

**Centro Shopping Centre Securities Ltd**

ACN 122 693 565

**Annual financial report  
for the year ended 30 June 2009**

**Centro Shopping Centre Securities Ltd** ABN 122 693 565  
**Annual financial report - 30 June 2009**

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## Directors' report

The Directors of Centro Shopping Centre Securities Ltd (the "Company") present their report on the Company for the year ended 30 June 2009.

### Directors

The following persons were directors of the Company during the whole of the financial year and up to the date of this report (unless otherwise stated):

Paul Cooper (appointed Chairman 1 July 2008)

Sam Kavourakis

Louis Peter Wilkinson

Jim Hall

Peter Graham Goldie

Secretary: Elizabeth Hourigan

### Principal activities

The principal activities of the Company during the year were to raise finance via the issue of commercial mortgaged backed securities to institutional investors and to provide finance to Centro-managed vehicles at a competitive interest rate.

The Company has been structured as a conduit vehicle passing all costs onto Centro-managed vehicles such that the vehicle returns no taxable income.

### Dividends - Centro Shopping Centre Securities Ltd

No dividends were paid or declared during, or subsequent to the end of, the financial year (2008: Nil).

### Review of operations

The Directors report a loss of \$474,081 for the period ended 30 June 2009, compared to a \$Nil result for the same period last year.

### Significant changes in the state of affairs

The results of the operations of the Company during the year were not substantially affected by any item, transaction or event of a material and unusual nature. \$370 million of obligor loans mature in December 2009 and have been classified as current receivables. The Company understands the obligors are seeking note holder consent to modify the forms for these loans, which may result in the Company not being repaid in December 2009. There have been no significant changes in the state of affairs other than as referred to in the Directors' Report.

### Matters subsequent to the end of the financial year

No matter or circumstance other than described below has arisen in the interval between 30 June 2009 and the date hereof that has significantly affected, or may significantly affect:

- (a) the Company's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the Company's state of affairs in future financial years.

On 13 July 2009, the Company announced that it had appointed Chris Nunn as Group Chief Financial Officer and Dimitri Kiriacoulacos as General Counsel – Australia. Mr Nunn joined in September and Mr Kiriacoulacos will join by October. Both will be members of the Executive Committee.

On 6 August 2009, the Company announced that Glenn Rufrano Chief Executive Officer had advised the board that he would not be renewing his contract beyond February 2010. Tony Clarke also advised that he would not be renewing his contract as Chief Executive Officer Australia beyond February 2010. A search for a new Chief Executive Officer has commenced.

### Likely developments and expected results of operations

Information on the likely developments in the operations of the Company has not been included in the report because of the volatility in the global economy and the uncertainty this creates with forecasting performance which the Directors believe would be likely to result in unreasonable prejudice to the Company.

### Environmental regulation

The Company's operations are not subject to any particular or significant environmental regulations under a law of the Commonwealth, State or Territory.

**Indemnification and Insurance of Directors and Officers**

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

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 the Company. 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.

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 3.

**Auditor**

PricewaterhouseCoopers resigned as the auditor in December 2008. Moore Stephens was appointed to replace PricewaterhouseCoopers.

Signed in accordance with a resolution of the Board of Directors.



Director

Melbourne  
21st September 2009

**AUDITOR'S INDEPENDENCE DECLARATION  
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF CENTRO SHOPPING CENTRE SECURITIES LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2009 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

*Moore Stephens*

MOORE STEPHENS  
Chartered Accountants

*Scott Phillips*

Scott Phillips  
Partner

Melbourne, 21 September 2009

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**Centro Shopping Centre Securities Ltd**  
**Income statement**  
**For the year ended 30 June 2009**

	2009	2008
	\$	\$
<b>Revenue</b>		
Revenue from continuing operations	55,156,703	68,742,016
<b>Other Income</b>		
Fair value through profit & loss on foreign currency derivative	<u>8,724,234</u>	<u>5,942,927</u>
<b>Total revenue and other income</b>	<u>63,880,937</u>	<u>74,684,943</u>
<b>Expenses</b>		
Financing costs	(52,618,094)	(67,544,322)
Other expenses	(715,358)	(73,020)
Unrealised loss on foreign currency translation	(9,992,116)	(5,588,500)
Management fees	<u>(1,029,450)</u>	<u>(1,479,101)</u>
<b>Net loss before income tax expense</b>	<u>(474,081)</u>	-
Income tax expense	-	-
<b>Profit/(loss) for the year</b>	<u>(474,081)</u>	<u>-</u>
Profit attributable to:		
Equity holders of Centro Shopping Centre Securities Ltd	<u>(474,081)</u>	<u>-</u>
	<u>(474,081)</u>	<u>-</u>

*The above income statement should be read in conjunction with the accompanying notes.*

**Centro Shopping Centre Securities Ltd**  
**Balance sheet**  
**As at 30 June 2009**

	Notes	2009 \$	2008 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		2,089,829	3,596,259
Trade and other receivables	3	370,629,896	2,023,812
Derivative financial instruments		<u>3,863,231</u>	-
<b>Total current assets</b>		<u><b>376,582,956</b></u>	<u><b>5,620,071</b></u>
<b>Non-current assets</b>			
Receivables	4	<u>529,980,000</u>	<u>899,800,001</u>
<b>Total non-current assets</b>		<u><b>529,980,000</b></u>	<u><b>899,800,001</b></u>
<b>Total assets</b>		<u><b>906,562,956</b></u>	<u><b>905,420,072</b></u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		<u>3,202,925</u>	<u>6,717,073</u>
<b>Total current liabilities</b>		<u><b>3,202,925</b></u>	<u><b>6,717,073</b></u>
<b>Non-current liabilities</b>			
Interest bearing liabilities	5	903,834,111	893,841,995
Derivative financial instruments		-	4,861,003
<b>Total non-current liabilities</b>		<u><b>903,834,111</b></u>	<u><b>898,702,998</b></u>
<b>Total liabilities</b>		<u><b>907,037,036</b></u>	<u><b>905,420,071</b></u>
<b>Net asset / (liability)</b>		<u><b>(474,080)</b></u>	<u><b>1</b></u>
<b>EQUITY</b>			
Contributed equity	6	1	1
Retained profits		<u>(474,081)</u>	-
<b>Total equity</b>		<u><b>(474,080)</b></u>	<u><b>1</b></u>

*The above balance sheet should be read in conjunction with the accompanying notes.*

**Centro Shopping Centre Securities Ltd**  
**Statement of changes in equity**  
**For the year ended 30 June 2009**

	2009 \$	2008 \$
<b>Total equity at the beginning of the financial year</b>	<u>1</u>	<u>1</u>
Profit/(loss) for the year	<u>(474,081)</u>	<u>-</u>
<b>Total recognised income and expense for the year</b>	<u>(474,081)</u>	<u>-</u>
<b>Total equity at the end of the financial year</b>	<u>(474,080)</u>	<u>1</u>
Total recognised income and expense for the year is attributable to:		
Members of Centro Shopping Centre Securities Ltd	<u>(474,081)</u>	<u>-</u>
	<u>(474,081)</u>	<u>-</u>

*The above statement of changes in equity should be read in conjunction with the accompanying notes.*



**Centro Shopping Centre Securities Ltd**  
**Cash flow statement**  
**For the year ended 30 June 2009**

	2009	2008
Notes	\$	\$
<b>Cash flows from operating activities</b>		
Payments to suppliers and employees (inclusive of goods and services tax)	(4,451,543)	(312,620)
Interest received	56,375,185	69,445,710
Interest paid	<u>(53,430,073)</u>	<u>(66,833,690)</u>
<b>Net cash (outflow)/inflow from operating activities</b>	<b>13</b> <u>(1,506,431)</u>	<u>2,299,400</u>
Cash and cash equivalents at the beginning of the financial year	<u>3,596,259</u>	<u>1,296,859</u>
<b>Cash and cash equivalents at the end of the financial year</b>	<b><u>2,089,828</u></b>	<b><u>3,596,259</u></b>

*The above cash flow statement should be read in conjunction with the accompanying notes.*

## 1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### (a) Basis of preparation

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

The accounting policies adopted are consistent with those of the previous financial year. When the presentation or classification of items in the financial report is amended comparative amounts are also reclassified unless it is impractical.

The net liability position is due to the unrealised movements in mark-to-market of derivative, which will reverse.

The Company has receivables from Centro MCS Syndicates who have derivatives where Centro Properties Group ("CNP") is the counterparty. The independent audit report on the financial statements of CNP includes an emphasis of matter regarding going concern. Whilst the financial statements of CNP have been prepared on a going concern basis, a significant uncertainty exists whilst CNP continues to renegotiate funding with lenders, considers potential assets sales and recapitalisation options. Should CNP not continue as a going concern, a significant uncertainty exists in relation to the recoverability of receivables and derivatives due from CNP and the impact this may have on the ability of the Company to refinance borrowings, if necessary.

The Company also has receivables from Centro Retail Trust ("CER"). The independent audit report on the financial statements of CER includes an emphasis of matter regarding going concern. Whilst the financial statements of CER have been prepared on a going concern basis, a significant uncertainty exists whilst CER continues to renegotiate funding with lenders, considers potential assets sales and recapitalisation options. Should CER not continue as a going concern, a significant uncertainty exists in relation to the recoverability of receivables due from CER and the impact this may have on the ability of the Company to refinance borrowings, if necessary.

The financial report has been prepared on going concern basis.

#### *Compliance with IFRS*

This financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

#### *Historical cost convention*

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

### (b) Revenue recognition

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that the future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as described below.

All revenue is stated net of the amount of goods and services tax (GST).

#### (i) *Interest income*

Interest revenue is recognised on an accruals basis taking into account interest rates applicable to financial assets. Other revenue is recognised when earned.

## 1 Summary of significant accounting policies

### (e) Trade receivables

Trade receivables are recognised initially at fair value, and subsequently measured at amortised cost less a provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. A provision for impairments of receivables is raised when objective evidence that the company may not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indications that the trade receivable is impaired.

### (f) Financial assets

Interest bearing assets /or loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company 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 are included in receivables in the balance sheet.

### (g) Trade and other payables

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

### (h) Interest Bearing Liabilities

Loans are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and is recorded as part of other creditors.

### (i) Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred.

Borrowing costs include:

- interest on short-term and long term borrowings, including amounts paid or receivable on interest rate swaps; and
- amortisation of discounts or premiums relating to borrowings.

## 2 Segment information

### Business segments

The Company acts as an arranger for commercial mortgage backed securities, and as a facilitator for interest swap agreements.

### Geographical segments

The Company operates in one geographical area being Australia.

**3 Current assets - Trade and other receivables**

	2009 \$	2008 \$
<b>Net trade receivables</b>		
Trade receivables	-	-
Provision for impairment of receivables	-	-
	-	-
Short-term loans and receivable from related parties	370,625,896	2,023,812
Prepayments	4,000	-
	370,629,896	2,023,812

**(a) Impaired trade receivables**

There are no impaired trade receivables for the Company in 2009 or 2008.

**(b) Past due but not impaired**

There are no amounts past due but not impaired for the Company in 2009 or 2008.

**4 Non-current assets - Receivables**

	2009 \$	2008 \$
Loans and receivable from related parties	529,980,000	899,800,001
	529,980,000	899,800,001

**5 Non-current liabilities - Interest bearing liabilities**

	2009 \$	2008 \$
<b>Secured</b>		
Commercial mortgage backed securities	903,834,111	893,841,995
Total non-current interest bearing liabilities	903,834,111	893,841,995

**(a) Secured liabilities and assets pledged as security**

Both current and non current Commercial mortgage backed securities issues are secured by the following investment properties: Kmart Alice Springs, Lennox, Maitland Hunter Mall, Kmart Plaza, Liquor Land, Townsville, Newcomb, Albion Park, Langwarrin, Gateway, Hilton, Rosebud, Meadow Heights, Roselands, Kidman Park, Dubbo, Raymond Terrace, Karratha, Oxenford, Emerald, Emerald Market, Maddington, Indooroopilly, Tweed Supermarket, Sunshine Market Place, Pinelands, Lismore, Woodcroft, Port Pirie, Morwell Coles, Albury, Newton, Gladstone, Whites Hill, Monier Road, Samuel, Galleria, Goulburn, Colonnades, Mildura, Wodonga, Westside, Buranda.

## 6 Contributed equity

	2009 Shares	2008 Shares	2009 \$	2008 \$
<b>(a) Share capital</b>				
Ordinary shares	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
<b>Total consolidated contributed equity</b>			<u>1</u>	<u>1</u>

### (b) Ordinary shares

Ordinary shares have the right to receive dividends as declared and in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to ownership. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

## 7 Financial risk management

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

Risk management is carried out by a central treasury department (Company Treasury) under policies approved by the Board of Directors and subject to periodic review. Company Treasury identifies, evaluates and mitigates financial risks in close co-operation with the Company's operating units. On a monthly basis Company Treasury reports to the board the entity's derivative position and compliance with policy. In addition the Financial Risk Management committee meets on a monthly basis to ensure that all treasury activities are in compliance with approved policies.

The Company holds the following financial instruments:

	2009 \$'000	2008 \$'000
<b>Financial assets</b>		
Cash and cash equivalents	2,090	3,596
Trade and other receivables	810	2,024
Derivative financial instruments	3,863	-
Other financial asset	<u>899,800</u>	<u>899,800</u>
	<u>906,563</u>	<u>905,420</u>
<b>Financial liabilities</b>		
Trade and other payable	3,203	6,717
Interest bearing liabilities	903,834	893,842
Derivative financial instruments	-	4,861
	<u>907,037</u>	<u>905,420</u>

## 7 Financial risk management

### (a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments.

#### (i) Foreign exchange risk

The Company is exposed to foreign exchange risk arising from currency exposures to the EURO.

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

During the year, the Company held EURO loans. In order to protect against exchange rate movements, the Company has entered into foreign exchange contracts to buy EURO. The contracts are timed to mature when interest payments are expected to be received.

The Company's exposure to foreign currency risk at the reporting date was as follows:

	30 June 2009		30 June 2008	
	USD \$'000	EUR \$'000	USD \$'000	EUR \$'000
Interest bearing liabilities	-	(100,000)	-	(100,000)
Cross Currency Interest Rate Swaps <sup>(1)</sup>	-	100,000	-	100,000
Net exposure	-	-	-	-

1. The notional balances for the cross currency interest rate swaps represent only the non-Australian dollar legs as these give rise to foreign exchange risk

#### (ii) Interest rate risk exposure

The Company holds interest bearing liabilities which are exposed to interest rate risks. Borrowings issued at variable rates expose the Company to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Company to fair value interest-rate risk. The risks and benefits are passed on to the Centro-managed vehicles.

The Company manages its cash flow interest-rate risk by using floating-to-floating interest rate swaps.

As at the reporting date, the Company had the following variable rate borrowings and interest rate swap contracts outstanding:

	30 June 2009	30 June 2008
	Notional Principal Settlement \$'000	Notional Principal Settlement \$'000
Bank overdrafts and bank loans	903,834	893,842
Cross Currency Interest rate swaps <sup>(1)</sup>	(4,034)	5,958
Net exposure to cash flow interest rate risk	<u>899,800</u>	<u>899,800</u>

As at the reporting date, the Company had no fixed rate borrowings outstanding.

## 7 Financial risk management

### Sensitivity analysis

The tables below disclose the impact that a 130 basis point (bps) (i.e. 1.3%) (2008: +/- 100bps) shift in the forward interest rate curve would have on the Company's post tax profits and equity (excluding retained profits). Management does not consider it reasonably possible that interest rates will fall over the coming 12 months having regard to forecasted movements in the three month forward interest rate curve for both BBSW and LIBOR and has therefore performed the sensitivity analysis presented below on that basis. The sensitivities have been reassessed by management during the financial year in light of the current economic environment.

30 June 2009	Interest rate risk +1.3%	
	Profit \$'000	Equity \$'000
<b>Financial assets</b>		
Other financial assets	6,565	-
Derivatives - fair value through profit and loss	4,003	-
<b>Financial liabilities</b>		
Derivatives - fair value through profit and loss	-	-
Interest bearing liability	(5,667)	-
<b>Total increase/ (decrease)</b>	<u>4,901</u>	<u>-</u>

30 June 2008	Interest rate risk			
	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
-1%				
<b>Financial assets</b>				
Other financial assets	(14,600)	-	3,719	-
<b>Financial liabilities</b>				
Derivatives - fair value through profit and loss	(404)	-	391	-
Interest bearing liability	8,362	-	(6,517)	-
<b>Total increase/ (decrease)</b>	<u>(6,642)</u>	<u>-</u>	<u>(2,407)</u>	<u>-</u>

### (b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. These counterparties include, but are not limited to, Centro entities, banks and financial institutions.

Credit limits have been established to ensure that the Company deals only with approved counterparties and that counterparty concentration risk is addressed and the risk of loss is mitigated.

The maximum exposure to credit risk of recognised financial assets at balance date, excluding the value of any collateral or other security, is the carrying amount as disclosed in the balance sheet and notes to the financial statements. The Company does not have any material credit risk exposure to a single debtor or group of debtors under financial instruments entered into by the Company.

## 7 Financial risk management

### (c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company had no access to an un-drawn borrowing facility at the reporting date.

#### *Maturities of financial liabilities*

The tables below analyse the Company's financial liabilities including net and gross settled derivative financial instruments and debt, by their relevant maturity groupings based on the time remaining to contractual maturity from the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. For cross currency interest rate swaps (CCIRS) and variable debt the cash flows have been estimated using forward interest rates and spot foreign exchange rates applicable at the reporting date.

At 30 June 2009	Less than 6 months	6 - 12 months	1 - 2 years	2 - 5 years	Over 5 years	Total contractual cash flows	Carrying Amount (assets)/ liabilities \$'000
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Non-derivatives</b>							
Trade and other payables	3,203	-	-	-	-	3,203	3,203
Variable loans <sup>(1)</sup>	<u>383,495</u>	<u>10,770</u>	<u>29,090</u>	<u>553,063</u>	-	<u>976,418</u>	<u>903,834</u>
<b>Total non-derivatives</b>	<u>386,698</u>	<u>10,770</u>	<u>29,090</u>	<u>553,063</u>	-	<u>979,621</u>	<u>907,037</u>
<b>CCIRS</b>	<u>19,646</u>	<u>2,977</u>	<u>81,544</u>	<u>79,931</u>	-	<u>184,098</u>	<u>(3,863)</u>

(1) Projected cashflows reflect underlying obligor loan maturity dates.

At 30 June 2008	Less than 6 months	6 - 12 months	1 - 2 years	2 - 5 years	Over 5 years	Total contractual cash flows	Carrying Amount (assets)/ liabilities \$'000
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Non-derivatives</b>							
Trade and other payables	6,717	-	-	-	-	6,717	-
Variable rate borrowings	<u>24,934</u>	<u>25,705</u>	<u>49,597</u>	<u>965,206</u>	-	<u>1,065,442</u>	<u>893,842</u>
<b>Total non-derivatives</b>	<u>31,651</u>	<u>25,705</u>	<u>49,597</u>	<u>965,206</u>	-	<u>1,072,159</u>	<u>893,842</u>
<b>Derivatives</b>							
CCIRS	<u>6,979</u>	<u>6,977</u>	<u>330,942</u>	<u>317,963</u>	-	<u>662,861</u>	<u>4,861</u>
<b>Total derivatives</b>	<u>6,979</u>	<u>6,977</u>	<u>330,942</u>	<u>317,963</u>	-	<u>662,861</u>	<u>4,861</u>

### (d) Fair value estimation

At 30 June 2009, the Company had \$906.6 million of financial assets (2008: \$905.4 million) of which \$0.81 million related to trade receivables and \$899.8 million related to a loan.



## 8 Key management personnel disclosures

### (a) Directors

The following persons were directors of Centro Shopping Centre Securities Ltd during the financial year:

#### (i) Chairman - non-executive

P. Cooper (appointed Chairman 1 July 2008)

#### (ii) Non-executive directors

P. G. Goldie

S. Kavourakis

L. P. Wilkinson

J. Hall

### (b) Key management personnel compensation

Key management personnel are paid by Centro Properties Group. Payments made from CPT Manager Ltd to Centro Properties Group do not include any amounts that are directly attributable to the compensation for services provided to Centro Shopping Centre Securities Limited.

### (c) Loans to key management personnel

No loans have been made to the directors of Centro Shopping Centre Securities Limited and other key management personnel of the company including their personally related entities, by Centro Shopping Centre Securities Limited.

### (d) Other transactions with key management personnel

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

## 9 Remuneration of auditors

	2009	2008
	\$	\$
<b>(a) Audit services</b>		
2009: Moore Stephens (2008: PricewaterhouseCoopers)		
Audit and review of financial reports	<u>35,683</u>	<u>73,020</u>
Total remuneration for audit services	<u>35,683</u>	<u>73,020</u>

No non-audit services were provided in 2009 or 2008.

## 10 Contingencies

The Directors are not aware of any contingent liabilities as at the date of this report.

## 11 Related party transactions

### (a) Directors

The names of persons who were Directors of Centro Shopping Centre Securities Ltd during the financial year are as follows:

Paul Cooper, Peter Graham Goldie, Sam Kavourakis, Louis Peter Wilkinson, and Jim Hall.

All of the Directors received or were entitled to receive distributions either beneficially or as Director or Trustee of associated entities.

### (b) Transactions with related parties

Income was derived from related entities on the basis outlined in Note 1.

Interest income from related entities in accordance with the provisions of the Company is shown in the table below.

	2009 \$	2008 \$
Centro MCS 10 SPV	2,762,954	3,495,910
Centro MCS 17 SPV	3,923,921	4,964,859
Centro MCS 18 SPV	1,929,777	2,439,607
Centro MCS 21 SPV	4,504,404	5,699,333
Centro MCS 22 SPV	996,212	1,259,403
Centro MCS 23 SPV	1,345,531	1,698,115
Centro MCS 25 SPV	2,514,612	3,181,689
Centro MCS 26 SPV	3,328,756	4,211,810
Centro MCS 27 SPV	3,344,942	4,221,452
Centro MCS 34 SPV	4,452,859	5,629,266
Centro MCS 37 SPV	6,074,314	7,679,096
Centro Retail Trust	<u>19,808,729</u>	<u>25,107,262</u>
	<u>54,987,011</u>	<u>69,587,802</u>

## 12 Events occurring after the reporting period

On 13 July 2009, the Company announced that it had appointed Chris Nunn as Group Chief Financial Officer and Dimitri Kiriacoulacos as General Counsel – Australia. Mr Nunn joined in September and Mr Kiriacoulacos will join by October. Both will be members of the Executive Committee.

On 6 August 2009, Centro Properties Limited announced that Glenn Rufrano Chief Executive Officer had advised the board that he would not be renewing his contract beyond February 2010. Tony Clarke also advised that he would not be renewing his contract as Chief Executive Officer Australia beyond February 2010. A search for a new Chief Executive Officer has commenced.

Except for the above events, the Directors are not aware of any other matters or circumstances that have arisen since the end of the year that significantly affected or may significantly affect the operations of Centro Shopping Centre Securities Limited, the results of those operations, or the state of affairs of Centro Shopping Centre Securities Limited in subsequent financial years.

**13 Reconciliation of profit after income tax to net cash inflow from operating activities**

	2009	2008
	\$	\$
Net loss before income tax expense	(474,081)	-
Unrealised foreign currency (increments)/decrements	9,992,116	5,588,500
Unrealised mark-to-market (increments)/decrements	(8,724,234)	(5,942,927)
Decrease/(increase) in assets		
Trade and other receivables	1,221,401	(35,304)
Increase/(decrease) in liabilities		
Trade and other payables	<u>(3,521,633)</u>	<u>2,689,131</u>
Net cash (outflow) inflow from operating activities	<u>(1,506,431)</u>	<u>2,299,400</u>

The Directors of Centro Shopping Centre Securities Ltd, declare that:

- (a) the financial statements and notes of Centro Shopping Centre Securities Ltd set out on pages 4 to 17 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of Centro Shopping Centre Securities Ltd's financial position as at 30 June 2009 and of its performance for the year ended on that date; and
- (b) In the Directors' opinion there are reasonable grounds to believe that Centro Shopping Centre Securities Ltd will be able to pay its debts as and when they become due and payable.

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



Director

Melbourne  
21st September 2009

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF CENTRO SHOPPING CENTRE SECURITIES LIMITED**

**Report on the Financial Report**

We have audited the accompanying financial report of Centro Shopping Centre Securities Limited (the company), which comprises the balance sheet as at 30 June 2009 and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

*Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

*Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These 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 is free from material misstatement.

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

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

*Independence*

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

Moore Stephens ABN 39 533 589 331  
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*Auditor's Opinion*

In our opinion:

- (a) the financial report of Centro Shopping Centre Securities Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2009 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

*Moore Stephens*

MOORE STEPHENS  
Chartered Accountants

*Scott Phillips*

Scott Phillips  
Partner

Melbourne, 21 September 2009