



**Centro™**  
Properties Group

Centro Properties Group  
Annual Report 2007

**Resilience for Growth**

For personal use only





For personal use only

---

# Resilience for Growth

Centro's co-investment business model provides a resilient basis for the Group to continue to operate, grow and drive investor returns

---

## Contents

**2**

Key Highlights

**4**

Chairman's Report

**6**

Management Team Report

**10**

**Section 1**

Centro's Performance

**12**

**Section 2**

Centro's Properties

- Overview
- Property Portfolio Map
- Portfolio Review

**20**

**Section 3**

Centro's Funds

**22**

**Section 4**

Centro's Team

**24**

**Section 5**

Corporate Social Responsibility

**26**

**Section 6**

Board of Directors

**28**

**Section 7**

Corporate Governance

**32**

**Section 8**

Financial Statements

**80**

Securityholder Information

**Inside Back Cover**

Directory

# Key Highlights

- ✓ Significant Acquisitions Grow Funds Under Management by 131%
- ✓ Strong Property Earnings Growth Continues
- ✓ US Platform Strengthened
- ✓ Standout Performance of Managed Funds
- ✓ Substantial Co-Investment Funds Inflows Achieved
- ✓ Distributions Per Security Growth of 8.2%

---

## Centro's Strategic Vision

“To maximise risk managed returns to investors as a growing international retail property investment and management group that is customer focused and adds value through operating on a team basis”

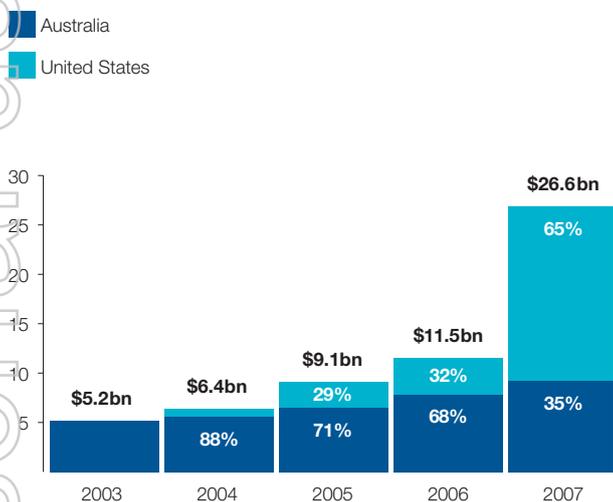
Key Statistics

	2007	2006	Change %
Funds Under Management	\$26.6bn	\$11.5bn	<b>131.3%</b>
ASX Market Capitalisation	\$7.2bn	\$5.5bn	30.9%
Distributable Earnings	\$335.3m	\$295.3m	13.5%
Distributable Earnings per Centro Security	40.5 cents	36.8 cents	10.1%
Distributions per Centro Security	39.8 cents	36.8 cents	<b>8.2%</b>

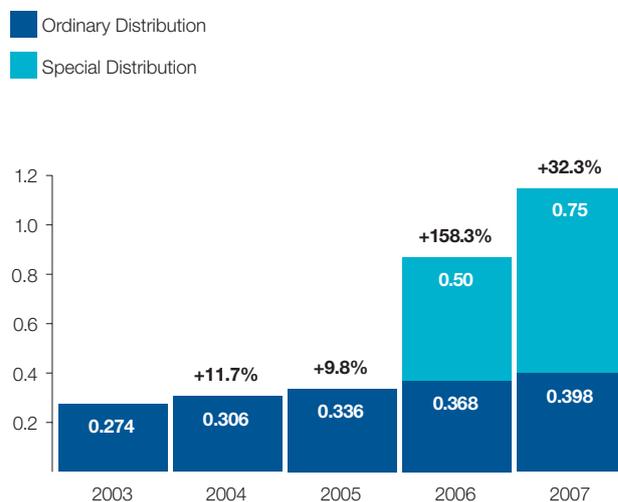
Major US acquisitions drive 131% FUM growth during 2007.

Strong 8.2% DPS growth highlights the return to investors from Centro's co-investment business model.

Funds Under Management (\$bn)



Centro Distributions Growth (\$)

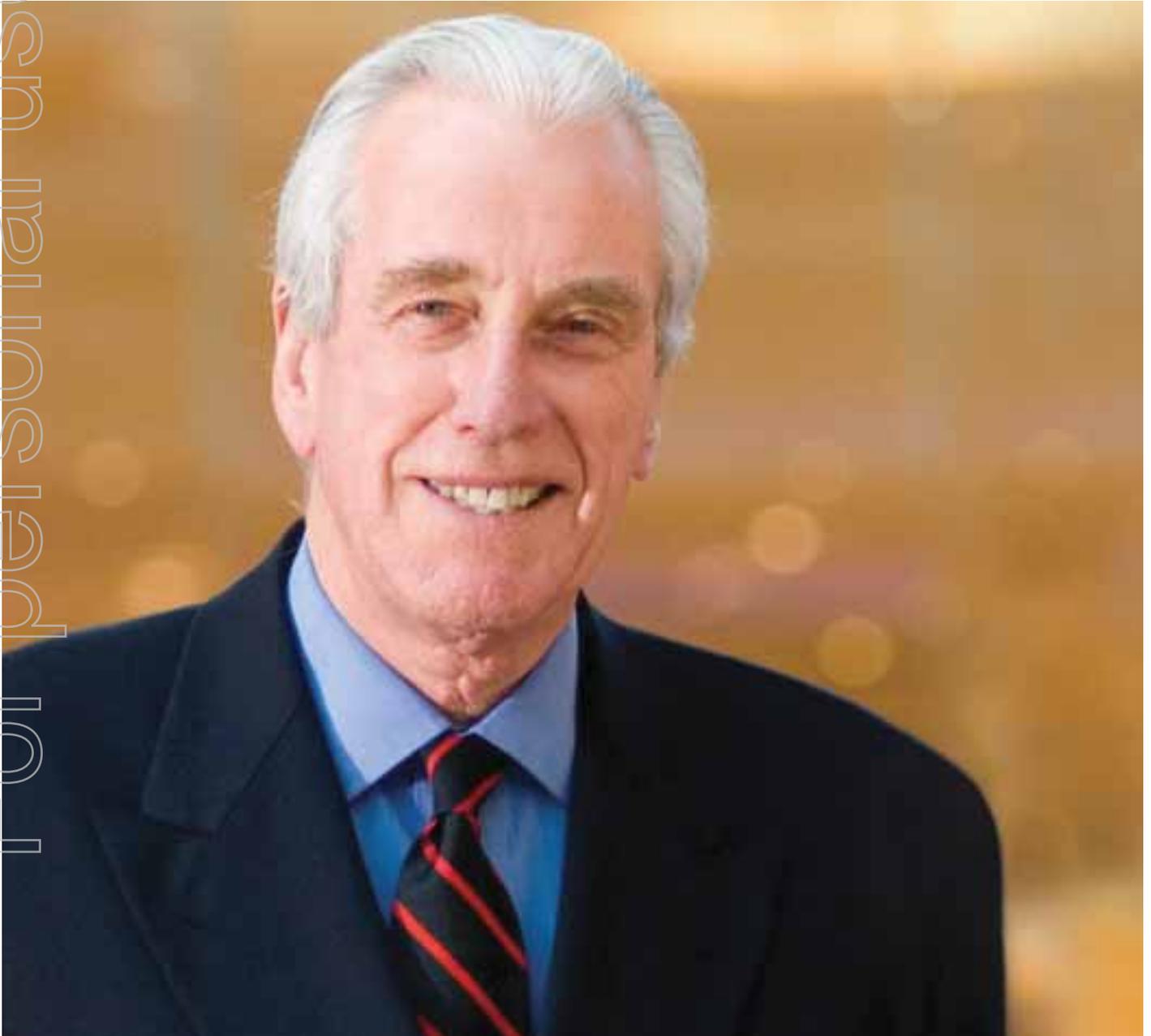


ASX Total Returns – 30 June 2007 (%)



# Chairman's Report

For personal use only



## Significant Acquisitions Drive Risk Managed Growth.

On behalf of the Board, it is with pleasure that I am able to report on the activities and results of the Centro Properties Group ('Centro' or the 'Group') for the year ended 30 June 2007. The 2007 financial year included many significant highlights and has seen further implementation of the Centro business model which continues to focus on driving international risk managed growth and returns for the benefit of all investors.

### Strong 46.0% Total Investor Return

The 2007 financial year delivered continuing attractive returns to investors with a 46.0% total return from both income and capital growth.

In addition to strong capital growth in the trading price of Centro securities, securityholders achieved total distributions of 114.8 cents per security represented by the ordinary distributions of 39.8 cents and a 75 cent special distribution resulting from the Centro Australia Wholesale Fund spin-off.

### Significant Acquisitions Expand Centro's Substantial US Platform

During the year Centro successfully acquired New Plan Excel Realty Trust ('New Plan'), Heritage Property Investment Trust ('Heritage') and Galileo Funds Management, as well as assumed full ownership of Centro's US management operations. The New Plan, Heritage and Centro Shopping America Trust ('CSF', formerly Galileo Shopping America Trust) portfolios have provided a unique growth opportunity for Centro to utilise and expand its property and funds management platform. These acquisitions also established Centro's US operations as the fifth largest owner/manager of retail property in the US with over 850 staff in the Centro US team.

### Highest Performing Listed Property Trust Over 10 Years

Centro's long term track record of distribution growth continues to be an industry standout, with a compound growth in distributions per security ('DPS') of 7.6% p.a. over the past decade. Centro is the highest performing listed property trust over the past 10 years, with investors having received a compound average total return of 25.0% p.a. for each of these years compared to the property index average of 14.5%.

### Active and Successful Corporate Governance Continues

Centro continues to actively monitor its current and future Board requirements. The 2007 financial year saw the appointment of Mr Paul Cooper to Centro's Board in October 2006, and the retirement in October 2006 of long serving Board member, Mr David Graham. The 21 years of Mr Graham's directorship saw considerable change and evolution, accompanied by strong growth and returns for Centro investors.

Centro's Board now includes six independent non-executive Directors, together with the executive Director Mr Andrew Scott. Four of the non-executive Directors were appointed within the last four years. The composition of the Board and the Board committees, combined with the experience, skills and capabilities of the Board members, reflect a considered and planned approach to the succession requirements associated with both current and future demands and challenges.

Strong management of related party transactions continued through consistent and commercial arms length dealings, clearly documented management arrangements and the inherent alignment of interest from the co-investment philosophy of Centro's business model.

### International Risk Managed Growth

Looking forward, Centro will continue to seek to acquire quality retail assets to grow its co-invested funds under management both domestically and internationally. Despite concern about petrol prices and higher household debt, retail sales and leasing remain healthy, particularly with Centro's managed portfolio weighted to non-discretionary spending at supermarket based shopping centres.

Centro is continually working to accelerate higher enduring returns on equity for investors. Centro's solid retail property performance, co-investment business model and risk managed growth philosophy should drive sustainable strong growth and position the Group well for the future.



**Brian Healey**  
Chairman

### Post 30 June 2007 CER/CSF Merger Proposal

The potential merger of CER with CSF has been proposed by Centro, and unanimously supported by the Board. The merger will transform CER into a \$10 billion diversified Australian listed property trust that adds significant value to CER and CSF investors.

# Management Team Report

Left to right: Andrew Scott, Chief Executive Officer and Graham Terry, Chief Operating Officer.



On behalf of the Centro Team, management are pleased to report on another strong financial year for the Group.

#### **Standout 131% FUM Growth to \$26.6 Billion**

Centro's funds under management ('FUM') grew from \$11.5 billion at 30 June 2006 to \$26.6 billion at 30 June 2007, largely as a result of the New Plan and Heritage acquisitions, and also through domestic acquisitions, value adding developments and revaluations. This provides an outstanding opportunity for the continued implementation of Centro's business model.

#### **Sustained Strong 8.2% DPS Growth**

Excellent growth in Services Business earnings (58.3% up on last year) and solid underlying earnings from Centro's managed retail properties (4.9% Australian and 2.1% US comparable property income growth) have provided a full year distribution of 39.8 cents per security. This DPS increase of 8.2% highlights the returns deliverable to investors from Centro's risk managed growth philosophy.

#### **Conservative Financial Risk Management Mitigates Risk**

Centro continues to exercise conservative financial risk management policies focusing on key risk areas of liquidity, borrowing margins, interest rates and foreign exchange and is well protected through long term staggered debt and interest rate maturities. The substantial interest rate, currency and margin hedges that Centro and its managed funds have in place stand them in good stead, particularly in the current environment of debt market volatility.

#### **Strong Performing Retail Property Remains at Centro's Heart**

Continuing Australian stable property income growth of 4.9% reflects the strong overall performance of Centro's Australian managed shopping centres. Australian retail sales in Centro centres continued to grow at a solid 3.9% on a moving annual turnover basis. Centro's US property portfolio also continues to perform well with 2.1% comparable income growth on Centro's total managed US portfolio. The US retail leasing environment remains strong, with 6.9% specialty rental renewal growth and solid occupancy of 94.8% in its stable portfolio. Centro's Australian and US portfolios are focused on convenience based, non-discretionary sales, delivering sustainable high quality earnings. Demand for retail space remains very high with Centro's Australian shopping centres under management over 99% occupied.

#### **Investor Demand Drives Continuing Equity Inflows**

Through its well-established and continually growing funds distribution network, Centro raised a significant total of \$864 million of new co-investment equity during FY07. These funds are co-invested with Centro through its managed listed property trusts, diversified funds, syndicates and wholesale funds. The sustainable and growing inflows into the Centro Direct Property Fund ('DPF') and Centro Direct Property Fund International ('DPFI') were also supported by demand for the DPFI reinvestment opportunity offered to Centro investors during the year.

#### **Outlook**

Centro has continued to successfully implement its co-investment business model in 2007. The substantial platforms in Australia and the US are working very well together to integrate the recently acquired businesses, Centro's experienced management team is well placed to oversee the successful growth in numbers of both properties and people.

Centro will continue to seek quality retail assets for acquisition, to appropriately invest its equity base, as well as focus on value adding developments to grow its co-invested funds under management both domestically and internationally.

Centro's solid property performances, co-investment business model and risk managed growth philosophy have allowed for strong sustainable growth, and positions it well for the future. After 10 years of average DPS growth over 7% per annum, Centro forecasts that its retail property earnings growth, business model, underlying services business growth and continued improvements in operations will achieve DPS growth of 18.1% for FY08 and over 7% DPS growth thereafter.

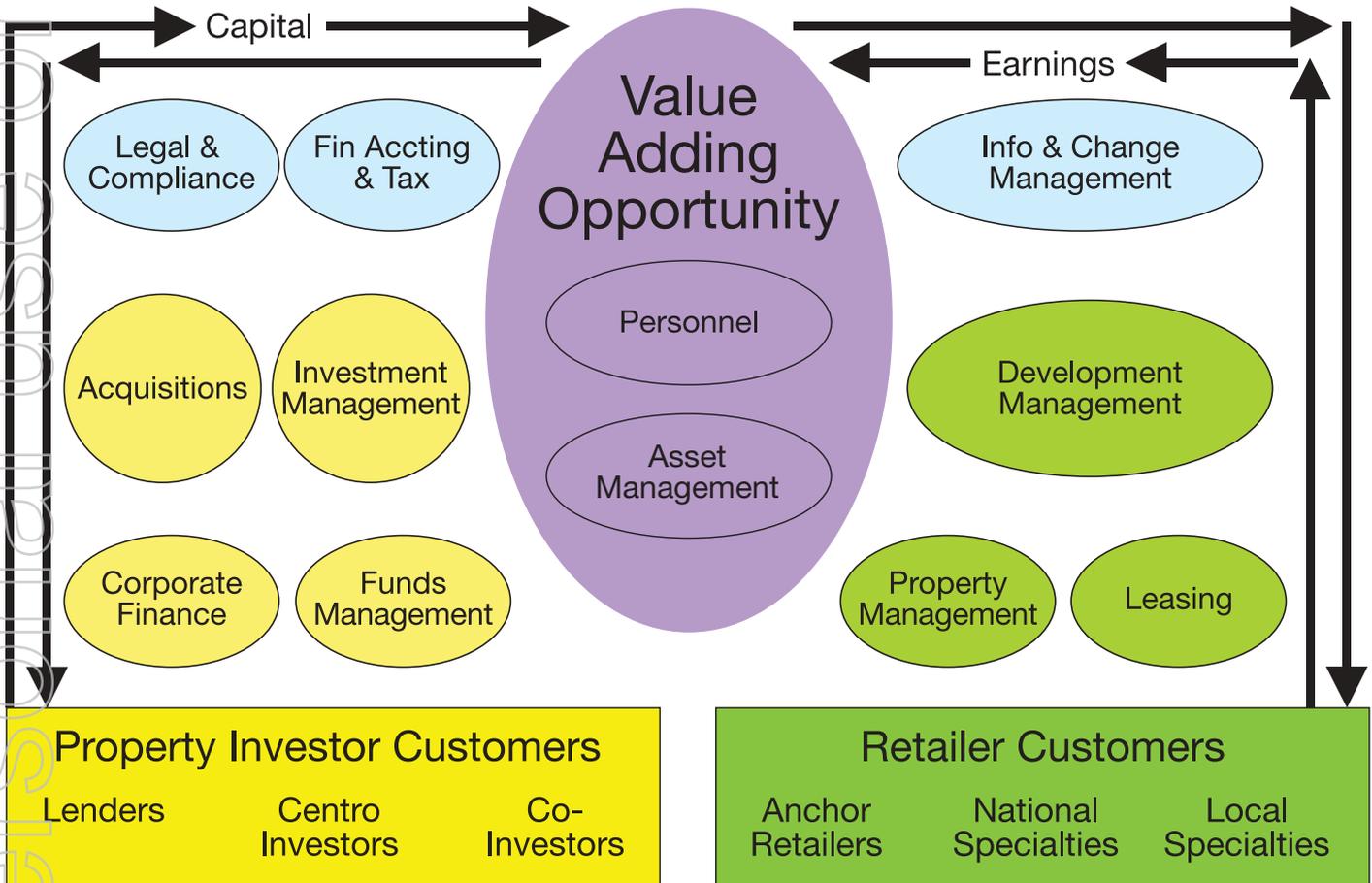
#### **CER and CSF Merger Proposal**

CER/CSF merger is seen to provide the following benefits:

- The proposed asset transfer implements Centro's business model;
- Previously forecast 18.1% financial year 2008 DPS growth confirmed;
- Forecast 2.0% reduction in gearing; and
- Effectively recycles \$2.2 billion of properties into ownership funds.

# Management Team Report

## Centro's Customer Focused Value Adding Team



### Dedicated Centro Management Platform

The Centro Management Team has grown substantially through acquisition and organic growth during the last year. In particular, the integrated US management platform has expanded significantly following the Heritage and New Plan acquisitions.

The Centro team contains a broad depth of knowledge and experience in all disciplines and a passion for retail property. The team will continue to dedicate its efforts during the 2008 financial year to delivering investors sustainable earnings growth.

Centro's customer focused value adding team philosophy is seen as the best way to deliver profitable and risk managed growth and ensure continued focus on Centro's customers:

- The retailers, by providing an environment in which they can prosper; and
- The investors, by providing optimal returns on their investment.

This philosophy is promoted and practised on a company wide basis, both in Australia and the US, and is portrayed in the above chart. It serves as an effective communication tool for current and prospective staff, irrespective of their role. The purple 'Value Adding' section reminds staff that greater outputs can be achieved through the collective efforts of people from different disciplines, when working together as part of a team.

**“Centro’s team contains a broad depth of knowledge and experience and a passion for retail property.”**

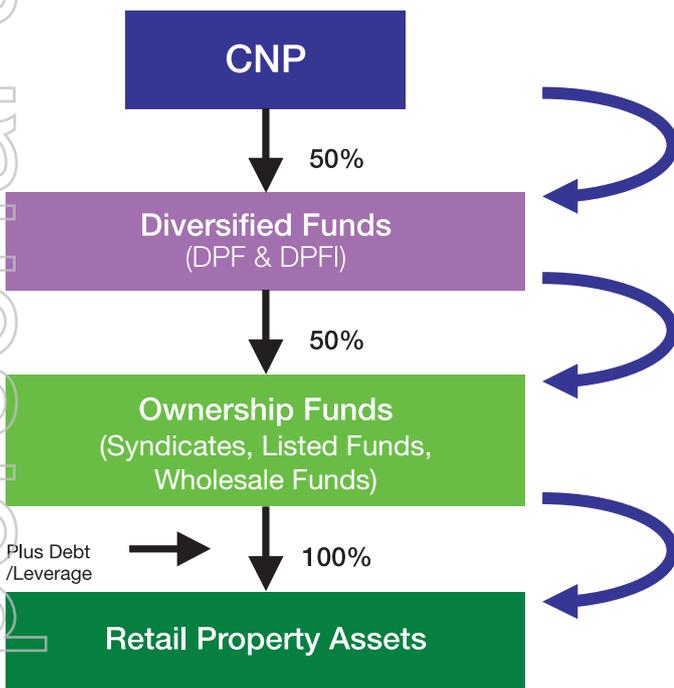
**Graham Terry, Chief Operating Officer**

## Successful US Integration Strengthens Global Management Platform.

Underpinning each value within the philosophy are principles that are encouraged and practised on a day to day basis. The 'Customer Focused' component encourages staff to focus on business relationships, to be receptive to ideas and criticism and to be outward looking. The 'Value Adding' component encourages staff to be entrepreneurs, to be rigorous and promotes a 'can do' team attitude. The 'Team' component reflects a culture of sharing and a flexible, empowered and enjoyable environment.

### Centro's Co-investment Structure

Centro's business model has continued to evolve over the years, and can be explained with reference to the Co-Investment Structure depicted below. At the heart of Centro's earnings and strength is its belief and investment in retail property.



### Two Tier Ownership Structure

Centro prefers co-ownership of its retail property assets through a two tier ownership structure where Centro effectively owns 50% of a diversified fund (e.g. Direct Property Fund, Direct Property Fund International) which in turn owns 50% of an ownership fund (e.g. Centro MCS Syndicates, Listed Funds, Wholesale Funds) which own the underlying retail property asset financed by both equity and debt. Therefore through the two tier structure, Centro has an effective 25% equity ownership in the underlying retail property assets. Through Centro's 50% co-investment in each tier of the business model, Centro effectively retains its ownership interest and management of each underlying property asset under this structure.

### Co-Investment Philosophy

Centro co-invests its own equity into both the diversified funds and the ownership funds with other external investors. This aligns the interests of Centro and its investors with external co-investors. This evidences to external co-investors that Centro will continue to efficiently manage the underlying retail property assets and funds in order to maximise its and co-investor returns.

### Centro Diversification Benefits

Centro's business model ownership interest allows Centro to effectively partly own and fully manage four retail property assets for the same amount of equity as only one asset under a direct ownership structure. This offers Centro investors ownership exposure to four times as many retail property assets providing greater diversification benefits and growth opportunities.

### Increased Funds Under Management Enhances Investor Returns

As well as diversification benefits, Centro has shown that increased funds and assets under management have flow through benefits to increased Services Business income generated from funds management, property management, development and leasing capabilities. This growth is achieved without the need for Centro to raise new equity, thereby having a significant positive impact on enhancing returns for the benefit of all Centro investors.

The Centro Management Team is very proud of sustainable growth and the strong 25% compound annual return investors have achieved over the last ten years. Continuing property income growth and services business growth from increasing co-invested funds under management should deliver sustained strong earnings growth for Centro investors.

Andrew Scott  
Chief Executive Officer

Graham Terry  
Chief Operating Officer

# Centro's Performance

## Financial Results – Distributable Earnings Up 13.5%

Centro recorded distributable earnings of \$335.3 million for the year ended 30 June 2007, an increase of 13.5% on the previous year. The transfer of assets from owned property to property securities investment has continued during the period, further implementing Centro's co-investment business model.

Centro's net property investment income increased by 35.0%, benefiting from increased investments through Heritage and New Plan, continued solid organic growth and Centro's value adding development program. Interest expense increased accordingly during the period due to the higher investments to fund the significant Heritage and New Plan transactions.

Supported by the acquisitions of Heritage and New Plan, the full year financial result was also based on strong 58.3% growth in net Services Business income, especially from new managed funds, including Centro MCS 38, Centro Australia Wholesale Fund ('CAWF') and Centro America Fund ('CAF').

Centro continues to pursue its objective to establish sustained long term income in its Services Business, in preference to one-off fees, highlighted during the year by the increase in monthly funds management income. This was largely driven by growth in stable and secure property and trust management fees. Other recurring funds management income also produced strong growth largely due to fees from the establishment of new funds, facilitated by Centro's significant FUM growth and the outperformance of Centro's managed funds which delivered significant performance fees.

Financial Performance	June 07 \$m	June 06 \$m	Change %
Australian Property Investment Income	113.9	182.0	-37.4%
Offshore Property Investment Income	46.0	40.6	13.3%
Property Securities Investment Income	220.6	65.0	239.4%
Property Investment Overheads	(19.6)	(20.3)	-3.4%
<b>Net Property Investment Income</b>	<b>360.9</b>	<b>267.3</b>	<b>35.0%</b>
Property Management Income	44.6	31.3	42.5%
Development Management & Leasing Income	21.9	21.0	4.3%
Funds Management Income – Monthly	87.6	45.8	91.3%
Funds Management Income – Other Recurring	74.8	45.3	65.1%
Property Services Overheads	(65.4)	(40.1)	63.1%
<b>Net Property Services Income</b>	<b>163.5</b>	<b>103.3</b>	<b>58.3%</b>
<b>Earnings Before Interest &amp; Tax</b>	<b>524.4</b>	<b>370.6</b>	<b>41.5%</b>
Interest <sup>1</sup>	(189.1)	(75.3)	151.1%
<b>Distributable Earnings Attributable to Ordinary Securityholders</b>	<b>335.3</b>	<b>295.3</b>	<b>13.5%</b>
Net AIFRS Adjustments <sup>2</sup>	134.4	368.9	-63.6%
Net AIFRS Profit	469.7	664.2	-29.3%
<b>Distributable Income per Security (cents)</b>	<b>40.5</b>	<b>36.8</b>	<b>10.1%</b>
<b>Distribution per Security (cents)</b>	<b>39.8</b>	<b>36.8</b>	<b>8.2%</b>

The transfer of assets from owned property to property securities investment has continued during the period, further implementing Centro's co-investment business model.

<sup>1</sup> Includes distribution on preference units.

<sup>2</sup> Mainly non-cash revaluations and financial instruments mark-to-market.

The statutory Consolidated Income Statement prepared in accordance with Australian equivalents to IFRS ('AIFRS') is set out on page 33.

## Appropriate and Prudent Leverage Position Maintained.

### Strong Financial Risk Management Focus

Centro continues to focus on actively managing financial risk to protect against interest rate and foreign exchange rate movements. This has largely removed potential losses on overseas investment from the impact of the recent substantial strengthening of the Australian dollar.

Financial risk management policies range from maintaining appropriate maximum target gearing to funding, interest rate and foreign exchange hedging (with minimum average maturities and staggered profiles to smooth out re-pricing risk).

Management of Centro's leverage or gearing at prudent and appropriate levels is seen as crucial. The focus on 'lenders look through' gearing to ensure that Centro's business model ownership levels are properly taken into account is seen as able to provide significant comfort to investors. Centro commenced the 2007 financial year well below gearing policy range.

Importantly, Centro's major lenders recognise the value of Centro's Services Business and its capacity to support prudent gearing and therefore add flexibility to the Group. Centro's Services Business

was independently valued as at 31 May 2007 for lending its covenants, with KPMG advising a midpoint valuation of \$5.5 billion (compared to previous midpoint \$2.5 billion valuation as at 30 June 2006). This growth in value is a reflection of the strong growth in sustainable income streams generated by Centro's significant funds under management growth during the year.

Significant acquisitions during the financial year 2007 including Heritage, New Plan, Centro Watt and Galileo Funds Management have contributed to the growth in Centro's total assets during the 2007 financial year. Although most assets have been acquired directly into Centro managed funds, Centro's gearing (lenders look through) has therefore increased to 48.4% at 30 June 2007, slightly above Centro's long term preferred gearing range of 35%-45%.

Although Centro's borrowings are slightly above the preferred long term range, Centro is confident that its gearing level will be restored to within its policy range during the 2008 financial year primarily through continued strong inflows into Centro's managed funds.

Financial Position	June 07 \$m	June 06 \$m	Change %
<b>Total Assets</b>	<b>8,137</b>	<b>5,152</b>	<b>57.9%</b>
Financed by:			
Borrowings	3,604	1,537	134.5%
Other Liabilities	996	337	195.5%
Equity	3,537	3,278	7.9%
	<b>8,137</b>	<b>5,152</b>	<b>57.9%</b>

Key Financial Ratios	June 07	June 06	Policy
Gearing (Lenders Look Through)	48.4%	26.1%	35-45%
Gearing (Book)	42.8%	26.3%	30-40%
Net Tangible Asset Value per Security (\$)	2.29	3.63	N/A
Interest Cover Ratio (x)	2.8	4.9	2.0

The statutory Balance Sheet prepared in accordance with Australian equivalents to IFRS ('AIFRS') is set out on page 34.

# Centro's Properties

## Managed Portfolio Key Statistics

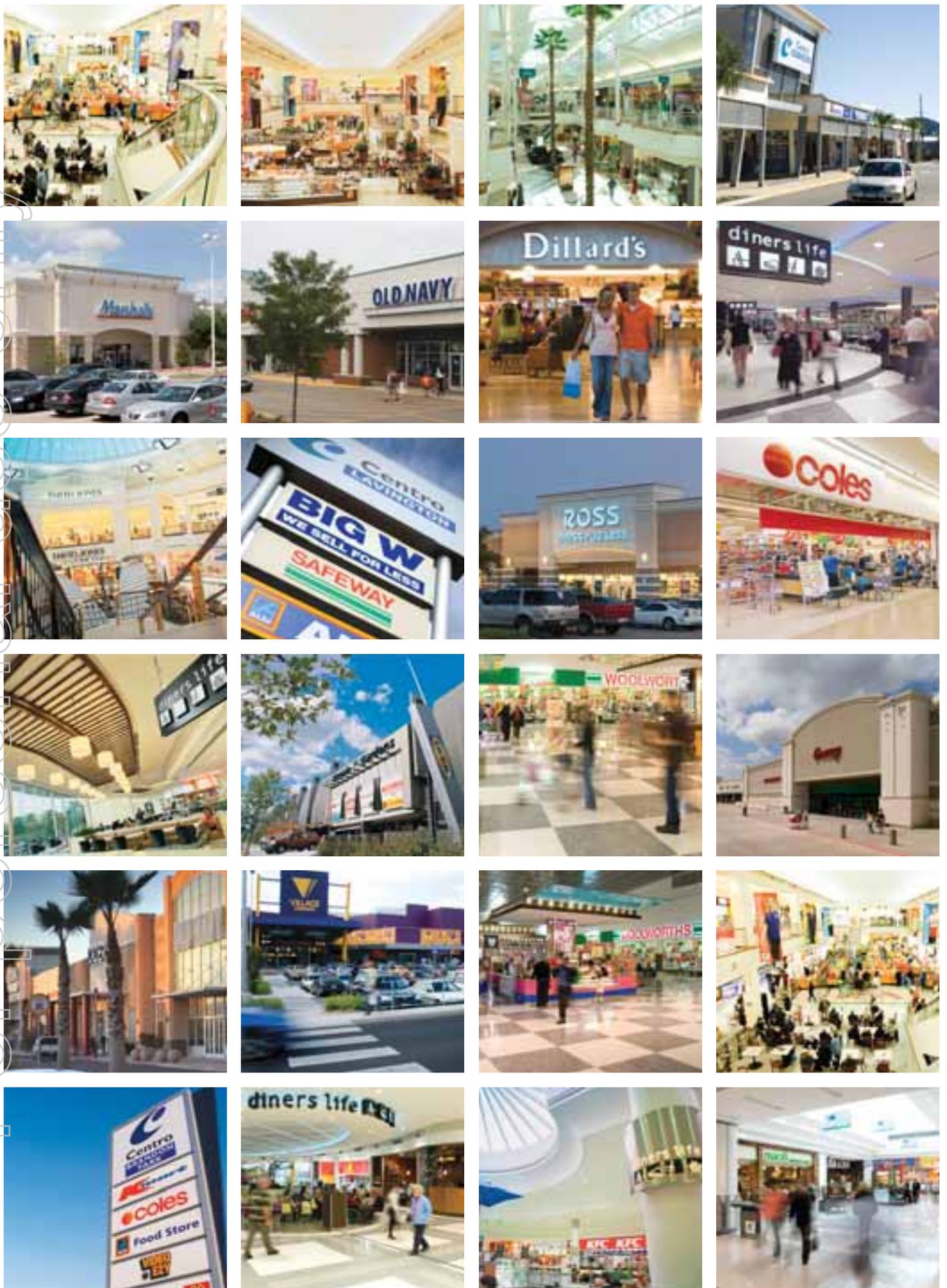
The foundation of Centro's continuing success and growth is the strong performance of its underlying retail properties. Centro's quality portfolio of 810 shopping centres under management in Australasia and the United States is valued at A\$26.6 billion at 30 June 2007. The growth of \$15.1 billion since 30 June 2006 has been driven by the Heritage and New Plan acquisitions, Australian acquisitions, valuation uplifts and Centro's value adding development program.

Centro's substantial property and development management platforms are seen as critical to its capacity to deliver value to its investors and co-investors. As the second largest retail property owner/manager in Australia and the fifth largest in the US, Centro has the management platform and experience to efficiently manage its ever expanding retail property portfolio.

### Managed Portfolio Key Statistics at 30 June 2007

	Australia	United States
Funds Under Management (FUM)	\$9.2bn	\$17.4bn
Number of Centres	128	682
Gross Lettable Area (000's m <sup>2</sup> )	2,055	10,041
Comparable Property Income Growth	4.9%	2.1%
Comparable Retail Sales Growth	3.9%	n/a
Weighted Average Capitalisation Rate	6.25%	6.70%
Lease Renewal Rate	80.8%	74.2%
Stable Portfolio Occupancy Rate	99.6%	94.8%
FUM Geographic Split	34.6%	65.4%





# Property Portfolio Map

## 128 Australasian Properties

### Western Australia

Regional Office: Perth

Economic growth drives strong property performance.

19 Properties

### Northern Territory

Regional Office: Darwin

2 Properties

### Queensland

Regional Office: Brisbane

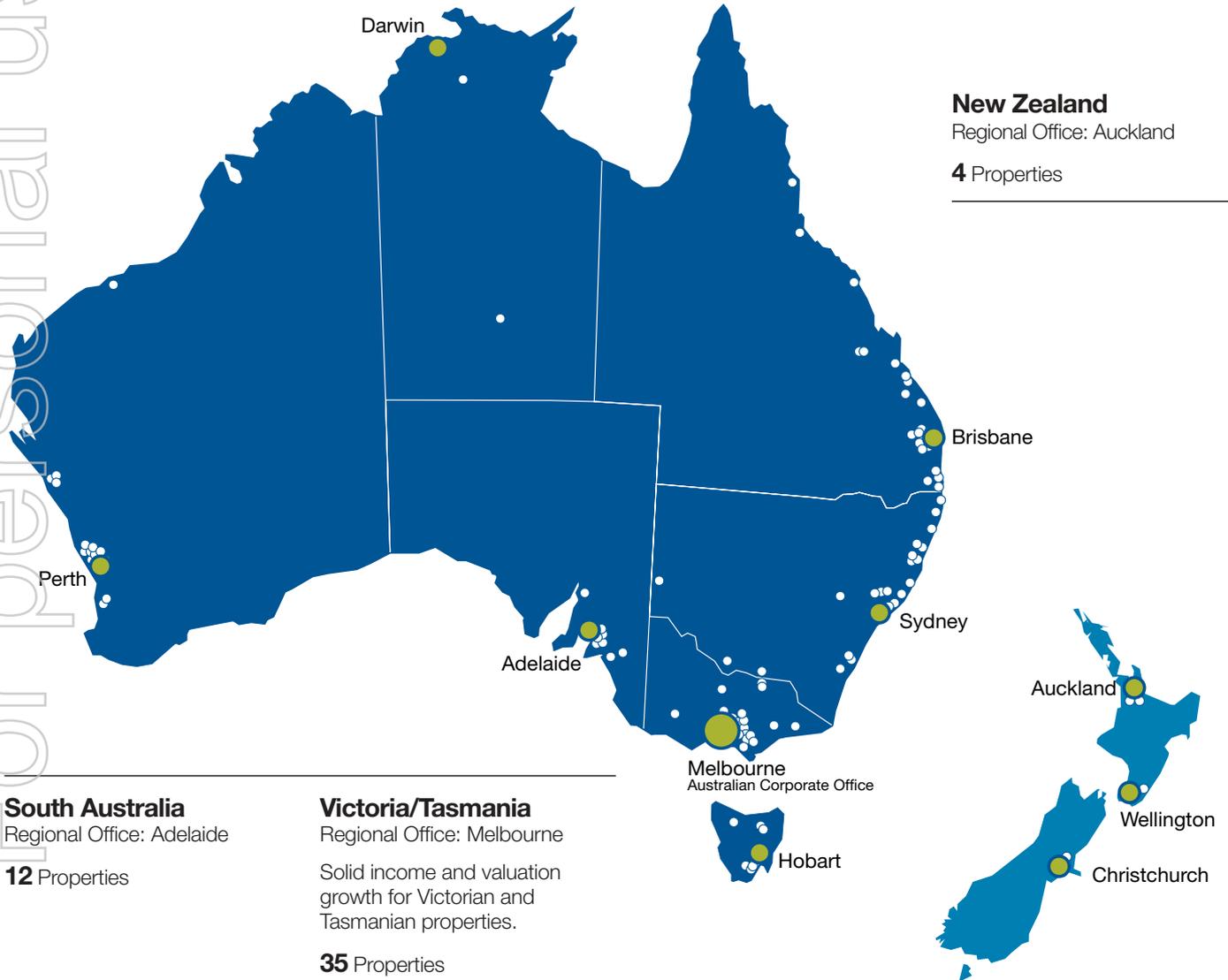
Queensland's outperformance continues due to strong economic fundamentals.

29 Properties

### New South Wales/ACT

Regional Office: Sydney

27 Properties



### South Australia

Regional Office: Adelaide

12 Properties

### Victoria/Tasmania

Regional Office: Melbourne

Solid income and valuation growth for Victorian and Tasmanian properties.

35 Properties

### New Zealand

Regional Office: Auckland

4 Properties

## Second Largest Retail Property Owner/Manager in Australia and Fifth Largest in the US.

### 682 US Properties

#### West Region

Regional Office: Los Angeles

Excellent exposure to California, the world's seventh largest economy.

54 Properties

#### Central Region

Regional Office: Chicago

78 Properties

#### Mid West Region

Regional Office: Detroit

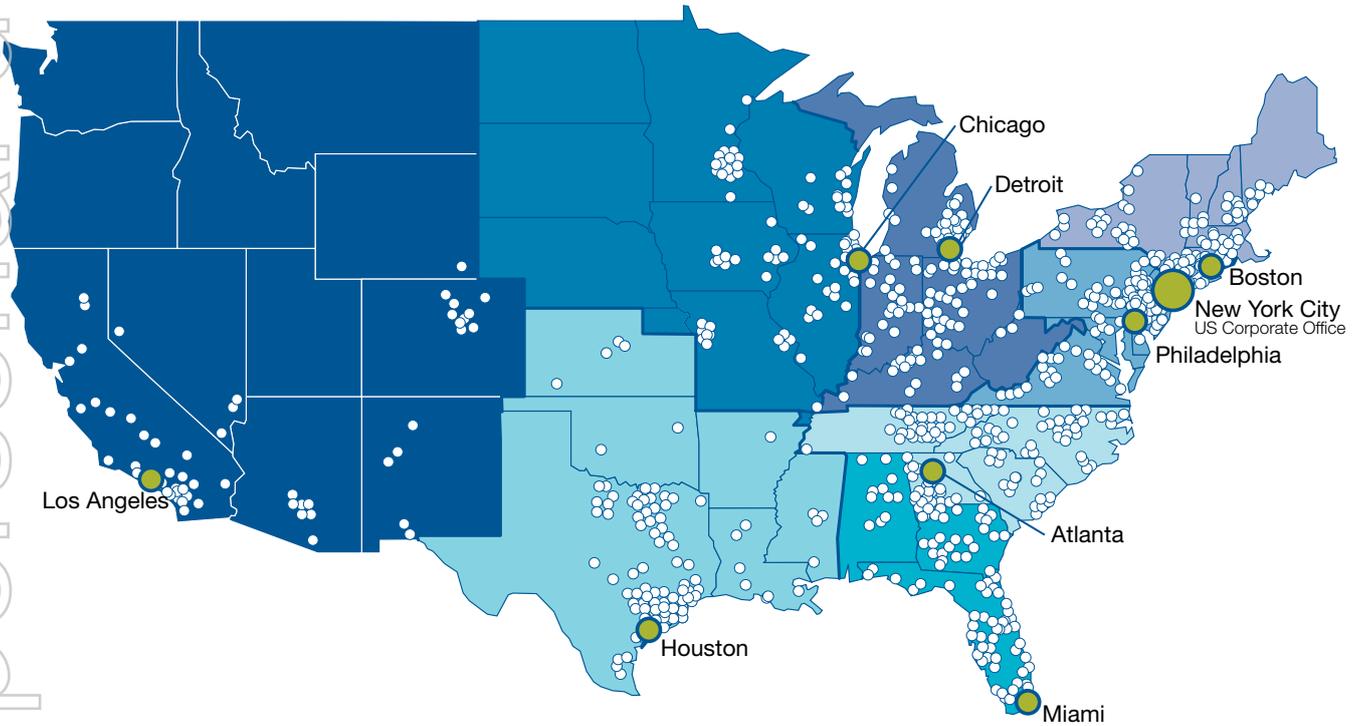
88 Properties

#### North East Region

Regional Office: Boston

Region with one of the highest population densities in the United States.

91 Properties



#### South West Region

Regional Office: Houston

100 Properties

#### South Region

Regional Office: Miami

One of the fastest growing regions in the United States.

74 Properties

#### South East Region

Regional Office: Atlanta

107 Properties

#### Mid Atlantic Region

Regional and US Corporate Office: New York City

Has very high barriers to entry for new retail competition.

90 Properties

# Portfolio Review

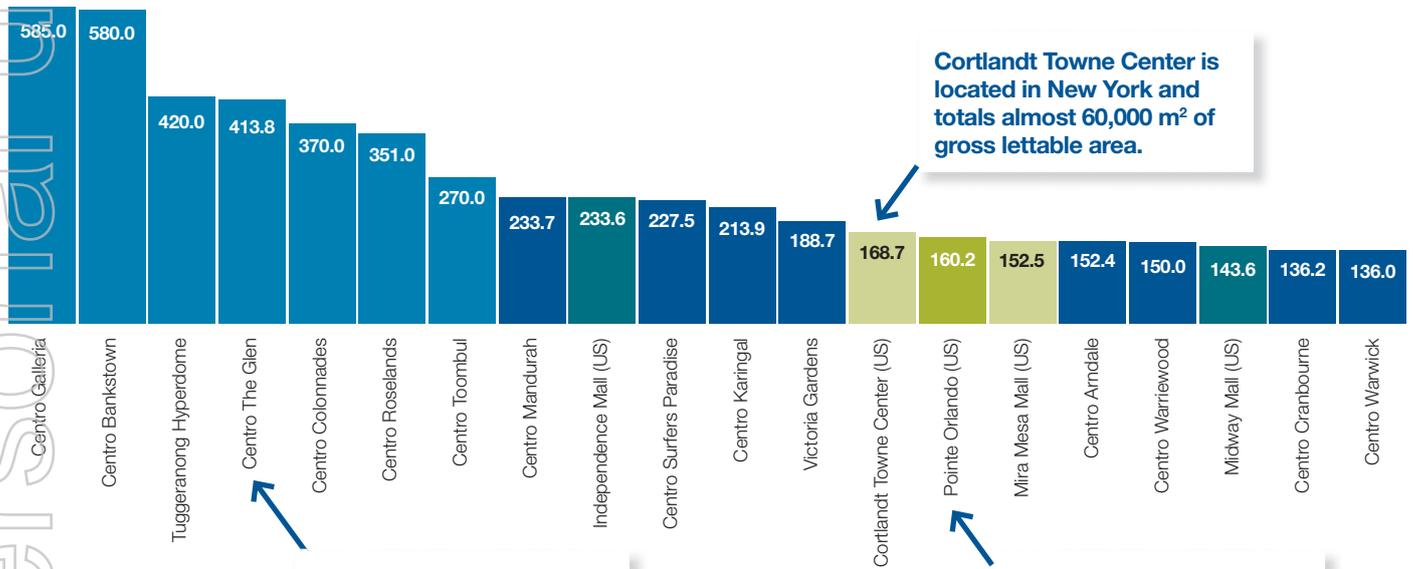
## Top 20 Properties

Centro's managed property portfolio is a well balanced and diverse pool of retail properties. The top 20 managed centres by value are high quality, mostly regional and sub-regional sized centres across Australia and the US.

The centres feature key major retailers including supermarkets, discount department stores, department stores and national specialty retailers. These top 20 centres represent 19.8% of the value of the total managed portfolio.

- Regional
- Sub-regional
- Mall (US)
- Community (US)
- Lifestyle Center (US)

Centro Top 20 Managed Properties (A\$m)



**An \$11m redevelopment of Centro The Glen was completed in October 2005 which included the addition of Macro Wholefoods.**

**Cortlandt Towne Center is located in New York and totals almost 60,000 m<sup>2</sup> of gross lettable area.**

**Pointe Orlando is currently under redevelopment and once completed will include feature plazas and restaurant anchors.**



## Continued Strong Supermarket and Fresh Food Sales Drive Growth.

### Healthy Retail Sales Performance

Retail sales in Centro's Australian managed portfolio have continued to grow strongly following the recent flattening of petrol prices, the positive impact of tax cuts and record high employment. Specialty sales growth remains high, a reflection of the quality retailers and focus on non-discretionary sales, such as fresh food, and the convenience nature of Centro shopping centres.

The continued growth in Australian sales is positive for sustained property income growth which will benefit both investors in Centro and co-investors in its managed funds.

International Council of Shopping Centers (ICSC) reported that US chain store sales grew by a solid 2.4% for the year ended 30 June 2007. This retail sales trend indicates a continued healthy US retail environment which generally supports anecdotal sales evidence received across Centro's United States portfolio.

Comprehensive sales statistics for the Centro US portfolio are not yet available for many retailers as traditionally a low percentage of retailers were required to report sales data on a regular basis. However, management has made significant progress in agreeing with new and renewed retailers to report regular sales data which will enable more detailed centre specific sales analysis to be completed in the future.

Centro Managed Australian Centre Sales			
Category	MAT \$m*	Composition	MAT Change per SCCA Standards
Supermarkets	4,342	44.0%	2.6%
Discount Department Stores	1,392	14.2%	-1.2%
Department Stores	356	3.6%	7.6%
<b>Total Majors</b>	<b>6,090</b>	<b>61.8%</b>	<b>2.0%</b>
Specialties	2,881	29.2%	<b>7.3%</b>
Mini Majors	482	4.9%	6.8%
Cinema/Other	408	4.1%	7.9%
<b>Total</b>	<b>9,861</b>	<b>100.0%</b>	<b>3.9%</b>

\*Reflects 100% of centres' sales to 30 June 2007.

← Continued strength of specialty sales underpins long term earnings growth.



# Portfolio Review

## Top Australian Retailers

Centro is proudly the largest provider of retail space to both Woolworths and the Coles Group. Excellent relationships with other major retailers in Australia including Myer and David Jones as well as strong representation from all leading national specialties ensure a quality mix of retailers within Centro shopping centres.

The strong mix of food, fashion and service providers complement major retailers and are an integral component of Centro's value adding development program.

Rank	Retailer	Number of stores	Proportion of Total Average Base Rent
1	Woolworths/Safeway	62	8.71%
2	Coles	64	7.28%
3	Kmart	28	4.78%
4	Target	24	3.04%
5	Big W	13	2.76%
6	David Jones	4	1.61%
7	Myer	4	1.24%
8	Priceline	23	0.90%
9	Millers Fashion Club	55	0.89%
10	Best & Less	18	0.75%
		<b>295</b>	<b>31.96%</b>

## Top US Retailers

Following the acquisitions of New Plan and Heritage, Centro's US platform has a substantial nationwide portfolio of shopping centres under management.

Retailers at these centres include some of the largest in the United States and are generally non-discretionary, supermarket and fresh food retailers. Relationships with key retailers have been enhanced, and the leasing abilities and portfolio quality have been further improved.

Rank	Retailer	Number of stores	Proportion of Total Average Base Rent
1	The TJX Companies	116	2.60%
2	Kroger	76	2.15%
3	Wal-Mart Stores	42	1.38%
4	Sears/Kmart	56	1.32%
5	Ahold USA	29	1.20%
6	Supervalu	41	1.04%
7	Safeway	20	0.78%
8	Staples	34	0.73%
9	Dollar Tree	114	0.72%
10	Publix	26	0.69%
		<b>554</b>	<b>12.61%</b>



# \$1 Billion Development Pipeline Drives Property Growth.

## Significant Organic Growth from Developments

### Australian Developments

Centro's value adding development program continues to add organic growth to the managed property portfolio.

The highlight of the 2007 financial year was the opening of the \$119 million Centro Colonnades redevelopment which added approximately 19,000m<sup>2</sup> in retail space to the centre at a yield on total cost of 8.9%. New Woolworths and Big W stores anchor the development which also features Centro's sub-branded food court and fresh food precincts, Diners Life and Fresh Life. Since opening, Centro Colonnades has traded extremely well with pleasing feedback from the centre's major retailers. The centre has also recently added a new Myer store, enhancing its department store offer.

Centro has \$438 million of approved developments in its current Australian pipeline including ongoing projects at Centro Bankstown, Centro Lake Macquarie and Centro Newcomb. An additional \$389 million of identified projects in master planning and feasibility stage for project commencement by the end of the 2009 financial year ensures the development pipeline will be maintained.

### US Developments

The Centro US development team has been strengthened and expanded particularly from the New Plan acquisition. A significant development pipeline of US\$482 million was obtained through the New Plan acquisition and the enlarged team is actively reviewing all properties in the US portfolio for value adding potential. The team has already identified several other near term opportunities for Centro's US properties.

The continued success in identifying opportunities and managing development risks demonstrates Centro delivering value by enhancing the value of its retail property portfolio.



Centro Colonnades, SA



Centro Bankstown, NSW



Pointe Orlando, Florida, US



Clearwater Mall, Florida, US

# Centro's Funds

## Investment Funds

Centro's Funds Management has grown to a significant business with the group now managing a wide range of investment funds. Centro's funds management capabilities and co-investment philosophy is a major strength and point of difference from its competitors. Centro's philosophy of co-investing 25% to 50% in each managed fund aligns the interests of Centro with external investors.

Centro undertakes the role of Responsible Entity for managed funds, acts as Custodian for assets within those funds and performs other funds management activities such as securities distribution and new investment fund creation.

### Listed Funds

Centro currently manages two listed vehicles, Centro Retail Trust (ASX: CER) and Centro Shopping America Trust (ASX: CSF). CER listed on the ASX in August 2005 and is a separate pure retail property trust that derives its income from the ownership of \$4.8 billion of retail property in Australia and the US. Centro assumed management of Centro Shopping America Trust ('CSF') (formerly Galileo Shopping America Trust) in April 2007. CSF owns 138 US retail properties with a value of \$2.7 billion. A merger of these two funds has been proposed.

### Direct Property Syndicates

Centro manages 34 Centro MCS retail property syndicates owning \$8.7 billion of assets. Each syndicate is a closed ended fixed term investment vehicle owning either Australian, New Zealand or US retail property. On average these syndicates delivered a standout 27.1% total return to investors over the year ended 30 June 2007.

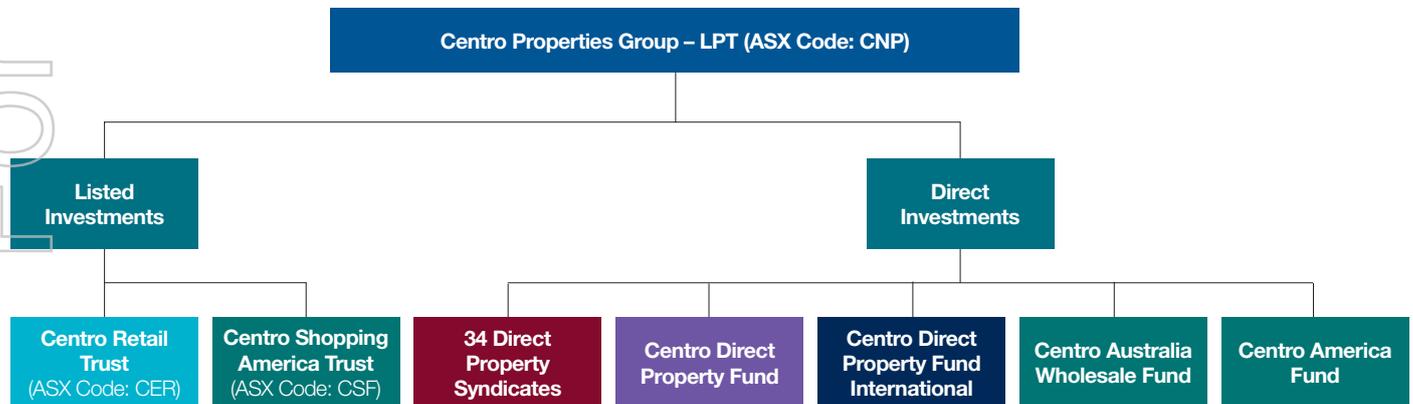
### Diversified Funds

Centro invests in and manages two well-diversified direct retail property funds, the Centro Direct Property Fund ('DPF') and the Centro Direct Property Fund International ('DPFI'). These two 'funds of funds' co-invest in Centro's listed and unlisted managed funds and have produced strong total returns of 16.6% and 11.0% respectively for investors during the 2007 financial year.

### Wholesale Funds

In November 2006, Centro established two new retail property wholesale funds – the Centro Australia Wholesale Fund ('CAWF') and the Centro America Fund ('CAF'). In line with Centro's business model, Centro has co-invested in these funds through interests held by the DPF and DPFI. CAWF was the result of the spin-off by Centro of \$2.5 billion of directly owned Australian shopping centres and CAF is a portfolio of A\$1.1 billion of US properties.

## Investment Product Matrix



## Investment Funds

	Centro Properties Group	Centro Retail Trust	Centro Shopping America Trust	Centro MCS Syndicates (typical syndicate)	Direct Property Fund	Direct Property Fund International	Centro Australia Wholesale Fund	Centro America Fund
<b>Investment Type</b>	Listed Property Trust	Listed Property Trust	Listed Property Trust	Direct Property Syndicate	Unlisted Property Trust	Unlisted Property Trust	Unlisted Property Trust	Unlisted Property Trust
<b>Investment Structure</b>	Stapled Security	Stapled Security	Unit Trust	Closed Fixed Term Investment	Open Ended	Open Ended	Open Ended	Open Ended
<b>ASX Code</b>	CNP	CER	CSF	N/A	N/A	N/A	N/A	N/A
<b>Liquidity</b>	High	High	High	Low	Medium to High	Medium to High	Low to Medium	Low to Medium
<b>Pricing</b>	ASX – Market	ASX – Market	ASX – Market	Half Yearly – Net Asset Backing	Daily – Net Asset Backing	Daily – Net Asset Backing	Quarterly – Net Asset Backing	Quarterly – Net Asset Backing
<b>No of Properties</b>	810 properties in Australia, US & NZ	228 properties in Australia & US	138 properties in US	Variable Aus – 5 or more US – 10 or more	Over 790 properties in Australia, US & NZ	Over 290 properties mainly in the US	28 properties in Australia	32 properties in US
<b>Geographic Diversification (by property value)</b>	35% Australia & NZ 65% US	26% Australia 74% US	100% US	100% Australia or US or NZ	74% Australia & NZ 26% US	99% US 1% Australia & NZ	100% Australia	100% US
<b>Income Source</b>	69% Property Income 31% Services Income	100% Property Income	100% Property Income	>90% Property Income	>90% Property Income	>90% Property Income	100% Property Income	100% Property Income
<b>Tax Advantaged Benefits</b>	Medium to High	Medium to High	High	Low to High	High	High	High	High
<b>Distribution Frequency</b>	Six Monthly	Six Monthly	Six Monthly	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly
<b>Investment Returns</b>								
Yield	4.7%	8.1%	8.4%	6.5% (average)	6.3%	7.2%	5.0%	6.7%
Total Annual Return (Year Ended June 2007)	46.0%	18.5%	11.5%	27.1% (average)	16.6%	11.0%	13.9%	14.6%

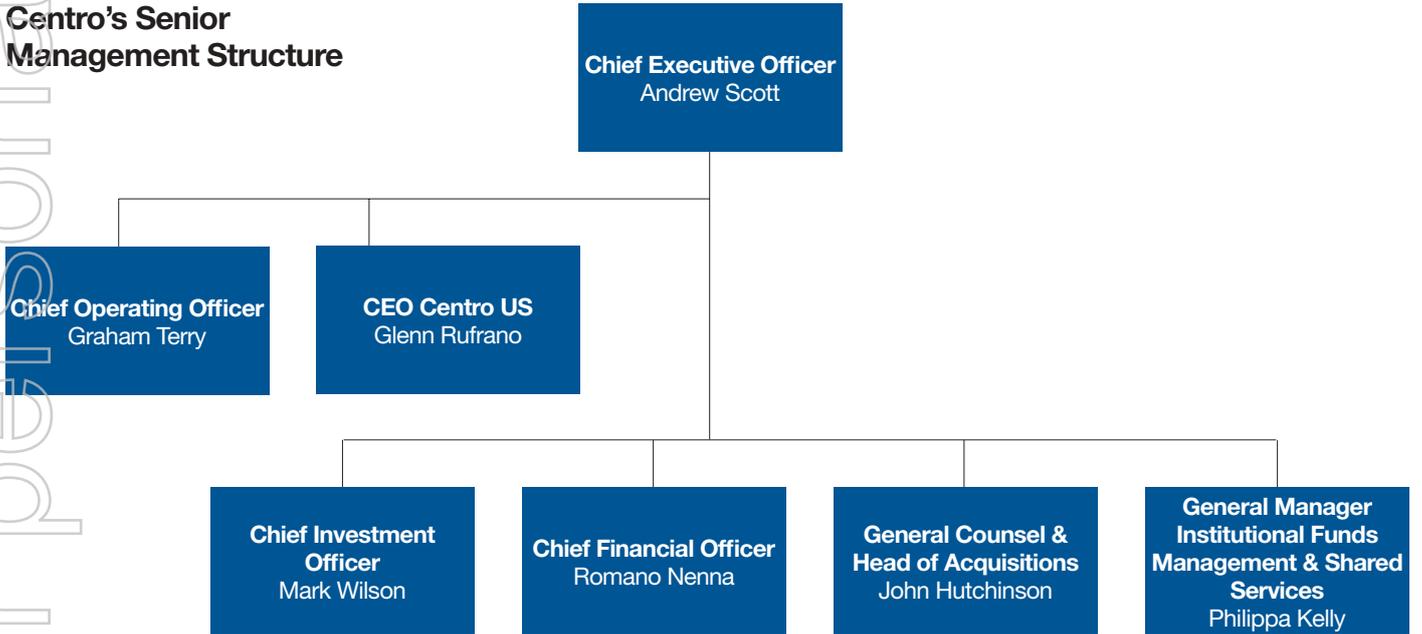


# Centro's Team

Centro adequately resources and develops its management team in order to maintain a vibrant team-based international management platform across different cultures, geographies and time zones. The Centro team both in Australia and the US provides a specialist retail property management platform with extensive knowledge, experience and a passion for retail property.

Centro's growing international investment has facilitated the growth of an international culture between Centro's Australian and overseas operations, most recently with the successful integration of New Plan. Glenn Rufrano, previously Chief Executive of New Plan, joined the Executive Committee during the year. Centro's team has grown to over 1,500 staff globally with the Australian head office in Melbourne and the US head office in New York.

## Centro's Senior Management Structure



# Executive Committee

Left to right: Graham Terry, Mark Wilson, John Hutchinson, Romano Nenna, Philippa Kelly, Andrew Scott and Glenn Rufrano.



**Philippa Kelly**  
**General Manager – Institutional Funds Management & Shared Services**

Ms Philippa Kelly is responsible for Centro's Listed Funds, Wholesale Funds and the Direct Property Funds. In this role, she is responsible for developing the ongoing strategy for Centro and its managed funds, equity capital raisings, reviewing new investment opportunities and communications with investors, broking analysts and the institutional market. Philippa is also responsible for Shared Services within Centro, including information technology, management accounting, lease administration and change management. Philippa has a Law Degree and has been with Centro since 2002. Philippa has worked in the listed property trust industry for the past nine years and her previous experience includes five years in the investment banking area of Goldman Sachs JBWere.

**Romano Nenna**  
**Chief Financial Officer**

Mr Romano Nenna, as the Chief Financial Officer, is responsible for financial accounting, tax and corporate finance, including treasury operations and financial risk management. Romano has over 17 years experience in the retail industry having previously been Head of Tax at Coles Myer Ltd. He joined as, and has held his current position as Chief Financial Officer of Centro for more than five years.

**Mark Wilson**  
**Chief Investment Officer**

Mr Mark Wilson returned to Melbourne, Australia in April 2007 from Philadelphia, United States to take the role of Chief Investment Officer. Mark's responsibilities have a strong asset management focus and include investment management, syndicate funds management, retail distribution, corporate marketing and human resources. Mark joined Centro in 1997 and his previous role was as Chief Operating Officer for Centro's US operations. Mark has over 25 years experience in the retail and property industry, and was previously employed by Coles Myer Ltd.

**Andrew Scott**  
**Chief Executive Officer**

A Director and the Chief Executive Officer of Centro since 1997, Mr Andrew Scott joined Centro in March 1997 after 15 years with Coles Myer Ltd in various senior property, finance and strategy positions. Prior to joining Centro, he was Director of Property for Coles Myer. Andrew is a Founding Member and currently the Chairman of the Shopping Centre Council of Australia, and is on the Council of the Lauriston Girls School.

**Graham Terry**  
**Chief Operating Officer**

Mr Graham Terry's responsibilities include all operational aspects of Centro, with particular emphasis on development, leasing, marketing and centre management. Graham has been with Centro since 1998 and was previously at Coles Myer for 20 years where he held various national development, leasing and property positions. Graham has been involved in the shopping centre industry for over 30 years and has participated in over 220 shopping centre developments.

**Glenn Rufrano**  
**Centro US Chief Executive Officer**

Mr Glenn Rufrano is Chief Executive Officer of Centro's US operations. Glenn joined Centro in April 2007 following the acquisition by Centro of New Plan Excel Realty Trust (New Plan) where he was Chief Executive Officer and a member of the Board of Directors. Prior to joining New Plan in February 2000, Glenn served 17 years as a partner at the O'Connor Group, most recently as President and Chief Operating Officer. He currently serves on a number of boards at New York University's Real Estate Institute, where he is an adjunct professor, and is a trustee, member of the Executive Committee and Treasurer and Secretary of the International Council of Shopping Centres. He also sits on the Board of Directors of New Alternatives for Children, a not-for-profit health and social services agency.

**John Hutchinson**  
**General Counsel & Head of Acquisitions**

Mr John Hutchinson is responsible for acquisitions as well as both the legal and compliance areas, including risk management and internal audit. John has been with Centro for five years, and was formerly a partner of law firm Freehills for a period of eight years, during which time he focused primarily on corporate transactions within the property trust and funds management areas. John also chairs the Centro Executive Committee.

# Corporate Social Responsibility

Centro defines 'Corporate Social Responsibility' ('CSR') as the continuing commitment by business to behave ethically and to contribute to economic development whilst at the same time having regard to the quality of life of its employees, their families, the local community and society at large. In seeking to maximise risk managed growth for investors, Centro aims to follow the principles of CSR.

Professional investor groups have continued to make clear that in their view, continued and lasting financial success is based on managing risks properly, including taking a longer term and comprehensive view of business operations, not just financial factors.

Centro supports this view and aims to uphold these values for all stakeholders.

Centro's CSR Working Group, comprising a broad mix of Centro employees including members of the Executive Committee, continues to address the ways in which Centro can identify CSR initiatives and find appropriate solutions. This section of the Annual Report outlines three particular areas of focus over the past year in Centro's efforts and achievements in the area of CSR.

## Continuing to Support the Community Through Charitable Donations

Centro's Corporate Donations and Sponsorships Policy, which formalises Centro's existing commitment to supporting the communities in which it operates, articulates Centro's main objective in providing charitable sponsorship, which is to ensure the resulting partnership between Centro and the chosen organisation, delivers the best possible outcomes for both parties. Details of this policy can be found on Centro's website.

In accordance with the policy and in line with previous years, Centro has continued to provide significant financial support to various charities and fundraising entities throughout the year. This year saw the establishment of a new major partnership with Surf Life Saving Foundation, in addition to the two existing partnerships with The Smith Family and the Peter MacCallum Cancer Centre.

### The Smith Family – Building on Prior Years' Support

Centro initially forged a partnership with The Smith Family in 2005, commencing with a donation of \$150,000 in November of that year. The Smith Family is a non-denominational Australian charity focused on improving prospects for underprivileged Australian children and families. Their locations have an 80% overlap with Centro centre

catchment areas, thereby providing opportunity for the Centro centres and staff to also become involved.

Centro again pledged its long term support to the Smith Family's Learning for Life programmes this year with a further donation of \$150,000. This money will go towards initiatives of that programme, including the following:

- 25 Learning for Life tertiary student scholarships, 5 in each of NSW, Victoria, South Australia, Queensland and Western Australia; and
- Financial support for five Learning for Life workers, one in each of the above mentioned states, which will ensure 400 students and their families will have the benefit of professional guidance when required.

### Peter Mac Ocean Swim – Further Support for Peter MacCallum Cancer Centre

As it has done for a number of years, Centro provided a significant donation to the Peter MacCallum Cancer Centre – a Melbourne based institution that leads the way in cancer treatment and research in Australia.

Centro was also a major sponsor of the Melbourne 2007 Peter Mac Ocean Swim on 12 March 2007, held on St Kilda Beach, Melbourne, as the lead up event to the FINA World Swimming Titles. Centro staff provided significant further support for the event, either as participating swimmers raising funds by sponsorship, or as volunteers.

Centro's total contribution to the Peter MacCallum Cancer Centre for the 2007 financial year was \$150,000.

### Surf Lifesaving Foundation – A New Partnership

Centro has forged a new partnership with the Surf Lifesaving Foundation ('SLSF'), the fundraising arm of Surf Lifesaving Australia. Centro has committed a significant amount of funding over a three year period, this contribution will support SLSF's Surf Safety Education Program. This program aims to advance beach and water safety in the community through the provision of additional surf safety education resources and communication programs.

For the 2007 financial year, Centro's donation to SLSF was \$200,000.

### Environmental Sustainability – Energy Efficiencies Opportunities Act

Environmental sustainability, particularly the responsible use of energy and water, continues to be an area of focus and Centro has continued its efforts over the past year.

The introduction this year of the Energy Efficiencies Opportunities Act has provided further regulation in this area and Centro has registered and commenced compliance with its obligations.

The central component of the Act involves assessing energy use to identify cost opportunities for improving energy efficiency. As Centro's environmental performance therefore requires the collation of data on energy, gas, water, waste and travel usage, Centro has installed an Environmental Performance Reporting System. This will enable Centro to accurately measure its group-wide energy consumption, leading to a better ability to conserve it.

Management is now working on Centro's Assessment Plan for lodgement in December 2007. The Plan must include the measures that are proposed to be taken to maximise energy efficiency opportunities, and will be made available on Centro's website once completed.

### Centro's Commitment to a Healthy Workplace

In line with its team-based approach, Centro supports an appropriate work-life balance. Centro aims to ensure that it is an employer of choice providing workplace satisfaction to its employees. A number of initiatives are in place. Two of the most important of these are:

- Employee Assistance Program; and
- Annual health and fitness assessments for senior corporate and centre management staff.

### Employee Assistance Program

The Employee Assistance Program ("EAP") is a professional and confidential counselling service which Centro provides as a benefit for all employees (full time, part time and casual) and their immediate families.

The counselling is voluntary, free of charge to users of the service, completely confidential, and short term solution focused. The provision of the EAP allows Centro employees to talk to unbiased non-judgmental professionals about a range of personal and work-related issues. It allows employees to be assisted with problem solving, and to learn strategies to better cope with stressful situations.

As an adjunct to the EAP, a Critical Incident Management Service ("CIMS") is also provided. This offers 24 hour access to emergency counselling and support if required in the event of an incident involving Centro. Examples of critical incidents may include a criminal act against Centro or employees, or any sudden distressing event.

### Annual Health and Fitness Assessments

Centro provides an annual health and fitness assessment for senior corporate and centre management staff. The assessment covers many aspects of health and fitness including diet, weight management, exercise, cardiovascular fitness, flexibility and cholesterol testing.

This program of assessments has provided some significant and ongoing health and fitness benefits for participants. This year's results again saw improvements in cardiovascular fitness, smoking levels and desired stress levels.



# 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 seven directors, six of whom (including the Chair) are independent non-executive directors.

The Chief Executive Officer is the only executive member of the Boards. The names of the directors in office for the 2007 financial year are Messrs Brian Healey, Andrew Scott, Graham Goldie, Sam Kavourakis, Peter Wilkinson, Jim Hall and Paul Cooper. Mr David Graham retired as a director on 20 October 2006. An outline of each director's skills, experience and term of office is set out on the following page.

Left to right: Peter Wilkinson, Sam Kavourakis, Jim Hall, Andrew Scott, Graham Goldie, Brian Healey and Paul Cooper.



**Brian Healey**  
**Chairman**

An independent non-executive Director of Centro Properties Group since 1993 and a Director of Centro Retail Trust.

Mr Healey is also a director of Incitec Pivot Limited, and has been a director of Fosters Group Limited within the past three years.

**Andrew Scott**  
**Chief Executive Officer**

A Director and the Chief Executive Officer of Centro Properties Group since 1997 and a Director of Centro Retail Trust.

Within the past three years, Mr Scott has not held any additional directorships of ASX listed entities.

**Graham Goldie**

An independent non-executive Director of Centro Properties Group since 1994 and a Director of Centro Retail Trust. Mr Goldie is Chairman of the Compliance Committee.

Mr Goldie has a background in retail store management with over 15 years experience at a senior executive level for Target and Myer stores. Since 1991, Mr Goldie has operated his own consultancy service, consulting to a wide range of diverse interests. Mr Goldie is Chairman of the Advisory Board at The Australian Centre for Retail Studies (ACRS), a specialist centre within the Department of Marketing at Monash University.

Within the past three years, Mr Goldie has not held any additional directorships of ASX listed entities.

**Sam Kavourakis**

An independent non-executive Director of Centro Properties Group since November 2003 and a Director of Centro Retail Trust.

Mr Kavourakis is Chairman of the Audit and Risk Management Committee.

Mr Kavourakis has extensive investment and fund management experience in Australia, including within the property sector. He was the Managing Director of National Mutual Funds Management for eight years, during which time he was responsible for all asset management functions within the National Mutual Group, both in Australia and offshore, and managing an investment team of more than 400 people.

Mr Kavourakis is currently a director of a number of companies and associations including Rio Tinto Staff Superannuation Fund, Collins House Financial Services and Traffic Technologies Ltd.

Mr Kavourakis has been a director of Ticor Limited within the past three years.

**Peter Wilkinson**

An independent non-executive Director of Centro Properties Group since March 2004 and a Director of Centro Retail Trust.

Mr Wilkinson has extensive retail management and property experience within Australia, including almost six years as Chief Executive and Managing Director of David Jones Limited. During this time he was responsible for managing the strategic development and value generation of 35 stores, and clearly positioned David Jones as Australia's premier department store. He had previously spent 18 years with Myer and Coles Myer Ltd, including positions as Managing Director of Target, Managing Director of Myer Grace Bros and Chief Operating Officer of the Coles Myer Group. Mr Wilkinson has held numerous positions within the retail sector, including President of the Australian Retailers Association.

Mr Wilkinson is also Managing Director of Australian Discount Retail (Trading) Pty Ltd. He has been a Director of Fone Zone Group Limited within the past three years.

**Jim Hall**

An independent non-executive Director of Centro Properties Group since September 2005, and a Director of Centro Retail Trust.

Mr Hall has extensive Australian and international financial, capital and risk management experience, gained during a career with BHP Limited, BHP Billiton Limited and Orica Limited, most recently as Executive Director Finance at Orica Limited. In addition to in depth experience in overseeing the delivery of appropriate corporate governance requirements, he has had extensive involvement in business performance improvement and complex restructuring activities.

Mr Hall is a member of JPMorgan Advisory Council and is currently a director of four other ASX listed companies being Symbion Health Limited (formerly Mayne Group

Limited), Alesco Corporation Limited, PaperlinX Limited and the ConnectEast Group.

**Paul Cooper**

An independent non-executive Director of Centro Properties Group since 2006 and a Director of Centro Retail Trust.

Mr Cooper has extensive experience in capital raising, strategic corporate finance advice, acquisitions and divestments and negotiation and establishment of joint ventures gained during a career spanning Freehills, Investec Wentworth Pty Ltd, Chronworth Advisory Pty Ltd and most recently as founder and Managing Director of Gane Corp Pty Ltd, a specialist corporate advisory firm.

Mr Cooper has been a Director of AXA Asia Pacific Holdings Limited (formerly National Mutual Holdings Limited) since 1995, and has chaired the AXA Managed Investments Compliance Committee since July 2003 and the AXA Australian Staff Superannuation Fund.

**Secretaries**

The Company Secretary is Ms Elizabeth Hourigan, LLB. Ms Hourigan is also the Compliance Officer and Senior Legal Counsel of the Group, having been with the Group since 2003, and was appointed to the position of Company Secretary in November 2005.

Ms Philippa Kelly, LLB, whilst now occupying the position of General Manager – Institutional Funds Management continues to act as alternate Company Secretary.

# Corporate Governance

Centro Properties Group's Corporate Governance policy states that "good Corporate Governance is the existence of an effective control environment to identify and manage business risks which arise from the implementation of business strategy."

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 and Australian Stock Exchange (ASX). The Boards review and update their corporate governance policies having regard to recent developments both in Australia and overseas, and the recommendations of the ASX Corporate Governance Council (CGC). Further details of these charters and policies are available in the corporate governance section of the Centro website.

This statement outlines the main Corporate Governance practices in place throughout the financial year.

## Centro Properties Group

Centro Properties Group 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 managed by a board of directors who are accountable to the investors and stand for re-election at least once every three years.

The Trust is a managed investment scheme that is registered under the *Corporations Act 2001* (the 'Act'). CPT Manager Limited, a wholly owned subsidiary of the Company, is the responsible entity (the 'Responsible Entity') of the Trust.

The Responsible Entity is responsible for the overall Corporate Governance of the Trust, including the protection of security holders' interests, developing strategic direction, establishing goals for management and monitoring the achievement of these goals.

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

## Primary Duties and Obligations

The primary duties and obligations of the Group include:

- exercising all due diligence and vigilance in carrying out its duties and in protecting the rights and interests of security holders, and in performing its functions and exercising its powers under the Trust constitution in the best interests of all security holders;
- 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 security holders 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
- preparing all notices and reports to be issued to security holders.

## Board Composition and Membership

Group policy stipulates that (except in limited circumstances) the board of directors of all subsidiaries will be the same as that of the parent entity, Centro Properties Limited. Accordingly, all Directors of the Company are also Directors of the Responsible Entity.

Board composition and the independence of directors is determined using the principles adopted in the Board Charter and having regard to the ASX Corporate Governance Council's Best Practice Recommendations. The Boards include a majority of independent non-executive Directors and the Chair of the Boards is an independent non-executive Director.

The Boards have considered the ASX Corporate Governance Council's Best Practice Recommendation 2.1 in assessing whether the tenure of any of the Directors

could, or could be perceived to, materially interfere with the Director's ability to act in the best interests of security holders. Having regard to these principles, the Board has determined that the appropriate period of tenure for Directors in each case should also be governed by relevant considerations including the following:

- performance and contribution as assessed on an annual basis by the Chairman and peers through both formal and informal reviews including peer review of the Chairman. From time to time these reviews will be carried out by external parties;
- appropriate succession planning for the Chief Executive Officer and Non-Executive Directors;
- re-election by securityholders from time to time.

On the basis of the above and its application to each non-executive Director, the Boards have concluded that they continue to be independent.

*ASX Corporate Governance Council's Best Practice Recommendations 2.1, 2.2, 2.3*

## 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 security holders. The Boards are accountable to those stapled security holders for the performance of the Group. Full details of the responsibilities and functions reserved for the Boards are set out in the Board Charter.

The Boards have delegated responsibility for the day to day operation and administration of the Group to the Executive Committee, but maintain responsibility for strategic direction and control of the Group. The Boards monitor the performance of the Group, Executive Committee and senior management and conduct a formal executive resources review each year to assess such performance.

*ASX CGC's Best Practice Recommendation 1.1*

## Board Committees

The Group has established a number of committees to assist with the implementation of its Corporate Governance practices. These include an:

- Audit and Risk Management Committee;
- Compliance Committee;
- Nomination Committee; and
- Remuneration Committee.

Attendance of committee members at meetings is set out on page 50 of this Annual Report.

The activities of these committees are reviewed below. Each has a written charter and operating procedures that are reviewed on a regular basis, and each committee's effectiveness is constantly monitored.

### Audit and Risk Management Committee

The Audit and Risk Management Committee consists of three of the non-executive directors of the Board, being Messrs Sam Kavourakis, Jim Hall, David Graham (until his retirement from the Board) and Paul Cooper (from the time of his appointment to the Board). The Committee was chaired by Mr Sam Kavourakis during the reporting period. The Chief Executive Officer, Chief Financial Officer, Group Financial Accounting Manager, Compliance Officer, internal auditor and external auditor also attend Committee meetings by invitation. The Committee regularly reports to the Boards in respect of matters within its responsibilities.

The Boards have adopted an Audit and Risk Management Committee Charter which set out the objectives, responsibilities and functions of the Committee in relation to audit matters and identifying and managing commercial risks. The Charter also sets out the procedures for the selection and appointment of the external auditor and for the rotation of the external audit managing partner.

In line with the ASX Corporate Governance Council best practice financial reporting processes, the Chief Executive Officer and

Chief Financial Officer have provided sign-off to the Boards of Centro Properties Group that the financial reports present a true and fair view of the Group's financial condition and are in accordance with relevant accounting standards. This statement is founded on a system of risk management and internal compliance control.

In addition, the Chief Executive Officer and Chief Financial Officer have reported to the Boards that the Group's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

*ASXCGC's Best Practice Recommendations 4.1, 4.2, 4.3, 4.4, 4.5, 7.1, 7.2 7.3. In accordance with Recommendation 4.5, details of the members of the Audit and Risk Management Committee are set out in the Board of Directors section at page 27. Attendance of Committee members is set out at page 50 of this report.*

### Compliance Committee

The Group has adopted a compliance plan, lodged with the Australian Securities and Investments Commission, that 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 that is monitored by both a specially constituted Compliance Committee and the compliance plan auditor.

The Compliance Committee is responsible for ensuring the Group's compliance with the compliance plan. During the reporting period, the Committee consisted of three of the Group's seven directors, being Messrs Graham Goldie, Peter Wilkinson and Jim Hall, and was chaired by Mr Graham Goldie.

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 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.

*ASXCGC's Best Practice Recommendations 7.2 and 7.3. In accordance with Recommendation 4.5, details of the members of the Compliance Committee are set out in the Board of Directors section at page 27. Attendance of Committee members is set out at page 50 of this report.*

### Nomination Committee

The Nomination Committee, which includes all seven members of the Boards, is responsible for establishing criteria for board membership, reviewing board membership and identifying and nominating directors. A Nomination Committee Charter has been adopted which sets out the purpose and powers of the committee.

The performance of all directors and of the Board as a whole is reviewed by the Chair each year. The assessment of Director and Board performance for the reporting period is set out within the Remuneration Report section of the Directors' Report on page 51.

*ASXCGC's Best Practice Recommendations 2.4, 8.1 In accordance with Recommendation 2.5, information on each Director including their term of office is disclosed in the Board of Directors section on page 27. Attendance of Committee members is set out at page 50 of this report.*

### Remuneration Committee

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

The Remuneration Committee includes the non-executive members of the Boards and is chaired by Mr Brian Healey, Chairman of the Board. The Committee meets biannually (or 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.

# Corporate Governance

The Remuneration Committee also makes recommendations to the Board for the remuneration of non-executive Directors as recommended by the Chief Executive Officer. The Chief Executive Officer's recommendation takes into account advice received from independent consultants and market surveys and is always within the level of the aggregate fees limit approved by shareholders in general meeting.

The Group's remuneration policy is set out within the Remuneration Report section of the Directors' Report on page 51.

ASX CGC's *Best Practice Recommendations* 9.1, 9.2, 9.3, 9.4, 9.5

## Internal Control Framework

The Boards are responsible for the overall internal control framework of the Group, but recognise that no cost effective internal control system will preclude all errors and irregularities. To assist in discharging this responsibility, the Group's Boards have instigated an internal control framework that can be described as follows.

- **Compliance Plan** – The compliance plan provides for the necessary actions to be taken to address compliance risk, operational risk, control environment risk, liquidity risk and investment dealing risk.

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 security holders have equal access to the Group's information and has established a comprehensive process 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.

ASX CGC's *Best Practice Recommendations* 5.1, 5.2.

- **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 security holders quarterly.

- **Personnel Quality And Integrity** – The Group's policies are detailed in a Policies and Procedures Manual. Written confirmation of compliance with policies is obtained from all operating units. Formal appraisals are conducted at least annually for all employees. In addition, the Group has in a place a Code of Conduct which sets out the standards of behaviour expected from all employees.

ASX CGC's *Best Practice Recommendations* 3.1, 10.1.

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

## Conflicts of Interest

In accordance with the Act and the Company and Trust Constitutions, Directors of the Company and the Responsible Entity must keep their respective Boards 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.

## Internal Audit

The function of Internal Audit is to provide an independent objective assurance and consulting activity to improve the Group's operations. The internal auditors assist the Group to ensure compliance with internal controls. The Audit and Risk Management Committee is responsible for approving the scope of the work to be performed by the internal auditors each financial year and to ensure appropriate action has been taken to mitigate identified risks. The internal audit function may be provided by either an internal or external party.

## 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.

## Investor Communications

The Group has adopted an Investor Communication Policy designed to ensure investors are fully informed about all major developments in the operations of the Group. 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 auditor, PricewaterhouseCoopers, 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.

ASX CGC's *Best Practice Recommendations* 6.1, 6.2.

### Dealings In Securities

The Company and Trust Constitutions permit directors of the Group to acquire securities. Group policy prohibits directors and employees from dealing in securities whilst in possession of price sensitive information and all trading must 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.

*ASX CGC's Best Practice Recommendation 3.2.*

### 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.

*ASX CGC's Best Practice Recommendation 2.5.*

### 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.

### Complaints Process

The Group has implemented a Complaints Handling Policy that has been prepared in accordance with Australian Standard AS4269-1995. In addition, the Group remains a member of an External Complaints Resolution Scheme. The Compliance Committee undertakes the task of monitoring compliance with the Group's Complaints Handling Policy.



Centro The Glen, Victoria

# Financial Statements

## Centro Properties Limited

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

### Concise Report For the year ended 30 June 2007

#### Contents

Consolidated Income Statement for the year ended 30 June 2007	33
Consolidated Balance Sheet as at 30 June 2007	34
Consolidated Cash Flow Statement for the year ended 30 June 2007	35
Consolidated Statement of Changes in Equity for the year ended 30 June 2007	36
Notes to and forming part of the Financial Statements for the year ended 30 June 2007	37
1. Summary of Significant Accounting Policies	37
2. Reconciliation between Net Profit and Distributable Earnings	41
3. Presentation Currency	41
4. Segment Information	42
5. Distributions to Ordinary Unitholders	44
6. Events Occurring After Reporting Date	45
7. Contingent Liquidity Mechanisms	45
Directors' Declaration	46
Independent audit report to the members of Centro Properties Limited	47
Directors' Report	49
Auditor's Independence Declaration	61

#### Relationship of the concise financial report to the full financial report

The concise financial report is an extract from the full financial report for the year ended 30 June 2007. The financial statements and specific disclosures included in the concise financial report have been derived from the full financial report.

The concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of Centro Properties Group and its subsidiaries as the full financial report. Further information can be obtained from the full financial report.

The full financial report and auditor's report will be sent to members on request, free of charge. Please call 1800 802 400 and a copy will be forwarded to you. Alternatively, both the full financial report and the concise financial report can be accessed via the internet at: [www.centro.com.au](http://www.centro.com.au)

## Consolidated Income Statement

for the year ended 30 June 2007

	<b>Centro Properties Limited and its controlled entities</b>	
	<b>30.06.07</b>	30.06.06
	<b>\$'000</b>	\$'000
<b>REVENUE</b>		
Property ownership revenue	91,264	188,147
Property services revenue	183,519	122,358
Managed vehicle revenue	91,016	12,162
<b>Total revenue</b>	<b>365,799</b>	322,667
<b>INCOME</b>		
Property revaluations for directly owned properties	14,261	97,872
Share of net profits of associates and joint venture partnerships accounted for using the equity method	317,501	414,083
Movements in other financial assets carried at fair value through profit or loss	80,214	–
Other income	17,391	25,100
<b>Total income</b>	<b>429,367</b>	537,055
<b>TOTAL REVENUE AND INCOME</b>	<b>795,166</b>	859,722
Financing costs	(220,787)	(58,002)
Repairs, maintenance, cleaning and security	(4,939)	(18,319)
Employee benefits expense	(53,426)	(46,914)
Rent, rates, taxes and insurance	(8,464)	(22,315)
Management fees	(3,509)	(9,287)
Light and power	(3,152)	(8,783)
Depreciation and amortisation expense	(2,139)	(6,719)
Marketing	(2,925)	(7,166)
Bad and doubtful debts	(112)	(579)
Other shopping centre management costs	(4,773)	(1,180)
Net loss on the disposal of investment property and equity accounted investments	(702)	(4,720)
Other expenses from ordinary activities	(20,005)	(12,560)
<b>PROFIT BEFORE INCOME TAX EXPENSE</b>	<b>470,233</b>	663,178
Income tax benefit	–	5,119
<b>NET PROFIT</b>	<b>470,233</b>	668,297
Net profit attributable to minority interest	(514)	(4,112)
<b>NET PROFIT ATTRIBUTABLE TO MEMBERS OF CENTRO PROPERTIES GROUP</b>	<b>469,719</b>	664,185
<b>Basic earnings per security (cents)</b>	<b>58.44</b>	85.49
<b>Diluted earnings per security (cents)</b>	<b>57.83</b>	84.56

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

# Consolidated Balance Sheet

as at 30 June 2007

KIN

C

C

C

**Centro Properties Limited  
and its controlled entities**

**30.06.07**                      30.06.06  
**\$'000**                              \$'000

**CURRENT ASSETS**

Cash assets and cash equivalents	191,371	249,656
Derivative financial instruments	-	20,273
Receivables	361,182	270,842
Non-current assets classified as held for sale	785,438	173,463
<b>Total current assets</b>	<b>1,337,991</b>	<b>714,234</b>

**NON-CURRENT ASSETS**

Investments accounted for using the equity method	3,748,895	2,825,581
Financial assets carried at fair value through profit or loss	2,116,424	77,787
Investment property	392,211	1,202,165
Plant and equipment	14,041	11,586
Intangible assets	555,169	306,783
Receivables	325	24,231
<b>Total non-current assets</b>	<b>6,827,065</b>	<b>4,448,133</b>

**TOTAL ASSETS**

**8,165,056**                      5,162,367

**CURRENT LIABILITIES**

Payables	263,341	102,405
Interest bearing liabilities	1,096,936	-
Derivative financial instruments	215,746	-
Provisions	177,476	159,657
<b>Total current liabilities</b>	<b>1,753,499</b>	<b>262,062</b>

**NON-CURRENT LIABILITIES**

Payables	54,228	60,707
Interest bearing liabilities	2,506,815	1,537,159
Non-interest bearing liabilities	283,724	11,033
Provisions	1,667	2,427
<b>Total non-current liabilities</b>	<b>2,846,434</b>	<b>1,611,326</b>

**TOTAL LIABILITIES**

**4,599,933**                      1,873,388

**NET ASSETS**

**3,565,123**                      3,288,979

**EQUITY**

Parent entity interest		
Contributed equity	2,316,920	2,199,486
Reserves	24,653	19,869
Retained profits	1,195,105	1,059,108
<b>Total parent entity interest</b>	<b>3,536,678</b>	<b>3,278,463</b>
Minority interests	28,445	10,516
<b>TOTAL EQUITY</b>	<b>3,565,123</b>	<b>3,288,979</b>

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

## Consolidated Cash Flow Statement

for the year ended 30 June 2007

	<b>Centro Properties Limited and its controlled entities</b>	
	<b>30.06.07</b>	30.06.06
	<b>\$'000</b>	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers (inclusive of Goods and Services Tax)	<b>256,876</b>	361,956
Payments to suppliers and employees (inclusive of Goods and Services Tax)	<b>(79,887)</b>	(169,242)
	<b>176,989</b>	192,714
Distributions received from associates and managed investments	<b>269,067</b>	167,222
Interest received	<b>25,882</b>	6,637
Interest paid	<b>(162,414)</b>	(96,726)
<b>Net cash inflow from operating activities</b>	<b>309,524</b>	269,847
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payment for purchase of controlled entity net of cash acquired	<b>(936,059)</b>	–
Loans (to)/from other related parties	<b>(98,564)</b>	(100,562)
Proceeds from sale of property investments	<b>686,148</b>	156,333
Payments for plant and equipment	<b>(2,312)</b>	(9,971)
Proceeds from/(payments for) other investments	<b>(2,322,988)</b>	(40,521)
Payments for acquisition and development of property investments	<b>(204,424)</b>	(374,338)
<b>Net cash outflow from investing activities</b>	<b>(2,878,199)</b>	(369,059)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from borrowings	<b>2,699,444</b>	365,657
Proceeds from issues of securities net of capital raising costs and capital returns	<b>129,672</b>	198,490
Distributions paid	<b>(316,198)</b>	(281,362)
Distributions paid to minority interest	<b>(2,585)</b>	(1,322)
<b>Net cash inflow from financing activities</b>	<b>2,510,333</b>	281,463
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(58,342)</b>	182,251
Cash and cash equivalents at the beginning of the financial year	<b>249,656</b>	67,372
Effects of exchange rate changes on cash and cash equivalents	<b>57</b>	33
<b>Cash and cash equivalents at the end of the financial year</b>	<b>191,371</b>	249,656

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

# Consolidated Statement of Changes in Equity

for the year ended 30 June 2007

	<b>Centro Properties Limited and its controlled entities</b>	
	<b>30.06.07 \$'000</b>	30.06.06 \$'000
<b>Changes in equity attributable to Members of Centro Properties Group</b>		
Opening balance at the beginning of the year	<b>3,278,463</b>	3,112,800
<b>Contributed equity</b>		
Contributions of equity, net of transaction costs	<b>817,179</b>	198,490
Return of equity, net of transaction costs	<b>(614,704)</b>	(416,458)
Employee securities acquired on market classified as options under AIFRS	<b>(85,041)</b>	-
<b>Investment revaluation reserve</b>		
Net movement in investment revaluation reserve	<b>(17,520)</b>	17,520
<b>Share based payments reserve</b>		
Net movement in share based payments reserve	<b>13,076</b>	10,761
<b>Foreign currency translation reserve</b>		
Net exchange differences on translation of foreign operations	<b>9,228</b>	(18,674)
<b>Retained profits</b>		
Application of AASB 132 and 139 effective 1 July 2005	<b>-</b>	9,682
Distributions provided for or paid (ordinary and preference unit holders)	<b>(333,722)</b>	(299,843)
Net transactions/movements in reserves recognised directly in equity	<b>(211,504)</b>	(498,522)
Net profit attributable to Members of Centro Properties Group	<b>469,719</b>	664,185
<b>Closing balance of equity attributable to Members of Centro Properties Group<sup>(i)</sup></b>	<b>3,536,678</b>	3,278,463
<b>Changes in equity attributable to external minority interests</b>		
Opening balance at the beginning of the year	<b>10,516</b>	5,359
Movement in minority interest on acquisition/(disposal) of subsidiary	<b>20,000</b>	2,377
Profit after tax expense for the year	<b>514</b>	4,112
Distributions provided for or paid	<b>(2,585)</b>	(1,332)
<b>Closing balance of equity attributable to external minority interests<sup>(ii)</sup></b>	<b>28,445</b>	10,516
<b>Total equity at the end of the year</b>	<b>3,565,123</b>	3,288,979

(i) Total income and expenses for the year attributable to members of Centro Properties Group, including amounts recognised directly in equity, is \$461.4 million (30 June 2006: \$663.1 million), being profit after tax expense for the year of \$469.7 million (30 June 2006: \$664.2 million) and net movements in reserves of (\$8.3) million (30 June 2006: (\$1.1) million).

(ii) Total income and expenses for the year attributable to minority interest, including amounts recognised directly in equity, is \$0.5 million (30 June 2006: \$4.1 million), being profit after tax expense for the year of \$0.5 million (30 June 2006: \$4.1 million).

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

# Notes to and forming part of the Financial Statements

## for the year ended 30 June 2007

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

This concise financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ("AIFRS"). Compliance with AIFRS ensures that the concise financial report, comprising the financial statements and the notes thereto, complies with International Financial Reporting Standards.

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

These financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

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

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

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

#### (d) Accounting for Centro Property Trust's Units

The Constitution of Centro Property Trust was amended to remove the finite life clause of the Trust, effective 1 July 2005. In accordance with ASIC Ruling IR05-29 a special resolution of

members was not required for this amendment to be made.

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

#### (e) Historical Cost Convention

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

#### (f) Principles of Consolidation

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

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

Investments in associates are accounted for in the Group's financial statements using the equity method. Under this method, the Group's share of the post-acquisition profits or losses of associates is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in consolidated reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment. Associates are those entities over which the Group exercises significant influence, but not control.

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

#### (g) Acquisitions of Assets

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

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

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

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

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

#### (h) Revenue Recognition

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

##### (i) Property ownership revenue

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

##### (ii) Services revenue

###### – Property Management Revenue

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

###### – Development and Leasing Fees

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

# Notes to and forming part of the Financial Statements

## for the year ended 30 June 2007

### – 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) Managed vehicle revenue

Distributions from managed vehicles are recognised as revenue when the right to receive payment is established.

### (i) Income Tax

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

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

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

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

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

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

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

As a consequence, Centro Properties Limited, as the head entity in the tax consolidated group, will recognise any current and deferred tax amounts

relating to transactions, events and balances of the wholly-owned Australian controlled entities in this group as if those transactions, events and balances are its own, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances. Any amounts receivable or payable under an accounting tax sharing agreement with the tax consolidated entities are recognised separately as tax-related amounts receivable or payable. Any expenses and revenues arising under the tax sharing agreement are recognised as a component of income tax expense (revenue).

Any deferred tax balances recognised by the Group in relation to wholly-owned entities joining the tax consolidated group are measured based on their carrying amounts at the level of the tax consolidated group before the implementation of the tax consolidation regime.

#### (j) Cash and Cash Equivalents

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

#### (k) Receivables

All trade and other debtors are recognised at the amounts receivable as they are due for settlement no more than 30 days from the date of recognition. Collectibility of trade and other debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised when objective evidence of impairment in relation to collection exists on a case by case basis.

#### (l) Trade and Other Creditors

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

#### (m) Employee Benefits

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

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

##### (ii) Long service leave

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

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

##### (iii) Bonus plans

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

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

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

##### (iv) Termination benefits

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

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

# Notes to and forming part of the Financial Statements

## for the year ended 30 June 2007

### (n) Share-Based Payment

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

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the 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.

### (o) Depreciation of Plant and Equipment

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

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

### (p) Intangible Assets

#### (i) Goodwill

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

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

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

#### (ii) Management contracts

Services business management contracts acquired as part of a business combination are recognised separately from goodwill. The management contracts are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is currently based on the timing of projected cash flows of the contracts over their estimated useful lives, which currently range up to 40 years.

### (q) Investment Properties

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

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

### (r) Financial Assets

The Group classifies its investments in 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, and are re-evaluated at each reporting date.

#### (i) 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 to evaluate the information about these financial assets on a fair value basis together with other related financial information.

#### (ii) Loans and receivables

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

#### (iii) Held-to-maturity investments

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

#### (iv) Available-for-sale financial assets

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

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

Available-for-sale financial assets and financial assets at fair value through profit 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 are included in the income statement as gains or losses from investment securities.

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

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

# Notes to and forming part of the Financial Statements for the year ended 30 June 2007

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.

## (s) Non-current Assets Held for Sale

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

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

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

## (t) Derivatives

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

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

### (i) Fair value hedge

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

### (ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the

hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

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

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

### (iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in fair value or any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement. For the year ended 30 June 2007, no derivative financial instruments were designated into a hedging relationship and therefore all movements in fair value have been taken to the income statement.

## (u) Fair Value Estimation

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

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

## (v) Revaluation of Investment Properties

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

Changes in fair values are recorded in the income statement.

## (w) Borrowings

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

period of the borrowings using the effective interest method.

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

## (x) Borrowing Costs

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

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the year, in this case 6.3% (2006: 6.0%).

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

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

### (iii) Group entities

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

# Notes to and forming part of the Financial Statements

## for the year ended 30 June 2007

income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

– all resulting exchange differences are recognised as a separate component of equity.

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

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

### (z) Contributed Equity

Ordinary stapled securities 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 ordinary 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 securities and the weighted average number of securities assumed to have been issued for no consideration in relation to dilutive potential ordinary securities.

### (ab) Distributions

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

### (ac) Segment Reporting

Refer to note 4 for the accounting policy in relation to segment reporting.

### (ad) New Accounting Standards and UIG Interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 30 June 2007 reporting periods. The Group has assessed the impact of new standards such as AASB 7, AASB 8 and AASB 123R and note that the impact of these standards is limited to additional disclosure requirements that would be required in the 2008 and future financial statements.

	<b>Centro Properties Limited and its controlled entities</b>	
	<b>30.06.07</b>	30.06.06
	<b>\$'000</b>	\$'000
<b>2. RECONCILIATION BETWEEN NET PROFIT AND DISTRIBUTABLE EARNINGS</b>		
<b>NET PROFIT ATTRIBUTABLE TO MEMBERS</b>	<b>469,719</b>	664,185
Adjusted for:		
Revaluation of investment properties	<b>(14,261)</b>	(97,872)
Fair value gains on other financial assets	<b>(80,214)</b>	–
Share of net profits of associates accounted for using the equity method <sup>(1)</sup>	<b>(79,005)</b>	(244,671)
Net movement on mark to market of derivatives and foreign exchange (gains)/losses	<b>26,011</b>	(37,850)
Distribution payable to preference unit holders	<b>(2,289)</b>	–
Amortisation of tenant allowances	<b>612</b>	4,165
Straight lining of rental income	<b>905</b>	(3,053)
Net loss on the disposal of investment property and equity accounted investments	<b>702</b>	4,720
Deferred tax benefit	<b>–</b>	(5,119)
Employee security plan ("ESP")	<b>13,076</b>	10,761
<b>DISTRIBUTABLE EARNINGS</b>	<b>335,256</b>	295,266
Weighted average number of ordinary securities on issue for the period ('000)	<b>827,643<sup>(2)</sup></b>	802,355 <sup>(1)</sup>
Distributable earnings per ordinary security (cents)	<b>40.5</b>	36.8
<b>Distribution paid/declared</b>		
Distribution per ordinary security (cents)	<b>39.8</b>	36.8

(1) Reflects the non-distributable component of share of net profits of associates accounted for using the equity method, primarily investment property revaluation gains and fair value gains on other financial assets.

(2) Adjusted to add back ordinary securities issued under the ESP that are deemed to be options under AASB 2 *Share Based Payment*.

### 3. PRESENTATION CURRENCY

The presentation currency used in this concise financial report is Australian dollars.

# Notes to and forming part of the Financial Statements

for the year ended 30 June 2007

## 4. SEGMENT INFORMATION

### Business Segments

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

#### Property Ownership Business

The Group derives income from retail property rentals of shopping centre space to retailers across Australasia and the United States. The Group also derives income from its retail property investments in listed and unlisted entities.

#### Services Business

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

#### Geographical Segments

Although the Group's operations are managed on a global basis, they operate in two main geographical areas being Australasia and the United States.

#### PRIMARY REPORTING – BUSINESS SEGMENT

2007

Centro Properties Limited  
and its controlled entities

	Property Ownership \$'000	Services Business \$'000	Inter Segment/Other \$'000	Group \$'000
Revenue	182,280	183,519	–	365,799
Total segment revenue	182,280	183,519	–	365,799
Shares of net profits of associates and joint ventures	289,012	23,566	4,923	317,501
Property revaluations and fair value movements	94,475	–	–	94,475
Total segment revenue and income	565,767	207,085	4,923	777,775
Segment result	505,206	163,498	4,923	673,627
Unallocated revenue less unallocated expense				(203,394)
Profit from ordinary activities before income tax				470,233
Income tax benefit				–
<b>Net Profit</b>				<b>470,233</b>
Segment assets	6,267,558	830,208	925,886	8,023,652
Unallocated assets				141,404
<b>Total Assets</b>				<b>8,165,056</b>
Segment liabilities	43,205	160,414	–	203,619
Unallocated liabilities				4,396,314
<b>Total Liabilities</b>				<b>4,599,933</b>
Acquisitions of plant and equipment, intangibles and other non-current segment assets	1,079,870	249,815	958,584	2,288,269
Depreciation and amortisation expense	612	1,527	–	2,139

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2007

### 4. SEGMENT INFORMATION (CONTINUED)

2006	Centro Properties Limited and its controlled entities			
	Property Ownership \$'000	Services Business \$'000	Inter Segment/Other \$'000	Group \$'000
Revenue	200,309	122,358	–	322,667
Total segment revenue	200,309	122,358	–	322,667
Shares of net profits of associates and joint ventures	403,891	10,192	–	414,083
Property revaluations	97,872	–	–	97,872
Total segment revenue and income	702,072	132,550	–	834,622
Segment result	592,689	103,391	–	696,080
Unallocated revenue less unallocated expense				(32,902)
Profit from ordinary activities before income tax				663,178
Income tax benefit				5,119
<b>Net Profit</b>				<b>668,297</b>
Segment assets	4,269,726	306,783	–	4,576,509
Unallocated assets				585,858
<b>Total Assets</b>				<b>5,162,367</b>
Segment liabilities	145,163	28,982	–	174,145
Unallocated liabilities				1,699,243
<b>Total Liabilities</b>				<b>1,873,388</b>
Acquisitions of plant and equipment, intangibles and other non-current segment assets	389,353	–	–	389,353
Depreciation and amortisation expense	4,165	2,554	–	6,719

#### (a) Accounting Policies

Segment reporting is prepared in conformity with the accounting policies of the Group as discussed in note 1 and Accounting Standard AASB 114 *Segment Reporting*.

Segment revenues and income, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis.

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2007

**Centro Properties Limited  
and its controlled entities**

**30.06.07**                      30.06.06  
**\$'000**                              \$'000

### 5. DISTRIBUTIONS TO ORDINARY UNIT HOLDERS

The Directors have declared a final distribution of 20.5 cents which was paid on 30 August 2007 to holders of stapled securities at the close of business on 29 June 2007.

**The final distribution comprises:**

Distribution from Trust of 20.5 cents (2006: 19.0 cents)	<b>173,249</b>	155,725
– Dividend from Company of nil cents (2006: nil cents)	–	–
Distributions provided	<b>173,249</b>	155,725

**Interim distribution comprises:**

– Distribution from Trust of 19.3 cents (2006: 17.8 cents)	<b>158,184</b>	144,118
– Dividend from Company of nil cents (2006: nil cents)	–	–
Distributions paid	<b>158,184</b>	144,118

**Total distributions provided for or paid amount to 39.8 cents per stapled security**

– Distribution from Trust of 39.8 cents (2006: 36.8 cents)	<b>331,433</b>	299,843
– Dividend from Company of nil cents (2006: nil cents)	–	–
Total distributions provided for or paid	<b>331,433</b>	299,843

Estimated amount of retained profits and reserves that could be distributed as dividends and be franked out of existing franking credits or out of franking credits arising from the payment of income tax in respect of the year ended 30 June 2007 after servicing the dividends declared at balance date.

**Nil**                              Nil

# Notes to and forming part of the Financial Statements

## for the year ended 30 June 2007

	<b>Centro Properties Limited and its controlled entities</b>	
	<b>30.06.07 Cents</b>	30.06.06 Cents
<b>5. DISTRIBUTIONS TO ORDINARY UNIT HOLDERS (CONTINUED)</b>		
<b>Tax components of the distributions</b>		
<b>Interim distribution</b>		
Trust – Tax advantaged	<b>15.15</b>	6.44
– Taxable	<b>4.15</b>	11.36
	<b>19.30</b>	17.80
Company – Franked	<b>Nil</b>	Nil
– Unfranked	<b>Nil</b>	Nil
	<b>Nil</b>	Nil
Total interim distribution	<b>19.30</b>	17.80
<b>Final distribution</b>		
Trust – Tax advantaged	<b>16.09</b>	6.88
– Taxable	<b>4.41</b>	12.12
	<b>20.50</b>	19.00
Company – Franked	<b>Nil</b>	Nil
– Unfranked	<b>Nil</b>	Nil
	<b>Nil</b>	Nil
Total final distribution	<b>20.50</b>	19.00
<b>Total distribution</b>	<b>39.80</b>	36.80
Trust – Tax advantaged	<b>31.24</b>	13.32
– Taxable	<b>8.56</b>	23.48
	<b>39.80</b>	36.80
Company – Franked	<b>Nil</b>	Nil
– Unfranked	<b>Nil</b>	Nil
	<b>Nil</b>	Nil
Total distribution	<b>39.80</b>	36.80
Total tax advantaged	<b>31.24</b>	13.32

### 6. EVENTS OCCURRING AFTER REPORTING DATE

#### Proposed Merger of Centro Shopping America Trust and Centro Retail Trust

On 27 August 2007, a proposal was announced to merge Centro Shopping America Trust ("CSF") and Centro Retail Trust ("CER"). Under this proposal, Centro agreed to sell approximately \$2.2 billion of Australasian and US property assets in return for units in the newly merged entity. This proposal is subject to investor approval in October 2007, at which time assets would be transferred from Centro. The transfer is expected to have minimal impact on Centro's earnings and balance sheet position.

### 7. CONTINGENT LIQUIDITY MECHANISMS

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

#### Syndicate Ongoing Liquidity Mechanisms

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

#### Open Ended Fund Ongoing Liquidity Mechanisms

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

#### Closed Ended Fund Rollover Liquidity Mechanisms

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

## Directors' Declaration

---

The Directors declare that in their opinion, the concise financial report of the consolidated entity for the year ended 30 June 2007 as set out on pages 33 to 45 complies with Accounting Standards AASB 1039 *Concise Financial Reports*.

The concise financial report is an extract from the full financial report for the year ended 30 June 2007. The financial statements and specific disclosures included in the concise financial report have been derived from the full financial report.

The concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report, which is available on request.

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



**B. Healey**

Director



**A. T. Scott**

Director

Signed at Melbourne, 6 September 2007



**PricewaterhouseCoopers**  
**ABN 52 780 433 757**

Freshwater Place  
2 Southbank Boulevard  
SOUTHBANK VIC 3006  
GPO Box 1331L  
MELBOURNE VIC 3001  
DX 77  
Website: [www.pwc.com/au](http://www.pwc.com/au)  
Telephone +61 3 8603 1000  
Facsimile +61 3 8603 1999

**Independent audit report to the members of  
Centro Properties Limited**

**Report on the Concise Financial Report**

The accompanying concise financial report of Centro Properties Limited (the "Company") comprises the consolidated balance sheet as at 30 June 2007, the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended and related notes, derived from the audited financial report of the Company for the year ended 30 June 2007. The concise financial report does not contain all the disclosures required by the Australian Accounting Standards.

*Directors' Responsibility for the Concise Financial Report*

The Directors are responsible for the preparation and presentation of the concise financial report in accordance with Accounting Standard AASB 1039 *Concise Financial Reports*, and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation of the concise financial report; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Auditor's Responsibility*

Our responsibility is to express an opinion on the concise financial report based on our audit procedures. We have conducted an independent audit, in accordance with Australian Auditing Standards, of the financial report of the Company for the year ended 30 June 2007. Our audit report on the financial report for the year was signed on 6 September 2007 and was not subject to any modification. The Australian Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report for the year is free from material misstatement.

Our procedures in respect of the concise financial report included testing that the information in the concise financial report is derived from, and is consistent with, the financial report for the year, and examination on a test basis, of evidence supporting the amounts and other disclosures which were not directly derived from the financial report for the year. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report complies with Accounting Standard AASB 1039 *Concise Financial Reports*.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the concise financial report.

For further explanation of an audit, visit our website  
<http://www.pwc.com/au/financialstatementaudit>.

Liability limited by a scheme approved under Professional Standards Legislation.

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

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

*Matters relating to the electronic presentation of the audited financial report*

This audit report relates to the concise financial report of the Company for the financial year ended 30 June 2007 included on the Centro Properties Group website. The Directors are responsible for the integrity of the Centro Properties Group website. We have not been engaged to report on the integrity of this website. The audit report refers only to the concise financial report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the concise financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited concise financial report to confirm the information included in the audited concise financial report presented on this website.

*Independence*

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

*Auditor's opinion*

In our opinion, the concise financial report of the Company for the year ended 30 June 2007 complies with Australian Accounting Standard AASB 1039 *Concise Financial Reports*.



PricewaterhouseCoopers



Stephen Cogle  
Partner

Melbourne  
6 September 2007

## Directors' Report

The Directors of Centro Properties Limited and CPT Manager Limited, the Responsible Entity of Centro Property Trust, present their report on the financial report of Centro Properties Group for the year ended 30 June 2007.

### Centro Properties Group

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

### Directors

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

Brian Healey  
 Andrew Thomas Scott  
 Peter Graham Goldie  
 Sam Kavourakis  
 Louis Peter Wilkinson  
 Jim Hall  
 Paul Cooper (appointed 1 October 2006)

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

Secretary: Elizabeth Hourigan continues in office at the date of this report.

### Principal Activities

The principal activities during the year of the consolidated entity, consisting of the Company and the entities that it controlled from time to time,

were property investment, property management, property development and funds management.

### Significant Changes in the State of Affairs

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

### Review of Operations

The review of operations of Centro Properties Group is included in the report to investors on pages 10 to 11 of this report.

### Distributions

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

	<b>30.06.07</b>	30.06.06
	<b>\$'000</b>	\$'000
Final distribution from the Trust for the year ended 30 June 2006 of 19.0 cents per stapled security paid on 25 August 2006	<b>155,725</b>	137,244
Interim distribution from the Trust of 19.3 cents per stapled security paid on 27 February 2007	<b>158,184</b>	144,118
	<b>313,909</b>	281,362

In addition to the above distributions, Directors approved the payment of a final Trust distribution of \$173,248,773 (20.5 cents per stapled security) which was paid on 30 August 2007.

### Likely Developments and Expected Results of Operations

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

### Environmental Regulations

As a property owner, the Group is subject to the normal environmental regulations of landowners within Australia. These include regulation against

air pollution, liquid discharge and soil contamination. The proper care and maintenance of asbestos, which is present in a number of properties, is also carefully monitored. The Group has in place monitoring procedures to ensure proper compliance and there are no matters requiring specific disclosure.

### Matters Subsequent to the End of the Financial Year

There has not arisen in the interval between 30 June 2007 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;

except as otherwise referred to in the Financial Statements or in this Directors' Report.

### Information on Directors

Particulars of the qualifications, experience and special responsibilities of each Director, as at the date of this report, are set out on pages 26 and 27 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:

		<b>Number of securities</b>
B. Healey	(held directly and indirectly)	105,535
A. T. Scott	(held directly and indirectly)	5,105,130
P. G. Goldie	(held indirectly)	34,971
S. Kavourakis	(held in name of Kavourakis Superannuation Fund and Kavourakis Family Trust)	28,117
L. P. Wilkinson	(held in name of PEVE Pty Ltd)	10,000
J. Hall	(held in the name of Bond Street Custodians Ltd)	3,833
P. Cooper		-

# Directors' Report

## Information on Company Secretary

Particulars of the qualifications, experience and special responsibilities of the Secretary, as at the date of this report, are set out on page 27 of the Annual Report.

## Insurance of Directors and Officers

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

of Centro Properties Limited and CPT Manager Limited. This excludes a liability which arises out of a wilful breach of duty or improper use of inside information. The premium also insures the Company for any indemnity payments it may make to its Officers in respect of costs and liabilities incurred. Disclosure of the premium payable is prohibited under the conditions of the policy.

The Officers of the Company and the Responsible Entity covered by the insurance policy include the Directors: B. Healey, A. T. Scott, P. G. Goldie,

P. Cooper, J. Hall, S. Kavourakis and L. P. Wilkinson and the Secretary: E. Hourigan.

## Loans to Directors

The non-executive Directors do not have any loans payable to Centro Properties Group. Refer to page 60 for details of loans provided to the Executive Director.

## Securities Under Option

Unissued ordinary securities of the Group under option at the date of this report are as follows:

Date options granted	Expiry date	Issue price of shares	Number under option
1 May 2006	1 May 2016	\$6.45	314,000
8 December 2006	8 December 2016	\$8.41	613,500
23 March 2007	23 March 2017	\$9.05	990,000
7 June 2007	30 June 2010	\$11.76	51,305,250

No option holder has any right under the options to participate in any other share issue of the Company. No options have been exercised during the year.

## Meeting of Directors

The following table sets out the number of meetings of Directors of Centro Properties Limited and CPT Manager Limited, the Responsible Entity of the Trust (including meetings of committees of Directors), held during the year ended 30 June 2007 and the number of meetings attended by each Director.

	Board Meetings	Board Audit & Risk Management Committee Meetings	Compliance Committee Meetings	Remuneration Committee Meetings	Board Sub-Committee Meetings	Nomination Committee Meetings
<b>Centro Properties Limited</b>						
Number of meetings held	13	2	n/a	8	9	1
Number of meetings attended/eligible to attend by:						
B. Healey	13/13	#	n/a	8/8	9/9	1/1
A. T. Scott	13/13	#	n/a	#	9/9	1/1
P. G. Goldie	13/13	#	n/a	8/8	#	1/1
D. D. H. Graham <sup>(1)</sup>	3/4	#	n/a	2/3	#	1/1
S. Kavourakis	13/13	2/2	n/a	8/8	2/2	1/1
L. P. Wilkinson	12/13	#	n/a	7/8	#	1/1
J. Hall	13/13	2/2	n/a	8/8	#	1/1
P. Cooper <sup>(2)</sup>	9/10	1/1	n/a	5/6	#	0/0
<b>CPT Manager Limited</b>						
Number of meetings held	13	2	4	n/a	12	n/a
Number of meetings attended/eligible to attend by:						
B. Healey	13/13	#	#	n/a	12/12	n/a
A. T. Scott	13/13	#	#	n/a	12/12	n/a
P. G. Goldie	13/13	#	4/4	n/a	#	n/a
D. D. H. Graham <sup>(1)</sup>	3/4	#	#	n/a	#	n/a
S. Kavourakis	13/13	2/2	#	n/a	2/2	n/a
L. P. Wilkinson	12/13	#	4/4	n/a	#	n/a
J. Hall	13/13	2/2	4/4	n/a	#	n/a
P. Cooper <sup>(2)</sup>	9/10	1/1	#	n/a	#	n/a

# Not a member of the Committee.

(1) Mr Graham retired from the Board on 20 October 2006.

(2) Mr Cooper was appointed to the Board on 1 October 2006.

## REMUNERATION REPORT

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

## SECTION 1 – GENERAL REMUNERATION STRUCTURE AND POLICIES – AUDITED

### Nomination Committee and Remuneration Committee

The Directors of Centro Properties Limited and CPT Manager Limited, as responsible entity of

Centro Property Trust ("Centro Properties Group" or "the Group") present the remuneration report for the financial year ended 30 June 2007. This report forms part of the Directors' Report of the Group financial statements.

# Directors' Report

## REMUNERATION REPORT (CONTINUED)

The Board of the Group has established a Nomination Committee and a Remuneration Committee. The composition and function of these committees is set out within the Corporate Governance Statement on pages 28 to 31 of the Centro Properties Group Annual Report. Committee charters are available on the Centro website at [www.centro.com.au](http://www.centro.com.au).

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

### Remuneration Principles

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

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

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

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

### Elements of Remuneration

The total package for the Chief Executive Officer, executive management team, Secretary and other senior Executives include elements of fixed and incentive ("at risk") remuneration, with incentive remuneration designed to ensure an appropriate emphasis on long term growth and financial performance, whilst continuing to deliver short term goals.

The components and guidelines for structuring remuneration are as follows:

#### 1. Fixed Remuneration (Base Package)

This includes salary, superannuation and other benefits such as motor vehicles. The aim of this component is to provide a competitive level of regular remuneration, compared with similar roles within the listed property trust sector or the financial industry sector (for the funds management part of the Group), and roles of similar responsibility in other industries. Payments will normally be set at around the median of this comparator group, and will vary based on assessed individual competence and performance.

#### 2. Performance Based Remuneration (Short Term Incentive ("STI"))

This is normally in the form of cash based remuneration, linked to delivery of distributions per security ("DPS") targets. These targets are set by the Board for each financial year and are based on actual distributions paid. For the US Executives, STI remuneration is based on both the DPS target and a funds flow target determined by the CEO. The Board has determined that these are appropriate conditions as they ensure a definite link to company results. Payout targets are geared within the range of the 50th to 75th percentiles of the comparator group, provided stretch targets are achieved. The Board's Remuneration Committee continues to review these incentives based on market practice and with the assistance of reports from independent consultants.

#### 3. Equity Based Remuneration (Long Term Incentive ("LTI"))

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

### Centro Employee Security Plan

The Centro Employee Security Plan and Loan Scheme ("ESP") enables all eligible employees in Australia to acquire Centro securities at the prevailing market price and apply for a 10 year interest free non-recourse loan to fund the purchase. Eligibility for participation in the ESP is at the discretion of the Board having regard to individual circumstances and performance.

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

Generally, any dividends/distributions paid are applied as loan repayments less an amount equal

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

The benefits of the ESP form part of each employee's remuneration package. The Board believes that the issue of Centro securities aligns employee interests with those of other security holders, and the Group's strong financial performance, distribution growth and appreciation in security price has meant that employees are able to participate directly in the value that Centro adds to its investors. Further information on the Centro Employee Security Plan and Loan Scheme is included at Section 5 of this report. Details of securities provided to key management personnel under the ESP are provided at Section 3 of this report.

### Conditional Vesting Securities

In place of the above issue of securities available to all staff, security-based remuneration may also be delivered to the Chief Executive Officer, the Australian executive key management personnel and other Australian senior Executives, in the form of conditional vesting securities which are subject to hurdles linked to Group performance. As the ASX listing rules do not require shareholder approval where shares granted to a Director are purchased on market and granted at the prevailing market price, no approval will be sought at this year or subsequent years AGMs, for securities provided to the Chief Executive Officer.

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

- if Centro's TSR is equal to or exceeds the TSR of 80% of the LPTs ranked, 100% of the securities will be retained;
- if Centro's TSR exceeds the TSR of 50% of the LPTs ranked but does not equal or

# Directors' Report

## REMUNERATION REPORT (CONTINUED)

exceed the TSR of 80% of the LPTs ranked, the percentage of securities that will be retained will be calculated as follows:

$$\% = 40 + [2 \times (P-50)]$$

P = the percentage of the LPTs ranked that Centro's TSR is equal to or exceeds (expressed as a whole number, rounding up any fraction); and

if Centro's TSR is equal to or below the TSR of 50% of the LPTs ranked, none of the securities will vest.

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

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

### Executive Option Plan for Australian Executives

The Executive Option Plan was approved by Centro security holders at the 2001 AGM. Options were granted to a number of Executives including key management personnel under the terms of the EOP on 15 February 2002 and no further issues of

options have taken place to date. As at 30 June 2007, there are no options that have been granted to key management personnel that have not yet been exercised or have not yet vested.

### Executive Option Plan for US Executives

The Executive Option Plan ("EOP") was approved by the Board in February 2006. Options have been granted to a number of US Executives of the Centro Watt Joint Venture. None of the recipients is a member of the key management personnel. Some of these options have been granted with a three year time vesting condition whilst others have been granted subject to hurdles linked to Group performance. These hurdles replicate the terms of the conditional vesting securities granted to Australian Executives (refer above). No options have been granted to US key management personnel during the year ended 30 June 2007.

### SECTION 2 – GROUP PERFORMANCE – UNAUDITED

Centro delivered investors a total return (comprising distributions and security price growth) of 46.0% for the year ended 30 June 2007. Centro was also the highest performer in the S&P/ASX 200 Property Accumulation Index over the 10 years ended 30 June 2007, delivering investors an average annual total return of 25.0%.

Over a shorter one year investment horizon, Centro has ranked third, highlighting the ability to consistently deliver investors strong returns in both the short term and long term.

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

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

The Board was satisfied that the performance of the Group warranted the awarding of the maximum bonus payable for the 2007 financial year under the STI.

### SECTION 3 – REMUNERATION OF KEY MANAGEMENT PERSONNEL – AUDITED

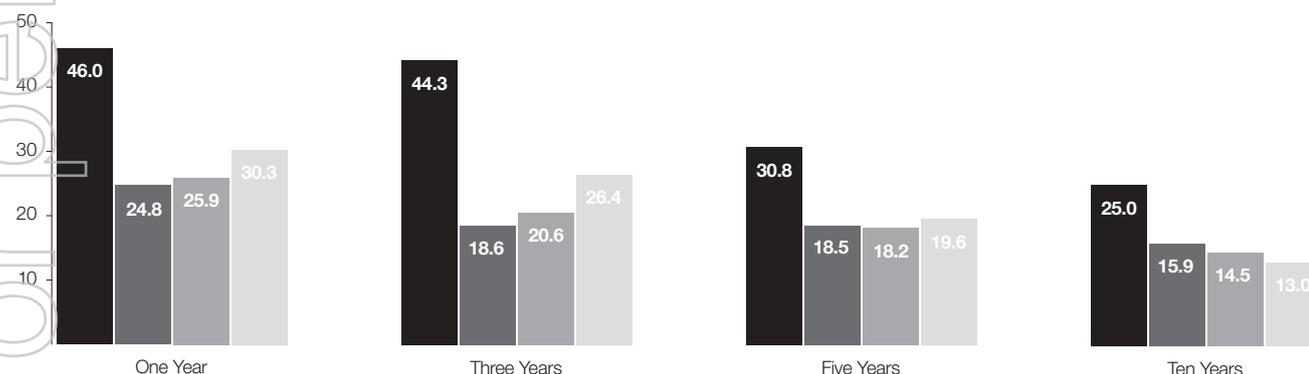
#### Amounts of remuneration

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

The key management personnel at Centro Properties Limited include the Directors as per page 27 and the following executive Officers:

### ASX Total Returns – 30 June 2007 (%) – UNAUDITED

Centro Properties Group  
 S&P/ASX 200 Prop Acc. Index  
 UBS Retail 200  
 ASX All Ordinaries Acc. Index



G. Terry – Chief Operating Officer

R. Nenna – Chief Financial Officer

J. Hutchinson – General Counsel and Head of Acquisitions

T. Torney – Chief Operating Officer Centro Watt JV<sup>(4)</sup>

P. Kelly – General Manager Institutional Funds Management

M. Wilson – Chief Investment Officer<sup>(5)</sup>

G. Rufrano – CEO Centro US<sup>(6)</sup>

S. Schilling – National Development Manager and HR Manager<sup>(7)</sup>

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

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

## Directors' Report

### REMUNERATION REPORT (CONTINUED)

2007 Name	Salary	Short-term Employee Benefits		Post-employment	Equity	Total
		Short-term incentive <sup>(1)</sup>	Non-Monetary Benefits <sup>(2)</sup>	Superannuation	Long-term Incentive <sup>(3)</sup>	
A. T. Scott Chief Executive Officer	\$1,230,802	\$1,500,000	\$112,490	\$19,199	\$724,363	\$3,586,854
G. Terry Chief Operating Officer	\$494,887	\$480,000	\$39,286	\$105,113	\$409,541	\$1,528,827
R. Nenna Chief Financial Officer	\$425,313	\$345,000	\$128,809	\$105,089	\$311,453	\$1,315,664
J. Hutchinson General Counsel	\$448,422	\$283,671	\$5,637	\$42,385	\$358,070	\$1,138,185
T. Torney <sup>(4)</sup> Chief Operating Officer Centro Watt JV	\$569,137	\$402,430	\$48,527	\$7,645	\$326,103	\$1,353,842
M Wilson <sup>(5)</sup> Chief Investment Officer	\$523,799	\$381,642	\$87,739	\$5,000	\$172,164	\$1,170,344
P. Kelly General Manager Institutional Funds Management	\$229,626	\$151,921	\$6,251	\$22,563	\$180,786	\$591,147
G Rufrano <sup>(6)</sup> CEO Centro US	\$160,073	\$318,188	\$1,292	–	–	\$479,553
S. Schilling <sup>(7)</sup> National Development Manager and HR Manager	\$69,860	–	\$2,699	\$10,140	\$56,765	\$139,464
<b>Total</b>	<b>\$4,151,919</b>	<b>\$3,862,852</b>	<b>\$432,730</b>	<b>\$317,134</b>	<b>\$2,539,245</b>	<b>\$11,303,880</b>

(1) Short-term incentive accrued for period July 2006 – June 2007 paid in June or July 2007.

(2) Includes motor vehicle and other non-cash fringe benefits and in the cases of Messrs Torney and Wilson, the value of expatriate terms and conditions.

(3) The amounts are based on AASB 2 *Share Based Payment*. The standard requires Centro to treat securities allocated to employees as options and expense the value of the options over the vesting period.

(4) Until 5 February 2007 Mr Torney held the position of General Manager Unlisted Funds and Shared Services. From this date Mr Torney held the position of Chief Operating Officer Centro Watt JV, based in the US. In this role, Mr Torney received a US based salary and appropriate expatriate benefits including housing.

(5) Until 2 April 2007, Mr Wilson held the position of Chief Operating Officer Centro Watt JV, based in the US. In this role Mr Wilson received a US based salary and appropriate expatriate benefits including housing.

(6) Mr Rufrano joined the Group on 20 April 2007.

(7) Ms Schilling resigned from the Group with effect from 29 September 2006.

In general, between 35% and 50% of the total remuneration packages for the Executive Director and Senior Executives is performance-based.

2006 Name	Salary	Short-term Employee Benefits		Post-employment	Equity	Total
		Short-term incentive <sup>(1)</sup>	Non-Monetary Benefits <sup>(2)</sup>	Superannuation	Long-term Incentive <sup>(3)</sup>	
A. T. Scott Chief Executive Officer	\$999,413	\$1,100,000	\$78,255	\$100,587	\$551,361	\$2,829,616
G. Terry Chief Operating Officer	\$510,743	\$385,000	\$22,207	\$39,257	\$244,545	\$1,201,752
R. Nenna Chief Financial Officer	\$407,858	\$260,000	\$61,002	\$70,215	\$182,414	\$981,489
J. Hutchinson General Counsel	\$409,440	\$225,000	\$6,360	\$40,560	\$237,658	\$919,018
T. Torney General Manager Funds Management and Shared Services	\$397,860	\$205,100	–	\$12,140	\$162,329	\$777,429
M Wilson Chief Operating Officer Centro Watt JV	\$343,065	\$236,782	\$145,433	–	\$55,017	\$780,297
S. Schilling National Development Manager and HR Manager	\$266,104	\$153,400	\$4,317	\$40,343	\$190,565	\$654,729
<b>Total</b>	<b>\$3,334,483</b>	<b>\$2,565,282</b>	<b>\$317,574</b>	<b>\$303,102</b>	<b>\$1,623,889</b>	<b>\$8,144,330</b>

(1) Short-term incentive accrued for period July 2005 – June 2006 paid in July 2006.

(2) Includes motor vehicle and other non-cash fringe benefits and in the case of Mr Wilson, the value of expatriate terms and conditions.

(3) Refer note 3 from the 2007 table.

# Directors' Report

## REMUNERATION REPORT (CONTINUED)

### Additional information on short-term incentives

For each STI included in the table on page 53, the percentage of the available STI that was earned in the financial year, and the percentage that was not achieved because the executive key management personnel did not meet the service or the Group did not meet the performance criteria is set out below. No part of the STI is payable in future years.

The following table sets out the percentage of the STI that was paid and the percentage that was forfeited for the 2007 financial year:

	% STI Paid	% STI Forfeited	\$ Value
A. T. Scott Chief Executive Officer	100%	0%	1,500,000
G. Terry Chief Operating Officer	100%	0%	480,000
R. Nenna Chief Financial Officer	100%	0%	345,000
J. Hutchinson General Counsel	100%	0%	283,671
T. Torney General Manager Funds Management and Shared Services	100%	0%	402,430
M. Wilson Chief Operating Officer Centro Watt JV	100%	0%	381,642
S. Schilling National Development Manager and HR Manager	0%	0%	–
P. Kelly General Manager Institutional Funds Management and Shared Services	100%	0%	151,921
G. Ruffano CEO Centro US	100%	0%	318,188

STI constitutes a cash bonus linked to delivery of distributions per security targets as described on page 51. The amounts above were provided for in Centro's financial results for the year ended 30 June 2007 and were paid in June and July 2007.

The number of securities in the Group held during the financial year by each of the above specified key management personnel of the Group, including those held by personally-related entities, as issued via the ESP or EOP, are as follows:

Name	Type of Equity Grant	Number of Securities <sup>(1)</sup>	Date of Grant	% vested	Date vested	% forfeited	Future financial year that securities will vest	Held by personally-related entity
A. T. Scott	Ordinary securities issued pursuant to ESP	375,000	Apr 1998	n/a	n/a	n/a	n/a	Yes
	Ordinary securities issued pursuant to ESP	200,000	Nov 1999	n/a	n/a	n/a	n/a	Yes
	Ordinary securities issued pursuant to ESP	225,000	Dec 2001	n/a	n/a	n/a	n/a	No
	Ordinary securities issued pursuant to ESP with conditional vesting terms	500,000	Oct 2002	100%	30 Jun 2005	0%	–	No
	Ordinary securities issued pursuant to ESP with conditional vesting terms	1,200,000	Nov 2003	100%	30 Jun 2006	0%	–	No
	Ordinary securities issued pursuant to Executive Option Plan	650,000	Feb 2002	100%	28 Sep 2004	0%	–	No
	Ordinary securities issued pursuant to ESP with conditional vesting terms	1,000,000	Sep 2005	–	–	–	2008	No
	Ordinary securities issued pursuant to ESP with conditional vesting terms	800,000	Oct 2006	–	–	–	2009	No
	<b>Total</b>		<b>4,950,000</b>					

## Directors' Report

### REMUNERATION REPORT (CONTINUED)

Name	Type of Equity Grant	Number of Securities <sup>(1)</sup>	Date of Grant	% vested	Date vested	% forfeited	Future financial year that securities will vest	Held by personally-related entity
<b>G. Terry</b>	Ordinary securities issued pursuant to ESP	100,000	Dec 1998	n/a	n/a	n/a	n/a	Yes
	Ordinary securities issued pursuant to ESP	100,000	Nov 1999	n/a	n/a	n/a	n/a	Yes
	Ordinary securities issued pursuant to ESP	200,000	Dec 2000	n/a	n/a	n/a	n/a	Yes
	Ordinary securities issued pursuant to ESP	100,000	Dec 2001	n/a	n/a	n/a	n/a	Yes
	Ordinary securities issued pursuant to ESP	125,000	Oct 2002	n/a	n/a	n/a	n/a	Yes
	Ordinary securities issued pursuant to ESP with conditional vesting terms	125,000	Oct 2002	100%	30 Jun 2005	0%	–	Yes
	Ordinary securities issued pursuant to ESP	200,000	Nov 2003	n/a	n/a	n/a	n/a	Yes
	Ordinary securities issued pursuant to ESP with conditional vesting terms	350,000	Nov 2003	100%	30 Jun 2006	0%	–	Yes
	Ordinary securities issued pursuant to Executive Option Plan	450,000	Feb 2002	100%	28 Sep 2004	0%	–	Yes
	Ordinary securities issued pursuant to ESP with conditional vesting terms	600,000	Sep 2005	–	–	–	2008	Yes
	Ordinary securities issued pursuant to ESP with conditional vesting terms	500,000	Oct 2006	–	–	–	2009	Yes
	<b>Total</b>		<b>2,850,000</b>					
<b>J. Hutchinson</b>	Ordinary securities issued pursuant to ESP	320,000	Oct 2002	n/a	n/a	n/a	n/a	No
	Ordinary securities issued pursuant to ESP with conditional vesting terms	250,000	Oct 2002	100%	30 Jun 2005	0%	–	No
	Ordinary securities issued pursuant to ESP	120,000	Nov 2003	n/a	n/a	n/a	n/a	No
	Ordinary securities issued pursuant to ESP with conditional vesting terms	200,000	Nov 2003	100%	30 Jun 2006	0%	–	No
	Ordinary securities issued pursuant to ESP with conditional vesting terms	300,000	Oct 2004	100%	30 Jun 2007	0%	–	No
	Ordinary securities issued pursuant to ESP with conditional vesting terms	400,000	Sep 2005	–	–	–	2008	No
	Ordinary securities issued pursuant to ESP with conditional vesting terms	350,000	Oct 2006	–	–	–	2009	No
	<b>Total</b>		<b>1,940,000</b>					
<b>R. Nenna</b>	Ordinary securities issued pursuant to ESP	420,000	Dec 2001	n/a	n/a	n/a	n/a	No
	Ordinary securities issued pursuant to ESP	100,000	Oct 2002	n/a	n/a	n/a	n/a	No
	Ordinary securities issued pursuant to ESP with conditional vesting terms	100,000	Oct 2002	100%	30 Jun 2005	0%	–	No
	Ordinary securities issued pursuant to ESP	120,000	Nov 2003	n/a	n/a	n/a	n/a	No
	Ordinary securities issued pursuant to ESP with conditional vesting terms	200,000	Nov 2003	100%	30 Jun 2006	0%	–	No
	Ordinary securities issued pursuant to Executive Option Plan	250,000	Feb 2002	100%	28 Sep 2004	0%	–	No
	Ordinary securities issued pursuant to ESP with conditional vesting terms	500,000	Sep 2005	–	–	–	2008	No
	Ordinary securities issued pursuant to ESP with conditional vesting terms	350,000	Oct 2006	–	–	–	2009	No
	<b>Total</b>		<b>2,040,000</b>					

# Directors' Report

## REMUNERATION REPORT (CONTINUED)

Name	Type of Equity Grant	Number of Securities <sup>(1)</sup>	Date of Grant	% vested	Date vested	% forfeited	Future financial securities will vest	Held by personally-related entity
<b>S. Schilling<sup>(2)</sup></b>	Ordinary securities issued pursuant to ESP	39,000	Apr 1998	n/a	n/a	n/a	n/a	No
	Ordinary securities issued pursuant to ESP	10,000	Dec 1998	n/a	n/a	n/a	n/a	No
	Ordinary securities issued pursuant to ESP	15,000	Nov 1999	n/a	n/a	n/a	n/a	No
	Ordinary securities issued pursuant to ESP	15,000	May 2000	n/a	n/a	n/a	n/a	No
	Ordinary securities issued pursuant to ESP	55,000	Dec 2000	n/a	n/a	n/a	n/a	No
	Ordinary securities issued pursuant to ESP	60,000	Dec 2001	n/a	n/a	n/a	n/a	No
	Ordinary securities issued pursuant to ESP	25,000	Oct 2002	n/a	n/a	n/a	n/a	No
	Ordinary securities issued pursuant to ESP	120,000	Feb 2003	n/a	n/a	n/a	n/a	No
	Ordinary securities issued pursuant to ESP	80,000	Nov 2003	n/a	n/a	n/a	n/a	No
	Ordinary securities issued pursuant to ESP with conditional vesting terms	100,000	Nov 2003	100%	–	0%	–	No
	Ordinary securities issued pursuant to ESP	21,000	Oct 2004	n/a	n/a	n/a	n/a	No
	Ordinary securities issued pursuant to ESP with conditional vesting terms	300,000	Oct 2004	0%	n/a	100%	n/a	No
	Ordinary securities issued pursuant to ESP with conditional vesting terms	300,000	Sep 2005	0%	n/a	100%	n/a	No
	Ordinary securities issued pursuant to ESP with conditional vesting terms	75,000	May 2006	0%	n/a	100%	n/a	No
<b>Total</b>		<b>1,215,000</b>						
<b>M. Wilson</b>	Ordinary securities issued pursuant to ESP	125,000	Apr 1998	n/a	n/a	n/a	n/a	No
	Ordinary securities issued pursuant to ESP	50,000	Dec 1998	n/a	n/a	n/a	n/a	No
	Ordinary securities issued pursuant to ESP	60,000	Nov 1999	n/a	n/a	n/a	n/a	No
	Ordinary securities issued pursuant to ESP	80,000	Dec 2000	n/a	n/a	n/a	n/a	No
	Ordinary securities issued pursuant to ESP	55,000	Dec 2001	n/a	n/a	n/a	n/a	No
	Ordinary securities issued pursuant to ESP	60,000	Oct 2002	n/a	n/a	n/a	n/a	No
	Ordinary securities issued pursuant to ESP with conditional vesting terms	60,000	Oct 2002	100%	30 Jun 2005	0%	–	No
	Ordinary securities issued pursuant to ESP	100,000	Nov 2003	n/a	n/a	n/a	n/a	No
	Ordinary securities issued pursuant to ESP with conditional vesting terms	100,000	Nov 2003	100%	30 Jun 2006	0%	–	No
	Options issued pursuant to Executive Option Plan	250,000	Feb 2002	100%	28 Sep 2004	0%	–	No
	Ordinary securities issued pursuant to ESP with conditional vesting terms	100,000	Feb 2005	–	–	–	2008	No
	Ordinary securities issued pursuant to ESP with conditional vesting terms	400,000	Oct 2006	–	–	–	2009	No
	<b>Total</b>		<b>1,440,000</b>					
<b>T. Torney</b>	Ordinary securities issued pursuant to ESP	200,000	Nov 2003	n/a	n/a	n/a	n/a	Yes
	Ordinary securities issued pursuant to ESP with conditional vesting terms	200,000	Nov 2003	100%	30 Jun 2006	0%	–	Yes
	Ordinary securities issued pursuant to ESP	100,000	Oct 2004	n/a	n/a	n/a	n/a	No
	Ordinary securities issued pursuant to ESP with conditional vesting terms	100,000	Oct 2004	100%	30 Jun 2007	0%	–	No
	Ordinary securities issued pursuant to ESP with conditional vesting terms	300,000	Sep 2005	–	–	–	2008	No
	Ordinary securities issued pursuant to ESP with conditional vesting terms	150,000	May 2006	–	–	–	2009	No
	Ordinary securities issued pursuant to ESP with conditional vesting terms	350,000	Oct 2006	–	–	–	2009	No
	<b>Total</b>		<b>1,400,000</b>					

(2) Ms Schilling resigned from the Group with effect from 29 September 2006.

# Directors' Report

## REMUNERATION REPORT (CONTINUED)

Name	Type of Equity Grant	Number of Securities <sup>(1)</sup>	Date of Grant	% vested	Date vested	% forfeited	Future financial year that securities will vest	Held by personally-related entity
P. Kelly	Ordinary securities issued pursuant to ESP	60,000	Jun 2002					No
	Ordinary securities issued pursuant to ESP	20,000	Oct 2002					No
	Ordinary securities issued pursuant to ESP with conditional vesting terms	40,000	Nov 2003	100%	30 Jun 2006	0%		No
	Ordinary securities issued pursuant to ESP	50,000	Oct 2004					No
	Ordinary securities issued pursuant to ESP with conditional vesting terms	50,000	Oct 2004	100%	30 Jun 2007	0%		No
	Ordinary securities issued pursuant to ESP with conditional vesting terms	180,000	Sep 2005				2008	No
	Ordinary securities issued pursuant to ESP with conditional vesting terms	60,000	Jul 2006	–	–	–	2009	No
	Ordinary securities issued pursuant to ESP with conditional vesting terms	240,000	Oct 2006	–	–	–	2009	No
	Ordinary securities issued pursuant to ESP with conditional vesting terms	200,000	Mar 2007	–	–	–	2010	No
	<b>Total</b>		<b>900,000</b>					

(1) Total number of securities shown above reflects closing balance at 30 June 2007.

### Service agreements

Remuneration and other terms of employment are formalised in the Chief Executive Officer's Executive Service Agreement and in the case of other specified Executives, in executive service agreements or employment agreements. Each of these agreements provide for the provision of performance-related STI and participation, when eligible, in the LTI. Other major provisions of the agreements relating to remuneration are set out below.

<b>Term of Agreement</b>	Open ended for the Chief Executive Officer and all specified Executives with the exception of Mr Rufrano whose contract is for a one-year term automatically extended for an unlimited number of additional one-year periods unless either the executive or the Company gives notice that it is electing not to extend the term.
<b>Notice Period</b>	The employer must give 24 months' notice for Chief Executive Officer, 18 months' notice for the other key management personnel (with the exception of Ms Kelly, 12 months' notice and Mr Rufrano six months' notice (as above)). In all cases, the employee must give six months' notice.
<b>Termination Benefits</b>	Payment of termination benefit on termination by the employer, other than for gross misconduct, is equal to 2.0 times total remuneration for the Chief Executive Officer and equal to 1.5 times total remuneration for all other key management personnel (with the exception of Ms Kelly, one times total remuneration and Mr Rufrano one times base remuneration plus average bonus paid over two years).

### SECTION 4 – REMUNERATION OF NON-EXECUTIVE DIRECTORS – AUDITED

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

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

non-executive Directors' fees and payments are appropriate and in line with the market.

In accordance with past practice, the Chairman of the Board led an annual review of both whole of Board and individual Director performance and effectiveness. Whilst this is a well regarded and effective practice, it will nevertheless be supplemented from time to time by external third party review, as was the case with the use of Korn Ferry in the 2006 financial year. In addition, whilst the Chairman's performance has been a topic of this review, it is intended from this year that a senior Director will facilitate discussion with colleagues.

Non-executive Directors receive a fee of \$115,000 per annum (2006: \$110,000 per annum) in relation to their services as a Director. Non-executive Directors are also permitted to be paid additional fees for attendance at ad hoc meetings. Such fees are included in the aggregate remuneration cap approved by security holders. Non-executive

Directors who sit on the Board's committees receive these additional fees as follows:

- Audit and Risk Management Committee – \$8,000 per annum.
- Compliance Committee – \$7,000 per annum.
- Nomination and Remuneration Committees – \$4,500 per annum.
- Committee Chairmen for the Audit and Risk Management and Compliance Committees receive a fee of \$16,000 per annum and \$14,000 per annum respectively.
- Non-executive Directors who sit on other committees of the Board, such as due diligence committees, receive an attendance fee of \$2,500 per full day and \$1,500 per half day. During the year, non-executive Directors were paid a total of \$41,000 in ad hoc committee fees.

## Directors' Report

### REMUNERATION REPORT (CONTINUED)

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

Following the freezing of retirement benefits (refer to table below), effective from 1 January 2005, the Chairman of the Board receives a fee of \$376,050 per annum. This level of remuneration reflects the greater time commitment and responsibility required and is commensurate with similar roles in the external market. The Chairman receives no further remuneration for committee membership although he chairs the Nomination and Remuneration Committees and attends other Committee meetings.

Superannuation contributions are also made on behalf of the non-executive Directors in accordance with the Group's statutory superannuation obligations and are included in

the fee pool limit. No superannuation contributions are made on behalf of the Chairman. Non-executive Directors are also entitled to be reimbursed for all business related expenses, including travel on Company business, as may be incurred in the discharge of their duties.

#### Non-executive Director security plan

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

#### Retirement allowances for Directors

On 1 July 2003, the Board resolved to remove retirement allowances for non-executive Directors appointed after that date, in line with changes in market practice on non-executive Directors' remuneration. On 3 July 2004, the Board further resolved to "freeze" the retirement benefits

accrued to 31 December 2004 for non-executive Directors appointed prior to 1 July 2003. The benefits will not be paid until the participating non executive Director retires from the Board. The benefits have been fully provided for.

During the year, an amount of \$154,983 was paid to David Graham on his retirement from the Board on 20 October 2006. This payment was equal to the aggregation of retirement benefits accrued and disclosed each year during the period of service.

The balance of the benefits, which will be payable directly by the Group upon retirement from office, is indexed each year on 1 December (the first adjustment was on 1 December 2005) by the annual Consumer Price Index ("CPI"), September quarter to September quarter, as published by the Australian Bureau of Statistics. The Group's aggregate liability to pay retiring allowances was \$609,687 as at balance date taking into account the pro rata published CPI data to March 2007.

The amounts due to relevant non-executive Directors are:

Name	Net benefit as at 30 June 2006	Paid out on retirement	Benefits paid to superfunds	Net benefit as at 31 December 2006 after CPI adjustment	Net benefit as at 30 June 2007 (based on pro rata CPI adjustment to 31 March 2007)
B. Healey	\$595,897	-	-	\$608,470	\$609,687
D. D. H. Graham	\$152,844	\$154,983	-	-	-
F. G. Goldie	\$153,294	-	\$153,294	-	-
<b>Total</b>	<b>\$902,035</b>	<b>\$154,983</b>	<b>\$153,294</b>	<b>\$608,470</b>	<b>\$609,687</b>

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

Name	2007			Total	
	Short-term benefits		Post-employment benefits		
	Directors' Fees	Committee fees (including ad hoc committee fees)	Superannuation Contributions		Retirement benefit <sup>(3)</sup>
B. Healey (Chairman)	\$376,050	-	-	\$13,790	\$389,840
P. G. Goldie	\$38,333	\$15,167	\$101,015	\$3,547	\$158,062
D. D. H. Graham <sup>(1)</sup>	\$38,458	\$4,042	\$3,825	\$2,139 <sup>(1)</sup>	\$48,464
S. Kavourakis	\$115,000	\$40,000	\$12,195	- <sup>(2)</sup>	\$167,195
L. P. Wilkinson	\$115,000	\$19,500	\$11,385	- <sup>(2)</sup>	\$145,885
J. Hall	\$36,617	\$9,375	\$105,113	- <sup>(2)</sup>	\$151,105
P. Cooper <sup>(4)</sup>	\$86,250	\$9,375	\$8,606	- <sup>(2)</sup>	\$104,231
<b>Total</b>	<b>\$805,708</b>	<b>\$97,459</b>	<b>\$242,139</b>	<b>\$19,476</b>	<b>\$1,164,782</b>

(1) Mr Graham retired on 20 October 2006. The retirement benefit represents the amount accrued from 30 June 2006 to 30 September 2006, the end of the quarter prior to his retirement.

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

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

(4) Mr Cooper was appointed to the Board on 1 October 2006.

## Directors' Report

### REMUNERATION REPORT (CONTINUED)

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

(1) Mr Wilson retired on 31 December 2005.

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

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

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

#### SECTION 5 – CENTRO EMPLOYEE SECURITY PLAN AND LOAN SCHEME – AUDITED

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

Participating employees cannot sell or otherwise deal with the securities unless the loan is fully repaid. In all other respects the employee securities rank equally with other fully paid ordinary stapled securities.

In order to provide long term incentives to senior management other than the Group Executives disclosed in Section 3, the Board may also approve the issue of conditional vesting securities which are subject to the same performance hurdles as set out on page 51.

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

	<b>30.06.07</b>	30.06.06
Number of employees participating in the ESP	<b>531</b>	458
Securities issued under the ESP to participating employees	<b>27,860,390</b>	22,787,154

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

# Directors' Report

## REMUNERATION REPORT (CONTINUED)

### Loans provided to Executives

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

	June 2007 \$ value	June 2006 \$ value
A. T. Scott Chief Executive Officer	10,479,538	5,912,848
G. Terry Chief Operating Officer	6,427,421	3,547,709
R. Nenna Chief Financial Officer	4,890,523	3,813,174
J. Hutchinson General Counsel	5,381,621	3,661,854
T. Torney Chief Operating Officer Centro Watt JV	5,106,263	3,226,587
M. Wilson Chief Investment Officer	6,799,754	2,051,646
P. Kelly General Manager Institutional Funds Management and Shared Services	4,981,189	1,281,262
S. Schilling <sup>(1)</sup> National Development Manager and HR Manager	-	3,772,598

(1) Ms Schilling ceased to be a member of the executive committee as at 29 September 2006.

During the year ended 30 June 2006, the Group agreed to re-financing arrangements for certain key management personnel whereby loans from Centro were repaid and amounts were re-financed by a third party. No sale of Centro securities occurred as a result of the re-financing. The amounts as at 30 June 2007 exclude the value of those loans which have been repaid to Centro through these arrangements.

### SECTION 6 – CENTRO EXECUTIVE OPTION PLAN ("EOP") – AUDITED

The EOP was approved by the Board in February 2006. The EOP enables employees outside Australia to receive options over Centro securities with an exercise price set at the prevailing market price and with an exercise period (subject to continued employment, and in some cases, performance conditions) of seven years from the vesting date. Eligibility for participation in the EOP is at the discretion of the Board. The value of the options forms part of each employee's remuneration.

### Non-Audit services

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

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out in note 27 to the Group full financial statements.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit Committee is satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out at note 27 to the Group full financial statements, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in *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 61.

### Rounding of amounts to the nearest thousand dollars

The Group is of a kind referred to in class order 98/0100 issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' Report and Financial Report. Amounts in the Directors' Report

and Financial Report have been rounded off, in accordance with that class order, to the nearest thousand dollars, or in certain cases, to the nearest dollar.

### Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

Signed at Melbourne, 6 September, 2007 in accordance with a resolution of the Directors.



**B. Healey**

Director



**A. T. Scott**

Director



**PricewaterhouseCoopers**  
**ABN 52 780 433 757**

Freshwater Place  
2 Southbank Boulevard  
SOUTHBANK VIC 3006  
GPO Box 1331L  
MELBOURNE VIC 3001  
DX 77  
Website: [www.pwc.com/au](http://www.pwc.com/au)  
Telephone +61 3 8603 1000  
Facsimile +61 3 8603 1999

## Auditor's Independence Declaration

As lead auditor for the audit of Centro Properties Limited for the year ended 30 June 2007, I declare that to the best of my knowledge and belief, there have been:

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

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

Stephen Cogle  
Partner  
PricewaterhouseCoopers

Melbourne  
6 September 2007

# Financial Statements

## Centro Property Trust

Comprising Centro Property Trust and its controlled entities

### Concise Report For the year ended 30 June 2007

#### Contents

Consolidated Income Statement for the year ended 30 June 2007	63
Consolidated Balance Sheet as at 30 June 2007	64
Consolidated Cash Flow Statement for the year ended 30 June 2007	65
Consolidated Statement of Changes in Equity for the year ended 30 June 2007	66
Notes to and forming part of the Financial Statements for the year ended 30 June 2007	67
1. Summary of Significant Accounting Policies	67
2. Presentation Currency	70
3. Segment Information	70
4. Distributions to Ordinary Unitholders	72
5. Events Occurring After Reporting Date	72
Directors' Declaration	73
Independent audit report to the unit holders of Centro Property Trust	74
Directors' Report	76
Auditor's Independence Declaration	78

#### Relationship of the concise financial report to the full financial report

The concise financial report is an extract from the full financial report for the year ended 30 June 2007. The financial statements and specific disclosures included in the concise financial report have been derived from the full financial report.

The concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of Centro Property Trust and its controlled entities as the full financial report.

The full financial report and auditor's report will be sent to members on request, free of charge. Please call 1800 802 400 and a copy will be forwarded to you. Alternatively, both the full financial report and the concise financial report can be accessed via the internet at: [www.centro.com.au](http://www.centro.com.au)

## Consolidated Income Statement

for the year ended 30 June 2007

	<b>Centro Property Trust and its controlled entities</b>	
	<b>30.06.07</b>	30.06.06
	<b>\$'000</b>	\$'000
<b>REVENUE</b>		
Property ownership revenue	<b>91,264</b>	148,189
Managed vehicle revenue	<b>91,016</b>	12,162
<b>TOTAL REVENUE</b>	<b>182,280</b>	160,351
<b>INCOME</b>		
Property revaluations for directly owned properties	<b>14,261</b>	107,778
Movements in other financial assets carried at fair value through profit or loss	<b>80,214</b>	–
Share of net profits of associates and joint venture partnerships accounted for using the equity method	<b>293,935</b>	414,083
Net income on the disposal of investment property and equity accounted investments	–	–
Other income	<b>121,930</b>	163,146
<b>TOTAL INCOME</b>	<b>510,340</b>	685,007
<b>TOTAL REVENUE AND OTHER INCOME</b>	<b>692,620</b>	845,358
Financing costs	<b>(223,672)</b>	(95,852)
Repairs, maintenance, cleaning and security	<b>(5,693)</b>	(15,649)
Employee benefits expense	<b>(1,645)</b>	(2,118)
Rent, rates, taxes and insurance	<b>(5,078)</b>	(16,094)
Management fees	<b>(3,784)</b>	(7,635)
Light and power	<b>(2,951)</b>	(6,740)
Depreciation and amortisation expense	<b>(658)</b>	(3,198)
Marketing	<b>(755)</b>	(773)
Bad and doubtful debts	<b>(121)</b>	–
Other shopping centre management costs	<b>(4,774)</b>	(885)
Net loss on the disposal of investment property and equity accounted investments	<b>(916)</b>	(4,746)
Other expenses from ordinary activities	<b>(1,847)</b>	(2,201)
<b>PROFIT BEFORE INCOME TAX EXPENSE</b>	<b>440,726</b>	689,467
Income tax expense	–	–
<b>NET PROFIT</b>	<b>440,726</b>	689,467
Net profit attributable to minority interest	<b>(514)</b>	(4,112)
<b>NET PROFIT ATTRIBUTABLE TO UNITHOLDERS OF CENTRO PROPERTY TRUST</b>	<b>440,212</b>	685,355
Basic earnings per unit (cents)	<b>54.75</b>	88.22
Diluted earnings per unit (cents)	<b>54.18</b>	87.25

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

# Consolidated Balance Sheet

as at 30 June 2007

KIN

KIN

KIN

KIN

L

**Centro Property Trust  
and its controlled entities**

**30.06.07**                      30.06.06  
**\$'000**                                \$'000

**CURRENT ASSETS**

Cash assets and cash equivalents	63,156	38,386
Derivative financial instruments	-	20,273
Receivables	181,947	133,211
Non-current assets classified as held for sale	785,438	167,257
<b>Total current assets</b>	<b>1,030,541</b>	<b>359,127</b>

**NON-CURRENT ASSETS**

Investments accounted for using the equity method	3,695,338	2,810,392
Financial assets carried at fair value through profit or loss	2,115,466	92,225
Investment property	392,211	1,200,952
Plant and equipment	6,102	6,116
Intangible assets	165,024	252,669
Receivables	502,956	897,994
<b>Total non-current assets</b>	<b>6,877,097</b>	<b>5,260,348</b>

**TOTAL ASSETS**

**7,907,638**                      5,619,475

**CURRENT LIABILITIES**

Payables	48,849	79,401
Interest bearing liabilities	1,096,936	-
Derivative financial instruments	215,746	-
Provisions	173,249	155,725
<b>Total current liabilities</b>	<b>1,534,780</b>	<b>235,126</b>

**NON-CURRENT LIABILITIES**

Payables	54,228	193,048
Interest bearing liabilities	2,506,750	1,537,159
Non-interest bearing liabilities	149	10,968
<b>Total non-current liabilities</b>	<b>2,561,127</b>	<b>1,741,175</b>

**TOTAL LIABILITIES**

**4,095,907**                      1,976,301

**NET ASSETS**

**3,811,731**                      3,643,174

**EQUITY**

Parent entity interest		
Contributed equity	2,724,918	2,672,488
Reserves	-	8,292
Retained profits	1,058,368	951,878
<b>Total parent entity interest</b>	<b>3,783,286</b>	<b>3,632,658</b>
Minority interests	28,445	10,516
<b>TOTAL EQUITY</b>	<b>3,811,731</b>	<b>3,643,174</b>

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

## Consolidated Cash Flow Statement

for the year ended 30 June 2007

	Centro Property Trust and its controlled entities	
	30.06.07 \$'000	30.06.06 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers (inclusive of Goods and Services Tax)	186,569	94,850
Payments to suppliers and employees (inclusive of Goods and Services Tax)	(31,968)	(49,663)
	154,601	45,187
Distributions received from associates and managed investments	283,329	–
Interest received	75,458	3,290
Interest paid	(165,698)	(20,706)
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>347,690</b>	<b>27,771</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payment for purchase of investment in subsidiaries net of cash acquired	(936,059)	–
Loans from/(to) other related parties	168,721	(12,783)
Proceeds from sale of property investments	686,148	156,333
Proceeds from available-for-sale financial assets	–	34,979
Payments for other investments	(2,481,227)	–
Payments for acquisition and development of property investments	(204,424)	(416,974)
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>	<b>(2,766,841)</b>	<b>(238,445)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from borrowings	2,699,444	365,657
Proceeds from issues of securities net of capital raising costs	63,203	120,010
Distributions paid	(316,198)	(281,362)
Distributions paid to minority interest	(2,585)	(4,112)
<b>NET CASH INFLOW FROM FINANCING ACTIVITIES</b>	<b>2,443,864</b>	<b>200,193</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>24,713</b>	<b>(10,481)</b>
Cash and cash equivalents at the beginning of the financial year	38,386	48,834
Effects of exchange rate changes on cash and cash equivalents	57	33
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>	<b>63,156</b>	<b>38,386</b>

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

# Consolidated Statement of Changes in Equity

for the year ended 30 June 2007

	<b>Centro Property Trust and its controlled entities</b>	
	<b>30.06.07</b>	30.06.06
	<b>\$'000</b>	\$'000
<b>Changes in equity attributable to Members of Centro Properties Group</b>		
Opening balance at the beginning of the year	<b>3,632,658</b>	2,865,625
<i>Contributed equity</i>		
Contributions of equity, net of transaction costs	<b>719,859</b>	711,158
Return of equity, net of transaction costs	<b>(614,704)</b>	(338,165)
Employee securities acquired on market classified as options under AIFRS	<b>(52,725)</b>	-
<i>Investment revaluation reserve</i>		
Net movement in investment revaluation reserve	<b>(17,520)</b>	17,520
<i>Foreign currency translation reserve</i>		
Net exchange differences on translation of foreign operations	<b>9,228</b>	(18,674)
<i>Retained profits</i>		
Application of AASB 132 and 139 effective 1 July 2005	<b>-</b>	9,682
Distributions provided for or paid (ordinary and preference unit holders)	<b>(333,722)</b>	(299,843)
Net transactions/movements in reserves recognised directly in equity	<b>(289,584)</b>	81,678
Net profit attributable to Unitholders of Centro Property Trust	<b>440,212</b>	685,355
<b>Closing balance of equity attributable to Unitholders of Centro Property Trust <sup>(i)</sup></b>	<b>3,783,286</b>	3,632,658
<b>Changes in equity attributable to external minority interests</b>		
Opening balance at the beginning of the year	<b>10,516</b>	125,305
Movement in minority interest on acquisition/(disposal) of subsidiary	<b>20,000</b>	(117,569)
Profit after tax expense for the year	<b>514</b>	4,112
Distributions provided for or paid	<b>(2,585)</b>	(1,332)
<b>Closing balance of equity attributable to external minority interests <sup>(ii)</sup></b>	<b>28,445</b>	10,516
<b>Total equity at the end of the year</b>	<b>3,811,731</b>	3,643,174

(i) Total income and expenses for the year attributable to Unitholders of Centro Property Trust, including amounts recognised directly in equity, is \$431.9m (30 June 2006: \$684.2m), being profit after tax expense for the year of \$440.2m (30 June 2006: \$685.4m) and net movements in reserves of \$(8.3)m (30 June 2006: \$(1.2)m).

(ii) Total income and expenses for the year attributable to minority interest, including amounts recognised directly in equity, is \$0.5m (30 June 2006: \$4.1m), being profit after tax expense for the year of \$0.5m (30 June 2006: \$4.1m).

# Notes to and forming part of the Financial Statements

## for the year ended 30 June 2007

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The concise financial report relates to the consolidated entity consisting of Centro Property Trust and the entities it controlled (the "Trust" or "Centro") at the end of, or during, the year ended 30 June 2007. The principal accounting policies adopted in the preparation of the concise financial report are set out below. The accounting policies adopted have been consistently applied to all years presented, unless otherwise stated.

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

This concise financial report complies with Australian Accounting Standards, which include Australian Equivalents to International Financial Reporting Standards ("AIFRS"). Compliance with AIFRS ensures that the concise financial report, comprising the concise financial statements and the notes thereto, complies with International Financial Reporting Standards.

#### (b) Basis of Preparation of Concise Financial Statements

This concise financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

#### (c) Basis of Preparation of Centro Property Trust Concise Financial Statements

The Trust concise financial statements reflect the aggregation of the consolidated concise financial statements of the Trust and its controlled entities.

These aggregated concise financial statements incorporate an elimination of inter-entity balances and other adjustments necessary to present the concise financial statements on a combined basis.

#### (d) Accounting for Centro Property Trust's Units

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

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

#### (e) Historical Cost Convention

These Trust concise financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities

(including derivative instruments) at fair value through profit or loss and investment property.

#### (f) Principles of Consolidation

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

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

Investments in associates are accounted for in the Trust's financial statements using the equity method. Under this method, the Trust'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 Trust exercises significant influence, but not control.

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

#### (g) Acquisitions of Assets

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

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

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

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

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

#### (h) Revenue Recognition

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

##### (i) Property ownership revenue

As the owner of a number of shopping centres, the Trust 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) Managed vehicle revenue

Distributions from managed vehicles are recognised as revenue when the right to receive payment is established.

#### (i) Cash and Cash Equivalents

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

#### (j) Receivables

All trade and other debtors are recognised at the amounts receivable as they are due for settlement no more than 30 days from the date of recognition. Collectibility of trade and other debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised when objective evidence of impairment in relation to collection exists on a case by case basis.

#### (k) Non-current assets held for sale

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

# Notes to and forming part of the Financial Statements

for the year ended 30 June 2007

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

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

## (l) Depreciation of Plant and Equipment

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

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

## (m) Intangible Assets

### (i) Goodwill

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

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

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

### (n) Investment Properties

The Trust'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 Trust.

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

## (o) Financial Assets

The Trust 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, and are re-evaluated at each reporting date.

### (i) 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 and liabilities 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 to evaluate the information about these financial assets on a fair value basis together with other related financial information.

### (ii) Loans and receivables

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

### (iii) Held-to-maturity investments

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

### (iv) Available-for-sale financial assets

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

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

expired or have been transferred and the Trust has transferred substantially all the risks and rewards of ownership.

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 are included in the income statement as gains and losses from investment securities.

If the market for a financial asset is not active (and for unlisted securities), the Trust 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 Trust 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.

## (p) Derivatives

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

- (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or

## Notes to and forming part of the Financial Statements for the year ended 30 June 2007

### (2) hedges of highly probable forecast transactions (cash flow hedges).

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

#### (i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedge asset or liability that are attributable to the hedged risk. As at reporting date all hedges have been classified as fair value hedges.

#### (ii) Cash flow hedge

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

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

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

#### (iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in fair value or any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement. For the year ended 30 June 2007, no derivative financial instruments were designated into a hedging relationship and therefore all movements in fair value have been taken to the income statement.

#### (q) Fair Value Estimation

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

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

#### (r) Revaluation of Investment Properties

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

#### (s) Trade and Other Creditors

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

#### (t) Borrowings

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

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

#### (u) Borrowing Costs

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

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the year, in this case 6.3% (2006: 6.0%).

#### (v) Foreign Currency Translation

##### (i) Functional and presentation currency

Items included in the financial statements of each of the Trust'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 Trust.

##### (ii) Transactions and balances

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

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

##### (iii) Trust entities

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

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

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

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

#### (w) Contributed Equity

Ordinary units and preference units are classified as equity.

Incremental costs directly attributable to the issue of new units, preference units or options are

# Notes to and forming part of the Financial Statements

## for the year ended 30 June 2007

shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new units, 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.

### (x) Earnings Per Unit

#### (i) Basic earnings per unit

Basic earnings per unit is determined by dividing the net profit after income tax attributable to unitholders of the Trust, excluding any costs of servicing equity other than ordinary units or preference units, by the weighted average number of units and their equivalents outstanding during the reporting period, adjusted for bonus elements in units issued during the period. The weighted average number of units has been adjusted for the elimination of units issued under the Employee Securities Plan.

#### (ii) Diluted earnings per unit

Diluted earnings per unit adjusts the figures used in the determination of basic earnings per unit by taking into account the after income tax effect of

interest and other financing costs associated with dilutive potential ordinary units and the weighted average number of units assumed to have been issued for no consideration in relation to dilutive potential ordinary units.

### (y) Distributions

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

### (z) Segment Reporting

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

### (aa) New accounting Standards and UIG Interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 30 June 2007 reporting periods. The Trust has assessed the impact of new Standards such as AASB7, AASB8 and AASB 123R and note that the impact of these Standards is limited to

additional disclosure requirements that would be required in the 2008 and future financial statements.

## 2. PRESENTATION CURRENCY

The presentation currency used in this concise financial report is Australian dollars.

## 3. SEGMENT INFORMATION

### PRIMARY REPORTING – GEOGRAPHIC SEGMENTS

The Trust is organised on a global basis into the following activity by business type:

#### *Property Ownership by Geographic Segment*

The Trust derives income from retail property rentals of shopping centre space to retailers across Australasia and the United States. The Trust also derives income from its retail property investments in listed and unlisted entities.

### PRIMARY REPORTING – GEOGRAPHICAL SEGMENT

2007

### Centro Property Trust and its controlled entities

	Australasia \$'000	United States \$'000	Consolidated \$'000
Revenue	96,661	85,619	182,280
Total segment revenue	96,661	85,619	182,280
Shares of net profits of associates and joint ventures	242,869	51,066	293,935
Fair value gains on financial assets	79,818	396	80,214
Property revaluations	14,261	–	14,261
Other income	107,091	–	107,091
Total segment revenue and income	540,700	137,081	677,781
Segment result	520,163	129,397	649,560
Unallocated income less unallocated expense			(208,834)
Profit from ordinary activities before income tax			440,726
Income tax expense			–
<b>Net profit</b>			<b>440,726</b>
Segment assets	3,800,840	4,106,798	7,907,638
<b>Total Assets</b>			<b>7,907,638</b>
Segment liabilities	154,190	25,453	179,643
Unallocated liabilities			3,916,264
<b>Total Liabilities</b>			<b>4,095,907</b>
Acquisitions of plant and equipment, intangibles and other non-current segment assets	141,440	1,773,253	1,914,693
Depreciation and amortisation expense	616	42	658

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2007

### 3. SEGMENT INFORMATION (CONTINUED)

#### PRIMARY REPORTING – GEOGRAPHICAL SEGMENT

2006

	Centro Properties Limited and its controlled entities		
	Australasia \$'000	United States \$'000	Consolidated \$'000
Revenue	89,377	70,974	160,351
Total segment revenue	89,377	70,974	160,351
Shares of net profits of associates and joint ventures	402,459	11,624	414,083
Property revaluations	106,448	1,330	107,778
Other	45,492	–	45,492
Total segment revenue & income	643,776	83,928	727,704
Segment result	637,958	53,733	691,691
Unallocated revenue less unallocated expense			(2,224)
Profit from ordinary activities before income tax			689,467
Income tax expense			–
<b>Net Profit</b>			<b>689,467</b>
Segment assets	5,184,620	434,855	5,619,475
Unallocated assets			–
<b>Total Assets</b>			<b>5,619,475</b>
Segment liabilities	53,394	26,008	79,402
Unallocated liabilities			1,896,899
<b>Total Liabilities</b>			<b>1,976,301</b>
Acquisitions of plant and equipment, intangibles and other non-current segment assets	118,528	110,591	229,119
Depreciation and amortisation expense	3,109	89	3,198

#### (a) Accounting Policies

Segment reporting is prepared in conformity with the accounting policies of the Trust as discussed in Accounting Standard AASB 114 *Segment Reporting*.

Segment revenues and income, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis.

# Notes to and forming part of the Financial Statements

for the year ended 30 June 2007

## Centro Property Trust and its controlled entities

30.06.07 30.06.06  
\$'000 \$'000

### 4. DISTRIBUTIONS TO ORDINARY UNITHOLDERS

The Directors declared a final distribution of 19.0 cents which was paid on 30 August 2007 to holders of units at the close of business on 29 June 2007.

- Final distribution of 20.5 cents (2006: 19.0 cents)	<b>173,249</b>	155,725
- Interim distribution of 19.3 cents (2006: 17.8 cents)	<b>158,184</b>	144,118
- Total distributions provided for or paid amount to 39.8 cents (2006: 36.8 cents)	<b>331,433</b>	299,843

Estimated amount of retained profits and reserves that could be distributed as dividends and be franked out of existing franking credits or out of franking credits arising from the payment of income tax in respect of the year ended 30 June 2007 after servicing the dividends declared at balance date

Nil Nil

#### Tax components of the distributions

Cents Cents

#### Interim distribution

- Tax advantaged	<b>15.15</b>	6.44
- Taxable	<b>4.15</b>	11.36

**19.30** 17.80

#### Final distribution

- Tax advantaged	<b>16.09</b>	6.88
- Taxable	<b>4.41</b>	12.12

**20.50** 19.00

#### Total distribution

- Tax advantaged	<b>31.24</b>	13.32
- Taxable	<b>8.56</b>	23.48

**39.80** 36.80

### 5. EVENTS OCCURRING AFTER REPORTING DATE

#### Proposed merger of Centro Shopping America Trust and Centro Retail Trust

On 27 August 2007, a proposal was announced to merge Centro Shopping America Trust ("CSF") and Centro Retail Trust ("CER"). Under this proposal Centro Property Trust agreed to sell approximately \$2.2 billion of Australasian and US property assets in return for units in the newly merged entity. This merger proposal is subject to investor approval in October 2007, at which time the assets would be transferred from Centro Property Trust. The transfer is expected to have a minimal impact on Centro's earnings and balance sheet position.

## Directors' Declaration

The Directors declare that in their opinion, the concise financial report of the consolidated entity for the year ended 30 June 2007 as set out on pages 63 to 72 complies with Accounting Standards AASB 1039 *Concise Financial Reports*.

The concise financial report is an extract from the full financial report for the year ended 30 June 2007. The financial statements and specific disclosures included in the concise financial report have been derived from the full financial report.

The concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report, which is available on request.

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



**B. Healey**

Director

Signed at Melbourne, 6 September 2007



**A. T. Scott**

Director

**Independent audit report to the unitholders of  
Centro Property Trust**

**PricewaterhouseCoopers  
ABN 52 780 433 757**

Freshwater Place  
2 Southbank Boulevard  
SOUTHBANK VIC 3006  
GPO Box 1331L  
MELBOURNE VIC 3001  
DX 77  
Website: [www.pwc.com/au](http://www.pwc.com/au)  
Telephone +61 3 8603 1000  
Facsimile +61 3 8603 1999

**Report on the Concise Financial Report**

The accompanying concise financial report of Centro Property Trust (the "Trust") comprises the consolidated balance sheet as at 30 June 2007, the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended and related notes, derived from the audited financial report of the Trust for the year ended 30 June 2007. The concise financial report does not contain all the disclosures required by the Australian Accounting Standards.

*Directors' Responsibility for the Concise Financial Report*

The Directors of CPT Manager Limited, the Responsible Entity of the Trust, are responsible for the preparation and presentation of the concise financial report in accordance with Accounting Standard AASB 1039 *Concise Financial Reports*, and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation of the concise financial report; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Auditor's Responsibility*

Our responsibility is to express an opinion on the concise financial report based on our audit procedures. We have conducted an independent audit, in accordance with Australian Auditing Standards, of the financial report of the Trust for the year ended 30 June 2007. Our audit report on the financial report for the year was signed on 6 September 2007 and was not subject to any modification. The Australian Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report for the year is free from material misstatement.

Our procedures in respect of the concise financial report included testing that the information in the concise financial report is derived from, and is consistent with, the financial report for the year, and examination on a test basis, of evidence supporting the amounts and other disclosures which were not directly derived from the financial report for the year. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report complies with Accounting Standard AASB 1039 *Concise Financial Reports*.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the concise financial report.

For further explanation of an audit, visit our website  
<http://www.pwc.com/au/financialstatementaudit>.



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

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

*Matters relating to the electronic presentation of the audited financial report*

This audit report relates to the concise financial report of the Trust for the financial year ended 30 June 2007 included on the Centro Properties Group website. The Directors of CPT Manager Limited, the Responsible Entity of the Trust, are responsible for the integrity of the Centro Properties Group website. We have not been engaged to report on the integrity of this website. The audit report refers only to the concise financial report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the concise financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited concise financial report to confirm the information included in the audited concise financial report presented on this website.

*Independence*

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

*Auditor's opinion*

In our opinion, the concise financial report of the Trust for the year ended 30 June 2007 complies with Australian Accounting Standard AASB 1039 *Concise Financial Reports*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Stephen Cogle  
Partner

Melbourne  
6 September 2007

# Directors' Report

The Directors of CPT Manager Limited, the Responsible Entity of Centro Property Trust, present their report on the concise financial report of Centro Property Trust for the year ended 30 June 2007.

## Centro Property Trust

Centro Property Trust (the "Trust" or "Centro" consists of Centro Property Trust (the "Trust") and its controlled entities.

## Directors

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

Brian Healey

Andrew Thomas Scott

Peter Graham Goldie

Sam Kavourakis

Louis Peter Wilkinson

Jim Hall

Paul Cooper (appointed 1 October 2006)

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

Secretary: Elizabeth Hourigan continues in office at the date of this report.

## Principal Activities

The principal activities during the year of the consolidated entity consisted of the Trust and the entities that it controlled from time to time were

property investment, property management, property development and funds management.

## Significant Changes in the State of Affairs

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

## Review of Operations

The review of operations of Centro Properties Group is included in the report to investors on pages 10 to 11 of this report.

## Distributions

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

	30.06.07 \$'000	30.06.06 \$'000
Final distribution from the Trust for the year ended 30 June 2006 of 19.0 cents per unit paid on 25 August 2006 (17.6 cents paid 26 August 2005)	155,725	137,244
Interim distribution from the Trust of 19.3 cents per unit paid on 27 February 2007 (17.8 cents paid 24 February 2006)	158,184	144,118
	<b>313,909</b>	<b>281,362</b>

In addition to the above distributions, Directors approved the payment of a final Trust distribution of \$173,248,773 (20.5 cents per unit) which was paid on 30 August 2007.

## Likely Developments and Expected Results of Operations

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

## Environmental Regulations

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

## Matters Subsequent to the End of the Financial Year

There has not arisen in the interval between 30 June 2007 and the date hereof any matter or

circumstance that has significantly affected or may significantly affect:

- (i) the Trust's operations in future financial years; or
- (ii) the results of those operations in future financial years; or
- (iii) the Trust's state of affairs in future financial years; except as otherwise referred to in the financial statements or in this Directors' report.

## Remuneration Report

Refer to pages 50 to 60 of the Centro Properties Concise financial report for the Remuneration Report.

## Information on Directors

Particulars of the qualifications, experience and special responsibilities of each Director, as at the date of this report, are set out on pages 26 and 27 of the Annual Report. The interests of each Director in the capital of the Trust at the date of this report are set out on page 49 of the Group concise financial report.

## Information on Company Secretary

Particulars of the qualifications, experience and special responsibilities of the Secretary, as at the date of this report, are set out on page 27 of the Annual Report.

## Insurance of Directors and Officers

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

The Officers of the Responsible Entity covered by the insurance policy include the Directors: B. Healey, A. T. Scott, P. G. Goldie, P. Cooper, J. Hall, S. Kavourakis and L. P. Wilkinson and the Secretary: E. Hourigan.

## Directors' Report

### Meeting of Directors

The following table sets out the number of meetings of Directors of CPT Manager Limited, the Responsible Entity of the Trust (including meetings of committees of Directors), held during the year ended 30 June 2007 and the number of meetings attended by each Director.

	Board Meetings	Board Audit & Risk Management Committee Meetings	Compliance Committee Meetings	Remuneration Committee Meetings	Board Sub-Committee Meetings	Nomination Committee Meetings
<b>CPT Manager Limited</b>						
Number of meetings held	13	2	4	n/a	12	n/a
Number of meetings attended/eligible to attend by:						
B. Healey	13/13	#	#	n/a	12/12	n/a
A. T. Scott	13/13	#	#	n/a	12/12	n/a
P. G. Goldie	13/13	#	4/4	n/a	#	n/a
D. D. H. Graham <sup>(1)</sup>	3/4	#	#	n/a	#	n/a
S. Kavourakis	13/13	2/2	#	n/a	2/2	n/a
L. P. Wilkinson	12/13	#	4/4	n/a	#	n/a
J. Hall	13/13	2/2	4/4	n/a	#	n/a
P. Cooper <sup>(2)</sup>	9/10	1/1	#	n/a	#	n/a

# Not a member of the Committee.

(1) Mr Graham retired from the Board on 20 October 2006.

(2) Mr Cooper was appointed to the Board on 1 October 2006.

### Non-audit Services

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

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out in Note 27 to the Group full financial statements.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit Committee is satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out at note 27 to the Group full financial statements, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in *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 78.

### Rounding of Amounts to the Nearest Thousand Dollars

The Trust is of a kind referred to in class order 98/0100 issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' Report and Financial Report. Amounts in the Directors' Report and Financial Report have been rounded off, in accordance with that class order, to the nearest thousand dollars, or in certain cases, to the nearest dollar.

### Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

Signed at Melbourne, 6 September, 2007 in accordance with a resolution of the Directors.



Director



A. T. Scott

Director

**PricewaterhouseCoopers**  
**ABN 52 780 433 757**

Freshwater Place  
2 Southbank Boulevard  
SOUTHBANK VIC 3006  
GPO Box 1331L  
MELBOURNE VIC 3001  
DX 77  
Website: [www.pwc.com/au](http://www.pwc.com/au)  
Telephone +61 3 8603 1000  
Facsimile +61 3 8603 1999

## Auditor's Independence Declaration

As lead auditor for the audit of Centro Property Trust for the year ended 30 June 2007, I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Centro Property Trust and the entities it controlled during the period.

  
Stephen Cogle  
Partner  
PricewaterhouseCoopers

Melbourne  
6 September 2007

## Summary of Securityholders

as at 30 August 2007

### SUMMARY OF SECURITYHOLDERS AS AT 30 AUGUST 2007

	Fully Paid Ordinary Securities	
	Number of Securityholders	% of Issued Securities
1 – 1,000	3,423	0.20%
1,001 – 5,000	8,084	2.64%
5,001 – 10,000	2,919	2.45%
10,001 – 100,000	2,055	5.25%
100,001 and over	213	89.46%
<b>Number of securityholders</b>	<b>16,694</b>	<b>100.00%</b>
<b>Holdings less than a marketable parcel</b>	<b>122</b>	

### SUBSTANTIAL SECURITYHOLDERS

	Fully Paid Ordinary Securities	
	Number Held	% of Issued Securities
HSBC Custody Nominees (Australia) Limited	137,356,600	16.25%
J P Morgan Nominees Australia Limited	111,724,817	13.22%
National Nominees Limited	96,368,284	11.40%
Citicorp Nominees Pty Limited	63,789,464	7.55%
Citicorp Nominees Pty Limited <CFS Wsale Property SECS A/C>	58,987,043	6.98%

### 20 LARGEST SECURITYHOLDERS

	Fully Paid Ordinary Securities	
	Number Held	% of Issued Securities
HSBC Custody Nominees (Australia) Limited	137,356,600	16.25%
J P Morgan Nominees Australia Limited	111,724,817	13.22%
National Nominees Limited	96,368,284	11.40%
Citicorp Nominees Pty Limited	63,789,464	7.55%
Citicorp Nominees Pty Limited <CFS Whlse Property Secs A/C>	58,987,043	6.98%
ANZ Nominees Limited <Cash Income A/C>	47,364,011	5.60%
Cogent Nominees Pty Limited	23,460,752	2.78%
RBC Dexia Investor Services Australia Nominees Pty Limited <APN A/C>	21,510,375	2.55%
Cogent Nominees Pty Limited <SMP Accounts>	11,728,260	1.39%
AMP Life Limited	11,272,802	1.33%
Bond Street Custodians Limited <Property Securities A/C>	10,620,315	1.26%
Queensland Investment Corporation	10,321,572	1.22%
UBS Wealth Management Australia Nominees Pty Ltd	10,010,078	1.18%
UBS Nominees Pty Ltd	7,895,814	0.93%
Bond Street Custodians Limited <ENH Property Securities A/C>	6,763,562	0.80%
Citicorp Nominees Pty Limited <CISL LPT No 1 Account>	5,834,125	0.69%
Centro MCS Manager Limited <Centro Direct Prop Fund A/C>	5,307,283	0.63%
HSBC Custody Nominees (Australia) Limited – A/C 3	4,071,383	0.48%
Citicorp Nominees Pty Limited <CFSIL CFS WS Indx Prop A/C>	3,902,038	0.46%
Citicorp Nominees Pty Limited <CFSIL Cwith Property 1 A/C>	3,774,405	0.45%
<b>Total 20 Largest Securityholders</b>	<b>652,062,983</b>	<b>77.16%</b>
<b>Total Capital</b>	<b>845,115,968</b>	<b>100.00%</b>

# Securityholder Information

## Investor Communications

Centro has a dedicated Investor Services team to manage investor enquiries on a daily basis. The team can be contacted at the Registered Office on 1800 802 400 (Australia) or +61 3 8847 1802 (International) or by contacting Centro by email on [investor@centro.com.au](mailto:investor@centro.com.au)

## Registry

Investors seeking information on their security holdings may also contact our registrar:

Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235

**Toll Free** 1300 887 890  
(Australia)

**Telephone** +61 2 8280 7189

**Facsimile** + 61 2 9287 0303  
+ 61 2 9287 0309  
(for receipt of proxies)

**Email**  
[registrars@linkmarketservices.com.au](mailto:registrars@linkmarketservices.com.au)

**Website**  
[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

## Online Services

Centro believes everyone benefits from electronic security holder communication. To increase the speed and ease with which communications occur, and cut down on paper usage and mailing costs, you are strongly encouraged to consider electing to communicate electronically.

Email communications provide security holders with prompt information and have the convenience and security of electronic delivery. In addition, there are significant cost savings for Centro and the communications are environmentally friendly.

In order to receive your distribution statements, annual taxation statements, annual reports, notices and all other communications from Centro electronically, please contact Investor Services or the share registry to request an e-communications election form.

A number of security holder services are also available online at the registrar's website address above. You can check your holding, update address details, update bank details, confirm whether you have lodged your TFN, ABN or exemption and download forms. All enquiries require your Security holder Reference Number ('SRN').

## Centro Website

Centro has established a website for the Group at [www.centro.com.au](http://www.centro.com.au) which provides useful information for security holders on Centro and its investments. As part of Centro's Investor Communication Strategy, Centro also publishes stock exchange announcements, up-to-date key statistics, published reports and recent investor presentations.

## Distribution Reinvestment Plan

Centro has in place a Distribution Reinvestment Plan ('DRP') which provides security holders with the choice of applying distributions in reinvestment alternatives in Centro managed funds as determined by the Board from time to time. The reinvestment alternatives offered to security holders during the year were Centro stapled securities or Centro Retail Trust ('CER') stapled securities for the 2007 interim distribution and Centro stapled securities or units in the Centro Direct Property Fund International for the 2007 final distribution. The Board may suspend the DRP as notified to ASX from time to time.

## About this Report

This Annual Report includes the Concise Financial Report. The Full Financial Report and Auditors Report will be sent to securityholders on request, free of charge. Please call 1800 802 400 and a copy will be forwarded to you. Alternatively, both the Full Financial Report and the Concise Financial Report can be accessed via the internet at [www.centro.com.au](http://www.centro.com.au)

## Financial Calendar

Key Dates	
Annual General Meeting	19 October 2007
CNP Trades Ex Distribution	21 December 2007
Record Date for Half Year Distribution	31 December 2007
Half Year Results Announcement	6 February 2008
Half Year Distribution Payable	29 February 2008
CNP Trades Ex Distribution	24 June 2008
Record Date for Final Distribution	30 June 2008

The above dates are approximate only and may change.

# Directory

## Responsible Entity

CPT Manager Limited  
ABN 37 054 494 307

## Board of Directors

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

## Company Secretary

Elizabeth Hourigan

## Registered Office

Corporate Offices  
3rd Floor  
Centro The Glen  
235 Springvale Road  
Glen Waverley Victoria 3150  
Telephone +61 3 8847 0000  
Facsimile +61 3 9886 1234  
Investor Services 1800 802 400  
Email: [investor@centro.com.au](mailto:investor@centro.com.au)  
[www.centro.com.au](http://www.centro.com.au)

## Auditor

PricewaterhouseCoopers  
Freshwater Place  
2 Southbank Boulevard  
Southbank Victoria 3006  
GPO Box 1331L  
Melbourne Victoria 3001

## Corporate Solicitors

Freehills  
101 Collins Street  
Melbourne Victoria 3000

The cover and pages 1–32 of this report are printed on Splendorgel, an environmentally responsible paper. It is an FSC certified mixed source paper, ensuring all virgin pulp is derived from well-managed forests. The remainder of this report is printed on Ozone Offset, an environmentally responsible paper manufactured using Elemental Chlorine Free (ECF) pulp sourced from sustainable, well-managed forests.

FSC (Forest Stewardship Council) is an international not-for-profit, non-government organisation promoting responsible forest management. FSC certification is recognised as a global standard in forest management practises and the Chain of Custody component ensures that the final product can be traced back to a certified source.

For personal use only



**Centro**<sup>™</sup>  
Properties Group

