defended (with defences filed) and the parties are completing various interlocutory steps ordered by the Court with a view to a trial commencing in March 2012.

No amount has been provided for in the financial report, however, the financial effect of this contingent liability may be material if it becomes an actual liability.

(b) Guarantees

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 requirement.

(c) Other Contingent Liabilities

The Victorian, South Australian and New South Wales State Revenue Offices are investigating or have assessed entities within Centro Properties Group in relation to their acquisition of property interests in their respective states and the establishment of certain funds. The total value of these assessments and investigations, including duty, penalties and interest, is estimated at \$120.1 million. CNP has considered these investigations and has lodged written objections where assessments have been raised. While CNP and its stamp duty advisors consider that no stamp duty is payable, a provision of \$88.4 million has been raised against these matters.

The Group is exposed under certain circumstances to tax indemnities associated with the acquisition of interests in particular US properties. In the event that certain specified transactions or events occur and a tax liability is incurred by a partner entitled to such indemnification, the partner has the right to call on these tax indemnities. Based on current information, the Group's total exposure to these tax indemnities is estimated at approximately US\$170 million.

(d) Contingent Commitments

CNP is a co-investor in some of its managed funds. In recognition of the potential liquidity requirements of co-investors in its unlisted managed funds, CNP has provided

limited exit mechanisms to investors at the then net asset backing of the relevant fund. 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.

- The Group has provided a net asset backing guarantee to Direct Property Fund (DPF) and Direct Property Fund International (DPFI) in relation to their investment in Centro Retail Investment Trust (CRIT). The guarantee may be called upon on the earlier of the seventh anniversary of the establishment of CRIT (29 May 2014) or on the occurrence of certain liquidity trigger events. The Group would expect to meet this commitment through the redemption of units held in DPF and DPFI in return for units in CRIT. The Group's exposure in respect of this guarantee is the difference between net asset backing and the fair value less costs to sell of CRIT. As the net asset backing and fair value less costs to sell of CRIT are equal as at 30 June 2011, there is no exposure to CNP at balance date, and no liability has been recognised.
- Liquidity guarantees of \$50 million each have been issued to DPF and DPFI. These guarantees are subject to increases of up to \$51 million in total across DPF and DPFI in the event that the Group's total economic interest in either fund falls below 35%. The Group currently holds direct interests greater than 50%.
- CNP's more recent CMCS syndicates include limited liquidity mechanisms for investors. The fund to which this mechanism applies is CMCS 37. CMCS 37 investors have a limited exit opportunity annually from 30 June 2009 onwards. Based on current net asset backing and external ownership interest, this arrangement may result in CNP acquiring annually up to one million units in CMCS 37 at the then net asset backing. Based on 30 June 2011 values, the gross commitment to CNP would be approximately \$0.6 million.
- CMCS syndicates managed by CNP have fixed investment periods. The constitutions of certain syndicates provide investors in those syndicates with a Flexible Exit Mechanism ("FEM"). Towards the end of the investment period, the constitutions provide that the FEM must be triggered or the Responsible Entity may choose to terminate the syndicate if in the best interest of investors. This FEM entitles investors to put their units in the syndicate to CNP at the then net asset value. In the 12 months ending 30 June 2012, CNP may be obligated to acquire up to \$290.5 million of units in syndicates (based on 30 June 2011 values). As noted above, if the Responsible Entity of the syndicate deems that it is in the best interests of investors to sell the assets of the

syndicate, the assets can be sold and the syndicate wound-up. This would eliminate the obligation for CNP to acquire any units in such syndicates. This right to terminate applies to some but not all syndicates.

(e) Other

In the ordinary course of business, the Group is exposed to various other legal and administrative proceedings, the ultimate resolution of which should not have a material effect on the Group's financial position, results of operations or cash flows.

26. KEY MANAGEMENT PERSONNEL COMPENSATION

(a) Key management Personnel

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

(i) Non-executive Directors

P. Cooper (Chairman)

A. Buduls

J. Hall

S. Oliver

R. Wylie

(ii) Executive Directors

R. Tsenin

(iii) Key Management Personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, indirectly or directly, during the financial year:

Name	Position
R. Tsenin	Group Chief Executive Officer and Managing Director
M. Carroll	Chief Executive Officer – US (until 28 February 2011)
C. Nunn	Group Chief Financial Officer
M. Wilson	General Manager – Property Operations Australia
D. Kiriacoulacos	Group General Counsel
G. Condon	General Manager – Syndicate Funds Management
M. Bennett	Deputy CEO and Chief Restructuring Officer – CER

26. KEY MANAGEMENT PERSONNEL COMPENSATION (continued)

(b) Key Management Personnel Compensation

	Centro Properties Limited and its Controlled Entities	
	30.06.11 \$	30.06.10 ⁽¹⁾ \$
Short-term employee benefits	9,812,654	9,726,117
Post-employment benefits	237,296	277,747
Other long-term employee benefits	5,396,089	1,604,927
Termination benefits	-	222,068
Share-based payments	26,119	(502,760)
	15,472,158	11,328,099

(1) Excludes compensation payable to Mr Siegel who is included in Section 3.2 of the Remuneration Report as he is one of the five highest remunerated officers in 2010, however Mr Siegel is not considered to be a member of the Key Management Personnel of the Group.

(c) Security Holdings of Key Management Personnel

The numbers of securities in the Group held during the financial year by each Director and other Key Management Personnel of the Group, including their personally-related entities, are set out below:

Year Ended 30 June 2011				
Name	Balance at the start of the year	Received during the year on exercise of options	Other changes during the year ⁽¹⁾	Balance at the end of the year
Directors of the Group				
Ordinary Securities				
P. Cooper	-	-	-	-
R. Tsenin	450	-	-	450
A. Buduls	-	-	-	-
J. W. Hall	11,833	-	-	11,833
S. Oliver	-	-	-	-
R. Wylie	-	-	-	-
Other Key Management Personnel of the Group				
Ordinary Securities				
M. Carroll	53,100	-	(53,100)	-
C. Nunn	-	-	-	-
M. Wilson	450,000	-	-	450,000
D. Kiriacoulacos	-	-	-	-
G. Condon	101,000	-	-	101,000
M. Bennett	47,841	-	-	47,841

(1) For executive Directors and other Key Management Personnel, this primarily represents issues/disposals under Centro Properties Employee Security Plan.

(c) Security Holdings of Key Management Personnel (continued)

The numbers of securities in the Group held during the financial year by each Director and other Key Management Personnel of the Group, including their personally-related entities, are set out below:

Year Ended 30 June 2010				
Name	Balance at the start of the year	Received during the year on exercise of options	Other changes during the year⁽¹⁾	Balance at the end of the year
Directors of the Group				
Ordinary securities				
P. Cooper	-	-	-	-
R. Tsenin	-	-	450 ⁽³⁾	450
A. Buduls	-	-	-	-
J. W. Hall	11,833	-	-	11,833
S. Oliver	-	-	-	-
R. Wylie	-	-	-	-
P. G. Goldie	34,971	-	-	n/a ⁽⁴⁾
S. Kavourakis	33,117	-	-	n/a ⁽⁴⁾
L. P. Wilkinson	10,000	-	-	n/a ⁽⁴⁾
Other Key Management Personnel of the Group				
Ordinary Securities				
M. Carroll	53,100	-	-	53,100
C. Nunn	-	-	-	-
M. Wilson	810,000	-	(360,000)	450,000
D. Kiriacoulacos	-	-	-	-
G. Condon	261,000	-	(160,000)	101,000
M. Benett	222,841	-	(175,000)	47,841
G. Rufrano ⁽²⁾	132,600	-	(132,600)	-
A. Clarke	-	-	-	-

(1) For executive Directors and other Key Management Personnel, this primarily represents issues/disposals under Centro Properties Employee Security Plan.

(2) Movements for the year reflect the securities forfeited following the conclusion of contract in February 2010.

(3) Securities were acquired prior to becoming a KMP of the Group and remain on hand at 30 June 2010.

(4) Information is not disclosed as no longer a Director at 30 June 2010.

26. KEY MANAGEMENT PERSONNEL COMPENSATION (continued)

(d) Loans to Key Management Personnel

Details of loans made to Directors of the Group and other Key Management Personnel of the Group, including their personally related entities are set out below. These loans are provided under the Employee Securities Plan and Loan Scheme as set out in Note 22.

Year Ended 30 June 2011	Balance at start of the year \$	Interest paid and payable for the year \$	Interest not charged \$	Balance at the end of the year \$	Highest level of indebtedness during the year \$
Key Management Personnel of the Group					
M. Wilson	1,536,718	-	118,327	1,536,718	1,536,718
G. Condon	236,734	-	18,229	236,734	236,734
M. Bennett	236,261	-	18,192	236,261	236,261
	2,009,713	-	154,748	2,009,713	2,009,713

Year Ended 30 June 2010	Balance at start of the year \$	Interest paid and payable for the year \$	Interest not charged \$	Balance at the end of the year \$	Highest level of indebtedness during the year \$
Key Management Personnel of the Group					
M. Wilson	4,448,645	-	230,436	1,536,718	4,448,645
G. Condon	1,557,291	-	119,911	236,734	1,557,291
M. Bennett	1,713,464	-	131,937	236,261	1,713,464
	7,719,400	-	482,284	2,009,713	7,719,400

(e) Other Transactions with Key Management Personnel

There were no other transactions with Key Management Personnel that were not conducted on a normal arm's length basis. All transactions with Key Management Personnel require approval by the Board. The Group has established a policy that requires all 'non-standard' transactions to be subject to prior approval by the Board, with legal advice being sought as necessary.

27. RELATED PARTY DISCLOSURES

(a) Parent Entity

The parent entity of the Group is Centro Properties Limited. For statutory reporting purposes the controlled entities include Centro Property Trust.

(b) Domicile

The Company is domiciled and incorporated in Australia.

(c) Subsidiaries and Associated Entities

Interests in subsidiaries and associated entities are set out in the following sections of this note:

- Section (f) – Ownership interests in significant controlled entities;
- Section (g) – Ownership interests in significant associates accounted for using the equity method of accounting; and
- Section (h) – Ownership interests in significant associates designated as financial assets carried at fair value through profit or loss.

(d) Key Management Personnel

Disclosures relating to Key Management Personnel are set out in Note 26.

(e) Information on Related Party Transactions and Balances

(i) Related party borrowings

The Trust is the principal borrower for the Group and members of the Group have entered into cross guarantees to support its obligations.

(ii) Related party receivables

Loans and trade receivables from related parties are disclosed in the table following in section (iii).

An impairment assessment is undertaken each financial year by examining the financial position of the related party to determine whether there is objective evidence that a related party receivable is impaired. When such objective evidence exists, the Group recognises an allowance for the impairment loss.

Outstanding related party trade receivables balances at year end are unsecured and settlement occurs in cash. Interest is charged on an arm's length basis on amounts greater than 90 days outstanding. The Group does not hold any collateral in relation to related party receivables.

27. RELATED PARTY DISCLOSURES (continued)

(e) Information on Related Party Transactions and Balances (continued)

(iii) Related party revenue

The Group has earned fees from related parties as set out in the table below.

30 June 2011	Property management \$	Development and leasing \$	Funds management \$	Total \$	Amount included in receivables \$
Centro MCS Syndicate No. 3 ⁽¹⁾	416,195	134,827	821,847	1,372,869	-
Centro MCS Syndicate No. 4	361,560	71,507	904,165	1,337,232	30,095,659
Centro MCS Syndicate No. 5	495,741	74,582	7,024,772	7,595,095	8,417,502
Centro MCS Syndicate No. 6	481,648	114,364	3,003,455	3,599,467	4,397,658
Centro MCS Syndicate No. 8	439,073	385,609	885,908	1,710,590	1,976,495
Centro MCS Syndicate No. 9	972,699	380,652	1,563,443	2,916,794	20,916,997
Centro MCS Syndicate No. 10	273,338	68,271	548,605	890,214	88,944
Centro MCS Syndicate No. 11	727,260	228,479	9,664,686	10,620,425	10,425,439
Centro MCS Syndicate No. 12 ⁽¹⁾	371,139	95,827	2,627,612	3,094,578	-
Centro MCS Syndicate No. 14	271,992	66,893	845,386	1,184,271	1,219,732
Centro MCS Syndicate No. 15	147,351	78,283	1,427,660	1,653,294	1,252,780
Centro MCS Syndicate No. 16	293,677	24,081	599,936	917,694	15,833,770
Centro MCS Syndicate No. 17	423,103	35,407	5,128,510	5,587,020	4,533,673
Centro MCS Syndicate No. 18	184,198	19,454	1,772,946	1,976,598	1,527,149
Centro MCS Syndicate DPI No. 19	628,170	211,134	6,652,911	7,492,215	7,564,961
Centro MCS Syndicate No. 20	88,371	30,378	372,661	491,410	94,144
Centro MCS Syndicate No. 21 Property Trust	727,149	-	7,335,222	8,062,371	8,399,514
Centro MCS Syndicate No. 22 Property Trust	51,747	-	384,033	435,780	345,070
Centro MCS No. 23 Property Syndicate	174,124	68,785	966,267	1,209,176	772,496
Centro MCS Syndicate No. 24 ⁽¹⁾	26,077	-	7,157	33,234	-
Centro MCS Syndicate No. 25 ⁽¹⁾	632,078	-	982,528	1,614,606	-
Centro MCS Syndicate No. 26 ⁽¹⁾	716,504	-	770,288	1,486,792	-
Centro MCS Syndicate No. 27 ⁽¹⁾	483,892	-	602,615	1,086,507	-
Centro City MCS Syndicate No. 28	1,176,302	35,526	5,633,007	6,844,835	4,601,683
Centro MCS Syndicate No. 30 ⁽¹⁾	72,686	12,791	157,419	242,896	-
Centro MCS Syndicate No. 32 ⁽¹⁾	-	-	1,091,217	1,091,217	-
Centro MCS Syndicate No. 33	1,206,657	41,153	1,335,738	2,583,548	471,128
Centro MCS Syndicate No. 34	632,433	-	1,054,513	1,686,946	9,144,696
Centro MCS Syndicate No. 35	-	-	232,667	232,667	16,886
Centro MCS Syndicate No. 36 ⁽¹⁾	925,343	363,408	1,313,778	2,602,529	-
Centro MCS Syndicate No. 37 ⁽¹⁾	576,992	70,984	906,261	1,554,237	-
Centro MCS Syndicate No. 38 ⁽¹⁾	719,047	479,316	1,012,157	2,210,520	-
Centro MCS Syndicate No. 39 ⁽¹⁾	2,651,859	1,373,895	3,406,511	7,432,265	-
Centro MCS Syndicate No. 40 ⁽¹⁾	2,844,258	1,141,467	3,138,648	7,124,373	-

30 June 2011	Property management \$	Development and leasing \$	Funds management \$	Total \$	Amount included in receivables \$
Centro America REIT 1, Inc ⁽¹⁾	1,603,144	823,411	1,628,071	4,054,626	-
Centro America REIT 2, Inc	255,890	208,971	239,721	704,582	-
Centro America REIT 6, Inc. ⁽¹⁾	129,433	14,789	72,280	216,502	-
Centro America REIT 9, Inc. ⁽¹⁾	1,592,166	-	450,244	2,042,410	-
Centro America REIT 10, Inc. ⁽¹⁾	580,231	5,010	168,850	754,091	-
Centro GA America LLC ⁽¹⁾	3,667,568	320,494	1,661,720	5,649,782	-
Centro Direct Property Fund No. 1 ⁽¹⁾	-	-	5,959,180	5,959,180	-
Centro DPF International ⁽¹⁾	-	-	1,278,141	1,278,141	-
Centro Super LLC ⁽¹⁾	14,020,294	10,657,366	5,570,497	30,248,157	-
Centro GA Non-Core LLC ⁽¹⁾	-	331,137	-	331,137	-
Centro Retail Trust ⁽¹⁾	7,625,642	773,927	17,704,870	26,104,439	-
Centro Australia Wholesale Fund ⁽¹⁾	9,433,448	53,825	10,048,905	19,536,178	-
Centro America Fund ⁽¹⁾	2,391,020	865,702	2,692,230	5,948,952	-
Centro MCS Syndicate Investment Fund ⁽¹⁾	1,843,402	35,526	1,435,055	3,313,983	-
Centro Premium Fund No. 1	-	-	-	-	2,619,172
Centro MCS Capital Pty Ltd	-	-	-	-	454,999
Centro Arndale Properties Trust	-	-	-	-	1,302,501
Bankstown Partnership	-	-	-	-	1,518,817
Victoria Gardens Shopping Centre	-	-	-	-	1,484,540
Centro City Perth Property Trust	-	-	-	-	247,382
Emerald Village	-	-	-	-	213,635
Centro Shopping Centre Securities Ltd	-	-	-	-	1,659,076
Other related parties	-	-	-	-	5,825,127
Total	63,334,901	19,697,231	123,084,293	206,116,425	147,421,625

(1) No amount has been included in receivables as the entity is a controlled entity and balances have been eliminated on consolidation.

27. RELATED PARTY DISCLOSURES (continued)

(e) Information on Related Party Transactions and Balances (continued)

(iii) Related party revenue (continued)

30 June 2010	Property management \$	Development and leasing \$	Funds management \$	Total \$	Amount included in receivables \$
Centro MCS Syndicate No. 2	-	-	12,889	12,889	-
Centro MCS Syndicate No. 3 ⁽¹⁾	414,024	100,957	815,725	1,330,706	-
Centro MCS Syndicate No. 4	352,883	190,651	915,847	1,459,381	30,077,024
Centro MCS Syndicate No. 5	484,606	79,687	981,063	1,545,356	2,516,214
Centro MCS Syndicate No. 6	461,185	129,460	884,592	1,475,237	2,333,446
Centro MCS Syndicate No. 8	599,273	375,198	1,191,260	2,165,731	2,110,823
Centro MCS Syndicate No. 9	909,477	725,845	1,303,528	2,938,850	24,207,494
Centro MCS Syndicate No. 10	345,472	78,710	712,877	1,137,059	(19,702)
Centro MCS Syndicate No. 11	699,922	577,663	1,387,687	2,665,272	2,250,664
Centro MCS Syndicate No. 12	419,871	167,850	676,868	1,264,589	8,663,775
Centro MCS Syndicate No. 14	282,693	76,384	487,834	846,911	1,134,974
Centro MCS Syndicate No. 15	135,450	31,547	298,582	465,579	151,188
Centro MCS Syndicate No. 16	290,981	2,070	622,663	915,714	15,834,715
Centro MCS Syndicate No. 17	465,170	70,547	907,006	1,442,723	5,368,870
Centro MCS Syndicate No. 18	237,727	67,011	455,923	760,661	1,203,851
Centro MCS Syndicate DPI No. 19	974,073	642,079	1,212,502	2,828,654	2,197,286
Centro MCS Syndicate No. 20	44,103	-	380,056	424,159	90,715
Centro MCS Syndicate No. 21 Property Trust	1,414,089	-	1,619,514	3,033,603	3,371,362
Centro MCS Syndicate No. 22 Property Trust	50,217	-	381,886	432,103	347,331
Centro MCS No. 23 Property Syndicate	170,758	19,300	338,517	528,575	179,128
Centro MCS Syndicate No. 24 ⁽¹⁾	303,118	75,600	29,688	408,406	-
Centro MCS Syndicate No. 25 ⁽¹⁾	1,073,367	-	911,663	1,985,030	-
Centro MCS Syndicate No. 26 ⁽¹⁾	950,165	-	762,921	1,713,086	-
Centro MCS Syndicate No. 27 ⁽¹⁾	461,099	-	618,040	1,079,139	-
Centro City MCS Syndicate No. 28	91,541	-	1,803,826	1,895,367	525,659
Centro MCS Syndicate No. 30 ⁽¹⁾	70,426	24,317	153,627	248,370	-
Centro MCS Syndicate No. 32 ⁽¹⁾	-	-	1,173,429	1,173,429	-
Centro MCS Syndicate No. 33	1,734,800	36,927	1,372,712	3,144,439	454,672
Centro MCS Syndicate No. 34	722,076	-	857,380	1,579,456	9,972,219
Centro MCS Syndicate No. 35	-	-	263,407	263,407	77,441
Centro MCS Syndicate No. 36 ⁽¹⁾	1,545,617	810,139	1,918,781	4,274,537	-
Centro MCS Syndicate No. 37 ⁽¹⁾	562,548	113,096	894,932	1,570,576	-
Centro MCS Syndicate No. 38 ⁽¹⁾	3,048,728	358,344	1,470,107	4,877,179	-
Centro MCS Syndicate No. 39 ⁽¹⁾	4,394,548	2,035,289	4,545,583	10,975,420	-
Centro MCS Syndicate No. 40 ⁽¹⁾	4,667,647	1,466,946	1,962,614	8,097,207	-

30 June 2010	Property management \$	Development and leasing \$	Funds management \$	Total \$	Amount included in receivables \$
Centro America REIT 1, Inc ⁽¹⁾	2,611,411	2,244,144	2,480,208	7,335,763	-
Centro America REIT 2, Inc	-	-	-	-	23,708
Centro America REIT 10, Inc. ⁽¹⁾	634,387	5,315	173,160	812,862	-
Centro GA America LLC ⁽¹⁾	6,431,430	-	2,552,990	8,984,420	-
Centro Direct Property Fund No. 1 ⁽¹⁾	(62,740)	-	5,773,808	5,711,068	-
Centro DPF International ⁽¹⁾	711	-	1,692,770	1,693,481	-
Centro Super LLC ⁽¹⁾	23,336,272	12,448,521	8,781,456	44,566,249	-
Centro Retail Trust ⁽¹⁾	7,582,611	1,133,684	21,497,199	30,213,494	-
Centro Australia Wholesale Fund ⁽¹⁾	9,493,448	155,493	9,914,859	19,563,800	-
Centro America Fund ⁽¹⁾	3,911,557	1,036,529	4,067,045	9,015,131	-
Centro Premium Fund No. 1	-	-	-	-	2,611,912
Lutwyche Holding Trust	-	-	-	-	(242,181)
Bankstown Partnership	2,079,831	-	-	2,079,831	1,642,051
Centro City Perth Property Trust	254,415	-	-	254,415	633,894
Emerald Village	-	-	-	-	200,059
Centro Shopping Centre Securities Ltd	-	-	-	-	3,580,812
Other related parties	-	-	-	-	10,764,953
TOTAL	84,650,987	25,279,303	91,259,024	201,189,314	132,264,357

(1) No amount has been included in receivables as the entity is a controlled entity and balances have been eliminated on consolidation.

Related party derivatives

The Group acts as counterparty to derivatives held by a number of its related parties as detailed below. These transactions are undertaken on an arm's length basis.

	Fair value of derivatives	
	30.06.11 \$	30.06.10 \$
Centro MCS Syndicate No. 9	2,397,369	6,126,776
Centro MCS Syndicate No. 10	1,027,556	1,583,485
Centro MCS Syndicate No. 17	-	2,069,642
Centro MCS Syndicate No. 18	147,387	486,058
Centro MCS Syndicate No. 21 Property Trust	363,390	1,155,971
Centro MCS Syndicate No. 22 Property Trust	238,447	346,086
Centro MCS No. 23 Property Syndicate	117,430	374,498
Centro MCS Syndicate No. 34	419,509	1,499,750
Centro America REIT 2, Inc.	-	(3,528,115)

27. RELATED PARTY DISCLOSURES (continued)

(f) Ownership Interests in Significant Controlled Entities

	Group entity interest	
	30.06.11 %	30.06.10 %
Centro Properties Limited	100	100
Centro Property Trust	100	100
Centro Australia Wholesale Fund	100	100
Centro America Fund	95.4	94.9
Centro Retail Trust	50.6	50.6
Direct Property Fund	53.7	53.6
Direct Property Fund International	93.6	93.6
Super LLC ⁽¹⁾	-	100
Centro (CPL) Ltd	100	100
Centro Asset Management Pty Ltd	100	100
Centro Corporate Services Pty Ltd	100	100
Centro Development Management Pty Ltd	100	100
Centro Development Trust	100	100
Centro Funds Management Ltd	100	100
Centro Management Services Trust	100	100
Centro MCS Manager Limited	100	100
Centro MCS Property Funds Limited	100	100
Centro New Plan Inc.	100	100
CPM (ACT) Pty Ltd	100	100
CPM (NSW) Pty Ltd	100	100.
CPM (QLD) Pty Ltd	100	100
CPM (SA) Pty Ltd	100	100
CPM (WA) Pty Ltd	100	100
Centro CNP Exchangeable Sub Trust	100	100
Centro Syndication Finance Pty Ltd	100	100
Centro WCJV, LP Inc.	100	100
Centro WCJV, GP Inc.	100	100
CPT Custodian Pty Limited	100	100
CPT Manager Limited	100	100
Centro (CPT) Trust	100	100
Centro Heritage Residual Sub Trust	100	100
Centro Heritage Residual Sub Trust No. 2	100	100
Centro MCS Syndicate Investment Fund	82.4	82.4
Centro Retail Holding Trust	100	100
Centro Super Holding Trust No. 2	100	100
Centro Super Holding Trust No. 4	100	100

	Group entity interest	
	30.06.11 %	30.06.10 %
Centro MCS Syndicate No. 3	100	100
Centro MCS 12 Property Trust ⁽²⁾	58.0	11.3
Centro MCS 12 Unit Trust ⁽²⁾	50.0	5.2
Centro MCS 24 Investment Trust	-	52.1
Centro MCS 24 Property Trust	-	61.2
Centro MCS Syndicate No. 25	68.6	68.6
Centro MCS Syndicate No. 26	86.3	86.3
Centro MCS 27 Investment Trust	60.0	60.0
Centro MCS 27 Property Trust	79.7	79.7
Centro MCS Syndicate No. 30	57.1	53.3
Centro MCS Syndicate No. 32	53.1	53.1
Centro MCS Syndicate No. 36	52.7	52.7
Centro MCS Syndicate No. 37	52.7	51.2
Centro MCS Syndicate No. 38	82.8	82.7
Centro MCS Syndicate No. 39	100	100
Centro MCS Syndicate No. 40	100	100
Centro America REIT 1 Inc ⁽¹⁾	-	100
Centro America REIT 5 Inc ⁽¹⁾	-	100
Centro America REIT 9 Inc	95.0	95.0
Centro America REIT 10 Inc	100	100
Centro America REIT 11 Inc	100	100
Centro GA America LLC ⁽¹⁾	-	100

(1) The change in the Group interest reduced as a result of the disposal of US assets on 28 February 2011.

(2) Accounted for as a subsidiary after the business combination on 30 June 2011 as set out in Note 24.

Re-organisation of subsidiaries during the year

Effective 29 June 2011, the equity interests in Centro America REIT 9 Inc, Centro America REIT 10 Inc and Centro America REIT 11 Inc that were previously held by Centro MCS Syndicate No. 38 and Centro America Fund have been transferred to Centro Property Trust for nil consideration. All the entities were previously consolidated by CNP before the re-organisation and CNP continues to consolidate these entities after the re-organisation. The re-organisation had no impact on the net result or net assets for the group.

27. RELATED PARTY DISCLOSURES (continued)

(g) Ownership Interests in Significant Associates Accounted for Using the Equity Method of Accounting

	Group entity interest		Carrying amount		Share of net profit	
	30.06.11 %	30.06.10 %	30.06.11 \$'000	30.06.10 \$'000	30.06.11 \$'000	30.06.10 \$'000
Bankstown Partnership	50.0	50.0	277,500	260,000	34,400	18,071
Roselands Investment Trust	50.0	50.0	162,935	152,935	19,812	12,068
Centro Arndale Property Trust	50.0	50.0	48,500	48,000	3,792	291
Tuggeranong Town Centre Trust	50.0	50.0	40,113	27,613	14,356	2,655
Hervey Bay Holding Trust	-	50.0	-	28,750	3,044	(4,208)
Victoria Gardens Retail Trust No. 1	50.0	50.0	50,500	47,500	5,851	4,707
Centro Lutwyche Sub Trust	50.0	50.0	30,000	30,000	2,344	210
Centro City Perth Property Trust	50.0	50.0	28,350	27,100	2,563	(651)
Emerald Village	50.0	50.0	20,150	17,599	1,744	85
Centro Super LLC Joint Ventures ⁽¹⁾	-	50.0	-	54,604	2,965	(4,207)
Heritage Joint Ventures ⁽¹⁾	-	50.0	-	8,906	2,666	3,104
			658,048	703,007	93,537	32,125

(1) The change in the Group interest reduced as a result of the disposal of US assets on 28 February 2011.

(h) Ownership Interests in Significant Associates Designated as Financial Assets Carried at Fair Value Through Profit or Loss

	Group entity interest		Carrying amount		Share of net profit	
	30.06.11 %	30.06.10 %	30.06.11 \$'000	30.06.10 \$'000	30.06.11 \$'000	30.06.10 \$'000
Centro MCS Syndicate No. 2	-	-	-	-	-	(104)
Centro MCS Syndicate No. 4	36.2	36.2	11,230	11,981	(751)	(285)
Centro MCS Syndicate No. 5	24.1	24.1	16,014	14,562	1,452	779
Centro MCS Syndicate No. 6	16.4	16.4	10,125	9,252	873	217
Centro MCS Syndicate No. 8	8.8	8.8	3,145	6,910	(176)	757
Centro MCS Syndicate No. 9	9.0	9.0	6,423	5,965	470	352
Centro MCS Syndicate Unit Trust No. 9	6.4	6.4	1,280	1,189	94	70
Centro MCS Syndicate No. 10	15.3	15.3	4,525	4,220	308	(584)
Centro MCS Syndicate Unit Trust No. 10	31.5	31.5	3,028	2,824	206	(391)
Centro MCS Syndicate No. 11	4.8	4.8	5,100	5,341	(217)	(774)
Centro MCS Syndicate Unit Trust No. 11	8.4	8.4	1,874	1,963	(80)	(284)
Centro MCS Syndicate No. 12 ⁽¹⁾	N/A	11.3	N/A	4,316	-	538
Centro MCS Syndicate Unit Trust No. 12 ⁽¹⁾	N/A	5.2	N/A	578	-	72
Centro MCS Syndicate No. 14	24.8	24.8	9,245	8,419	367	323
Centro MCS Syndicate Unit Trust No. 14	28.0	28.0	2,848	2,612	109	100
Centro MCS Syndicate No. 15	18.3	18.3	5,723	5,188	534	120
Centro MCS Syndicate Unit Trust No. 15	25.8	25.8	2,180	1,977	204	46
Centro MCS Syndicate No. 16	26.8	26.8	1,840	3,003	(1,162)	58
Centro MCS Syndicate Unit Trust No. 16	52.7	52.7	203	331	(128)	6
Centro MCS Syndicate No. 17	6.1	6.1	3,922	4,034	(112)	327
Centro MCS Syndicate Unit Trust No. 17	14.2	14.2	2,605	2,679	(74)	217
Centro MCS Syndicate No. 18	17.5	17.5	6,226	5,837	389	205
Centro MCS Syndicate Unit Trust No. 18	29.2	29.2	2,343	2,371	146	77
Centro MCS Syndicate Unit Trust No. 19	13.1	13.1	8,145	8,208	(63)	289
Centro MCS Syndicate DPI No. 19	34.9	34.9	3,887	4,098	(210)	90
Centro MCS Syndicate No. 20	16.2	16.2	3,346	3,266	79	191
Centro MCS Syndicate No. 21 Holding Trust	22.7	22.7	6,548	5,786	761	468
Centro MCS Syndicate No. 21 Property Trust	50.0	50.0	39,200	34,799	4,401	2,961
Centro MCS Syndicate No. 22 Investment Trust	21.4	22.3	3,087	3,434	(348)	115
Centro MCS Syndicate No. 22 Property Trust	20.2	20.2	4,529	4,812	(283)	162
Centro MCS 23 Investment Syndicate	40.6	40.6	2,391	2,368	22	(111)
Centro MCS 23 Property Syndicate	24.9	24.9	3,722	3,687	34	(172)
Centro MCS Syndicate No. 28	30.4	30.4	68,572	37,756	31,475	(11,780)
Centro MCS Syndicate No. 33	40.4	40.4	33,624	27,878	5,564	(8,260)
Centro MCS Syndicate No. 34	42.0	42.0	17,780	14,107	3,730	(1,241)
Centro MCS Syndicate No. 35	49.6	49.6	7,893	7,080	813	(2,937)
Other	N/A	N/A	10,414	34,310	(4,784)	(4,437)
			313,017	297,141	43,643	(22,820)

(1) The Group obtained control over Centro MCS Syndicate No. 12 and Centro MCS Syndicate Unit Trust No. 12 on 30 June 2011. As a result, these entities are now consolidated from 30 June 2011. Refer Note 24.

27. RELATED PARTY DISCLOSURES (continued)

(i) Summarised Financial Information of Associates

	Centro Properties Limited and its Controlled Entities	
	30.06.11 \$'000	30.06.10 \$'000
Share of associates' expenditure commitments	2,966	714
Summary of the performance and financial position of associates accounted for using equity accounting method		
Aggregate revenue	261,462	257,614
Aggregate net profits/(losses) after income tax	187,074	(14,745)
Assets	1,833,525	2,565,948
Liabilities	354,405	900,247
Summary of the performance and financial position of associates accounted for as financial assets carried at Fair Value Through Profit or Loss		
Aggregate revenue	266,637	224,693
Aggregate net profits after income tax	107,805	46,702
Assets	2,381,912	2,659,947
Liabilities	1,249,673	1,440,000

28. COMMITMENTS

	Centro Properties Limited and its Controlled Entities	
	30.06.11 \$'000	30.06.10 \$'000
Capital expenditure contracted for at the reporting date but not recognised as liabilities as follows:		
Capital expenditure:		
Capital expenditure projects ⁽¹⁾	12,294	77,873

(1) Includes Centro Development Management Pty Ltd, a wholly-owned entity of Centro Properties Group, which has undertaken to act as agent on behalf of Centro managed vehicles. CNP will initially incur the capital expenditure, but expects to recoup 100% of these costs from the CNP managed vehicles.

29. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

(a) Restructure and Recapitalisation Update

On 9 August 2011, Centro Properties Group (CNP) announced it has entered into an agreement (Implementation Agreement) with its Senior Lenders to implement its restructure transaction together with the proposed Aggregation of the Australian assets and interests held by CNP, Centro Retail Trust (CER) and certain Centro managed funds.

- The Implementation Agreement contains a significant number of regulatory and other conditions such as CNP securityholder approval: ordinary resolution (more than 50% by value of those present and voting at the meeting)
- Convertible bond amendments approval: an amendment to the convertible bond terms is necessary to enable the payment to be made and cancel outstanding obligations under the convertible bond terms (at least 75% by value of votes cast by those holders eligible to vote)

- Hybrid scheme approval by:
 - at least 75% of the votes cast by hybrid holders with entitlement to votes determined by the value of hybrid debt held; and
 - more than 50% in number of hybrid holders who vote
- All approvals are obtained and all conditions necessary for the Australian funds Aggregation (described below) are satisfied or waived
- Other conditions as detailed in the Implementation Agreement

Key terms of the transaction include:

- a) Senior debt cancellation – CNP has agreed with holders of more than 83% of its senior debt to implement a creditor scheme of arrangement (Senior Debt Scheme) to effect, if all CNP approvals are obtained, the cancellation of CNP senior debt in return for substantially all of CNP's Australian assets and interests.
- b) Allocation of \$100 million to junior stakeholders – The Senior Lenders have agreed that, subject to all relevant approvals and conditions, \$100 million will be made available for allocation to CNP securityholders and other stakeholders who are junior to the Senior Lenders. The CNP Board of Directors has determined to allocate the \$100 million as follows:
 - 5 cents per security or \$48,925,082 in total to CNP securityholders;
 - 5 cents in the dollar or \$21,074,918 in total to convertible bondholders;
 - \$20,000,000 in total to secured hybrid holders of which approximately 49% who also hold senior debt have committed their support for this proposal under the Implementation Agreement; and
 - \$10,000,000 set aside for potential contingent creditors, on the basis that any surplus not used will be returned to the Senior Lenders.

CNP securityholders will not retain any economic benefit in CNP following the receipt of their 5 cents per security. The approvals by convertible bondholders and hybrid holders would also extinguish all outstanding claims by those classes.

If any one of the required approvals is not obtained, the Australian funds Aggregation described below does not proceed, or the Senior Debt Scheme is not implemented, none of the \$100 million will be available to be delivered to any junior stakeholder. The \$100 million cannot be delivered to the junior stakeholders unless all the required approvals and conditions are satisfied.

- c) Australian funds Aggregation – CNP managed funds including CER, Centro Australia Wholesale Fund (CAWF) and Centro Direct Property Fund (DPF) have agreed under the terms of the Implementation Agreement to aggregate their respective portfolios to create a new listed Australian retail property trust (A-REIT). CNP will contribute its Australian assets (including its funds and property management business (Services Business)) to A-REIT, in exchange for scrip in A-REIT. That scrip, combined with the A-REIT scrip which CNP would hold as a result of its investments in the above funds would result in CNP's ownership of the A-REIT being approximately 68%. On implementation of Aggregation CNP's scrip in A-REIT will then be distributed to the Senior Lenders, and dispersed amongst the lenders on pro-rata basis to their senior debt holdings, as part of the Senior Debt Scheme described above, in full settlement of CNP's senior debt.

For further details readers should refer to the announcement of 9 August 2011 which was lodged with the ASX or can be found at www.centro.com.au. The announcement includes the signed Implementation Agreement.

(b) Repayments of Interest Bearing Liabilities

Since 30 June 2011, the Group repaid \$196.9 million of senior debt and \$11.7 million of other interest bearing liabilities in consolidated funds.

(c) Asset Sales

Since 30 June 2011, the Group sold Centro Birallee (50% held by CSIF A and 50% held by CER) on 25 July 2011 for its 30 June 2011 book value of \$11.7 million.

(d) Acquisition of Minority Interest in CMCS 26

On 4 August 2011, Centro MCS 26 ("CMCS 26") entered into a Unit Sale Agreement with Orchard Diversified Property Trust ("Orchard") for the acquisition of Orchard's units in Metro Maddington Trust ("MMT") for a total consideration of \$19.1 million. MMT's sole investment is in Centro Maddington. Subsequent to this acquisition, which is anticipated to complete prior to 30 September 2011, CMCS 26 will own 100% of Centro Maddington.

DIRECTORS' DECLARATION

In the directors' opinion:

- (a) The financial statements and notes set out on Pages 53 to 113 and remuneration disclosures on Pages 31 to 50 are in accordance with the *Corporations Act 2001*, including:**
- (i) Complying with Accounting Standards as they apply on a liquidation basis, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) Giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2011 and of its performance, as represented by the results of their operations, changes in equity and their cash flows, for the financial year ended on that date; and
- (b)**
- (i) The ongoing solvency of the Group is dependent on the proposed creditors scheme of arrangement as detailed in Note 1(b) of the financial statements being successfully completed; and
 - (ii) There are reasonable grounds to believe that the Group will be able to successfully complete the scheme of arrangement with creditors, and therefore be able to pay its debts as and when they become due and payable; and
- (c)** The financial statements and notes also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as they apply on a liquidation basis.

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

Without qualifying the above conclusion, the directors draw attention to the basis of preparation of the financial report set out in Note 1(b).

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



Paul Cooper

Chairman

Signed in Melbourne, 28 August 2011



Ernst & Young Building
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001
Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
www.ey.com/au

Independent auditor's report to the members of Centro Properties Limited

Report on the financial report

We have audited the accompanying financial report of the Centro Properties Group (the 'Group'), which comprises the consolidated balance sheet as at 30 June 2011, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising Centro Properties Limited (the 'Company') and the entities it controlled at the year's end or from time to time during the financial year. The financial report has been prepared on a liquidation basis.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards as they apply on a liquidation basis and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1 (a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the Company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Liability limited by a scheme approved
under Professional Standards Legislation

Opinion

In our opinion:

- a. the financial report of the Centro Properties Group, which has been prepared on a liquidation basis, is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards as they apply on a liquidation basis and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1(a).

Emphasis of Matter

Without qualifying the opinion expressed above, we draw attention to Note 1(b) in the financial report which states that the financial report of Centro Properties Group has been prepared on a liquidation basis. The assets and liabilities of the Group have been measured at net realisable value and expected settlement amounts respectively.

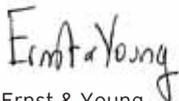
In addition, we draw attention to Note 25 (a) in the financial report where there is a contingent liability where no amount has been provided for in the financial report as at 30 June 2011. The financial effect of this contingent liability may be material if it becomes an actual liability.

Report on the remuneration report

We have audited the Remuneration Report included in pages 31 to 50 of the directors' report for the year ended 30 June 2011. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of the Centro Properties Group for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'B R Meehan'.

B R Meehan
Partner
Melbourne
28 August 2011

SUMMARY OF SECURITYHOLDERS

as at 29 July 2011

Range	Fully Paid Ordinary Securities	
	Number of Securityholders	% of Issued Securities
1 to 1,000	4,602	0.27%
1,001 to 5,000	9,918	2.87%
5,001 to 10,000	4,645	3.83%
10,001 to 50,000	5,532	13.75%
50,001 to 100,000	1,093	8.76%
100,001 and over	1,107	70.52%
Number of Securityholders	26,897	100%
Holdings less than a marketable parcel	17,428	

SUBSTANTIAL SECURITYHOLDERS	Fully Paid Ordinary Securities	
	Number Held	% of Issued Securities
JP Morgan Nominees Australia Limited	67,790,447	6.97%
HSBC Custody Nominees (Australia) Limited	31,734,546	3.26%

20 LARGEST SECURITYHOLDERS	Fully Paid Ordinary Securities	
	Number Held	% of Issued Securities
JP Morgan Nominees Australia Limited	67,790,447	6.97%
HSBC Custody Nominees (Australia) Limited	31,734,546	3.26%
JP Morgan Chase Bank NA	28,945,667	2.98%
Vistal Group Limited	26,591,042	2.73%
Citicorp Nominees Pty Limited	24,192,877	2.49%
Mr. Lin Wang	22,994,479	2.36%
Mr. Jie Xu	19,344,479	1.99%
BNP Paribas	18,882,655	1.94%
Australia and New Zealand Banking Group Limited	17,050,939	1.75%
JP Morgan Nominees Australia Limited <Cash income A/C>	10,948,222	1.13%
BSF (BVI) Limited	8,000,000	0.82%
Mr. Julian Paul Leach	7,020,000	0.72%
Mr. Kendy Kwan & Mrs. Xiong Hui Kwan	6,588,322	0.68%
Lumar Investments Pty Ltd <The Lou Family A/C>	6,190,000	0.64%
Centro MCS Manager Limited <Centro Direct Prop Fund A/C>	5,307,283	0.55%
National Nominees Limited	4,795,591	0.49%
Smartec Capital Pty Ltd	4,720,000	0.49%
Mr. Joseph Holland Moloney	4,696,070	0.48%
National Australia Bank	4,601,970	0.47%
Mr. Lawrence Lou & Mrs. Margaret Lou <Smartec Super Fund A/C>	3,878,000	0.40%
Total 20 largest Securityholders	324,272,589	33.35%
Total Capital	972,414,514	100%

GLOSSARY

ABN – Australian Business Number.

A\$ – Australian Dollars.

AICD – Australian Institute of Company Directors.

AIFRS – Australian Equivalents to International Financial Reporting Standards.

Anchor – Typically a large retailer (often a supermarket, department store or discount department store) with a lettable area greater than 1,000m².

A-REIT – Australian Real Estate Investment Trust – A company that owns, and in most cases, operates income-producing real estate such as shopping centres. REITs were created to make investments in large-scale, income-producing real estate accessible to investors.

ASIC – Australian Securities & Investments Commission – ASIC enforces and regulates company and financial services laws to protect consumers, investors and creditors.

Assets – The resources owned by a company, fund or person. Assets can be tangible, e.g. cash, investments, property and equipment, or intangible, for example goodwill, patents.

ASX – Australian Securities Exchange Limited.

Basis Points – One basis point is 1/100th of one percent. One per cent is equal to 100 basis points.

Book Value – The value of an asset as recorded in a company's statutory accounts, representing its cost plus any additions, less depreciation. The book value may differ from the current market value.

Capitalisation Rate – The net income from a property expressed as a percentage of the market value of the property.

Centro (CNP) – Centro Properties Group being Centro Properties Limited (ABN 45 078 590 682) and Centro Property Trust (ARSN 091 043 793) and all other entities controlled by each of them.

Centro MCS – The direct property syndicate division of Centro, consisting of Centro MCS Manager Limited (ABN 69 051 908 984) and CPT Manager Limited (ABN 37 054 494 307).

Centro Retail Trust (CER) – A pure property trust specialising in the ownership of shopping centres. CER owns retail property investments in Australia and the US.

Centro Stapled Securities – Securities traded on the ASX which comprise one ordinary unit in the Centro Property Trust (ARSN 091 043 793) and one ordinary share in Centro Properties Limited.

CMBS – Commercial Mortgage Backed Securities – A form of secured borrowing against commercial property assets, similar to a home loan.

Comprehensive Income – Comprises items of income and expense (including reclassification adjustments) that are not recognised in profit or loss as required or permitted by other Australian Accounting Standards.

Derivative – A security whose price is dependent upon or derived from one or more underlying assets. The derivative itself is merely a contract between two or more parties. Its value is determined by fluctuations in the underlying asset. The most common underlying assets include stocks, bonds, commodities, currencies, interest rates and market indexes. Most derivatives are characterised by high leverage.

Direct Property – Real estate investments which are held directly or through unlisted collective ownership vehicles subject to appraisal valuations.

Distributions – Income payments made by a trust to its investors.

EBIT – Earnings before interest and taxes.

FinSIA – Financial Services Institute of Australia.

Foreign Exchange (FX) – System of trading in and converting the currency of one country into that of another.

FVTPL – Fair value through profit or loss.

Gearing Ratio – The gearing ratio is generally expressed as a percentage and is calculated as the proportion of borrowings to assets.

GST – Goods and Services Tax.

Hedge – A strategy used to offset financial risks such as movements in interest rates or foreign currency exchange (FX) rates. Common hedging strategies adopted include the use of interest rate swaps, FX rate forwards and cross currency swaps, which are effectively used to fix interest rates or foreign currency exchange rates for the life of the swap. These swaps are generally independent of the debt facilities, so a swap maturity date may be different to the term of the debt facility. The hedges may or may not satisfy the definition of a hedge under Australian Accounting Standards.

ICR – Interest Coverage Ratio – A ratio used to determine an entity's ability to pay interest on outstanding debt. The interest coverage ratio is calculated by dividing the entity's earnings before interest and taxes (EBIT) of one period by the entity's interest expenses of the same period.

Liquidity – The ability of an asset to be converted into cash quickly and without any price discount.

Listed Asset – A company that is publicly owned and listed on a recognised securities exchange.

LPT – Listed Property Trust – A property trust that is listed on the ASX. Now commonly referred to as Real Estate Investment Trusts (REITs).

LVR – Loan to Value Ratio.

Margin – Fee charged by a lending institution or loan facility above the base interest rate of a loan.

Market Capitalisation – The value of an entity as reflected in its stock market price. It is calculated as current price per security multiplied by the number of securities on issue.

Market Value – The estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion.

MTM – Mark to Market – The accounting act of recording the price or value of a security, portfolio or account to reflect its current market value rather than its book value.

NAB – The NAB (or Net Asset Backing) is the measure used to reflect the fair value of a syndicate or fund on a per unit basis. The use of a NAB methodology differs somewhat from the accounting norm of a Net Tangible Assets (NTA) figure (NTA being simply the total tangible assets of a company or trust on a per unit basis). Though NAB is quite closely aligned with NTA, it is adjusted for several factors such as actual or likely property acquisition costs, structuring and establishment costs, exit and success fees and selling costs.

NCI – Non controlling interests, previously known as Outside Equity Interest or Minority Interest.

NOI – Net Operating Income – Property revenues less property expenses, excluding debt service, depreciation and capital expenditures.

NTA – Net Tangible Assets – Calculated as the total assets of an entity, minus any intangible assets such as goodwill,

patents and trademarks, less all liabilities and the par value of preferred stock.

Property Trust – A property trust is a means for investors to purchase an interest in a portfolio of real property assets. Investors in property trusts typically receive regular rental income through distributions and any capital gains on the assets are also passed on to investors through the trust. There are two main types of property trusts: a Real Estate Investment Trust (REIT), which is a pooled investment whose units are listed on the ASX, previously referred to as LPTs, and Unlisted Property Trusts which are not listed on the ASX.

RE – Responsible Entity – A company that holds an Australian Financial Services Licence authorising it to operate a registered managed investment scheme.

Securities – A financial instrument, which is a claim over an asset or a future income stream. Examples are bonds and shares.

Stapled Security – When the unitholder owns a unit in a trust and a share in the attached company, which cannot be separately traded.

Syndicate – A direct property investment vehicle whereby investors' funds are pooled over a set group of properties for a fixed term. This is normally administered by an RE with ownership vested with a custodian on behalf of investors.

Unitholder – The person for the time being registered under the provisions of the trust deed as the holder of a unit in the trust and includes persons jointly registered.

US\$ – US Dollars.

Yield – The income from an investment expressed as a percentage of its value.

Wholesale Fund – An unlisted fund managed by a professional fund manager that pools moneys from institutional investors to invest in assets that would not normally be accessible to individuals.

DIRECTORY

Responsible Entity

CPT Manager Limited

ABN 37 054 494 307

Board of Directors

Paul Cooper (Chairman)

Robert Tsenin (Group CEO & Managing Director)

Anna Buduls

Jim Hall

Susan Oliver

Rob Wylie

Secretaries of Centro Properties Limited

Elizabeth Hourigan

Dimitri Kiriacoulacos

Paul Flanigan (Assistant Company Secretary)

Registered Office

Corporate Offices

Level 3

Centro The Glen

235 Springvale Road

Glen Waverley Victoria 3150

Telephone +61 3 8847 0000

Facsimile +61 3 9886 1234

Toll Free (AUS) 1800 802 400

Toll Free (NZ) 0800 449 605

Email investor@centro.com.au

Website centro.com.au

Auditor

Ernst & Young

Ernst & Young Building

8 Exhibition Street

Melbourne Victoria 3000

Security Registrar

Link Market Services Limited

Level 1

333 Collins Street

Melbourne Victoria 3000